

**Advantech Co., Ltd.**

**Financial Statements for the  
Nine Months Ended September 30, 2010 and 2009 and  
Independent Accountants' Review Report**

## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

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

We have reviewed the accompanying balance sheets of Advantech Co., Ltd. as of September 30, 2010 and 2009, and the related statements of income and cash flows for the nine months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue an accountants' review report based on our reviews.

Except as stated in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 - "Review of Financial Statements" of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As stated in Note 8 to the financial statements, Advantech Co., Ltd. had investments accounted for by the equity method. As of September 30, 2010 and 2009, these investments had carrying values of NT\$7,120,694 thousand and NT\$5,616,121 thousand, respectively. As of September 30, 2010 and 2009, the credit balances on the carrying values of equity-method investees were NT\$9,800 thousand and NT\$6,370 thousand, respectively. The foregoing investment amounts and the net investment gains of NT\$784,558 thousand and NT\$350,145 thousand in the nine months ended September 30, 2010 and 2009, respectively, as well as additional disclosures in Note 20 required by the Securities and Futures Bureau for the Company and its investees, were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

Based on our reviews, except for any adjustments that might have been determined to be necessary had the investees' financial statements mentioned in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the financial statements of Advantech Co., Ltd. as of and for the nine months ended September 30, 2010 and 2009 for them to be in conformity with the 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 nine months ended September 30, 2010 and 2009 and have issued an accountants' review report thereon dated October 19, 2010 (not presented herewith) with an explanatory paragraph.

October 19, 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 review such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the accountants' review 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 accountants' review report and financial statements shall prevail.*

**ADVANTECH CO., LTD.**

**BALANCE SHEETS**

**SEPTEMBER 30, 2010 AND 2009**

(In Thousands of New Taiwan Dollars, Except Par Value)

(Reviewed, Not Audited)

ASSETS	2010		2009		LIABILITIES AND SHAREHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash (Note 4)	\$ 473,304	3	\$ 1,292,158	9	Short-term loans (Note 10)	\$ 250,000	2	\$ -	-
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 19)	23,813	-	10,762	-	Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 19)	45,046	-	264	-
Notes receivable (Note 2)	36,690	-	34,486	-	Accounts payable	625,445	4	390,890	3
Accounts receivable, net of allowance for doubtful accounts of \$16,120 thousand in 2010 and \$16,218 thousand in 2009 (Note 2)	736,228	4	572,994	4	Accounts payable - related parties (Note 17)	1,266,291	7	957,476	6
Accounts receivable - related parties (Notes 2 and 17)	2,163,382	13	1,206,917	8	Income tax payable (Notes 2 and 14)	351,156	2	121,737	1
Other receivable	71,344	-	33,005	-	Accrued expenses (Note 12)	833,430	5	587,929	4
Other receivable - related parties (Note 17)	34,053	-	57,876	-	Other payables - related parties (Note 17)	200,027	1	27	-
Inventories, net (Notes 2 and 7)	1,463,398	9	832,769	6	Advance receipts and other current liabilities	104,013	1	48,737	-
Deferred income tax assets - current (Notes 2 and 14)	24,553	-	21,810	-					
Prepayments and other current assets	27,623	-	119,176	1	<b>Total current liabilities</b>	<b>3,675,408</b>	<b>22</b>	<b>2,107,060</b>	<b>14</b>
<b>Total current assets</b>	<b>5,054,388</b>	<b>29</b>	<b>4,181,953</b>	<b>28</b>	<b>OTHER LIABILITIES</b>				
<b>LONG-TERM FUNDS AND INVESTMENTS</b>					Accrued pension liabilities (Notes 2 and 11)	103,894	1	103,699	1
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 19)	2,414,255	14	2,587,043	17	Deferred income tax liabilities - noncurrent (Notes 2 and 14)	338,063	2	268,549	2
Investments accounted for by the equity method (Notes 2 and 8)	7,120,694	42	5,616,121	38	Deferred income (Note 2)	234,721	1	168,606	1
<b>Total long-term funds and investments</b>	<b>9,534,949</b>	<b>56</b>	<b>8,203,164</b>	<b>55</b>	Others (Notes 2 and 8)	9,800	-	6,370	-
<b>PROPERTIES (Notes 2 and 9)</b>					<b>Total other liabilities</b>	<b>686,478</b>	<b>4</b>	<b>547,224</b>	<b>4</b>
Cost					<b>Total liabilities</b>	<b>4,361,886</b>	<b>26</b>	<b>2,654,284</b>	<b>18</b>
Land	1,113,352	6	1,113,352	7	<b>SHAREHOLDERS' EQUITY</b>				
Buildings	1,182,812	7	1,146,306	8	Capital stock, NT\$10.00 par value				
Machinery and equipment	446,271	3	397,076	3	Authorized - 600,000 thousand shares				
Furniture and fixtures	111,564	1	119,886	1	Issued and outstanding - 516,134 thousand shares	5,161,337	30	5,161,337	35
Other equipment	210,378	1	180,109	1	Capital surplus				
Total cost	3,064,377	18	2,956,729	20	Additional paid-in capital from share issuance in excess of par	4,376,041	26	4,376,041	29
Accumulated depreciation	713,349	4	628,204	4	From treasury stock	13,612	-	13,612	-
	2,351,028	14	2,328,525	16	From long-term equity investments	59,911	-	59,898	1
Construction-in-progress and prepayments for equipment	21,339	-	54,926	-	Employee stock options	58,545	-	-	-
<b>Net properties</b>	<b>2,372,367</b>	<b>14</b>	<b>2,383,451</b>	<b>16</b>	Total capital surplus	4,508,109	26	4,449,551	30
<b>OTHER ASSETS</b>					Retained earnings				
Refundable deposits (Note 17)	6,848	-	6,263	-	Legal reserve	2,102,592	12	1,927,459	13
Deferred expenses, net (Note 2)	102,617	1	115,878	1	Special reserve	70,136	1	1,135,596	7
<b>Total other assets</b>	<b>109,465</b>	<b>1</b>	<b>122,141</b>	<b>1</b>	Unappropriated earnings	2,908,050	17	1,294,209	9
					Total retained earnings	5,080,778	30	4,357,264	29
					Others				
					Cumulative translation adjustments	162,654	1	253,858	2
					Net loss not recognized as pension cost	(2,353)	-	-	-
					Unrealized loss on financial instruments	(815,544)	(5)	(599,887)	(4)
					Treasury stock - 14,500 thousand shares	(1,385,698)	(8)	(1,385,698)	(10)
					Total others	(2,040,941)	(12)	(1,731,727)	(12)
					<b>Total shareholders' equity (Notes 2, 12 and 13)</b>	<b>12,709,283</b>	<b>74</b>	<b>12,236,425</b>	<b>82</b>
<b>TOTAL</b>	<b>\$ 17,071,169</b>	<b>100</b>	<b>\$ 14,890,709</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 17,071,169</b>	<b>100</b>	<b>\$ 14,890,709</b>	<b>100</b>

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

(With Deloitte & Touche review report dated October 19, 2010)

# ADVANTECH CO., LTD.

## STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

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

(Reviewed, Not Audited)

	2010		2009	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 17)				
Sales	\$ 11,830,649	100	\$ 7,580,000	100
Sales returns and allowances	<u>92,230</u>	<u>1</u>	<u>84,457</u>	<u>1</u>
Net sales	11,738,419	99	7,495,543	99
Other operating revenues	<u>125,665</u>	<u>1</u>	<u>97,419</u>	<u>1</u>
Total operating revenues	11,864,084	100	7,592,962	100
OPERATING COSTS (Notes 15 and 17)	<u>8,880,780</u>	<u>75</u>	<u>5,607,994</u>	<u>74</u>
GROSS PROFIT	2,983,304	25	1,984,968	26
UNREALIZED INTERCOMPANY GAINS (Note 2)	(170,333)	(1)	(104,218)	(1)
REALIZED INTERCOMPANY GAINS (Note 2)	<u>120,265</u>	<u>1</u>	<u>186,640</u>	<u>2</u>
ADJUSTED GROSS PROFIT	<u>2,933,236</u>	<u>25</u>	<u>2,067,390</u>	<u>27</u>
OPERATING EXPENSES (Notes 15 and 17)				
Marketing	279,431	2	205,129	2
Administration	327,640	3	284,332	4
Research and development	<u>931,077</u>	<u>8</u>	<u>760,310</u>	<u>10</u>
Total operating expenses	1,538,148	13	1,249,771	16
OPERATING INCOME	<u>1,395,088</u>	<u>12</u>	<u>817,619</u>	<u>11</u>
NONOPERATING INCOME AND GAINS				
Interest income (Note 17)	1,818	-	3,896	-
Investment income recognized under the equity method, net (Notes 2 and 8)	784,558	6	350,145	5
Dividend income	102,470	1	91,397	1
Foreign exchange gain, net (Note 2)	-	-	18,859	-
Financial instrument revaluation gain, net (Notes 2 and 5)	20,242	-	5,120	-
Royalty revenue (Note 17)	202,270	2	134,053	2
Other income (Note 17)	<u>91,144</u>	<u>1</u>	<u>23,670</u>	<u>-</u>
Total nonoperating income and gains	<u>1,202,502</u>	<u>10</u>	<u>627,140</u>	<u>8</u>

(Continued)

# ADVANTECH CO., LTD.

## STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

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

(Reviewed, Not Audited)

	2010		2009	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Note 17)	\$ 1,309	-	\$ -	-
Loss on sale of investments, net	8,006	-	-	-
Exchange loss, net (Note 2)	39,875	1	-	-
Other expenses	<u>3,420</u>	<u>-</u>	<u>2,020</u>	<u>-</u>
Total nonoperating expenses and losses	<u>52,610</u>	<u>1</u>	<u>2,020</u>	<u>-</u>
INCOME BEFORE INCOME TAX	2,544,980	21	1,442,739	19
INCOME TAX (Notes 2 and 14)	<u>274,833</u>	<u>2</u>	<u>151,309</u>	<u>2</u>
NET INCOME	<u>\$ 2,270,147</u>	<u>19</u>	<u>\$ 1,291,430</u>	<u>17</u>
	2010		2009	
	Pretax	After-tax	Pretax	After-tax
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Note 16)				
Basic	<u>\$ 5.07</u>	<u>\$ 4.53</u>	<u>\$ 2.88</u>	<u>\$ 2.58</u>
Diluted	<u>\$ 5.02</u>	<u>\$ 4.48</u>	<u>\$ 2.86</u>	<u>\$ 2.56</u>

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

(With Deloitte & Touche review report dated October 19, 2010)

(Concluded)

# ADVANTECH CO., LTD.

## STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,270,147	\$ 1,291,430
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	133,613	127,564
Allowance for bad debts	-	8,824
Provision for loss on inventories	35,894	15,913
Loss on disposal of scrap inventories	18,258	42,606
Gain on disposal of long-term equity investments, net	(2,231)	-
Loss on the sale of available-for-sale financial assets, net	10,237	-
Loss (Gain) on disposal of properties, net	(13)	392
Investment income recognized under the equity method, net	(784,558)	(350,145)
Cash dividends received from equity-method investees	130,128	38,398
Compensation cost of employee stock options	53,288	-
Accrued pension liabilities	929	(2,666)
Deferred income taxes	51,742	63,895
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	32,307	(32,184)
Notes receivable	(15,536)	(3,581)
Accounts receivable	(137,692)	(14,974)
Accounts receivable - related parties	(684,862)	195,530
Other receivable	(32,185)	833
Other receivable - related parties	(2,651)	567
Inventories	(688,011)	107,247
Prepayments and other current assets	83,295	(86,873)
Accounts payable	192,657	93,710
Accounts payable - related parties	152,298	263,255
Income tax payable	206,755	(154,505)
Accrued expenses	133,436	187,747
Advance receipts and other current liabilities	17,864	(21,632)
Deferred credits	<u>50,068</u>	<u>(82,422)</u>
Net cash provided by operating activities	<u>1,225,177</u>	<u>1,688,929</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in other receivables - financing to related parties	-	(47,367)
Proceeds of capital reduction on available-for-sale financial assets	1,645	-
Proceeds of the disposal of available-for-sale financial assets	17,497	-
Acquisition of investments accounted for by the equity method	(811,709)	-
Proceeds of the disposal of equity-method investments	5,074	120,000
Cash acquired through merger	-	6,176

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# ADVANTECH CO., LTD.

## STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

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	2010	2009
Proceeds of the disposal of properties	\$ 152	\$ 275
Acquisition of properties	(86,843)	(63,571)
Increase in deferred expense	(20,199)	(10,877)
Decrease (increase) in refundable deposits	<u>(158)</u>	<u>375</u>
Net cash (used in) provided by investing activities	<u>(894,541)</u>	<u>5,011</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	250,000	-
Other payables - related parties	200,000	-
Employee stock options	-	3,488
Cash bonus to employees and remuneration to directors and supervisors	(7,700)	(137,770)
Cash dividends	<u>(2,006,535)</u>	<u>(1,490,598)</u>
Net cash used in financing activities	<u>(1,564,235)</u>	<u>(1,624,880)</u>
NET (DECREASE) INCREASE IN CASH	(1,233,599)	69,060
CASH, BEGINNING OF PERIOD	<u>1,706,903</u>	<u>1,223,098</u>
CASH, END OF PERIOD	<u>\$ 473,304</u>	<u>\$ 1,292,158</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Income tax paid	<u>\$ 16,336</u>	<u>\$ 243,364</u>

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

(With Deloitte & Touche review report dated October 19, 2010)

(Concluded)

# ADVANTECH CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

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

(Reviewed, Not Audited)

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### 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.

To improve the entire operating efficiency of the group, the Company's board of directors resolved to have a short-form merger with Advantech Investment and Management Service (AIMS). The effective merger date was July 30, 2009. As the survivor entity, the Company assumed all assets and liabilities of AIMS.

As of September 30, 2010 and 2009, the Company had 1,468 and 1,337 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, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. Under these guidelines, laws 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; and 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.

## **Long-term Equity Investments**

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.

The difference between the cost of the investment and the Company's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted is amortized over five years. Effective January 1, 2006, under the revised Statement of Financial Accounting Standards, investment premiums, representing goodwill, are no longer being amortized. If the net fair value of an asset exceeds its investment cost, the difference will be credited to depend on the proportion of noncurrent asset's (not including non-equity-method financial assets, assets for disposal, deferred tax assets and prepaid pension costs or other pension payments) fair value. 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 equity in losses 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**

An impairment loss should be recognized if the carrying amount of properties, deferred expenses and investments accounted for by the equity method exceeds, as of the balance sheet date, their recoverable amount, and this impairment loss should be charged to current income. An impairment loss recognized in prior years could be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the asset carrying amount that would have been determined had no impairment loss on the asset been recognized 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.

For long-term equity investments on which the Company has significant influence but over which it has no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

### **Stock-based Compensation**

Employee stock options granted on or after January 1, 2008 are accounted for under Statement of Financial Accounting Standards (SFAS) 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 Costs**

The Company has two types of pension plans: Defined benefit and defined contribution.

Under the defined benefit pension plan, net pension costs are recognized on the basis of actuarial calculations, and, under the defined contribution pension plan, on contribution basis throughout the employees' service period.

If the defined benefit pension plan is curtailed or settled, the resulting gains or losses should be recognized as part of the net pension cost for the period.

### **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 year.

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

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 using 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 is 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.

## Reclassifications

Certain accounts in the financial statements as of and for the nine months ended September 30, 2009 have been reclassified to be consistent with the presentation of the financial statements as of and for the nine months ended September 30, 2010.

## 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 \$5,201 thousand in net income and of NT\$0.01 in earnings per share (after income tax) for the nine months ended September 30, 2009.

## 4. CASH

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Cash on hand	\$ 1,523	\$ 1,534
Checking and demand deposits	461,783	640,344
Time deposits: Interest - 0.25%-0.705% in 2010 and 0.1%-0.575% in 2009	<u>9,998</u>	<u>650,280</u>
	<u>\$ 473,304</u>	<u>\$ 1,292,158</u>

## 5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company's financial instruments for trading purposes were as follows:

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
<u>Financial assets resulting from trading</u>		
Forward contracts	<u>\$ 23,813</u>	<u>\$ 10,762</u>
<u>Financial liabilities resulting from trading</u>		
Forward contracts	<u>\$ 45,046</u>	<u>\$ 264</u>

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

	<b>Currency</b>	<b>Maturity</b>	<b>Amount (Thousands)</b>
<u>September 30, 2010</u>			
Sell	USD/NTD	October 2010-August 2011	USD54,146/TWD1,715,593
	JPY/USD	October 2010-July 2011	JPY370,000/USD4,204
	EUR/USD	October 2010-August 2011	EUR17,500/USD22,617
	EUR/NTD	January 2011	EUR500/TWD21,359
<u>September 30, 2009</u>			
Sell	USD/NTD	October 2009-April 2010	USD20,223/TWD684,375
	JPY/NTD	December 2009	JPY45,000/TWD16,226
	EUR/USD	October 2009	EUR500/USD723
	EUR/NTD	October 2009	EUR500/TWD23,521

The Company entered into forward contract transactions for the nine months ended September 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 the trading financial assets or liabilities for the nine months ended September 30, 2010 and 2009, the Company had net gains of \$20,242 thousand and \$5,120 thousand, respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>Noncurrent</u>	
	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Quoted domestic stocks		
ASUSTEK Computer Inc.	\$ 1,521,287	\$ 2,527,593
Pegatron Corp.	755,176	-
Chunghwa Telecom Co., Ltd.	108,818	-
Quoted overseas stocks		
SG Advantech Co., Ltd.	<u>28,974</u>	<u>59,450</u>
	<u>\$ 2,414,255</u>	<u>\$ 2,587,043</u>

## 7. INVENTORIES, NET

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Finished goods	\$ 481,437	\$ 315,279
Work in process	355,739	194,564
Materials and supplies	604,292	314,611
Inventories in transit	<u>21,930</u>	<u>8,315</u>
	<u>\$ 1,463,398</u>	<u>\$ 832,769</u>

As of September 30, 2010 and 2009, the allowance for loss was \$126,653 thousand and \$98,038 thousand, respectively.

As of September 30, 2010 and 2009, the costs of goods sold related to inventories were \$8,880,780 thousand and \$5,607,994 thousand, respectively, which included an allowance for loss of \$35,894 thousand and a loss of \$18,258 thousand on inventory scrap disposal for the nine months ended September 30, 2010, and an allowance for loss of \$15,913 thousand and a loss of \$42,606 thousand on inventory scrap disposal for the nine months ended June 30, 2009.

## 8. LONG-TERM EQUITY INVESTMENTS

	<u>September 30</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
<u>Listed</u>				
Axiomtek Co., Ltd.	\$ 359,140	27.41	\$ 335,496	27.63
<u>Unlisted</u>				
Advantech Automation Corp. (BVI)	2,054,382	100.00	1,867,298	100.00
Advantech Technology Co., Ltd.	2,260,308	100.00	1,842,442	100.00
Advantech Investment Fund-A Co., Ltd.	885,296	100.00	634,593	100.00
Advantech Europe Holding B.V.	787,426	100.00	328,250	100.00
Advansus Corp.	232,787	50.00	205,492	50.00
Advantech Japan Co., Ltd.	153,145	100.00	111,928	100.00
Advantech Australia Pty Ltd.	92,119	100.00	90,309	100.00
Advantech (Yanshun) Holding Co., Ltd.	22,283	100.00	78,822	100.00
Advantech Co. Singapore Pte, Ltd.	78,348	100.00	65,268	100.00
Advantech KR Co., Ltd.	76,461	50.50	-	-
Advantech Intelligence Service	50,046	100.00	-	-
Advantech Co., Malaysia Sdn. Bhd.	39,563	100.00	40,510	100.00
Advantech Hungary Ltd.	14,823	30.00	15,253	30.00
Advantech Brazil S/A (ABR)	14,567	43.28	460	43.28
Advantech (H.K.) Technology Co., Ltd.	-	100.00	-	100.00
	<u>6,761,554</u>		<u>5,280,625</u>	
	<u>\$ 7,120,694</u>		<u>\$ 5,616,121</u>	

The calculation of the investment carrying value and the Company's equity in the equity-method investees' net income was based on the investees' unreviewed financial statements as of and for the nine months ended September 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.

Movements in the nine months ended September 30, 2010 and 2009 of the difference allocated to goodwill arising from the above acquisition were as follows:

	<b><u>Nine Months Ended September 30</u></b>	
	<b>2010</b>	<b>2009</b>
Cost		
Balance, beginning of period	\$ 115,712	\$ 106,724
Amount recognized on acquisition of investments	18,374	15,468
Translation adjustment	<u>(5,866)</u>	<u>2,565</u>
Balance, end of period	<u>\$ 128,220</u>	<u>\$ 124,757</u>

The Company intended to support the operations of Advantech (H.K.) Technology Co., Ltd. in the nine months ended September 30, 2010 and 2009. Under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities" 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 September 30, 2010 and 2009, there were credit balances on this investment of \$9,800 thousand and \$6,370 thousand, respectively, included in other liability - others.

The market values of the listed stocks invested in by the Company, which were calculated on the basis of the closing prices as of September 30, 2010 and 2009, were \$612,473 thousand and \$510,741 thousand, respectively.

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

## 9. PROPERTIES

The changes in properties were as follows:

	<b><u>Nine Months Ended September 30, 2010</u></b>				
	<b><u>Beginning</u></b>			<b><u>Reclassification</u></b>	<b><u>Ending</u></b>
	<b><u>Balance</u></b>	<b><u>Acquisition</u></b>	<b><u>Disposal</u></b>		<b><u>Balance</u></b>
Properties					
Cost					
Land	\$ 1,113,352	\$ -	\$ -	\$ -	\$ 1,113,352
Buildings	1,182,812	-	-	-	1,182,812
Machinery and equipment	404,105	18,584	2,472	26,054	446,271
Furniture and fixtures	102,026	12,502	2,964	-	111,564
Other equipment	196,481	16,363	3,707	1,241	210,378
	<u>2,998,776</u>	<u>\$ 47,449</u>	<u>\$ 9,143</u>	<u>\$ 27,295</u>	<u>3,064,377</u>

(Continued)

<b>Nine Months Ended September 30, 2010</b>					
	<b>Beginning Balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Reclassification</b>	<b>Ending Balance</b>
Accumulated depreciation					
Buildings	\$ 158,406	\$ 17,396	\$ -	\$ -	\$ 175,802
Machinery and equipment	291,543	37,684	2,473	-	326,754
Furniture and fixtures	65,456	13,153	2,826	-	75,783
Other equipment	<u>112,756</u>	<u>25,959</u>	<u>3,705</u>	<u>-</u>	<u>135,010</u>
	628,161	<u>\$ 94,192</u>	<u>\$ 9,004</u>	<u>\$ -</u>	<u>713,349</u>
	2,370,615				2,351,028
Prepayments for equipment	<u>9,390</u>	<u>\$ 39,394</u>	<u>\$ -</u>	<u>\$ (27,445)</u>	<u>21,339</u>
	<u>\$ 2,380,005</u>				<u>\$ 2,372,367</u>
					(Concluded)

<b>Nine Months Ended September 30, 2009</b>					
	<b>Beginning Balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Reclassification</b>	<b>Ending Balance</b>
Properties					
Cost					
Land	\$ 1,113,352	\$ -	\$ -	\$ -	\$ 1,113,352
Buildings	1,090,516	6,267	-	49,523	1,146,306
Machinery and equipment	394,790	6,243	16,649	12,692	397,076
Furniture and fixtures	116,295	6,288	2,697	-	119,886
Other equipment	<u>166,690</u>	<u>11,187</u>	<u>1,131</u>	<u>3,363</u>	<u>180,109</u>
	2,881,643	<u>\$ 29,985</u>	<u>\$ 20,477</u>	<u>\$ 65,578</u>	<u>2,956,729</u>
Accumulated depreciation					
Buildings	\$ 136,218	\$ 16,475	\$ -	\$ -	\$ 152,693
Machinery and equipment	260,615	37,784	16,642	-	281,757
Furniture and fixtures	74,192	12,998	2,365	-	84,825
Other equipment	<u>87,198</u>	<u>22,587</u>	<u>856</u>	<u>-</u>	<u>108,929</u>
	558,223	<u>\$ 89,844</u>	<u>\$ 19,863</u>	<u>\$ -</u>	<u>628,204</u>
	2,323,420				2,328,525
Prepayments for equipment	<u>91,263</u>	<u>\$ 33,586</u>	<u>\$ -</u>	<u>\$ (69,923)</u>	<u>54,926</u>
	<u>\$ 2,414,683</u>				<u>\$ 2,383,451</u>

## 10. SHORT-TERM LOANS

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Credit loans - interest rate: 0.82%-0.90%	<u>\$ 250,000</u>	<u>\$ -</u>

As of September 30, 2010, unused short-term credit lines amounted to \$2,518,120 thousand.

## 11. 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 costs under the defined contribution plan were \$40,123 thousand and \$37,764 thousand for the nine months ended September 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 cumulate up to 45 base points, and the benefits are based on the average monthly salary or wage for the nine months before 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 \$6,129 thousand and \$3,272 thousand for the nine months ended September 30, 2010 and 2009, respectively. As of September 30, 2010 and 2009, the balances of the pension fund were \$109,066 thousand and \$99,970 thousand, respectively.

## **12. 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 \$286,712 thousand and \$165,000 thousand for the nine months ended September 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 eve of 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>Years Ended December 31</u>			
	<u>2009</u>		<u>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 share number 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.

There is no significant difference between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and 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 the 2008 earnings was 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 3,000 units in July 2010; 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. Options issued in July 2010 and December 2009 are valid for 5 years and options issued in August 2003 are valid for 6 years. Both are 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 Nos. 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:

	<b>Nine Months Ended June 30</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted -average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted -average Exercise Price (NT\$)</b>
Balance, beginning of year	10,000	\$58.24	165	\$23.49
Options granted	3,000	67.40	-	-
Options exercised	-	-	(165)	23.49
Balance, end of year	<u>13,000</u>		<u>-</u>	
Options exercisable, end of year	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (NT\$)		\$16.45-\$20.25		\$ -

The weighted-average stock price at the date of the exercise of stock options during the nine months ended September 30, 2009 was NT\$47.65.

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

<b>September 30</b>			
<b>2010</b>		<b>2009</b>	
<b>Range of Exercise Price (NT\$)</b>	<b>Weighted-average Remaining Contractual Life (Years)</b>	<b>Range of Exercise Price (NT\$)</b>	<b>Weighted-average Remaining Contractual Life (Years)</b>
\$67.40	4.78	\$58.24	4.17

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

Grant-date share price (NT\$)	67.4
Exercise price (NT\$)	67.4
Expected volatility	34.11%-35.15%
Expected life (years)	3.5-4.5
Expected dividend yield	0%
Risk-free interest rate	0.92%-1.10%

Options granted during the nine months ended September 30, 2009 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 \$53,288 thousand for the nine months ended September 30, 2010.

### 13. TREASURY STOCK

<b>Purpose of Treasury Stock</b>	<b>(Shares in Thousands)</b>			
	<b>Number of Shares, Beginning of Period</b>	<b>Addition During the Period</b>	<b>Reduction During the Period</b>	<b>Number of Shares, End of Period</b>
<u>Nine months ended September 30, 2010</u>				
For transfer to employees	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>14,500</u>
<u>Nine months ended September 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.

#### 14. 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>September 30</u>	
	<u>2010</u>	<u>2009</u>
Tax on pretax income at statutory rate (2010: 17%; 2009: 25%)	\$ 432,647	\$ 360,675
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	212	(34,507)
Other	(39,308)	(36,517)
Temporary differences	(93,208)	(100,449)
Investment tax credit	<u>(77,252)</u>	<u>(100,312)</u>
Income tax currently payable	<u>\$ 223,091</u>	<u>\$ 88,890</u>

- b. Income tax expense consisted of the following:

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Income tax currently payable	\$ 223,091	\$ 88,890
Income tax expense		
Temporary differences	94,646	124,949
Effect of tax law changes on deferred income tax	(34,816)	(51,042)
Adjustment in valuation allowance due to changes in tax laws	(8,088)	(10,012)
Adjustments for prior years' tax	<u>-</u>	<u>(1,476)</u>
	<u>\$ 274,833</u>	<u>\$ 151,309</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 sheet was as follows:

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Balance, beginning of period	\$ 144,401	\$ 276,211
Tax effect from merger	-	31
Income tax currently payable	223,091	88,890
Payment	<u>(16,336)</u>	<u>(243,395)</u>
Balance, end of period	<u>\$ 351,156</u>	<u>\$ 121,737</u>

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

	<u>September 30</u>	
	<u>2010</u>	<u>2009</u>
Current		
Deferred income tax assets		
Allowance for loss on inventories	\$ 21,531	\$ 19,608
Unrealized product warranty reserve	4,893	4,766
Others	-	1,760
	<u>26,424</u>	<u>26,134</u>
Deferred income tax liabilities		
Unrealized foreign exchange gain	<u>(1,871)</u>	<u>(4,324)</u>
Deferred income tax assets, net	<u>\$ 24,553</u>	<u>\$ 21,810</u>
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of foreign investees	\$ 41,348	\$ 40,047
Deferred income	28,957	22,546
Pension cost	17,602	20,843
Investment credits	-	20,797
	<u>87,907</u>	<u>104,233</u>
Valuation allowance	<u>(41,348)</u>	<u>(62,593)</u>
	<u>46,559</u>	<u>41,640</u>
Deferred income tax liabilities:		
Accumulated equity in the net gains of foreign investees	<u>(384,622)</u>	<u>(310,189)</u>
Deferred income tax liabilities, net	<u>\$ (338,063)</u>	<u>\$ (268,549)</u>

The income tax rates used to recognize deferred income tax were 17% and 25% for the nine months ended September 31, 2010 and 2009, respectively.

e. As of September 30, 2009, the Company's five years' 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:

	<b>September 30</b>	
	<b>2010</b>	<b>2009</b>
Balance of the imputation credit account (ICA)	<u>\$ 77,376</u>	<u>\$ 23,864</u>
The balances of unappropriated retained earnings generated before 1997	<u>\$ 2,779</u>	<u>\$ 2,779</u>

The actual creditable tax ratios for the earnings of 2009 and 2008 were 11.34% and 12.24%, respectively.

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

## 15. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	<b>Nine Months Ended September 30</b>					
	<b>2010</b>			<b>2009</b>		
	<b>Included in Cost of Goods Sold</b>	<b>Included in Operating Expenses</b>	<b>Total</b>	<b>Included in Cost of Goods Sold</b>	<b>Included in Operating Expenses</b>	<b>Total</b>
Personnel expenses						
Payroll	\$ 191,751	\$ 894,651	\$ 1,086,402	\$ 179,905	\$ 665,774	\$ 845,679
Insurance	17,287	46,648	63,935	17,884	42,613	60,497
Pension	10,712	35,540	46,252	10,498	30,538	41,036
Others	<u>18,231</u>	<u>35,033</u>	<u>53,264</u>	<u>13,246</u>	<u>28,366</u>	<u>41,612</u>
	<u>\$ 237,981</u>	<u>\$ 1,011,872</u>	<u>\$ 1,249,853</u>	<u>\$ 221,533</u>	<u>\$ 767,291</u>	<u>\$ 988,824</u>
Depreciation	<u>\$ 24,699</u>	<u>\$ 69,493</u>	<u>\$ 94,192</u>	<u>\$ 28,154</u>	<u>\$ 61,690</u>	<u>\$ 89,844</u>
Amortization	<u>\$ 61</u>	<u>\$ 39,360</u>	<u>\$ 39,421</u>	<u>\$ 77</u>	<u>\$ 37,643</u>	<u>\$ 37,720</u>

## 16. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousand)</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>		<u>Pretax</u>	<u>After-tax</u>
Nine months ended <u>September 30, 2010</u>					
Basic EPS	\$ 2,544,980	\$ 2,270,147	501,634	<u>\$ 5.07</u>	<u>\$ 4.53</u>
Impact of dilutive potential common stock					
Employee stock options	-	-	1,908		
Bonuses to employees	-	-	3,488		
Diluted EPS	<u>\$ 2,544,980</u>	<u>\$ 2,270,147</u>	<u>507,030</u>	<u>\$ 5.02</u>	<u>\$ 4.48</u>
Nine months ended <u>September 30, 2009</u>					
Basic EPS	\$ 1,442,739	\$ 1,291,430	501,509	<u>\$ 2.88</u>	<u>\$ 2.58</u>
Impact of dilutive potential common stock					
Employee stock options	-	-	84		
Bonuses to employees	-	-	2,909		
Diluted EPS	<u>\$ 1,442,739</u>	<u>\$ 1,291,430</u>	<u>504,502</u>	<u>\$ 2.86</u>	<u>\$ 2.56</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.

## 17. RELATED-PARTY TRANSACTIONS

### a. Related parties

Related Party	Relationship with the Company
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)
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 Teichnologies 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)

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
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 18 and Table 2, are summarized as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>% to Total</u>	<u>Amount</u>	<u>% to Total</u>
<u>For the nine months ended September 30</u>				
1) Sales				
ANA	\$ 3,251,699	27	\$ 1,681,846	22
ACN	1,485,575	13	1,401,000	19
AESC	1,387,745	12	1,010,349	13
AiSC	1,140,951	10	731,930	10
AKMC	337,961	3	87,205	1
AJP	281,474	2	140,563	2
AKR	276,904	2	167,003	2
AAU	109,481	1	78,636	1
ASG	104,191	1	47,791	1
ABR	59,746	1	64,904	1
AMY	26,800	-	13,421	-
Avalue	20,053	-	10,922	-
ATH	19,010	-	18,390	-
Axiomtek	14,932	-	6,816	-
Advansus Corp.	12,360	-	7,218	-
APL	8,932	-	8,025	-
Netstar	3,851	-	17	-
Broadwin	2,158	-	2,570	-
DLoG	836	-	-	-
BCM	681	-	398	-
ADMC	-	-	2	-
Others	-	-	30	-
	<u>\$ 8,545,340</u>	<u>72</u>	<u>\$ 5,479,036</u>	<u>72</u>

	2010		2009	
	Amount	% to Total	Amount	% to Total
2) Purchase of materials and suppliers				
ATC	\$ 4,049,125	46	\$ 2,684,727	48
Advansus Corp.	1,395,566	16	787,613	14
ANA	104,440	1	32,028	-
Netstar	52,179	-	33,132	1
Jan Hsiang	17,826	-	12,374	-
Cermate	10,361	-	-	-
ACN	2,363	-	3,577	-
AESC	886	-	1,301	-
Broadwin	697	-	402	-
BCM	504	-	440	-
Axiomtek	314	-	258	-
AAU	60	-	42	-
ASG	11	-	773	-
AJP	10	-	103	-
AYS	-	-	114,948	2
AHK	-	-	373	-
ADL	-	-	75	-
Others	17	-	82	-
	<u>\$ 5,634,359</u>	<u>63</u>	<u>\$ 3,672,248</u>	<u>65</u>
3) Rental cost (part of operating expense)				
Advansus Corp.	<u>\$ 1,340</u>	<u>-</u>	<u>\$ 9,959</u>	<u>1</u>
4) Royalty revenue for patent (part of nonoperating income)				
ATC	<u>\$ 202,270</u>	<u>17</u>	<u>\$ 134,053</u>	<u>21</u>
5) Rental revenues (part of nonoperating income)				
Advansus Corp.	5,265	-	5,265	1
BCM	585	-	585	-
Advantech Fund-A	27	-	27	-
AIMS	-	-	150	-
	<u>5,877</u>	<u>-</u>	<u>6,027</u>	<u>1</u>
6) Interest income (part of nonoperating income)				
AKR	<u>21</u>	<u>-</u>	<u>950</u>	<u>-</u>

	2010		2009	
	Amount	% to Total	Amount	% to Total
7) Other revenue (part of nonoperating income)				
Advansus Corp.	\$ 8,259	1	\$ 8,679	2
AIDC	1,125	-	-	-
Netstar	640	-	-	-
Broadwin	560	-	-	-
K&M	375	-	-	-
Cermate	280	-	-	-
AIMS	-	-	11	-
	<u>11,239</u>	<u>1</u>	<u>8,690</u>	<u>2</u>
	<u>\$ 219,407</u>	<u>18</u>	<u>\$ 149,720</u>	<u>24</u>

8) Interest expense (part of nonoperating expense)

Advantech Fund-A	\$ 436	1	\$ -	-
AiST	<u>48</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 484</u>	<u>1</u>	<u>\$ -</u>	<u>-</u>

At the end of nine months ended September 30

9) Accounts receivable - related parties

Accounts				
AESC	\$ 678,293	32	\$ 399,008	33
ANA	585,056	27	1,592	-
ACN	384,845	18	302,612	25
AiSC	253,262	12	265,194	22
AKR	72,707	3	58,709	5
AKMC	64,275	3	92,493	8
AJP	43,515	2	30,071	3
AAU	22,775	1	13,248	1
ASG	19,784	1	7,147	1
ABR	13,701	1	16,828	1
AMY	7,711	-	1,557	-
APL	4,373	-	5,450	-
Axiomtek	4,153	-	1,327	-
ATH	3,526	-	6,015	1
Avalue	2,245	-	4,129	-
Broadwin	1,576	-	473	-
Advansus Corp.	796	-	805	-
DLoG	503	-	-	-
Netstar	278	-	-	-
BCM	8	-	256	-
Others	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>
	<u>\$ 2,163,382</u>	<u>100</u>	<u>\$ 1,206,917</u>	<u>100</u>

	<b>2010</b>		<b>2009</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
10) Other receivables - related parties				
Financing provided				
AKR	\$ -	-	\$ 47,367	82
Other receivables				
ACN	21,723	64	-	-
AKR	7,535	23	212	1
Advansus Corp.	1,683	5	5,218	9
ANA	996	3	89	-
ADL	661	2	355	1
ABR	550	2	117	-
AKMC	207	1	61	-
AMY	133	-	-	-
Cermate	126	-	-	-
AAU	117	-	119	-
ASG	82	-	41	-
AESC	66	-	3,477	6
AJP	41	-	45	-
Broadwin	-	-	642	1
Others	133	-	133	-
	<u>34,053</u>	<u>100</u>	<u>10,509</u>	<u>18</u>
	<u>\$ 34,053</u>	<u>100</u>	<u>\$ 57,876</u>	<u>100</u>
11) Refundable deposits				
Advansus Corp.	\$ -	-	\$ 1,483	24
12) Accounts payable - related parties				
Accounts				
ATC	\$ 1,000,772	79	\$ 814,782	85
Advansus Corp.	207,589	17	101,081	11
AYS	22,993	2	23,148	3
ANA	14,784	1	2,140	-
Netstar	12,776	1	10,348	1
ACN	2,228	-	1,487	-
Jan Hsiang	1,767	-	1,891	-
Cermate	1,472	-	-	-
AMY	643	-	-	-
Broadwin	417	-	-	-
AESC	147	-	1	-
APL	123	-	1,328	-
ASG	103	-	843	-
ADL	81	-	252	-
AJP	-	-	37	-
Others	396	-	138	-
	<u>\$ 1,266,291</u>	<u>100</u>	<u>\$ 957,476</u>	<u>100</u>

	2010		2009	
	Amount	% to Total	Amount	% to Total
13) Other payables - related parties				
Advantech Fund-A	\$ 180,000	90	\$ -	-
AiST	20,000	10	-	-
ABR	<u>27</u>	<u>-</u>	<u>27</u>	<u>-</u>
	<u>\$ 200,027</u>	<u>100</u>	<u>\$ 27</u>	<u>-</u>

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

Nine Months Ended September 30, 2010				
	Maximum Balance	Ending Balance	Interest Rate	Interest Income
Other receivable - <u>related parties</u>				
AKR	<u>\$ 14,000</u> (KRW500,000 thousand)	<u>\$ -</u>	3%	<u>\$ 21</u>

Nine Months Ended September 30, 2010				
	Maximum Balance	Ending Balance	Interest Rate	Interest Expense
Other payable - <u>related parties</u>				
Advantech Fund-A	<u>\$ 180,000</u>	<u>\$ 180,000</u>	1.1%	<u>\$ 436</u>
AiST	<u>\$ 20,000</u>	<u>\$ 20,000</u>	1.1%	<u>\$ 48</u>

Nine Months Ended September 30, 2009				
	Maximum Balance	Ending Balance	Interest Rate	Interest Income
AKR	<u>\$ 49,950</u> (KRW1,850,000 thousand)	<u>\$ 47,367</u> (KRW1,750,000 thousand)	5%	<u>\$ 950</u>

c. Securities transactions

In July 2009, the Company acquired from Advantech International Co., Ltd. (AICL) 60% of ABR shares as an offset against AICL's payable to the Company, resulting in a goodwill amounting to \$15,468 thousand.

Rent contracts with related parties 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.

## 18. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of September 30, 2010, the Company had the following guarantees for related parties' loans:

	<b>Amount</b>
AKMC	<u>\$ 331,356 thousand</u>
Advansus Corp.	<u>\$ 100,000 thousand</u>
Cermate	<u>\$ 20,000 thousand</u>
Advantech Fund-A	<u>\$ 300,000 thousand</u>

## 19. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	<b>September 30</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Nonderivative financial instruments</u>				
Assets				
Available-for-sale financial assets - noncurrent	\$ 2,414,255	\$ 2,414,255	\$ 2,587,043	\$ 2,587,043
<u>Derivative financial instruments by location</u>				
Financial assets at fair value through profit or loss - current				
Domestic	4,453	4,453	3,326	3,326
Foreign (foreign corporation operating in domestic district included)	19,360	19,360	7,436	7,436
Financial liabilities at fair value through profit or loss - current				
Domestic	10,821	10,821	-	-
Foreign (foreign corporation operating in domestic district included)	34,225	34,225	264	264

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, other receivable from related parties, refundable deposits, accounts payables, payables to related parties and other payables to related parties 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 estimated 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 determined using certain valuation techniques, as follows:

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	September 30		September 30	
	2010	2009	2010	2009
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ -	\$ -	\$ 23,813	\$ 10,762
Available-for-sale financial assets - noncurrent	2,414,255	2,587,043	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current	-	-	45,046	264

- d. As of September 30, 2010 and 2009, financial assets exposed to fair value interest rate risk amounted to \$9,998 thousand and \$650,280 thousand, respectively, and financial assets exposed to cash flow interest rate risk amounted to \$460,981 thousand and \$640,231 thousand, respectively.
- e. The Company recognized an unrealized loss of \$557,408 thousand and an unrealized gain of \$855,428 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the nine months ended September 30, 2010 and 2009, respectively. A loss amounted to \$10,237 thousand was deducted from the adjusted items in shareholders' equity and was recognized as a reduction of net income of the nine months ended September 30, 2010. The Company also recognized unrealized gains of \$26,461 thousand and \$332 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees for the nine months ended September 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.

## 20. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 17 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 September 30, 2010, accumulated inward remittance of earnings as of September 30, 2010 and upper limit on investment: Table 8 (attached)
  - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 17 and 18 and Tables 1, 2, 5 and 6.

## ADVANTECH CO., LTD. AND INVESTEEES

## FINANCING PROVIDED

NINE MONTHS ENDED SEPTEMBER 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	\$ 14,000 (KRW 500,000 thousand)	\$ -	3%	Business transaction - related	Sales \$276,904	Financing need	\$ -	-	-	\$ 93,780 (Note B)	\$ 93,780 (Note B)
1	AEU	ADL	Other receivable - related parties	29,806 (EUR 700 thousand)	29,806 (EUR 700 thousand)	4%	Short-term financing	-	Financing need	-	-	-	1,270,928 (Note C)	2,541,857 (Note C)
2	SHHQ	ACN	Other receivable - related parties	75,205 (RMB 16,097 thousand)	-	2%	Short-term financing	-	Financing need	-	-	-	140,160 (Note D)	140,160 (Note D)
3	ACN	AKMC	Other receivable - related parties	95,669 (RMB 20,477 thousand)	-	2%	Short-term financing	-	Financing need	-	-	-	140,160 (Note D)	140,160 (Note D)
4	ANA	AESC	Other receivable - related parties	51,579 (US\$ 1,650 thousand)	31,260 (US\$ 1,000 thousand)	2%	Short-term financing	-	Financing need	-	-	-	1,270,928 (Note C)	2,541,857 (Note C)
		AKMC	Other receivable - related parties	184,434 (US\$ 5,900 thousand)	184,434 (US\$ 5,900 thousand)	2%	Short-term financing	-	Financing need	-	-	-	1,270,928 (Note C)	2,541,857 (Note C)
5	AISC	ACN	Other receivable - related parties	138,541 (RMB 29,654 thousand)	138,541 (RMB 29,654 thousand)	2%	Short-term financing	-	Financing need	-	-	-	140,160 (Note D)	140,160 (Note D)
6	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Other receivable - related parties	67,521	67,521	-	Business transaction - related	Purchase 280,510	Business transaction - related	-	-	-	280,510 (Note E)	280,510 (Note E)
		LANSONIC (B.V.I.)	Other receivable - related parties	3,676	3,676	-	Short-term financing	-	Financing need	-	-	-	49,168 (Note F)	49,168 (Note F)
7	Broadwin Technology Inc.	Netstar Technology Co., Ltd.	Other receivable - related parties	40,000	35,000	2%	Short-term financing	-	Financing need	-	-	-	42,256 (Note F)	42,256 (Note F)
8	Advantech Fund-A	Netstar Technology Co., Ltd.	Other receivable - related parties	60,000	35,000	2%	Short-term financing	-	Financing need	-	-	-	355,502 (Note F)	355,502 (Note F)
		ACL	Other receivable - related parties	180,000	180,000	1%	Short-term financing	-	Financing need	-	-	-	355,502 (Note F)	355,502 (Note F)
9	AiST	ACL	Other receivable - related parties	20,000	20,000	1%	Short-term financing	-	Financing need	-	-	-	20,018 (Note F)	20,018 (Note F)

Note A: The exchange rate was EUR1=NT\$42.58; US\$1=NT\$31.26; KR₩1=NT\$0.028; RMB\$1= NT\$4.672.

Note 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.

Note 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.

Note 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.

Note 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.

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

## ADVANTECH CO., LTD. AND INVESTEES

## ENDORSEMENT/GUARANTEE PROVIDED

NINE MONTHS ENDED SEPTEMBER 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 Amount of 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	\$ 1,270,928 (Note A)	\$ 331,356 (US\$ 10,600 thousand)	\$ 331,356 (US\$ 10,600 thousand)	\$ -	2.60	\$ 3,812,785 (Note B)
		Netstar Technology Co., Ltd.	Indirect subsidiary	1,270,928 (Note A)	120,000	-	-	-	3,812,785 (Note B)
		Advansus Corp.	Equity-method investee	1,270,928 (Note A)	100,000	100,000	-	0.79	3,812,785 (Note B)
		Cermate Technologies Inc.	Equity-method investee	1,270,928 (Note A)	20,000	20,000	-	0.16	3,812,785 (Note B)
		Advantech Fund-A	Equity-method investee	1,270,928 (Note A)	300,000	300,000	-	2.36	3,812,785 (Note B)

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

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

Note C: The exchange rate was US\$1.00 = NT\$31.26.

## ADVANTECH CO., LTD. AND INVESTEES

## MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

NINE MONTHS ENDED SEPTEMBER 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	September 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	\$ 2,054,382	100.00	\$ 2,055,462	Note A	
	ATC	"	"	32,750,000	2,260,308	100.00	2,268,781	Note A	
	Advansus Corp.	"	"	18,000,000	232,788	50.00	242,450	Note A	
	Advantech Fund-A	"	"	90,000,000	885,296	100.00	888,756	Note A	
	Axiomtek	"	"	21,603,984	359,140	27.41	359,140	Note A	
	AEU	"	"	9,572,024	787,426	100.00	787,426	Note A	
	ASG	"	"	1,450,000	78,348	100.00	78,348	Note A	
	AAU	"	"	500,204	92,119	100.00	92,119	Note A	
	AJP	"	"	1,200	153,146	100.00	153,146	Note A	
	AYS	"	"	12,300,000	22,283	100.00	22,283	Note A	
	AMY	"	"	2,000,000	39,563	100.00	39,563	Note A	
	AHG	"	"	30	14,823	30.00	14,823	Note A	
	ABR	"	"	971,055	14,567	43.28	14,567	Note A	
	AKR	"	"	303,000	76,461	50.50	76,461	-	
	AiST	"	"	5,000,000	50,046	100.00	50,046	-	
	AHK	"	"	Other liability - others	999,999	(9,800)	100.00	(9,800)	Notes A and C
	ASUSTek Computer Inc.	-	-	Available for sale financial assets - noncurrent	6,791,460	1,521,287	1.07	1,521,287	Note B
	SGA	-	-	"	1,556,064	28,974	7.19	28,974	Note B
	Chunghwa Telecom Co., Ltd.	-	-	"	1,554,545	108,818	-	108,818	Note B
Pegatron Corp.	-	-	"	18,486,570	755,176	-	755,176		
Advantech Fund-A	<u>Stock</u>								
	Netstar Technology Co., Ltd.	Investee	Long-term equity investments	20,029,222	191,669	80.12	191,669	Note A	
	BCM Embedded Computer Inc.	"	"	3,500,000	16,479	100.00	16,479	Note A	
	Broadwin Technology, Inc.	"	"	9,777,571	180,860	100.00	180,860	Note A	
	Cermate Technologies Inc.	"	"	5,500,000	76,666	55.00	76,666	-	
	Avalue Technology Inc.	-	-	Available for sale financial assets - noncurrent	1,537,759	65,970	3.53	65,970	-
	Chunghwa Telecom Co., Ltd.	-	-	Available for sale financial assets - current	206,191	14,433	-	14,433	Note B
	AverMedia Information Inc.	-	-	Financial assets carried at cost - noncurrent	714,000	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	September 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	\$ 1,443,037	100.00	\$ 1,443,037	Note A
ATC (HK)	<u>Stock</u> AKMC	Investee	Long-term equity investments	-	1,443,277	100.00	1,443,277	Note A
AAC (BVI)	<u>Stock</u> ANA	Investee	Long-term equity investments	10,952,606	1,091,119	100.00	1,091,119	Note A
	AAC (HK)	"	"	15,230,001	960,242	100.00	960,242	Note A
ANA	<u>Stock</u> ABR	-	Financial assets carried at cost - noncurrent	375,192	6,012	16.72	6,012	-
AAC (HK)	<u>Stock</u> ACN	Investee	Long-term equity investments	-	512,230	100.00	512,230	Note A
	SHHQ	"	"	-	90,534	100.00	90,534	Note A
	AiSC	"	"	-	339,678	100.00	339,678	Note A
	AXA	"	"	-	16,939	100.00	16,939	Note A
ACN	<u>Stock</u> Hangzhou Advantofine Automation Co., Ltd.	"	"	-	14,250	60.00	14,250	Note A
AEU	<u>Stock</u> AESC	"	"	8,314,280	82,610	100.00	82,610	Note A
	ADL	"	"	1,142,000	(125,460)	100.00	(125,460)	Notes A and C
	APL	"	"	6,530	37,467	92.89	37,467	Note A
	DLoG	"	"	1	570,150	100.00	570,150	Note A
ASG	<u>Stock</u> ATH	"	"	30,000	7,543	30.00	7,543	Note A
Netstar Technology Co., Ltd.	<u>Stock</u> LANSONIC (BVI)	"	Other liability - others	3,527,529	(59,799)	94.83	(59,799)	Notes A and C
	Jan Hsiang Electronics Co., Ltd.	"	Long-term equity investments	570,000	6,580	28.50	6,580	Note A
	Lantech Communications Inc.	"	"	1,159,500	-	77.30	-	Note A
Broadwin Technology, Inc.	<u>Stock</u> Broadwin Technology Inc.	"	Long-term equity investments	5,643,650	15,724	100.00	15,724	Note A
LANSONIC (B.V.I.)	<u>Stock</u> Netstar Electronics Corporation	"	Other liability - others	-	HK\$ (33,104)	100.00	HK\$ (33,104)	Notes A and C
Cermate Technologies Inc.	<u>Stock</u> Land Mark	"	Long-term equity investments	1,000,000	34,766	100.00	34,766	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2010				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Land Mark	<u>Stock</u>	Investee	Long-term equity investments	-	\$ 631	100.00	\$ 631	Note A
	Cermate (Shanghai)							

Note A: The financial statements used as basis of net asset values were all unaudited.

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

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

(Concluded)

## ADVANTECH CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

NINE MONTHS ENDED SEPTEMBER 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	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 INVESTEES**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
NINE MONTHS ENDED SEPTEMBER 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	Sales	\$(1,387,745)	11.70%	Set for 45 days a month			\$ 678,293	23.10%	
	ACN	Indirect subsidiary	Sales	(1,485,575)	12.52%	Set for 45 days a month			384,845	13.11%	
	AKMC	Indirect subsidiary	Sales	(337,961)	2.85%	Set for 30 days after a month			64,275	2.19%	
	AJP	Subsidiary	Sales	(281,474)	2.37%	Set for 45 days a month			43,515	1.48%	
	AiSC	Indirect subsidiary	Sales	(1,140,951)	9.62%	Set for 45 days a month			253,262	8.63%	
	ANA	Indirect subsidiary	Sales	(3,251,699)	27.41%	Set for 45 days a month			585,056	19.92%	
	AKR	Subsidiary	Sales	(276,904)	2.33%	Set for 45 days a month			72,707	2.48%	
	AAU	Subsidiary	Sales	(109,481)	0.92%	60 to 90 days			22,775	0.78%	
	ASG	Subsidiary	Sales	(104,191)	0.88%	60 to 90 days			19,784	0.67%	
	ATC	Subsidiary	Purchase	4,049,125	45.59%	Set for 60 days a month			(1,000,772)	52.90%	
	Advansus Corp.	Subsidiary	Purchase	1,395,566	15.71%	Set for 30 days a month			(207,589)	10.97%	
	ANA	Indirect subsidiary	Purchase	104,440	1.18%	Set for 45 days a month			(14,784)	0.78%	
	ATC	Advantech Co., Ltd.	Ultimate parent company	Sales	(4,049,125)	97.45%	Set for 60 days a month			1,000,772	98.73%
Advansus Corp.	Advantech Co., Ltd.	Ultimate parent company	Sales	(1,395,566)	38.47%	Set for 30 days a month			207,589	35.48%	
ANA	Advantech Co., Ltd.	Ultimate parent company	Sales	(104,440)	2.31%	Set for 45 days a month			14,784	1.17%	
	Advantech Co., Ltd.	Ultimate parent company	Purchase	3,251,699	89.60%	Set for 45 days a month			(585,056)	86.00%	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,387,745	84.46%	Set for 45 days a month			(678,293)	94.14%	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,485,575	75.69%	Set for 45 days a month			(384,845)	59.66%	
AKMC	Advantech Co., Ltd.	Ultimate parent company	Purchase	337,961	8.80%	Set for 30 days after a month			(64,275)	5.51%	
AJP	Advantech Co., Ltd.	Parent company	Purchase	281,474	95.06%	Set for 45 days a month			(43,515)	96.68%	
AiSC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,140,951	63.72%	Set for 45 days a month			(253,262)	46.40%	
AKR	Advantech Co., Ltd.	Parent company	Purchase	276,904	61.26%	Set for 45 days a month			(72,707)	60.60%	
AAU	Advantech Co., Ltd.	Parent company	Purchase	109,481	71.63%	60 to 90 days			(22,775)	64.40%	
ASG	Advantech Co., Ltd.	Parent company	Purchase	104,191	61.88%	60 to 90 days			(19,784)	71.99%	
ACN	AiSC	Related enterprise	Sales	(166,660)	7.39%	Set for 45 days a month			132,478	19.33%	

(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	Related enterprise	Sales	\$ (127,851)	5.67%	Set for 45 days a month			\$ 180,618	31.80%	
AKMC	ATC	Related enterprise	Sales	(3,718,722)	87.76%	Set for 30 days after a month			210,951	64.83%	
	AISC	Related enterprise	Sales	(257,392)	6.07%	Set for 30 days after a month			46,093	14.17%	
	Netstar Technology Co., Ltd.	Related enterprise	Sales	(201,326)	4.75%	Set for 60 days after a month			59,415	18.26%	
ATC	AKMC	Related enterprise	Sales	(103,189)	2.44%	Set for 30 days after a month			17,300	1.71%	
Advansus Corp.	AKMC	Related enterprise	Sales	(1,121,253)	30.91%	Set for 30 days after a month			225,656	38.57%	
AISC	ACN	Related enterprise	Purchase	166,660	9.31%	Set for 45 days a month			(132,478)	24.27%	
	AKMC	Related enterprise	Purchase	257,392	14.38%	Set for 30 days after a month			(46,093)	8.44%	
ATC	AKMC	Related enterprise	Purchase	3,718,722	100.00%	Set for 30 days after a month			(210,951)	97.65%	
Netstar Technology Co., Ltd.	AKMC	Related enterprise	Purchase	201,326	86.78%	Set for 60 days after a month			(59,415)	46.41%	
AKMC	ATC	Related enterprise	Purchase	103,189	2.69%	Set for 45 days a month			(17,300)	1.48%	
	Advansus Corp.	Related enterprise	Purchase	1,121,253	29.21%	Set for 30 days after a month			(225,656)	19.33%	
ACN	AISC	Related enterprise	Purchase	127,851	6.51%	Set for 45 days a month			(180,618)	28.00%	

(Concluded)

ADVANTECH CO., LTD. AND INVESTEEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 NINE MONTHS ENDED SEPTEMBER 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	\$ 678,293	3.44	\$ -	-	\$ -	\$ -
	ANA	Indirect subsidiary	585,056	11.35	-	-	-	-
	ACN	Indirect subsidiary	384,845	5.66	-	-	123,240	-
	AiSC	Indirect subsidiary	253,262	5.15	-	-	77,025	-
ATC	Advantech Co., Ltd.	Parent company	1,000,772	5.57	-	-	66,393	-
Advansus Corp.	Advantech Co., Ltd.	Parent company	207,589	11.27	-	-	129	-
	AKMC	Related enterprise	225,656	7.96	-	-	-	-
AKMC	ATC	Related enterprise	210,951	18.99	-	-	61,620	-
ACN	AiSC	Related enterprise	132,478	1.95	-	-	-	-
AiSC	ACN	Related enterprise	180,618	1.30	-	-	23,468	-

## ADVANTECH CO., LTD. AND INVESTEEES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2010			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				September 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	\$ 2,054,382	\$ 212,811	\$ 218,078	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,044,818	1,044,818	32,750,000	100.00	2,260,308	351,590	350,874	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	180,000	180,000	18,000,000	50.00	232,787	50,852	48,621	Equity-method investee
	AEU	Helmond, The Netherlands	Investment holding company	993,318	439,782	9,572,024	100.00	787,426	15,797	15,797	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	Investment and management service	900,000	700,000	90,000,000	100.00	885,296	31,414	27,954	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	267,046	269,222	21,603,984	27.41	359,140	185,490	52,137	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	78,348	12,498	12,498	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	92,119	7,591	7,591	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	153,145	23,313	23,313	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	5,927	51,662	12,300,000	100.00	22,283	(3,689)	(3,589)	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	39,563	8,272	8,272	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	14,823	-	-	Equity-method investee
	AKR	Seoul, Korea	Sale of industrial automation products	58,173	-	303,000	50.50	76,461	33,808	17,072	Subsidiary
	ABR	Sao Paulo, Brazil	Sale of industrial automation products	-	-	971,055	43.28	14,567	14,578	8,747	Subsidiary
	AiST	Taipei, Taiwan	Sale of industrial automation products	50,000	50,000	5,000,000	100.00	50,046	46	46	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(9,800)	(2,853)	(2,853)	Subsidiary (Note A)
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	245,068	242,668	20,029,222	80.12	191,669	(9,640)	(7,677)	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	45,500	45,500	3,500,000	100.00	16,479	1,799	1,799	Indirect subsidiary
	Broadwin Technology, Inc. Cermate Technologies Inc.	Taipei, Taiwan Taipei, Taiwan	Assembly and production of computers	165,218 71,500	99,783 -	9,777,571 5,500,000	100.00 55.00	180,860 76,666	4,429 5,777	4,616 5,018	Indirect subsidiary Indirect subsidiary
ATC	ATC (HK)	Hong Kong	Investment holding company	1,026,430	1,026,430	35,650,001	100.00	1,443,037	211,591	211,591	Indirect subsidiary
ATC (HK)	AKMC	Kunshan, China	Production and sale of components of industrial automation products	1,026,430	1,026,430	-	100.00	1,443,277	211,618	211,618	Indirect subsidiary
AYS	ADMC	Guangzhou, China	Production and sale of industrial automation products	-	51,662	-	100.00	-	(3,689)	(3,689)	Indirect subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	1,091,119	134,197	134,197	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment holding company	539,146	539,146	15,230,001	100.00	960,242	78,684	78,684	Indirect subsidiary
AAC (HK)	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	512,230	26,607	26,607	Indirect subsidiary
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	96,750	-	100.00	90,534	255	255	Indirect subsidiary
	AiSC	Shanghai, China	Sale of industrial automation products	257,040	257,040	-	100.00	339,678	59,602	59,602	Indirect subsidiary
	AXA	Xi'an, China	Development and production of software products	32,960	32,960	-	100.00	16,939	(7,758)	(7,758)	Indirect subsidiary
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processes and sale of peripherals	13,727	13,727	-	60.00	14,250	2,051	1,231	Equity-method investee
AEU	AESC	Eindhoven, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	82,610	(16,142)	(16,142)	Indirect subsidiary
	ADL	Munich, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	(125,460)	4,989	4,989	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	37,467 570,150	3,819 43,780	3,548 22,610	Indirect subsidiary Indirect subsidiary
ASG	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	7,543	972	290	Indirect subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2010			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				September 30, 2010	December 31, 2009	Shares	Percentage of Ownership	Carrying Value			
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd. Lantech Communications Inc. LANSONIC (B.V.I.)	Taipei, Taiwan Taipei, Taiwan BVI	Electronic parts and components manufacturing	\$ 3,719	\$ 7,188	570,000	28.50	\$ 6,580	\$ 3,265	\$ 958	Indirect subsidiary
			Retail sale of electronic materials	11,595	11,595	1,159,500	77.30	-	-	-	Indirect subsidiary
			General investment	101,188	101,188	3,527,529	94.83	(59,799)	HK\$ (5,246)	HK\$ (5,246)	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\$ (33,104)	HK\$ (5,246)	HK\$ (5,246)	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	15,724	(1,161)	(1,161)	Indirect subsidiary
Cermate Technologies Inc.	LandMark	BVI	General investment	28,200	-	1,000,000	100.00	34,766	7,604	7,604	Indirect subsidiary
LandMark	Cermate (Shanghai) Cermate (Shenzhen)	Shanghai, China Shenzhen, China	Sale of industrial electronic products	US\$ 572	-	-	100.00	631	1,823	1,798	Indirect subsidiary
			Manufacture of LCD touch panel, USB data cable and industrial automation products	US\$ 308	-	-	90.00	450	6,423	5,703	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 not reviewed by CPA.

(Concluded)

**TABLE 8**

**ADVANTECH CO., LTD. AND INVESTEEES**

**INVESTMENTS IN MAINLAND CHINA  
NINE MONTHS ENDED SEPTEMBER 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 January 1, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2010	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of September 30, 2010	Accumulated Inward Remittance of Earnings as of September 30, 2010
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$35,650 thousand	Indirect	\$ 978,438 (US\$ 31,300 thousand)	\$ -	\$ -	\$ 978,438 (US\$ 31,300 thousand)	100%	\$ 211,618	\$ 1,443,277	\$ -
Yan Hua Xing Ye Electronic (SHHQ)	Sale of industrial automation products	US\$3,000 thousand	Indirect	93,780 (US\$ 3,000 thousand)	-	-	93,780 (US\$ 3,000 thousand)	100%	255	90,534	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$4,230 thousand	Indirect	166,678 (US\$ 5,332 thousand)	-	-	166,678 (US\$ 5,332 thousand)	100%	26,607	512,230	351,206 (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)	-	44,483 (US\$ 1,423 thousand)	(Note C)	100%	(3,689)	-	44,483 (US\$ 1,423 thousand)
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	US\$8,000 thousand	Indirect	250,080 (US\$ 8,000 thousand)	-	-	250,080 (US\$ 8,000 thousand)	100%	59,602	339,678	
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US\$1,000 thousand	Indirect	(Note D)	-	-	(Note D)	100%	(7,758)	16,939	

Accumulated Investment in Mainland China as of September 30, 2010	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,495,228 (US\$47,832 thousand) (Note E)	\$2,266,350 (US\$72,500 thousand)	\$7,709,855 (Note G)

(Continued)

Note A: The financial statements used as basis of net asset values were not reviewed by CPA.

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 18 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\$31.26.

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

(Concluded)