

Advantech Co., Ltd.

**Financial Statements for the
Six Months Ended June 30, 2010 and 2009 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Advantech Co., Ltd.

We have audited the accompanying balance sheets of Advantech Co., Ltd. as of June 30, 2010 and 2009, and the related statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as stated in the following paragraph, we conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As stated in Note 8 to the financial statements, Advantech Co., Ltd. had investments accounted for by the equity method. As of June 30, 2010 and 2009, these investments had carrying values of NT\$3,845,114 thousand and NT\$3,034,086 thousand, respectively. As of June 30, 2010 and 2009, the credit balances on the carrying values of the equity-method investments were NT\$8,845 thousand and NT\$6,568 thousand, respectively. These investment amounts and the net investment gain of NT\$188,432 thousand and loss of NT\$48,149 thousand in the six months ended June 30, 2010 and 2009, respectively, as well as additional disclosures in Note 19 required by the Securities and Futures Bureau for the Company and its investees, were based on the investees' unaudited financial statements for the same reporting periods as those of the Company.

In our opinion, except for any adjustments that might have been determined to be necessary had the financial statements of the equity-method investees mentioned in the preceding paragraph been audited, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Advantech Co., Ltd. as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the six-months then ended, in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the accompanying financial statements, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 10 - "Inventories" on January 1, 2009.

We have reviewed the consolidated financial statements of Advantech Co., Ltd. and its subsidiaries as of and for the year ended June 30, 2010 and 2009 and have issued an qualified accountants' review report thereon dated August 5, 2010 (not presented herewith) with an explanatory paragraph.

August 5, 2010

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

ADVANTECH CO., LTD.
**BALANCE SHEETS
JUNE 30, 2010 AND 2009**
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2010		2009		LIABILITIES AND SHAREHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 4)	\$ 1,465,874	9	\$ 2,321,181	15	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 18)	\$ 28,882	-	\$ 11,459	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 18)	46,091	-	1,234	-	Accounts payable	687,947	4	284,045	2
Notes receivable (Note 2)	36,886	-	39,080	-	Accounts payable to related parties (Note 16)	1,267,951	7	826,395	6
Accounts receivable, net of allowance for doubtful accounts of \$16,197 thousand in 2010 and \$19,677 thousand in 2009 (Note 2)	895,170	5	471,594	3	Income tax payable (Notes 2 and 13)	254,648	1	216,909	1
Accounts receivable - related parties, net (Notes 2 and 16)	2,055,218	12	1,209,209	8	Accrued expenses (Note 11)	797,179	5	634,474	4
Other receivable	57,458	-	75,348	1	Dividend payable (Note 11)	2,006,535	12	1,490,598	10
Other receivable - related parties (Note 16)	25,508	-	95,828	1	Advance receipts and other current liabilities (Note 16)	67,745	-	56,820	-
Inventories, net (Notes 2, 3 and 7)	1,183,842	7	780,010	5	Total current liabilities	5,110,887	29	3,520,700	23
Deferred income tax assets - current (Notes 2 and 13)	21,881	-	24,385	-	OTHER LIABILITIES				
Prepayments and other current assets	45,885	-	119,549	1	Accrued pension liabilities (Notes 2 and 10)	103,578	1	104,540	1
Total current assets	5,833,813	33	5,137,418	34	Deferred income tax liabilities - noncurrent (Notes 2 and 13)	301,712	2	234,056	2
LONG-TERM FUNDS AND INVESTMENTS					Deferred credits (Note 2)	207,700	1	182,842	1
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 18)	2,328,780	13	1,997,119	13	Others (Notes 2 and 8)	8,845	-	6,568	-
Equity-method investments (Notes 2 and 8)	6,851,407	39	5,542,591	36	Total other liabilities	621,835	4	528,006	4
Total long-term funds and investments	9,180,187	52	7,539,710	49	Total liabilities	5,732,722	33	4,048,706	27
PROPERTIES (Notes 2 and 9)					SHAREHOLDERS' EQUITY				
Cost					Capital stock, NT\$10.00 par value				
Land	1,113,352	6	1,113,352	7	Authorized - 600,000 thousand shares				
Buildings	1,182,812	7	1,140,040	8	Issued and outstanding - 516,134 thousand shares in 2010 and 511,386 thousand shares in 2009	5,161,337	29	5,113,858	34
Machinery and equipment	429,347	3	398,112	3	For issuance	-	-	46,229	-
Furniture and fixtures	106,667	1	118,959	1	Total capital stock	5,161,337	29	5,160,087	34
Miscellaneous equipment	207,502	1	178,419	1	Capital surplus				
Total cost	3,039,680	18	2,948,882	20	Additional paid-in capital from share issuance in excess of par value	4,376,041	25	4,374,743	29
Accumulated depreciation	682,240	4	603,222	4	From treasury stock	13,612	-	13,612	-
Construction in progress and prepayment for equipment	2,357,440	14	2,345,660	16	From long-term equity investments	59,911	1	60,230	-
	5,481	-	49,631	-	Employee stock options	37,241	-	-	-
Net properties	2,362,921	14	2,395,291	16	Total capital surplus	4,486,805	26	4,448,585	29
OTHER ASSETS					Retained earnings				
Refundable deposits	6,262	-	4,240	-	Legal reserve	2,102,592	12	1,927,458	13
Deferred expenses, net (Note 2)	108,634	1	123,201	1	Special reserve	70,136	-	1,135,596	7
Total other assets	114,896	1	127,441	1	Unappropriated earnings	2,072,063	12	736,573	5
					Total retained earnings	4,244,791	24	3,799,627	25
					Others				
					Cumulative translation adjustments	173,626	1	317,990	2
					Net loss not recognized as pension cost	(2,353)	-	-	-
					Unrealized valuation loss on financial instruments	(919,413)	(5)	(1,189,437)	(8)
					Treasury stock - 14,500 thousand shares	(1,385,698)	(8)	(1,385,698)	(9)
					Total other equity	(2,133,838)	(12)	(2,257,145)	(15)
					Total shareholders' equity	11,759,095	67	11,151,154	73
TOTAL	\$ 17,491,817	100	\$ 15,199,860	100	TOTAL	\$ 17,491,817	100	\$ 15,199,860	100

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated August 5, 2010)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 16)				
Sales	\$ 7,387,470	99	\$ 4,920,708	100
Sales returns and allowances	<u>38,231</u>	<u>-</u>	<u>59,679</u>	<u>1</u>
Net sales	7,349,239	99	4,861,029	99
Other operating revenues	<u>81,958</u>	<u>1</u>	<u>54,425</u>	<u>1</u>
Total operating revenue	7,431,197	100	4,915,454	100
OPERATING COSTS (Notes 7, 14 and 16)	<u>5,555,914</u>	<u>75</u>	<u>3,647,578</u>	<u>74</u>
GROSS PROFIT	1,875,283	25	1,267,876	26
REALIZED (UNREALIZED) INTERCOMPANY GAINS (Note 2)	<u>(23,047)</u>	<u>-</u>	<u>68,186</u>	<u>1</u>
ADJUSTED GROSS PROFIT	<u>1,852,236</u>	<u>25</u>	<u>1,336,062</u>	<u>27</u>
OPERATING EXPENSES (Notes 14 and 16)				
Marketing	180,644	3	132,438	3
Administrative	217,408	3	196,455	4
Research and development	<u>593,510</u>	<u>8</u>	<u>508,914</u>	<u>10</u>
Total operating expenses	<u>991,562</u>	<u>14</u>	<u>837,807</u>	<u>17</u>
OPERATING INCOME	<u>860,674</u>	<u>11</u>	<u>498,255</u>	<u>10</u>
NONOPERATING INCOME AND GAINS				
Interest (Note 16)	1,649	-	2,636	-
Equity in net income of investees, net (Notes 2 and 8)	465,974	6	205,061	4
Gain on disposal of investments, net	977	-	-	-
Foreign exchange gain, net (Note 2)	-	-	16,384	1
Royalty revenue (Note 16)	125,808	2	84,394	2
Valuation gain on financial instruments, net (Notes 2 and 5)	52,232	1	-	-
Dividend income	96,159	1	-	-
Other income (Note 16)	<u>64,658</u>	<u>1</u>	<u>12,544</u>	<u>-</u>
Total nonoperating income and gains	<u>807,457</u>	<u>11</u>	<u>321,019</u>	<u>7</u>

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Foreign exchange loss, net (Note 2)	\$ 88,396	1	\$ -	-
Financial instrument revaluation loss, net (Notes 2 and 5)	-	-	6,258	-
Other expenses	<u>3,429</u>	<u>-</u>	<u>1,518</u>	<u>-</u>
Total nonoperating expenses and losses	<u>91,825</u>	<u>1</u>	<u>7,776</u>	<u>-</u>
INCOME BEFORE INCOME TAX	1,576,306	21	811,498	17
INCOME TAX (Notes 2 and 13)	<u>142,146</u>	<u>2</u>	<u>77,705</u>	<u>2</u>
NET INCOME	<u>\$ 1,434,160</u>	<u>19</u>	<u>\$ 733,793</u>	<u>15</u>
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (IN NEW TAIWAN DOLLARS; Note 15)				
Basic	<u>\$ 3.14</u>	<u>\$ 2.86</u>	<u>\$ 1.62</u>	<u>\$ 1.47</u>
Diluted	<u>\$ 3.12</u>	<u>\$ 2.84</u>	<u>\$ 1.61</u>	<u>\$ 1.46</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated August 5, 2010)

(Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Stock - Issued and Outstanding (Note 11)		For Issuance (Note 11)	Capital Surplus (Notes 2 and 11)				Retained Earnings (Notes 2 and 11)				Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Gain (Loss) on Financial Instruments (Notes 2 and 18)	Treasury Stock (Notes 2 and 12)	Total Shareholders' Equity	
	Shares (Thousands)	Amount		Share Issuance in Excess of Par Value	From Treasury Stock	From Long-term Investments	From Employee Stock Options	Total	Legal Reserve	Special Reserve	Unappropriated Earnings						Total
BALANCE, JANUARY 1, 2010	516,134	\$ 5,161,337	\$ -	\$ 4,376,041	\$ 13,612	\$ 59,911	\$ 5,257	\$ 4,454,821	\$ 1,927,459	\$ 1,135,596	\$ 1,754,111	\$ 4,817,166	\$ 227,050	\$ (2,353)	\$ (294,833)	\$ (1,385,698)	\$ 12,977,490
Appropriation of the 2009 earnings	-	-	-	-	-	-	-	-	175,133	-	(175,133)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	(2,006,535)	(2,006,535)	-	-	-	-	(2,006,535)
Cash dividends - NT\$4.00 per share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	-	-	(1,065,460)	1,065,460	-	-	-	-	-	-
Net income for the six months ended June 30, 2010	-	-	-	-	-	-	-	-	-	-	1,434,160	1,434,160	-	-	-	-	1,434,160
Employee stock options	-	-	-	-	-	-	31,984	31,984	-	-	-	-	-	-	-	-	31,984
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(660,381)	-	(660,381)
Equity in the changes in unrealized gain (loss) on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,801	-	35,801
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	(53,424)	-	-	-	(53,424)
BALANCE, JUNE 30, 2010	516,134	\$ 5,161,337	\$ -	\$ 4,376,041	\$ 13,612	\$ 59,911	\$ 37,241	\$ 4,486,805	\$ 2,102,592	\$ 70,136	\$ 2,072,063	\$ 4,244,791	\$ 173,626	\$ (2,353)	\$ (919,413)	\$ (1,385,698)	\$ 11,759,095
BALANCE, JANUARY 1, 2009	511,346	\$ 5,113,458	\$ -	\$ 4,295,589	\$ 13,612	\$ 59,771	\$ -	\$ 4,368,972	\$ 1,673,104	\$ -	\$ 2,908,171	\$ 4,581,275	\$ 320,051	\$ -	\$ (1,455,647)	\$ (1,385,698)	\$ 11,542,411
Appropriation of the 2008 earnings (Note)	-	-	-	-	-	-	-	-	254,354	-	(254,354)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	(1,135,596)	(1,135,596)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	1,135,596	-	-	-	-	-	-	-
Stock dividends - 0.5%	-	-	24,843	-	-	-	-	-	-	-	(24,843)	(24,843)	-	-	-	-	-
Cash dividends - NT\$3 per share	-	-	-	-	-	-	-	-	-	-	(1,490,598)	(1,490,598)	-	-	-	-	(1,490,598)
Issuance of stock bonus to employees	-	-	21,386	78,614	-	-	-	78,614	-	-	-	-	-	-	-	-	100,000
Net income for the six months ended June 30, 2009	-	-	-	-	-	-	-	-	-	-	733,793	733,793	-	-	-	-	733,793
Employee stock options	40	400	-	540	-	-	-	540	-	-	-	-	-	-	-	-	940
Increase in carrying value of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	-	459	-	459	-	-	-	-	-	-	-	-	459
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	265,504	-	265,504
Equity in the changes in unrealized valuation gain (loss) on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	706	-	706
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	(2,061)	-	-	-	(2,061)
BALANCE, JUNE 30, 2009	511,386	\$ 5,113,858	\$ 46,229	\$ 4,374,743	\$ 13,612	\$ 60,230	\$ -	\$ 4,448,585	\$ 1,927,458	\$ 1,135,596	\$ 736,573	\$ 3,799,627	\$ 317,990	\$ -	\$ (1,189,437)	\$ (1,385,698)	\$ 11,151,154

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated August 5, 2010)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,434,160	\$ 733,793
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	87,311	85,488
Provision for bad debts	-	5,745
Provision for loss on inventories	12,010	4,525
Loss on disposal of scrap inventories	18,258	42,606
Gain on disposal of long-term equity investments, net	(977)	-
Loss (gain) on disposal of properties, net	(13)	73
Equity in net income of investees, net	(465,974)	(205,061)
Cash dividends from equity-method investees	101,849	-
Compensation cost of employee stock options	31,984	-
Accrued pension liabilities	613	(1,825)
Deferred income taxes	18,063	26,827
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(6,135)	(11,461)
Notes receivable	(15,732)	(8,175)
Accounts receivable	(296,634)	89,505
Accounts receivable - related parties	(576,698)	193,238
Inventories	(384,571)	(41,510)
Other receivables	(18,299)	171,394
Other receivable - related parties	5,894	(46,970)
Prepayments and other current assets	65,033	(87,246)
Accounts payable	255,159	(13,135)
Accounts payable - related parties	153,958	132,174
Income tax payable	110,247	(59,302)
Accrued expenses	213,787	123,705
Advance receipts and other current liabilities	(18,431)	(13,576)
Deferred credits	23,047	(68,186)
Net cash provided by operating activities	<u>747,909</u>	<u>1,052,626</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of capital reduction of available-for-sale financial assets	1,645	-
Acquisition of long-term equity investments	(811,709)	-
Proceeds of the sale of equity-method investments	2,159	120,000
Acquisition of properties	(45,496)	(44,126)
Proceeds of the disposal of properties	91	85
Increase in deferred expenses	(11,754)	(6,900)
Decrease in refundable deposits	428	2,398
Net cash provided by (used in) investing activities	<u>(864,636)</u>	<u>71,457</u>

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ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Employee stock options	\$ -	\$ 940
Cash bonus to employees and remuneration to directors and supervisors	<u>(124,302)</u>	<u>(26,940)</u>
Net cash used in financing activities	<u>(124,302)</u>	<u>(26,000)</u>
NET INCREASE (DECREASE) IN CASH	(241,029)	1,098,083
CASH, BEGINNING OF PERIOD	<u>1,706,903</u>	<u>1,223,098</u>
CASH, END OF PERIOD	<u>\$ 1,465,874</u>	<u>\$ 2,321,181</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Income tax paid	<u>\$ 13,836</u>	<u>\$ 111,658</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated August 5, 2010)

(Concluded)

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Advantech Co., Ltd. (the “Company”) was established in September 1981. It manufactures and sells embedded computing boards, industrial automation products, applied computers and industrial computers. Its stock has been listed on the Taiwan Stock Exchange since December 13, 1999.

In order to improve the Group’s entire operating efficiency of the group, the Company’s board of directors resolved to merge with Advantech Investment and Management Service (AIMS) through short-form merger. The merger date was July 30, 2009. In this merger, the Company was the survivor entity and the Company thus assumed all the assets and liabilities of AIMS.

As of June 30, 2010 and 2009, the Company had 1,392 and 1,297 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Business Accounting Law, and Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. Under these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the allowance for doubtful accounts, provision for loss on inventories, depreciation of properties, pension cost, product warranty reserve, bonuses paid to employees and remunerations to directors and supervisors and income tax, etc. Actual results could differ from these estimates.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

The Company’s significant accounting policies are summarized as follows.

Current and Noncurrent Assets and Liabilities

Current assets include cash, those assets held primarily for trading purposes and to be realized, sold or consumed within one year from the balance sheet date. All other assets such as properties are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Financial Assets/Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (“FVTPL”) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to issue of initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. When subsequently measured at fair value, the changes in fair value are excluded from earnings and reported as a separate component of shareholders' equity. The accumulated gains or losses are recognized as earnings when the financial asset is derecognized from the balance sheet. Purchase or sale of financial assets under customary transactions is recognized and derecognized using trading date accounting.

Cash dividends are recognized as investment income upon ex-dividend day but are accounted for as reductions of the original cost of investment if these dividends are declared on the investees' earnings before investment acquisition. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. After the receipt of stock dividends, the cost per share is recalculated on the basis of the new number of total shares.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Publicly traded stocks - at closing prices; open-end mutual funds - at net asset values.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

Sales are recognized when titles to products and material risks of ownerships are transferred to clients, primarily upon shipment, when the earnings process is mostly completed and profit is realized or is realizable. The Company does not recognize as sales those transactions involving the delivery of materials to subcontractors since ownership of materials is not transferred upon delivery of materials. Allowances and the related provision for sales returns are accounted for as a deduction from gross sales, and the related costs are deducted from cost of sales as they are incurred.

Sales are measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. This review involves the aging analysis of the outstanding receivables and assessing relevant economic circumstances.

Inventories

Inventories consist of raw materials and supplies, work-in-process, and finished goods. As stated in Note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Inventory costs are determined using the weighted-average method.

Investments Accounted for by the Equity Method

Investments in shares of stock of companies in which the Company owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method.

Prior to January 1, 2006, the difference between the acquisition cost and the Company's proportionate share in the investee's equity was amortized by the straight-line method over 5 years. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standard ("SFAS") No. 5, "Long-term Investments Accounted for by Equity Method", the acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not being amortized. The excess of the fair value of the net identifiable assets acquired over the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain. Effective January 1, 2006, the accounting treatment for the unamortized investment premium arising on acquisitions before January 1, 2006 is the same as that for goodwill and the premium is no longer being amortized. For any investment discount arising on acquisitions before January 1, 2006, the unamortized amount continues to be amortized over the remaining year.

If an investee issues additional shares and the Company acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Company's equity in its investee's net assets is credited to capital surplus. Any decrease in the Company's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings.

For equity-method investees over which the Company has controlling influence, if the losses in equity recognized exceeds the original investment acquisition costs, the Company recognizes its investee's total losses unless other investors commit to and have the ability to assume a portion of the losses. However, when the investees return to profitable operations, the profits should be recognized by the Company totally until its previously recognized losses are covered. If the equity in losses recognized exceeds the original investment acquisition costs plus any advance given to an equity-method investee, the excess losses should be recognized proportionately and is recorded as part of other liabilities.

All profits derived from sales of products by the Company to its subsidiaries are deferred but only profit in proportion to the Company's equity interest is deferred for other equity-method investees that are not majority owned. Profit from the sales of products by equity-method investees to the Company is deferred in proportion to the Company's equity interests in the investees and credited against the investment. Profits from sales of products between equity-method investees are deferred to the extent of the Company's equity interests in these investees. The deferred profits are included as part of other liabilities. All of these profits are realized through the subsequent sale of the related products to third parties.

Stock dividends received are recorded only as an increase in the number of shares held but not recognized as investment income. Cost or carrying value per share is recomputed on the basis of total shares held after stock dividends are received.

For all stock investments, costs of investments sold are determined using the weighted-average method.

Properties

Properties, are stated at cost less accumulated depreciation. Major additions, renewals and betterments are capitalized, while maintenance and repairs are charged to current expense.

Depreciation is computed using the straight-line method over service lives initially estimated as follows (plus one year to represent estimated salvage value): buildings and equipment, 45 to 60 years; machinery and equipment, 2 to 8 years; furniture and fixtures 2 to 5 years; and miscellaneous equipment, 2 to 5 years. Properties still being used by the Company beyond their initially estimated service lives are depreciated over their newly estimated service lives.

Upon sale or other disposal of properties, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to nonoperating income or expenses in the year of disposal.

Deferred Expenses

Deferred expenses, consisting of computer software costs and royalties, are amortized over 2 to 8 years using the straight-line method.

Asset Impairment

If the recoverable amount of an asset (mainly properties, intangible assets, leased assets and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is first treated as a deduction to the unrealized revaluation increment and any remaining loss is charged to earnings.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units (CGUs) that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under Statement of Financial Accounting Standards No. 39 - "Share-based Payment." Under SFAS No. 39, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Pension Cost

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Curtailment or settlement gains or losses on the defined benefit plan are recognized as part of the net periodic pension cost for the year.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction in shareholders' equity.

Income Tax

The Company uses inter-period allocation to account for income tax. Deferred tax assets are recognized for the tax effects of deductible temporary differences, investment tax credits, and deferred tax liabilities are recognized for the tax effects of taxable temporary differences. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. Deferred income tax assets or liabilities are classified as current or noncurrent according to the nature of related assets or liabilities for financial reporting. But, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent depending on the expected realization date of the temporary difference.

Investment tax credits for certain equipment or technology purchases, research expenditure, employee and trainings are recognized in the current period.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Income taxes (10%) on undistributed earnings generated since January 1, 1998 are recorded as expense in the year when the shareholders resolve to retain the earnings.

Foreign-currency Transactions

Foreign currency transactions (except derivative transactions) are recorded in New Taiwan dollars at the spot rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At period-end, the balances of foreign-currency assets and liabilities that are carried at fair value are restated at the prevailing exchange rates, and the resulting differences are recorded as follows: Equity-method stock investments - as cumulative translation adjustments under shareholders' equity; other assets and liabilities - as credits or charges to current income.

At the balance sheet date, foreign-currency nonmonetary assets and liabilities that are measured at fair value are revalued prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
- b. Recognized in profit and loss if the changes in fair value are recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

3. ACCOUNTING CHANGE

Effective January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories." The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item by item, except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of sales for the period. This accounting change resulted in decreases of \$6,972 thousand in net income and of NT\$0.01 in earnings per share (after income tax) for the six months ended June 30, 2009.

4. CASH

	<u>June 30</u>	
	2010	2009
Cash on hand	\$ 1,528	\$ 1,534
Checking and demand deposits	1,002,744	506,448
Time deposits: Interest - 0.250%-0.705% in 2010 and 0.05%-0.65% in 2009	<u>461,602</u>	<u>1,813,199</u>
	<u>\$ 1,465,874</u>	<u>\$ 2,321,181</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company's trading-purpose financial instruments were as follows:

	<u>June 30</u>	
	2010	2009
<u>Financial assets resulting from trading</u>		
Forward contracts	<u>\$ 46,091</u>	<u>\$ 1,234</u>
<u>Financial liabilities resulting from trading</u>		
Forward contracts	<u>\$ 28,882</u>	<u>\$ 11,459</u>

As of June 30, 2010 and 2009, the outstanding forward contracts were as follows:

	Currency	Maturity	Amount (Thousands)
<u>June 30, 2010</u>			
Sell	EUR/NTD	From July 2010 to January 2011	EUR1,500/NTD65,064
Sell	EUR/USD	From July 2010 to May 2011	EUR15,000/USD19,609
Sell	USD/NTD	From July 2010 to May 2011	USD55,406/NTD1,757,064
Sell	JPY/NTD	July 2010	JPY10,000/NTD3,615
Sell	JPY/USD	From July 2010 to March 2011	JPY310,000/USD3,411
<u>June 30, 2009</u>			
Sell	EUR/NTD	From July 2009 to September 2009	EUR3,500/NTD158,891
	EUR/USD	From July 2009 to September 2009	EUR2,000/USD2,732
	USD/NTD	From July 2009 to September 2009	USD25,228/NTD822,986
	JPY/NTD	From July 2009 to August 2009	JPY40,000/NTD13,764

The Company entered into forward contract transactions for the six months ended June 30, 2010 and 2009 to avoid risks on exchange rate fluctuations. The hedging strategy of the Company is to avoid the major portion of the fair value risks.

On trading financial assets or liabilities for the six months ended June 30, 2010 and 2009, there were a gain of \$52,232 thousand and a loss of \$6,258 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30	
	2010	2009
	Noncurrent	Noncurrent
Quoted domestic stocks		
ASUSTEK Computer Inc.	\$ 1,644,996	\$ 1,946,749
Pegatron Corp.	555,522	-
Chunghwa Telecom Co., Ltd.	99,335	-
Quoted overseas stocks		
SG Advantech Co., Ltd.	<u>28,927</u>	<u>50,370</u>
	<u>\$ 2,328,780</u>	<u>\$ 1,997,119</u>

7. INVENTORIES, NET

	June 30	
	2010	2009
Finished goods	\$ 349,974	\$ 250,246
Work in process	281,719	201,258
Materials and supplies	525,386	320,420
Inventories in transit	<u>26,763</u>	<u>8,086</u>
	<u>\$ 1,183,842</u>	<u>\$ 780,010</u>

As of June 30, 2010 and 2009, the allowance for loss was \$102,769 thousand and \$86,651 thousand, respectively.

As of June 30, 2010 and 2009, the costs of goods sold related to inventories were \$5,555,914 thousand and \$3,647,578 thousand, respectively, which included allowance for loss of \$12,010 thousand and inventory scraps for loss of \$18,258 thousand for the six months ended June 30, 2010, and allowance for loss of \$4,525 thousand and inventory scraps for loss of \$42,606 thousand for the six months ended June 30, 2009.

8. LONG-TERM EQUITY INVESTMENTS

	June 30			
	2010		2009	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
<u>Listed</u>				
Axiomtek Co., Ltd.	\$ 362,547	27.53	\$ 331,037	27.96
<u>Unlisted</u>				
Advantech Automation Corp. (BVI)	2,013,197	100.00	1,885,222	100.00
Advantech Technology Co., Ltd.	2,183,453	100.00	1,728,867	100.00
Advantech Investment Fund-A Co., Ltd.	877,043	100.00	627,209	100.00
Advantech Europe Holding B.V.	711,126	100.00	363,480	100.00
Advansus Corp.	214,930	50.00	190,960	50.00
Advantech Japan Co., Ltd.	134,043	100.00	111,996	100.00
Advantech Australia Pty Ltd.	78,018	100.00	87,377	100.00
Advantech Co. Singapore Pte, Ltd.	72,248	100.00	66,159	100.00
Advantech KR Co., Ltd.	62,635	50.50	-	-
Advantech Intelligence Service	49,983	100.00	-	-
Advantech Co., Malaysia Sdn. Bhd	35,913	100.00	40,196	100.00
Advantech (Yan Shun) Holding Co., Ltd.	28,758	100.00	86,632	100.00
Advantech Hungary Ltd.	15,245	30.00	17,544	30.00
Advantech Brazil	12,268	43.28	-	-
Advantech Investment & Management Service	-	-	5,912	100.00
Advantech (H.K.) Technology Co., Ltd.	-	100.00	-	100.00
	<u>\$ 6,851,407</u>		<u>\$ 5,542,591</u>	

The equity-method investees' financial statements of the same reporting periods as those of the Company, which were used to calculate the equity-method investments and the equity in the investees' net gain or loss, were all unaudited, except those of (a) Advantech Technology Co., Ltd., and (b) Advantech Automation Corp. (BVI)'s subsidiaries, Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN) and Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) as of and for the six months ended June 30, 2010 and 2009.

On March 15, 2010, the Company acquired through AEU 100% equity in DLoG GmbH, a subsidiary of Augusta Technologie AG, for EUR12,852 thousand to integrate the marketing, sales, R&D and manufacturing systems of the Company and DLoG GmbH; accelerate expansion in major markets; and enhance the Company's leadership position in the industrial vehicle market.

On the foregoing acquisition, the movements of the difference allocated to goodwill for the six months ended June 30, 2010 and 2009 were as follows:

	Six Months Ended June 30	
	2010	2009
Cost		
Balance, beginning of period	\$ 115,712	\$ 106,724
Amount recognized on acquisition of investments	18,374	-
Translation adjustment	<u>(13,862)</u>	<u>68</u>
Balance, end of period	<u>\$ 120,224</u>	<u>\$ 106,792</u>

The Company intended to support the operations of Advantech (H.K.) Technology Co., Ltd. in the six months ended June 30, 2010 and 2009. Under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments Under the Equity Method" of the Republic of China, if the equity in losses recognized exceeds the original investment acquisition costs plus any advances given to the investee, the Company recognizes its investee's total losses unless other investors commit to assume, and can assume, a portion of the losses. As of June 30, 2010 and 2009, there were credit balances on this investment of \$8,845 thousand and \$6,568 thousand, respectively, included in other liability - others.

The market value of the listed stock of the equity investment's market values, which was calculated on the basis of the closing price of June 30, 2010 and 2009 were \$539,394 thousand and \$481,518 thousand, respectively.

The Company has included all of its direct and indirect subsidiaries in the consolidated financial statements as of and for the six months ended June 30, 2010 and 2009.

9. PROPERTIES

The changes in properties were as follows:

	Six Months Ended June 30, 2010				
	Beginning Balance	Acquisition	Disposal	Reclassification	Ending Balance
Properties					
Cost					
Land	\$ 1,113,352	\$ -	\$ -	\$ -	\$ 1,113,352
Buildings	1,182,812	-	-	-	1,182,812
Machinery and equipment	404,105	11,426	2,423	16,239	429,347
Furniture and fixtures	102,026	7,276	2,635	-	106,667
Other equipment	<u>196,481</u>	<u>14,315</u>	<u>3,294</u>	<u>-</u>	<u>207,502</u>
	<u>2,998,776</u>	<u>\$ 33,017</u>	<u>\$ 8,352</u>	<u>\$ 16,239</u>	<u>3,039,680</u>
Accumulated depreciation					
Buildings	158,406	\$ 11,597	\$ -	\$ -	170,003
Machinery and equipment	291,543	24,409	2,423	-	313,529
Furniture and fixtures	65,456	8,967	2,557	-	71,866
Other equipment	<u>112,756</u>	<u>17,380</u>	<u>3,294</u>	<u>-</u>	<u>126,842</u>
	<u>628,161</u>	<u>\$ 62,353</u>	<u>\$ 8,274</u>	<u>\$ -</u>	<u>682,240</u>
	2,370,615				2,357,440
Prepayments for equipment	<u>9,390</u>	<u>\$ 12,505</u>	<u>\$ -</u>	<u>\$ (16,414)</u>	<u>5,481</u>
	<u>\$ 2,380,005</u>				<u>\$ 2,362,921</u>

	Six Months Ended June 30, 2009				
	Beginning Balance	Acquisition	Disposal	Reclassifi- cation	Ending Balance
Properties					
Cost					
Land	\$ 1,113,352	\$ -	\$ -	\$ -	\$ 1,113,352
Buildings	1,090,516	-	-	49,524	1,140,040
Machinery and equipment	394,790	5,220	12,812	10,914	398,112
Furniture and fixtures	116,295	4,756	2,092	-	118,959
Other equipment	<u>166,690</u>	<u>9,367</u>	<u>315</u>	<u>2,677</u>	<u>178,419</u>
	<u>2,881,643</u>	<u>\$ 19,343</u>	<u>\$ 15,219</u>	<u>\$ 63,115</u>	<u>2,948,882</u>
Accumulated depreciation					
Buildings	136,218	\$ 10,839	\$ -	\$ -	147,057
Machinery and equipment	260,615	25,580	12,805	-	273,390
Furniture and fixtures	74,192	8,704	1,985	-	80,911
Other equipment	<u>87,198</u>	<u>14,937</u>	<u>271</u>	<u>-</u>	<u>101,864</u>
	<u>558,223</u>	<u>\$ 60,060</u>	<u>\$ 15,061</u>	<u>\$ -</u>	<u>603,222</u>
	2,323,420				2,345,660
Prepayments for equipment	<u>91,263</u>	<u>\$ 24,783</u>	<u>\$ -</u>	<u>\$ (66,415)</u>	<u>49,631</u>
	<u>\$ 2,414,683</u>				<u>\$ 2,395,291</u>

10. PENSION PLAN

The Labor Pension Act (the "Act") was enforced on July 1, 2005. The employees subject to the Labor Standards Law before July 1, 2005 were allowed to choose to continue to be subject to the Labor Standards Law or to be subject to the pension mechanism under this Act, with their service years accumulated until June 30, 2005 to be retained. Those hired on or after July 1, 2005 automatically become subject to the Act.

Under the Act, the Company has a defined contribution pension plan. Since July 1, 2005, the Company has made monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries and wages. The pension cost under the defined contribution plan were \$25,821 thousand and \$25,286 thousand for the six months ended June 30, 2010 and 2009, respectively.

The Company has a defined benefit pension plan under the Labor Standards Law (the "Law"). Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can accumulate up to 45 base points, and the benefits based on employee's average monthly salary for the six-month period prior to retirement. Under the Law, the Company accrues pension costs individually on the basis of actuarial calculations and make monthly contributions at 2% of salaries and wages to each company's pension fund, which is administered by each company's pension plan committee and deposited in the respective committees' names in the Bank of Taiwan. The pension costs under the defined benefit pension plan were \$4,085 thousand and \$2,086 thousand for the six months ended June 30, 2010 and 2009, respectively. As of June 30, 2010 and 2009, the balance of the pension fund were \$107,204 thousand and \$98,092 thousand, respectively.

11. SHAREHOLDERS' EQUITY

Capital Surplus

Based on certain laws or regulations, capital surplus from long-term equity investments accounted for by the equity method cannot be used for any purpose. Other capital surplus may be used only to offset a deficit. Capital surplus from the issue of stock in excess of par value may be capitalized by issuing new shares to shareholders in proportion to their holdings, and capitalized amounts should be within certain limits.

Appropriation of Earnings and Dividend Policy

The Company's Articles of Incorporation provide that legal reserve should be set aside at 10% of annual net income less any cumulative losses. In addition, a special reserve should be appropriated as needed. The remainder of the income should be appropriated in the following order:

- a. 1% to 20% as bonus to employees;
- b. 1% or less as remuneration to directors and supervisors; and
- c. Dividends, as proposed by the board of directors.

For stock bonuses, employees may include subsidiaries' employees who meet certain criteria as determined by the Company's board of directors.

Any appropriations of earnings are recorded in the year of shareholders' approval following the year of earnings generation.

The bonus to employees and remunerations to directors and supervisors of \$182,016 thousand and \$120,000 thousand for the six months ended June 30, 2010 and 2009, respectively (classified under accrued expenses) were estimated and accrued on the basis of past experience. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized gain or loss on financial instruments and cumulative transaction adjustments) should be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under the Company Law, legal reserve should be appropriated until the accumulated reserve equals the Company's paid-in capital. This reserve may be used only to offset a deficit. When the balance of the reserve reaches 50% of the Company's outstanding capital stock, up to 50% thereof may be transferred to capital.

Under the Integrated Income Tax System, which took effect on January 1, 1998, noncorporate local shareholders are allowed a tax credit for the income tax paid by the Company on earnings generated since 1998. An imputation credit account (ICA) is maintained by the Company for such income tax and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the ICA balance on the dividend distribution date.

The Company operates in an industry related to computers, and its business related to network servers is new but with significant potential for growth. Thus, in formulating its dividend policy, the Company takes into account the overall business and industry conditions and trends, its objective of enhancing the shareholders' long-term interest, and the sustainability of the Company's growth. The policy also requires that stock dividends be less than 75% of total dividends to retain internally generated cash within the Company to finance future capital expenditures and working capital requirements.

The appropriations of earnings for 2009 and 2008 were proposed in the Board of Directors' meeting and approved in the shareholders' meeting held on May 18, 2010 and May 15, 2009, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (Dollars)</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Legal reserve	\$ 175,133	\$ 254,354		
Special reserve	-	1,135,596		
Cash dividends	2,006,535	1,490,598	\$4.00	\$3.00
Stock dividends	-	24,843	-	0.05

The bonus to employees and the remuneration to directors and supervisors for 2009 and 2008 approved in the shareholders' meetings on May 18, 2010 and May 15, 2009, respectively, were as follows:

	<u>Year Ended December 31, 2009</u>		<u>Year Ended December 31, 2008</u>	
	<u>Cash</u>	<u>Stock</u>	<u>Cash</u>	<u>Stock</u>
Bonus to employees	\$ 175,000	\$ -	\$ 90,000	\$ 100,000
Remuneration to directors and supervisors	3,000	-	-	-

The number of shares of 2,139 thousand for 2009 was determined by dividing the amount of share bonus by the closing price (after considering the effect of cash and stock dividends) of the day immediately preceding the shareholders' meeting.

The amounts of the bonus to employees and the remuneration to directors and supervisors were not different from the accrual amounts reflected in the financial statements.

Information on the appropriation of bonus to employees and remuneration to directors and supervisors can be accessed online through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

At their meeting on May 15, 2009, the shareholders approved the board of directors' proposal to distribute stock dividends of \$24,843 thousand and stock bonus to employees amounting to \$100,000 thousand. The appropriation of earnings for 2008 were approved by the Financial Supervisory Commission under the Executive Yuan of the ROC. The board of directors resolved August 4, 2009 as the date of distributing stock and cash dividends, and the Company completed the registration of this appropriation with the Ministry of Economic Affairs.

Qualified employees of the Company and its subsidiaries were granted stock options at 10,000 units in December 2009 and 3,000 units in August 2003. Each option entitles the holder to subscribe for one thousand common shares of the Company. The options granted are valid for 5 years and 6 years issued in December 2009 and August 2003, respectively, and exercisable at certain percentages after the second anniversary year from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the grant date. For any subsequent changes in the Company's paid-in capital, the exercise price and the number of options are adjusted accordingly.

When the grant date of stock-based employee compensation plans is on or before January 1, 2004, the Company need not apply the accounting guideline No. 070, 071 and 072 for stock-based compensation issued by the Accounting Research and Development Foundation of the ROC.

The status of employee stock options was as follows:

	Six Months Ended June 30			
	2010		2009	
	Number of Options (In Thousands)	Weighted -average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted -average Exercise Price (NT\$)
Balance, beginning of year	10,000	\$61.90	165	\$23.49
Options granted	-	-	-	-
Options exercised	-	-	(40)	23.49
Balance, end of year	<u>10,000</u>		<u>125</u>	
Options exercisable, end of year	<u>-</u>		<u>125</u>	
Weighted-average fair value of options granted (NT\$)		\$16.45-\$18.13		\$ -

The weighted-average stock price at the date of exercise for stock options exercised during the six months ended June 30, 2009 was NT\$46.23.

Information on outstanding options as of June 30, 2010 and 2009 is as follows:

June 30			
2010		2009	
Range of Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted- average Remaining Contractual Life (Years)
\$61.9	4.42	\$23.49	0.17

Options granted during the six months ended June 30, 2010 were priced using the Black-Scholes model, and the inputs to the model were as follows:

Grant-date share price (NT\$)	61.9
Exercise price (NT\$)	61.9
Expected volatility	33.78%-35.22%
Expected life (years)	3.5-4.5
Expected dividend yield	0%
Risk-free interest rate	0.58%-0.79%

Expected volatility is based on the historical stock price volatility over the past five years.

Compensation cost recognized was \$31,984 thousand for the six months ended June 30, 2010.

12. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
<u>Six months ended June 30, 2010</u>				
For transfer to employees	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>14,500</u>
<u>Six months ended June 30, 2009</u>				
For transfer to employees	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>14,500</u>

Under the Securities and Exchange Act, the Company should neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

13. INCOME TAX

- a. Reconciliation of income tax expense based on income tax at statutory income tax rates to income tax expense, and current income tax payable were as follows:

	<u>Six Months Ended June 30</u>	
	<u>2010</u>	<u>2009</u>
Tax on pretax income at statutory rate (2010: 17%; 2009: 25%)	\$ 267,972	\$ 202,865
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(1,124)	(21,728)
Other	(27,587)	(6,301)
Temporary differences	(56,993)	(64,557)
Investment tax credit	<u>(58,185)</u>	<u>(57,923)</u>
Income tax currently payable	<u>\$ 124,083</u>	<u>\$ 52,356</u>

- b. Income tax expense consisted of the following:

	<u>Six Months Ended June 30</u>	
	<u>2010</u>	<u>2009</u>
Income tax currently payable	\$ 124,083	\$ 52,356
Income tax expense		
Temporary differences	60,967	78,614
Effect of tax law changes on deferred income tax	(34,816)	(37,501)
Adjustment in valuation allowance due to changes in tax laws	(8,088)	(14,286)
Adjustments for prior years' tax	<u>-</u>	<u>(1,478)</u>
	<u>\$ 142,146</u>	<u>\$ 77,705</u>

- 1) In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010.

- 2) Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.
- 3) In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.
- c. The change in the income tax payable shown in the balance sheets consisted of the following:

	Six Months Ended June 30	
	2010	2009
Balance, beginning of period	\$ 144,401	\$ 276,211
Income tax currently payable	124,083	52,356
Payment	<u>(13,836)</u>	<u>(111,658)</u>
Balance, end of period	<u>\$ 254,648</u>	<u>\$ 216,909</u>

- d. Net deferred income taxes as of June 30, 2010 and 2009 were as follows:

	June 30	
	2010	2009
Current		
Deferred income tax assets		
Allowance for loss on inventories	\$ 17,471	\$ 17,330
Unrealized product warranty reserve	4,459	5,068
Unrealized foreign exchange loss	-	227
Others	<u>-</u>	<u>1,760</u>
	21,930	24,385
Deferred income tax liabilities		
Unrealized exchange gains	<u>(49)</u>	<u>-</u>
Deferred income tax assets, net	<u>\$ 21,881</u>	<u>\$ 24,385</u>
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of foreign investees	\$ 43,882	\$ 31,693
Deferred income	24,363	23,691
Pension cost	17,571	20,965
Investment tax credits	<u>-</u>	<u>25,452</u>
	85,816	101,801
Valuation allowance	<u>(43,882)</u>	<u>(57,145)</u>
	41,934	44,656
Deferred income tax liabilities:		
Accumulated equity in the net gain of foreign investees	<u>(343,646)</u>	<u>(278,712)</u>
Deferred income tax liabilities, net	<u>\$ (301,712)</u>	<u>\$ (234,056)</u>

On June 30, 2010 and 2009, the tax rate the Company used to calculate the deferred income tax rate was 17% and 25%, respectively.

e. As of June 30, 2010, the Company's five-year exemption status was as follows:

<u>Exemption Item: Investment Plan</u>	<u>Exemption Period</u>
500 MHz thin client production	From 2006 to 2010

f. Before January 1, 2010, based on Article 70-1 of the Statute for Upgrading Industries, companies will be exempt from the profit-seeking enterprise tax on the following incomes if they use worldwide resources and set up an international operating network or if they establish operating headquarters within the territory of the Republic of China that is of a specific size and will bring about significant economic benefits:

- 1) Income from providing management services or R&D services to its affiliates abroad;
- 2) Royalty payment received from its affiliates abroad; and/or
- 3) Returns on investments and gains on asset disposal by overseas affiliates.

g. The information on the Company's integrated income tax is as follows:

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
Balance of the imputation credit account (ICA)	\$ 319,519	\$ 346,064
The balances of unappropriated retained earnings generated before 1997	\$ 2,779	\$ 2,779

The expected and actual creditable tax ratios for earnings were 11.34% and 14.25%, as of December 31, 2009 and 2008, respectively. The imputation credit allocated to the shareholders is based on its balance as of the date of dividend distribution. The expected creditable ratio may change when the actual allocation of the imputation credits is made.

h. Income tax returns through 2005 had been examined and cleared by the tax authorities.

14. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	<u>Six Months Ended June 30</u>					
	<u>2010</u>			<u>2009</u>		
	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>
Personnel expenses						
Payroll	\$ 149,499	\$ 572,165	\$ 721,664	\$ 121,643	\$ 449,529	\$ 571,172
Insurance	11,025	29,648	40,673	12,170	28,310	40,480
Pension	6,824	23,082	29,906	7,283	20,089	27,372
Others	<u>12,344</u>	<u>21,522</u>	<u>33,866</u>	<u>9,651</u>	<u>20,973</u>	<u>30,624</u>
	<u>\$ 179,692</u>	<u>\$ 646,417</u>	<u>\$ 826,109</u>	<u>\$ 150,747</u>	<u>\$ 518,901</u>	<u>\$ 669,648</u>
Depreciation	<u>\$ 16,824</u>	<u>\$ 45,529</u>	<u>\$ 62,353</u>	<u>\$ 19,251</u>	<u>\$ 40,809</u>	<u>\$ 60,060</u>
Amortization	<u>\$ 41</u>	<u>\$ 24,917</u>	<u>\$ 24,958</u>	<u>\$ 53</u>	<u>\$ 25,375</u>	<u>\$ 25,428</u>

15. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>		<u>Pretax</u>	<u>After-tax</u>
<u>Six months ended June 30, 2010</u>					
Basic EPS	\$ 1,576,306	\$ 1,434,160	501,634	\$ <u>3.14</u>	\$ <u>2.86</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	765		
Bonuses to employees	-	-	<u>2,885</u>		
Diluted EPS	\$ <u>1,576,306</u>	\$ <u>1,434,160</u>	<u>505,284</u>	\$ <u>3.12</u>	\$ <u>2.84</u>
<u>Six months ended June 30, 2009</u>					
Basic EPS	\$ 811,498	\$ 733,793	499,888	\$ <u>1.62</u>	\$ <u>1.47</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	72		
Bonuses to employees	-	-	<u>2,773</u>		
Diluted EPS	\$ <u>811,498</u>	\$ <u>733,793</u>	<u>502,733</u>	\$ <u>1.61</u>	\$ <u>1.46</u>

The Accounting Research and Development Foundation issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The EPS was retroactively adjusted for the stock dividends declared. Thus, for the six months ended June 30, 2009, pretax and after-tax basic EPS decreased from NT\$1.63 to NT\$1.62 and from NT\$1.48 to NT\$1.47, respectively, and pretax and after-tax diluted EPS decreased from NT\$1.62 to NT\$1.61 and NT\$1.46, respectively.

16. RELATED-PARTY TRANSACTIONS

a. Related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Advantech Investment Fund-A Co., Ltd. ("Advantech Fund-A")	Equity-method investee
Axiomtek Co., Ltd. ("Axiomtek")	Equity-method investee
Advantech Investment & Management Service (AIMS)	Equity-method investee (AIMS merged with the Company on July 30, 2009, with the Company as the survivor entity)

(Continued)

Related Party	Relationship with the Company
Advansus Corp.	Equity-method investee
Advantech Europe Holding B.V. (AEU)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
Advantech KR Co., Ltd. (AKR)	Equity-method investee
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech (Yanshun) Holding Co., Ltd. (AYS)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC (BVI))	Equity-method investee
Advantech Co., Malaysia Sdn. Bhd (AMY)	Equity-method investee
Advantech Brazil S/A (ABR)	Equity-method investee
Advantech Europe GmbH (ADL)	Equity-method investee of AEU
Advantech Europe B.V. (AESC)	Equity-method investee of AEU
Advantech Poland Sp. z o.o. (APL)	Equity-method investee of AEU
DLoG GmbH (DLoG)	Equity-method investee of AEU
Advantech Automation Corp. (H.K.) Limited (AAC (HK))	Equity-method investee of AAC (BVI)
HK Advantech Technology Co., Ltd. (ATC (HK))	Equity-method investee of ATC
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC (HK)
Advantech Electronic Technology (Dongguan) Co., Ltd. (ADMC)	Equity-method investee of AYS
Advantech Corp. (ANA)	Equity-method investee of AAC (BVI)
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AAC (HK)
Yan Hua Xing Ye Electronic (SHHQ)	Equity-method investee of AAC (HK)
Advantech Control (M) Sdn. Bhd. (AKL)	Equity-method investee of ASG
Advantech Automation (Penang) Sdn. Bhd. (APN)	Equity-method investee of ASG
Advantech Corporation (Thailand) Co. (ATH)	Equity-method investee of ASG
Netstar Technology Co., Ltd. (“Netstar”)	Equity-method investee of Advantech Fund-A
BCM Embedded Computer Inc. (BCM)	Equity-method investee of Advantech Fund-A
Broadwin Technology, Inc. (“Broadwin”)	Equity-method investee of Advantech Fund-A
Cermate Technologies Inc. (Cermate)	Equity-method investee of Advantech Fund-A
Jan Hsiang Electronics Co., Ltd. (“Jan Hsiang”)	Equity-method investee of Netstar
Avalue Technology Inc. (“Avalue”)	The Company’s chairman is Avalue Technology Inc.’s director
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Equity-method investee of AAC (HK)
Xi’an Advantech Software Ltd. (AXA)	Equity-method investee of AAC (HK)
Advantech International Co., Ltd.	Advantech International Co., Ltd.’s owner is the second-degree relative of the Company’s chairman
Advantech Intelligent Service (AiST)	Equity-method investee
K&M Investment Co., Ltd. (K&M)	The spouse of the Company’s chairman is K&M’s director
AIDC Investment Corp. (AIDC)	The spouse of the Company’s chairman is AIDC’s director

(Concluded)

The Company’s related parties, in addition to those listed above, are shown in Table 7.

- b. The significant transactions with the above related parties, in addition to those disclosed in Note 17 and Table 2, are summarized as follows:

	2010		2009	
	Amount	% of Total	Amount	% of Total
<u>For the six months ended June 30</u>				
1) Sales				
ANA	\$ 1,961,724	27	\$ 1,125,791	23
ACN	923,640	13	954,330	19
AESC	905,164	12	675,585	14
AiSC	720,131	10	413,272	8
AKMC	240,232	3	42,601	1
AKR	175,807	2	124,362	3
AJP	160,233	2	97,502	2
AAU	76,111	1	56,022	1
ASG	72,775	1	30,469	1
ABR	40,249	1	42,320	1
AMY	19,206	-	9,904	-
Avalue	13,826	-	4,823	-
ATH	12,397	-	8,538	-
Axiomtek	8,780	-	4,923	-
Advansus Corp.	8,148	-	4,121	-
APL	4,083	-	5,166	-
Netstar	3,587	-	17	-
Broadwin	659	-	2,119	-
BCM	392	-	144	-
DLoG	202	-	-	-
Others	-	-	18	-
	<u>\$ 5,347,346</u>	<u>72</u>	<u>\$ 3,602,027</u>	<u>73</u>
2) Purchase of materials and supplies				
ATC	\$ 2,510,186	45	\$ 1,687,206	46
Advansus Corp.	893,047	16	483,918	13
ANA	50,683	1	27,766	1
Netstar	32,749	1	19,100	-
Jan Hsiang	11,921	-	7,322	-
Cermate	4,480	-	-	-
ACN	1,317	-	1,532	-
AESC	688	-	934	-
BCM	327	-	201	-
Broadwin	259	-	222	-
Axiomtek	125	-	49	-
AYS	-	-	114,948	3
AHK	-	-	373	-
ASG	-	-	11	-
Others	86	-	181	-
	<u>\$ 3,505,868</u>	<u>63</u>	<u>\$ 2,343,763</u>	<u>63</u>

	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
3) Rental cost (part of operating expense)				
K&M	\$ 670	20	\$ -	-
Advansus Corp.	<u>-</u>	<u>-</u>	<u>6,312</u>	<u>-</u>
	<u>\$ 670</u>	<u>20</u>	<u>\$ 6,312</u>	<u>-</u>
4) Royalty revenue for patent (part of nonoperating income)				
ATC	<u>\$ 125,808</u>	<u>100</u>	<u>\$ 84,394</u>	<u>100</u>
5) Office building rental revenues (part of nonoperating income; operating lease contacts of less than five years)				
Advansus Corp.	\$ 3,510	5	\$ 3,510	28
BCM	390	1	390	3
Advantech Fund-A	18	-	18	-
AIMS	<u>-</u>	<u>-</u>	<u>150</u>	<u>1</u>
	<u>\$ 3,918</u>	<u>6</u>	<u>\$ 4,068</u>	<u>32</u>
6) Interest income (part of nonoperating income)				
AKR	<u>\$ 21</u>	<u>1</u>	<u>\$ 672</u>	<u>25</u>
7) Other revenue (part of nonoperating income)				
AKR	\$ 15,923	25	\$ 672	5
ANA	11,120	17	-	-
ACN	8,246	13	-	-
Advansus Corp.	5,209	8	4,173	33
AJP	4,954	8	-	-
AIDC	750	1	-	-
Netstar	400	1	-	-
Broadwin	350	1	-	-
K&M	250	-	-	-
Cermate	<u>160</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 47,362</u>	<u>74</u>	<u>\$ 4,845</u>	<u>38</u>

As of June 30	2010		2009	
	Amount	% of Total	Amount	% of Total
8) Accounts receivable - related parties				
AESC	\$ 619,752	30	\$ 351,813	29
ACN	444,964	22	420,315	35
ANA	373,205	18	31,708	3
AiSC	262,934	13	223,900	19
AKMC	130,053	6	10,814	1
AKR	85,101	4	83,580	7
AAU	36,239	2	12,365	1
ASG	36,083	2	5,987	1
AJP	23,227	1	28,745	2
ABR	20,952	1	24,136	2
AMY	7,891	-	2,116	-
Axiomtek	3,591	-	868	-
APL	2,961	-	5,079	-
ATH	2,622	-	3,278	-
Avalue	2,150	-	2,117	-
Advansus Corp.	1,816	-	789	-
Netstar	1,255	-	17	-
Broadwin	421	-	1,500	-
BCM	-	-	42	-
Others	-	-	40	-
	<u>\$ 2,055,217</u>	<u>100</u>	<u>\$ 1,209,209</u>	<u>100</u>
9) Other receivable - related parties				
Dividends				
Axiomtek	\$ -	-	\$ 37,782	40
Financial provided				
AKR	-	-	48,643	51
Other receivables				
AKR	10,484	41	-	-
ACN	8,628	34	164	-
Advansus Corp.	2,944	12	3,532	4
ADL	541	2	1,297	1
AJP	475	2	45	-
Netstar	446	2	-	-
ANA	413	2	81	-
Broadwin	368	1	-	-
AKMC	344	1	20	-
AAU	174	1	174	-
AESC	132	1	3,711	4
Cermate	126	-	-	-
ABR	117	-	198	-
BCM	68	-	70	-
Others	248	1	111	-
	<u>25,508</u>	<u>100</u>	<u>9,403</u>	<u>9</u>
	<u>\$ 25,508</u>	<u>100</u>	<u>\$ 95,828</u>	<u>100</u>

	2010		2009	
	Amount	% of Total	Amount	% of Total
10) Accounts payable - related parties				
ATC	\$ 1,022,596	81	\$ 675,040	82
Advansus Corp.	178,321	14	89,032	11
AYS	22,914	2	38,972	5
ANA	18,373	1	6,794	1
Netstar	16,905	1	7,551	1
Jan Hsiang	3,851	1	1,728	-
Cermate	1,560	-	-	-
ACN	1,043	-	355	-
APL	683	-	1,117	-
AMY	408	-	682	-
ADL	269	-	256	-
Broadwin	91	-	3,718	-
AESC	75	-	717	-
ASG	-	-	114	-
Others	862	-	319	-
	<u>\$ 1,267,951</u>	<u>100</u>	<u>\$ 826,395</u>	<u>100</u>

11) Other payables (part of advance receipt and other current liabilities)

ABR	\$ 27	-	\$ 27	-
AMY	-	-	4,407	8
ANA	-	-	6	-
	<u>\$ 27</u>	<u>-</u>	<u>\$ 4,440</u>	<u>8</u>

12) Financing to related parties:

Financing to related parties was as follows (part of other receivable - related parties):

	Six Months Ended June 30, 2010			
	Maximum Balance	Ending Balance	Interest Rate	Interest Income
AKR	<u>\$ 14,000</u> (KRW500,000 thousand)	<u>\$ -</u>	3%	<u>\$ 21</u>
	Six Months Ended June 30, 2009			
	Maximum Balance	Ending Balance	Interest Rate	Interest Income
AKR	<u>\$ 48,643</u> (KRW1,850,000 thousand)	<u>\$ 48,643</u> (KRW1,850,000 thousand)	5%	<u>\$ 672</u>

Operating lease contracts with related parties on the use of buildings were based on market prices and made under normal terms. Product sales were conducted under normal terms. The payment terms for related parties were 30 to 90 days. Terms for third parties were 30 to 60 days.

17. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of June 30, 2010, the Company had the following guarantees for affiliates' loans:

	Amount
AKMC	<u>\$ 340,790 thousand</u>
Netstar	<u>\$ 120,000 thousand</u>
Advansus Corp.	<u>\$ 100,000 thousand</u>

18. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	June 30			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets - noncurrent	\$ 2,328,780	\$ 2,328,780	\$ 1,997,119	\$ 1,997,119
<u>Derivative financial instruments and location</u>				
Financial assets at fair value through profit or loss -				
current				
Domestic	6,733	6,733	-	-
Foreign (foreign corporation operating in domestic district included)	39,358	39,358	1,234	1,234
Financial liabilities at fair value through profit or loss -				
current				
Domestic	11,030	11,030	4,930	4,930
Foreign (foreign corporation operating in domestic district included)	17,852	17,852	6,529	6,529

b. Methods and assumptions used in the determination of fair values of financial instruments

- 1) For financial instruments such as cash, notes and accounts receivables, receivables from related parties, other receivables, accounts payables and payables to related parties and refundable deposits the carrying amounts of these financial instruments approximate their fair values.
- 2) Fair values of available-for-sale financial assets were based on their quoted market price.
- 3) Fair values of derivatives were determined using the quoted market prices, using valuation techniques incorporating estimates and assumptions that are consistent with those prevailing in the market.

- c. The fair values of the Company's financial assets and liabilities were based on quoted market prices or estimated using certain valuation techniques, as follows:

	<u>Based on Quoted Market Price</u>		<u>Determined Using Valuation Techniques</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Asset</u>				
Financial assets at fair value through profit or loss -				
current	\$ -	\$ -	\$ 46,091	\$ 1,234
Available-for-sale financial assets - noncurrent	2,328,780	1,997,119	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss -				
current	-	-	28,882	11,459

- d. As of June 30, 2010 and 2009, financial assets exposed to fair value interest rate risk amounted to \$461,602 thousand and \$1,813,199 thousand, respectively, and financial assets exposed to cash flow interest rate risk amounted to \$1,000,520 thousand and \$505,974 thousand, respectively.
- e. The Company recognized an unrealized loss of \$660,381 thousand and an unrealized gain of \$265,504 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 2010 and 2009, respectively. The Company also recognized unrealized gains of \$35,801 thousand and \$706 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees for the six months ended June 30, 2010 and 2009, respectively.
- f. Financial risks
- 1) Market risk. The derivative financial instruments categorized as financial assets at fair value through profit or loss are mainly used to hedge exchange rate fluctuations of foreign currency-denominated assets and liabilities. Thus, the market risk of derivatives will be offset by the gain or loss on the exchange rate fluctuations of hedged assets and liabilities. Available-for-sale financial assets held by the Company are mainly mutual funds and publicly traded stocks. Thus, price fluctuations in the open market would result in changes in fair values of these financial instruments.
 - 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties breach the contracts. Contracts with positive fair values on the balance sheet date are evaluated for credit risk. Since the counter-parties to the foregoing derivative financial instruments are reputable financial institutions, management believes its exposure to default by counter-parties is low.
 - 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlements of derivative financial instruments. Therefore, the cash flow risk is low. In addition, for long-term equity-method investments (mutual funds and publicly traded stocks), the Company keeps liquidity reserves, which are available on a short-term basis. Additionally, the contracted forward rate is decided on the contract starting dates. Thus, the cash flow risk on forward contracts is low.

19. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 16 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Company and investees.
- b. Investments in mainland China
 - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of June 30, 2010, accumulated inward remittance of earnings as of June 30, 2009 and upper limit on investment: Table 8 (attached)
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 16 and 17 and Tables 1, 2, 5 and 6.

ADVANTECH CO., LTD. AND INVESTEEES

FINANCING PROVIDED
SIX MONTHS ENDED JUNE 30, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Nature of Financing	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing that Can be Provided by the Financier
											Item	Value		
0	ACL	AKR	Other receivable - related parties	\$ 13,000 (KRW 500,000 thousand)	\$ -	3%	Business transaction-related	Sale \$ 175,807	Financing need	\$ -	-	-	\$ 96,450 (Note B)	\$ 96,450 (Note B)
1	AEU	ADL	Other receivable - related parties	EUR 27,524 (700 thousand)	EUR 27,524 (700 thousand)	4%	Short-term financing	-	Financing need	-	-	-	1,175,910 (Note C)	2,351,819 (Note C)
2	SHHQ	ACN	Other receivable - related parties	RMB 76,229 (16,097 thousand)	-	2%	Short-term financing	-	Financing need	-	-	-	142,068 (Note D)	142,068 (Note D)
3	ACN	AKMC	Other receivable - related parties	RMB 96,971 (20,477 thousand)	RMB 2,557 (540 thousand)	2%	Short-term financing	-	Financing need	-	-	-	142,068 (Note D)	142,068 (Note D)
4	ANA	AESC	Other receivable - related parties	US\$ 53,048 (1,650 thousand)	US\$ 36,973 (1,150 thousand)	2%	Short-term financing	-	Financing need	-	-	-	1,175,910 (Note C)	2,351,819 (Note C)
		AKMC	Other receivable - related parties	US\$ 189,685 (5,900 thousand)	US\$ 189,685 (5,900 thousand)	2%	Short-term financing	-	Financing need	-	-	-	1,175,910 (Note C)	2,351,819 (Note C)
5	AISC	ACN	Other receivable - related parties	RMB 85,525 (18,060 thousand)	RMB 79,553 (16,799 thousand)	2%	Short-term financing	-	Financing need	-	-	-	142,068 (Note D)	142,068 (Note D)
6	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Other receivable - related parties	67,513	67,513	-	Service intercourse	Purchase 280,510	Service intercourse	-	-	-	1,315,594 (Note E)	1,315,594 (Note E)
		LANSONIC (BVI)	Other receivable - related parties	3,676	3,676	-	Short-term financing	-	Financing need	-	-	-	50,170 (Note F)	50,170 (Note F)
7	Broadwin Technology, Inc.	Netstar Technology Co., Ltd.	Other receivable - related parties	40,000	35,000	2%	Short-term financing	-	Financing need	-	-	-	44,296 (Note F)	44,296 (Note F)
8	Advantech Fund-A	Netstar Technology Co., Ltd.	Other receivable - related parties	60,000	40,000	2%	Short-term financing	-	Financing need	-	-	-	351,392 (Note F)	351,392 (Note F)

Notes: A. The exchange rate was EUR1=NT\$39.32; US\$1=NT\$32.15; KRW1=NT\$0.026; RMB1= NT\$4.7356.

B. Based on the resolution of the board of directors of Advantech Co., Ltd. (ACL), the maximum amount of financing provided by ACL was US\$3,000 thousand.

C. The maximum amount of financing and the maximum amount of financing to individual counter-party that can be provided by the financier are 20% and 10% of the parent company's net asset value, respectively.

D. For more efficient use of capital among subsidiaries in Mainland China, the maximum amount of financing that can be provided by the financier is RMB30,000 thousand and will be handled over the Citibank account of ACN.

E. The maximum amount of financing for service transactions is equal to the amount provided in the recent year and the confirmed service intercourse to be in the future.

F. 40% of the net asset value of the financier.

ADVANTECH CO., LTD. AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED

SIX MONTHS ENDED JUNE 30, 2010

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, and Equipment	Ratio of Accumulated Collateral to Net Equity of the Latest Financial Statements (%)	Maximum Collateral/Guarantee Amounts Allowable
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	AKMC	Indirect subsidiary	\$ 1,175,910 (Note A)	\$ 340,790 (US\$ 10,600 thousand)	\$ 340,790 (US\$ 10,600 thousand)	\$ -	2.90	\$ 3,527,729 (Note B)
		Netstar Technology Co., Ltd.	Indirect subsidiary	1,175,910 (Note A)	120,000	-	-	-	3,527,729 (Note B)
		Advansus Corp.	Equity-method investee	1,175,910 (Note A)	100,000	100,000	-	0.85	3,527,729 (Note B)

Note: A. 10% of the Company's net asset value.

B. 30% of the Company's net asset value.

C. The exchange rate was US\$1.00 = NT\$32.15.

TABLE 3

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

SIX MONTHS ENDED JUNE 30, 2010

(In Thousands of New Taiwan Dollars/Foreign Currency)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2010				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech Co., Ltd. (the "Company")	<u>Stock</u>							
	AAC (BVI)	Investee	Long-term equity investments	32,606,500	\$ 2,013,197	100.00	\$ 2,013,197	Note A
	ATC	"	"	32,750,000	2,183,453	100.00	2,183,453	Note A
	Advansus Corp.	"	"	18,000,000	214,930	50.00	214,930	Note A
	Advantech Fund-A	"	"	90,000,000	877,043	100.00	877,043	Note A
	Axiomtek	"	"	21,705,984	362,547	27.53	362,547	Note A
	AEU	"	"	9,572,024	711,126	100.00	711,126	Note A
	ASG	"	"	1,450,000	72,248	100.00	72,248	Note A
	AAU	"	"	500,204	78,018	100.00	78,018	Note A
	AJP	"	"	1,200	134,043	100.00	134,043	Note A
	AYS	"	"	12,300,000	28,758	100.00	28,758	Note A
	AMY	"	"	2,000,000	35,913	100.00	35,913	Note A
	AHG	"	"	30	15,245	30.00	15,245	Note A
	ABR	"	"	971,055	12,268	43.28	12,268	Note A
	AKR	"	"	303,000	62,635	50.50	62,635	-
	AiST	"	"	5,000,000	49,983	100.00	49,983	-
	AHK	"	Other liability - others	999,999	(8,845)	100.00	(8,845)	Notes A and C
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	6,868,460	1,644,996	1.08	1,644,996	Note B
	SGA	-	"	1,556,064	28,927	7.19	28,927	Note B
Chunghwa Telecom Co., Ltd.	-	"	1,554,545	99,335	-	99,335	Note B	
Pegatron Corp.	-	"	18,486,570	555,522	-	555,522	Note B	
Advantech Fund-A	<u>Stock</u>							
	Netstar Technology Co., Ltd.	Investee	Long-term equity investments	19,929,222	192,475	79.72	192,475	Note A
	BCM Embedded Computer Inc.	"	"	4,500,000	15,680	100.00	15,680	Note A
	Broadwin Technology, Inc.	"	"	9,647,662	182,712	98.67	182,712	Note A
	Cermate Technologies Inc.	"	"	5,500,000	71,855	55.00	71,855	-
	Avalue Technology Inc.	-	Financial assets carried at cost - noncurrent	1,970,250	88,464	5.09	88,464	-
	Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - current	206,191	13,176	-	13,176	Note B
	AverMedia Information Inc.	-	Financial assets carried at cost - noncurrent	700,000	70,331	0.94	70,331	-
COBAN Research and Technologies, Inc.	-	"	600,000	33,257	6.86	33,257	-	

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2010				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
ATC	<u>Stock</u> ATC (HK)	Investee	Long-term equity investments	35,650,001	\$ 1,347,610	100.00	\$ 1,347,610	Note A
ATC (HK)	<u>Shares</u> AKMC	"	"	-	1,347,829	100.00	1,251,293	Note A
AYS	<u>Shares</u> ADMC	Investee	Long-term equity investments	-	5,885	100.00	5,885	Note A
AAC (BVI)	<u>Stock</u> ANA	"	"	10,952,606	1,063,886	100.00	1,063,886	Note A
	AAC (HK)	"	"	15,230,001	931,399	100.00	931,399	Note A
ANA	<u>Stock</u> ABR	-	Financial assets carried at cost - noncurrent	375,192	6,183	16.72	6,183	-
AAC (HK)	<u>Shares</u> ACN	Investee	Long-term equity investments	-	507,827	100.00	507,827	Note A
	SHHQ	"	"	-	91,722	100.00	91,722	Note A
	AiSC	"	"	-	315,013	100.00	315,013	Note A
	AXA	"	"	-	23,358	100.00	23,358	Note A
ACN	<u>Shares</u> Hangzhou Advantofine Automation Co., Ltd.	"	"	-	13,917	60.00	13,917	Note A
AEU	<u>Stock</u> AESC	"	"	8,314,280	79,112	100.00	79,112	Note A
	ADL	"	"	1,142,000	(120,475)	100.00	(120,475)	Notes A and C
	APL	"	"	6,530	32,581	92.89	32,581	Note A
	DLoG	"	"	1	514,456	100.00	514,456	Note A
ASG	<u>Stock</u> ATH	"	"	30,000	7,247	30.00	7,247	Note A
Netstar Technology Co., Ltd.	<u>Stock</u> LANSONIC (BVI)	"	Other liability - others	3,527,529	(45,792)	94.83	(45,792)	Notes A and C
	Jan Hsiang Electronics Co., Ltd.	"	Long-term equity investments	950,000	5,569	28.50	5,569	Note A
	Lantech Communications Inc.	"	Other liability - others	1,159,500		77.30		Note A
Broadwin Technology, Inc.	<u>Stock</u> Broadwin Technology Inc.	"	Long-term equity investments	5,643,650	16,542	100.00	16,542	Note A
LANSONIC (BVI)	<u>Shares</u> Netstar Electronics Corporation	"	Other liability - others	-	HK\$ (29,326)	100.00	HK\$ (29,326)	Notes A and C

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2010				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Cermate Technologies Inc.	<u>Stock</u> Land Mark	”	Long-term equity investments	1,000,000	\$ 29,287	100.00	\$ 29,287	Note A
Land Mark	<u>Stock</u> Cermate (Shanghai)	”	”	-	18,335	100.00	18,335	Note A
	Cermate (Shenzhen)	”	”	-	10,952	90.00	10,952	Note A

Note A: The financial statements used as basis of net asset values were all unaudited, except those of ATC, ACN, AKMC and AiSC.

Note B: Market value was based on the closing price on June 30, 2010.

Note C: The credit balance on investment carrying value is shown as part of other liabilities.

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 SIX MONTHS ENDED JUNE 30, 2010
 (In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name/Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount (Cost)	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount (Cost)
Advantech Co., Ltd. (the "Company")	Stock													
	Advantech Fund - A	Long-term equity investments	-	Subsidiary	70,000,000	\$ 700,000	20,000,000	\$ 200,000	-	\$ -	\$ -	\$ -	90,000,000	\$ 900,000
AEU	AEU	Long-term equity investments	-	Subsidiary	9,572,024	439,782	-	553,536	-	-	-	-	9,572,024	993,318
AEU	DLoG	Long-term equity investments	-	Subsidiary	-	-	1	553,536	-	-	-	-	1	553,536

TABLE 5

ADVANTECH CO., LTD. AND INVESTEEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

SIX MONTHS ENDED JUNE 30, 2010

(In Thousands of New Taiwan Dollars/Foreign Currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Advantech Co., Ltd.	AESC	Indirect subsidiary	Sale	\$ (905,164)	12.32%	Set for 45 days a month			\$ 619,752	30.15%	
	ACN	Indirect subsidiary	Sale	(923,640)	12.57%	Set for 45 days a month			444,964	21.65%	
	AKMC	Indirect subsidiary	Sale	(240,232)	3.27%	Set for 30 days after a month			130,053	6.33%	
	AJP	Subsidiary	Sale	(160,233)	2.18%	Set for 45 days a month			23,227	1.13%	
	AiSC	Indirect subsidiary	Sale	(720,131)	9.80%	Set for 45 days a month			262,934	12.79%	
	ANA	Indirect subsidiary	Sale	(1,961,724)	26.69%	Set for 45 days a month			373,205	18.16%	
	AKR	Subsidiary	Sale	(175,807)	2.39%	Set for 45 days a month			85,101	4.65%	
	ATC	Subsidiary	Purchase	2,510,186	45.18%	Set for 60 days a month			(1,022,596)	18.41%	
	Advansus Corp.	Subsidiary	Purchase	893,047	16.07%	Set for 30 days a month			(178,321)	3.21%	
ATC	Advantech Co., Ltd.	Ultimate parent company	Sale	(2,510,186)	97.46%	Set for 60 days a month			1,022,596	93.77%	
Advansus Corp.	Advantech Co., Ltd.	Ultimate parent company	Sale	(893,047)	40.77%	Set for 30 days a month			178,321	43.55%	
ANA	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,961,724	90.89%	Set for 45 days a month			(373,205)	83.40%	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	905,164	87.31%	Set for 45 days a month			(619,752)	92.80%	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	923,640	76.33%	Set for 45 days a month			(444,964)	78.55%	
AKMC	Advantech Co., Ltd.	Ultimate parent company	Purchase	240,232	10.29%	Set for 30 days after a month			(130,053)	22.88%	
AJP	Advantech Co., Ltd.	Parent company	Purchase	160,233	95.24%	Set for 45 days a month			(23,227)	106.34%	
AiSC	Advantech Co., Ltd.	Ultimate parent company	Purchase	720,131	65.42%	Set for 45 days a month			(262,934)	59.17%	
AKR	Advantech Co., Ltd.	Parent company	Purchase	175,807	61.82%	Set for 45 days a month			(85,101)	94.07%	
ACN	AiSC	Related enterprise	Sale	(111,927)	8.06%	Set for 45 days a month			153,547	87.54%	
AKMC	ATC	Related enterprise	Sale	(2,250,096)	88.34%	Set for 30 days after a month			273,894	69.06%	
	AiSC	Related enterprise	Sale	(137,046)	5.38%	Set for 30 days after a month			49,290	12.43%	
	Netstar Technology Co., Ltd.	Related enterprise	Sale	(126,984)	4.99%	Set for 60 days after a month			66,512	16.77%	
ADL	AESC	Related enterprise	Sale	(110,268)	7.73%	Set for 45 days a month			32,417	6.56%	
Advansus Corp.	AKMC	Related enterprise	Sale	(683,023)	31.18%	Set for 30 days after a month			221,904	54.20%	

(Continued)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
AiSC	ACN AKMC	Related enterprise	Purchase	\$ 111,927	10.17%	Set for 45 days a month			\$ (153,547)	31.86%	
		Related enterprise	Purchase	137,046	12.45%	Set for 30 days after a month			(49,290)	10.23%	
ATC	AKMC	Related enterprise	Purchase	2,250,096	99.88%	Set for 30 days after a month			(273,894)	98.88%	
Netstar Technology Co., Ltd.	AKMC	Related enterprise	Purchase	126,984	84.59%	Set for 60 days after a month			(66,512)	45.39%	
AESC	ADL	Related enterprise	Purchase	110,268	10.64%	Set for 45 days a month			(32,417)	4.59%	
AKMC	Advansus Corp.	Related enterprise	Purchase	683,023	29.27%	Set for 30 days after a month			(221,904)	16.39%	

(Concluded)

ADVANTECH CO., LTD. AND INVESTEEES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2010
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Advantech Co., Ltd.	AESC	Indirect subsidiary	\$ 61,752	3.56	\$ -	-	\$ 193,159	\$ -
	ANA	Indirect subsidiary	373,205	14.22	-	-	373,205	-
	ACN	Indirect subsidiary	444,964	4.86	-	-	187,922	-
	AiSC	Indirect subsidiary	262,934	4.80	-	-	109,836	-
	AKMC	Indirect subsidiary	130,053	4.93	-	-	75,669	-
ATC	Advantech Co., Ltd.	Parent company	1,022,596	5.12	-	-	-	-
Advansus Corp.	Advantech Co., Ltd.	Parent company	178,321	11.87	-	-	-	-
	AKMC	Related enterprise	221,904	7.35	-	-	221,904	-
AKMC	ATC	Related enterprise	273,894	15.38	-	-	-	-
ACN	AiSC	Subsidiary	153,547	1.80	-	-	-	-

TABLE 7

ADVANTECH CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SIX MONTHS ENDED JUNE 30, 2010
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2010			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 2010	December 31, 2009	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	AAC (BVI)	BVI	Investment holding company	\$ 1,078,934	\$ 1,078,934	32,606,500	100.00	\$ 2,013,197	\$ 120,641	\$ 133,252	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,044,818	1,044,818	32,750,000	100.00	2,183,453	231,854	231,732	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	180,000	180,000	18,000,000	50.00	214,930	32,069	30,764	Equity-method investee
	AEU	Helmond, The Netherlands	Investment holding company	993,318	439,782	9,572,024	100.00	711,126	101	101	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	Investment and management service	900,000	700,000	90,000,000	100.00	877,043	12,364	10,426	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	268,307	269,222	21,705,984	27.53	362,547	88,650	24,945	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	72,248	8,777	8,777	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	78,018	1,800	1,800	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	134,043	9,137	9,137	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	5,927	51,662	12,300,000	100.00	28,758	(3,903)	(3,848)	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	35,913	5,702	5,702	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	15,245	-	-	Equity-method investee
	AKR	Seoul, Korea	Sale of industrial automation products	58,173	-	303,000	50.50	62,635	8,066	8,066	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	-	-	971,055	43.28	12,268	6,794	6,794	Subsidiary
	AiST	Taipei, Taiwan	Sale of industrial automation products	50,000	50,000	5,000,000	100.00	49,983	(17)	(17)	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(8,845)	(1,657)	(1,657)	Subsidiary (Note A)
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	243,868	242,668	19,929,222	79.72	192,475	(7,047)	(5,600)	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	45,500	45,500	4,500,000	100.00	15,680	1,000	1,000	Indirect subsidiary
	Broadwin Technology, Inc. Cermate Technologies Inc.	Taipei, Taiwan Taipei, Taiwan	Assembly and production of computers	168,815 71,500	99,783 -	9,647,662 5,500,000	98.67 55.00	182,712 71,855	2,684 (2,980)	2,871 201	Indirect subsidiary Indirect subsidiary
ATC	ATC (HK)	Hong Kong	Investment holding company	1,026,430	1,026,430	35,650,001	100.00	1,347,610	97,382	97,382	Indirect subsidiary
ATC (HK)	AKMC	Kunshan, China	Production and sale of components of industrial automation products	1,026,430	1,026,430	-	100.00	1,347,829	97,382	97,382	Indirect subsidiary
AYS	ADMC	Guangzhou, China	Production and sale of industrial automation products	5,927	51,662	-	100.00	5,885	(3,717)	(3,717)	Indirect subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	1,063,886	76,321	76,321	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment holding company	539,146	539,146	15,230,001	100.00	931,399	44,391	44,391	Indirect subsidiary
AAC (HK)	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	507,827	15,295	15,295	Indirect subsidiary
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	96,750	-	100.00	91,722	209	209	Indirect subsidiary
	AiSC	Shanghai, China	Sale of industrial automation products	257,040	257,040	-	100.00	315,013	30,515	30,515	Indirect subsidiary
	AXA	Xi'an, China	Development and production of software products	32,960	32,960	-	100.00	23,358	(1,628)	(1,628)	Indirect subsidiary
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processes and sale of peripherals	13,727	13,727	-	60.00	13,917	1,178	707	Equity-method investee
AEU	AESC	Eindhoven, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	79,112	(13,246)	(13,246)	Indirect subsidiary
	ADL	Munich, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	(120,475)	(160)	(160)	Indirect subsidiary (Note A)
	APL DLoG	Warsaw, Poland Munich, Germany	Sale of industrial automation products Sale of industrial automation products	10,285 553,536	10,285 -	6,530 1	92.89 100.00	32,581 514,456	3,271 20,934	3,039 9,834	Indirect subsidiary Indirect subsidiary
ASG	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	7,247	606	182	Indirect subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2010			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 2010	December 31, 2009	Shares	Percentage of Ownership	Carrying Value			
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd.	Taipei, Taiwan	Electronic parts and components manufacturing	\$ 3,719	\$ 7,188	950,000	28.50	\$ 5,907	\$ 904	\$ 283	Indirect subsidiary
	Lantech Communications Inc.	Taipei, Taiwan	Retail sale of electronic materials	11,595	11,595	1,159,500	77.30	-	-	-	Indirect subsidiary
	LANSONIC (B.V.I.)	BVI	General investment	101,188	101,188	3,527,529	94.83	(53,499)	HK\$ (3,691)	HK\$ (2,128)	Indirect subsidiary (Note A)
LANSONIC (B.V.I.)	Netstar Electronics Corporation (Dongguan)	Guangzhou, China	Network and UPS product manufacture business	HK\$ 2,935	HK\$ 2,935	-	100.00	HK\$ (31,174)	HK\$ (3,691)	HK\$ (2,128)	Indirect subsidiary (Note A)
Broadwin Technology, Inc.	Broadwin Technology Inc.	San Ramon, USA	Sale of Webaccess software	69,492	69,492	5,643,650	100.00	16,542	(342)	462	Indirect subsidiary
Cermate Technologies Inc.	LandMark	BVI	General investment	28,200	-	1,000,000	100.00	31,889	3,550	1,347	Indirect subsidiary
LandMark	Cermate (Shanghai)	Shanghai, China	Sale of industrial electronic products	US\$ 572	-	-	100.00	19,151	872	160	Indirect subsidiary
	Cermate (Shenzhen)	Shenzhen, China	Manufacture of LCD touch panel, USB data cable and industrial automation products	US\$ 308	-	-	90.00	11,222	2,682	1,187	Indirect subsidiary

Note A: The carrying value is shown as part of other liabilities.

Note B: The financial statements used as basis of net asset values were all unaudited, except those of ATC, ACN, AKMC and AiSC.

(Concluded)

ADVANTECH CO., LTD. AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA

SIX MONTHS ENDED JUNE 30, 2010

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2010	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2010	Accumulated Inward Remittance of Earnings as of June 30, 2010
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$35,650 thousand	Indirect	\$ 1,006,295 (US\$ 31,300 thousand)	\$ -	\$ -	\$ 1,006,295 (US\$ 31,300 thousand)	100%	\$ 97,382	\$ 1,347,829	\$ -
Yan Hua Xing Ye Electronic (SHHQ)	Sale of industrial automation products	US\$3,000 thousand	Indirect	96,450 (US\$ 3,000 thousand)	-	-	96,450 (US\$ 3,000 thousand)	100%	209	91,722	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$4,230 thousand	Indirect	171,424 (US\$ 5,332 thousand)	-	-	171,424 (US\$ 5,332 thousand)	100%	15,295	507,827	361,205 (US\$ 11,235 thousand)
Advantech Electronic Technology (Dongguan) Co., Ltd. (ADMC)	Production and sale of industrial automation products	US\$1,400 thousand	Indirect	(Note C)	-	45,749 (US\$ 1,423 thousand)	(Note C)	100%	(3,717)	5,885	-
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	US\$8,000 thousand	Indirect	257,200 (US\$ 8,000 thousand)	-	-	257,200 (US\$ 8,000 thousand)	100%	30,515	315,013	-
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US\$1,000 thousand	Indirect	(Note D)	-	-	(Note D)	100%	(1,628)	23,358	-

Accumulated Investment in Mainland China as of June 30, 2010	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,537,799 (US\$47,832 thousand) (Note E)	\$2,330,875 (US\$72,500 thousand)	\$7,129,861 (Note G)

(Continued)

Note A: Only the financial statements of AKMC, ACN and AiSC used as basis of net asset values had been audited by independent CPAs; the other investees' financial statements were unaudited.

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. and its investees in Mainland China are described in Note 17 to the financial statements and Tables 1, 2, 5 and 6.

Note C: Remittance by Advantech Technology Co., Ltd.

Note D: Remittance by Advantech Automation Corp. (H.K.) Limited.

Note E: Included the outflow on investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. (AGZ) of US\$200 thousand. This company had liquidated already, after the capitals of the original investment is inflow back, the Company will submit this incident to MOEA for approving and terminating this case under the regulation.

Note F: The exchange rate was US\$1.00=NT\$32.15.

Note G: The upper limit on investment was based on 60% of the consolidated net asset value of Advantech Co., Ltd. (the "Company").

(Concluded)