

Advantech Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2013 and 2012 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Advantech Co., Ltd

We have reviewed the accompanying consolidated balance sheets of Advantech Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 and the related consolidated statements of comprehensive income for the three months ended June 30, 2013, six months ended June 30, 2013 and 2012 and changes in equity and cash flows for the six months ended June 30, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

The financial statements of the Company's subsidiaries for the six months ended June 30, 2013 and 2012 had not been reviewed, except those of Advantech Automation Corp. (BVI), Advantech Automation Corp. (HK) Limited, Advantech Corp., Advantech Technology Co., Ltd., Advantech Technology (HK) Co., Limited, and Advantech Technology (China) Co., Ltd. (AKMC), Advantech Europe Holding B.V. (financial statements as of June 30, 2013 reviewed), Advantech Europe B.V. (financial statements as of June 30, 2013 reviewed). The total assets of these subsidiaries were 13.11% (NT\$3,515,570 thousand) and 21.06% (NT\$5,283,493 thousand) of the Company's consolidated total assets as of June 30, 2013 and 2012, respectively. The total liabilities of these subsidiaries were 17.42% (NT\$1,709,033 thousand) and 15.52% (NT\$1,528,680 thousand) of the Company's consolidated total liabilities as of June 30, 2013 and 2012, respectively. The comprehensive incomes of these subsidiaries were 25.15% (NT\$174,467 thousand), (8.73%) (NT\$(77,834) thousand), 16.82% (NT\$324,674 thousand) and 6.96% (NT\$146,797 thousand) of the Company's consolidated comprehensive incomes in the three months ended June 30, 2013 and 2012 and six months ended June 30, 2013 and 2012, respectively. Also, as stated in Note 12 to the consolidated financial statements, the investments accounted for by the equity method were NT\$379,961 thousand and NT\$347,830 thousand as of June 30, 2013 and 2012, respectively. The equities in earnings of the equity-method investees of these subsidiaries were NT\$20,238 thousand, NT\$16,775 thousand, NT\$39,915 thousand and NT\$21,428 thousand of the Company's consolidated net income in the three months ended June 30, 2013 and 2012 and six months ended June 30, 2013 and 2012, respectively, and these investment amounts as well as additional disclosures in Note 35 "Information on investees" were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company except for Axiomtek Co., Ltd.

Based on our reviews, except for the adjustments which could arise from the financial statements of the Company's subsidiaries that had not been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements of Advantech Co., Ltd. and subsidiaries referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the Financial Supervisory Commission of the Republic of China (ROC), International Financial Reporting Standard 1 "First-time Adoption of International Financial Reporting Standards" and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

August 7, 2013

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 consolidated financial statements are those generally applied in the Republic of China.

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars, Except Par Value) (Reviewed, Not Audited)

| ASSETS | June 30, 2013 | | December 31, 2012 | | June 30, 2012 | | January 1, 2012 | |
|--|----------------------|------------|----------------------|------------|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | | | | |
| Cash and cash equivalents (Note 6) | \$ 2,668,291 | 10 | \$ 3,272,043 | 14 | \$ 2,267,548 | 9 | \$ 2,281,279 | 11 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 8,756 | - | 16,879 | - | 9,704 | - | 57,204 | - |
| Available-for-sale financial assets - current (Notes 4 and 8) | 3,974,714 | 15 | 1,537,309 | 6 | 1,735,734 | 7 | 873,808 | 4 |
| Debt investments with no active market - current (Note 9) | 397,974 | 2 | 423,428 | 2 | 1,656,651 | 7 | 241,882 | 1 |
| Notes receivable from unrelated parties (Notes 4 and 10) | 599,855 | 2 | 574,292 | 3 | 481,311 | 2 | 427,256 | 2 |
| Trade receivables from unrelated parties (Notes 4 and 10) | 4,450,701 | 17 | 3,631,078 | 15 | 4,377,311 | 17 | 3,381,180 | 16 |
| Trade receivables from related parties (Note 31) | 23,259 | - | 3,377 | - | 4,457 | - | 3,464 | - |
| Other receivables from unrelated parties | 86,993 | - | 71,792 | - | 72,735 | - | 49,335 | - |
| Other receivables from related parties (Note 31) | 40,254 | - | - | - | 30,807 | - | - | - |
| Inventories (Notes 4 and 11) | 3,783,434 | 14 | 3,890,166 | 16 | 3,997,789 | 16 | 3,895,123 | 18 |
| Other current assets (Notes 15 and 32) | 389,393 | 1 | 306,949 | 1 | 390,906 | 2 | 194,137 | 1 |
| Total current assets | <u>16,423,624</u> | <u>61</u> | <u>13,727,313</u> | <u>57</u> | <u>15,024,953</u> | <u>60</u> | <u>11,404,668</u> | <u>53</u> |
| NONCURRENT ASSETS | | | | | | | | |
| Available-for-sale financial assets - noncurrent (Notes 4 and 8) | 1,863,684 | 7 | 2,305,004 | 10 | 2,200,404 | 9 | 2,343,019 | 11 |
| Investments accounted for using the equity method (Notes 4 and 12) | 379,961 | 2 | 379,684 | 2 | 347,830 | 1 | 363,978 | 2 |
| Property, plant and equipment (Notes 4, 13 and 32) | 6,846,448 | 26 | 6,391,636 | 26 | 6,182,293 | 25 | 6,240,080 | 29 |
| Goodwill (Notes 4 and 14) | 631,494 | 2 | 632,181 | 3 | 667,069 | 3 | 607,363 | 3 |
| Other intangible assets (Note 4) | 345,035 | 1 | 349,185 | 1 | 349,834 | 1 | 367,261 | 2 |
| Deferred tax assets (Notes 4 and 5) | 147,312 | 1 | 167,386 | 1 | 137,838 | 1 | 145,206 | - |
| Prepayments for equipment | 33,802 | - | 22,954 | - | 41,908 | - | 27,906 | - |
| Long-term prepayments for lease (Note 15) | 96,186 | - | 93,098 | - | 95,120 | - | 98,496 | - |
| Other noncurrent assets (Note 28) | 41,064 | - | 40,304 | - | 41,393 | - | 40,029 | - |
| Total noncurrent assets | <u>10,384,986</u> | <u>39</u> | <u>10,381,432</u> | <u>43</u> | <u>10,063,689</u> | <u>40</u> | <u>10,233,338</u> | <u>47</u> |
| TOTAL | <u>\$ 26,808,610</u> | <u>100</u> | <u>\$ 24,108,745</u> | <u>100</u> | <u>\$ 25,088,642</u> | <u>100</u> | <u>\$ 21,638,006</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | |
| Short-term borrowings (Notes 16 and 32) | \$ - | - | \$ 151,452 | 1 | \$ 148,091 | 1 | \$ 171,442 | 1 |
| Financial liabilities at fair value through profit or loss - current (Notes 4 and 7) | 10,889 | - | 9,620 | - | 10,063 | - | 53,516 | - |
| Trade payables from unrelated parties (Note 31) | 2,652,626 | 10 | 2,327,248 | 10 | 2,873,439 | 11 | 1,709,805 | 8 |
| Dividends payable | 2,763,586 | 10 | - | - | 2,764,981 | 11 | - | - |
| Other payables (Note 18) | 2,343,189 | 9 | 2,074,727 | 9 | 1,851,540 | 7 | 1,738,402 | 8 |
| Current tax liabilities (Note 4) | 696,393 | 3 | 324,613 | 1 | 430,373 | 2 | 407,157 | 2 |
| Short-term provision for contingent service cost (Note 4) | 118,513 | - | 106,735 | - | 111,403 | - | 112,617 | - |
| Current portion of long-term borrowings and bonds payable (Notes 4, 16, 17 and 32) | 143,952 | 1 | 366 | - | 584 | - | 1,584 | - |
| Other current liabilities | 364,780 | 1 | 495,582 | 2 | 393,232 | 2 | 389,165 | 2 |
| Total current liabilities | <u>9,093,928</u> | <u>34</u> | <u>5,490,343</u> | <u>23</u> | <u>8,583,706</u> | <u>34</u> | <u>4,583,688</u> | <u>21</u> |
| NONCURRENT LIABILITIES | | | | | | | | |
| Bonds payable (Notes 4 and 17) | - | - | 184,660 | 1 | 550,418 | 2 | 760,331 | 4 |
| Long-term borrowings, net of current portion (Notes 16 and 32) | - | - | 2,566 | - | 4,525 | - | 11,068 | - |
| Deferred tax liabilities (Note 4) | 567,840 | 2 | 552,179 | 2 | 524,728 | 2 | 509,752 | 2 |
| Accrued pension liabilities (Notes 4 and 19) | 148,017 | 1 | 150,647 | - | 183,026 | 1 | 171,945 | 1 |
| Other noncurrent liabilities | 359 | - | 1,081 | - | 358 | - | 1,116 | - |
| Total noncurrent liabilities | <u>716,216</u> | <u>3</u> | <u>891,133</u> | <u>3</u> | <u>1,263,055</u> | <u>5</u> | <u>1,454,212</u> | <u>7</u> |
| Total liabilities | <u>9,810,144</u> | <u>37</u> | <u>6,381,476</u> | <u>26</u> | <u>9,846,761</u> | <u>39</u> | <u>6,037,900</u> | <u>28</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | | | | | |
| Share capital | | | | | | | | |
| Ordinary shares | 5,656,272 | 21 | 5,639,971 | 23 | 5,570,043 | 22 | 5,529,961 | 26 |
| Capital surplus | | | | | | | | |
| Additional paid in capital from share issuance in excess of par value | 4,661,659 | 17 | 4,563,350 | 19 | 4,097,469 | 16 | 3,751,469 | 18 |
| Employee stock options | 131,736 | 1 | 138,435 | 1 | 178,205 | 1 | 256,210 | 1 |
| Changes in percentage of ownership in related parties recognized under the equity method | 463 | - | - | - | - | - | - | - |
| Total capital surplus | <u>4,793,858</u> | <u>18</u> | <u>4,701,785</u> | <u>20</u> | <u>4,275,674</u> | <u>17</u> | <u>4,007,679</u> | <u>19</u> |
| Retained earnings | | | | | | | | |
| Legal reserve | 3,061,424 | 11 | 2,715,185 | 11 | 2,715,185 | 11 | 2,359,911 | 11 |
| Special reserve | - | - | 545,303 | 2 | 545,303 | 2 | 621,662 | 3 |
| Unappropriated earnings | 3,365,589 | 13 | 3,952,535 | 17 | 2,192,304 | 9 | 3,524,919 | 16 |
| Total retained earnings | <u>6,427,013</u> | <u>24</u> | <u>7,213,023</u> | <u>30</u> | <u>5,452,792</u> | <u>22</u> | <u>6,506,492</u> | <u>30</u> |
| Other equity | | | | | | | | |
| Foreign-currency translation reserve | 78,355 | - | (104,345) | (1) | (26,359) | - | 105,408 | - |
| Unrealized gain or loss on available-for-sale financial assets | (77,635) | - | 168,944 | 1 | (134,850) | (1) | (648,592) | (3) |
| Total other equity | <u>720</u> | <u>-</u> | <u>64,599</u> | <u>-</u> | <u>(161,209)</u> | <u>(1)</u> | <u>(543,184)</u> | <u>(3)</u> |
| Total equity attributable to owners of the Company | <u>16,877,863</u> | <u>63</u> | <u>17,619,378</u> | <u>73</u> | <u>15,137,300</u> | <u>60</u> | <u>15,500,948</u> | <u>72</u> |
| NONCONTROLLING INTERESTS | | | | | | | | |
| | <u>120,603</u> | <u>-</u> | <u>107,891</u> | <u>1</u> | <u>104,581</u> | <u>1</u> | <u>99,158</u> | <u>-</u> |
| Total equity | <u>16,998,466</u> | <u>63</u> | <u>17,727,269</u> | <u>74</u> | <u>15,241,881</u> | <u>61</u> | <u>15,600,106</u> | <u>72</u> |
| TOTAL | <u>\$ 26,808,610</u> | <u>100</u> | <u>\$ 24,108,745</u> | <u>100</u> | <u>\$ 25,088,642</u> | <u>100</u> | <u>\$ 21,638,006</u> | <u>100</u> |

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

(With Deloitte & Touche review report dated August 7, 2013)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

| | Three Months Ended June 30 | | | | Six Months Ended June 30 | | | |
|---|----------------------------|-----------|------------------|-----------|--------------------------|-----------|------------------|-----------|
| | 2013 | | 2012 | | 2013 | | 2012 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4 and 31) | | | | | | | | |
| Sales | \$ 7,617,297 | 98 | \$ 7,078,577 | 98 | \$ 13,995,938 | 97 | \$ 13,176,089 | 98 |
| Other operating revenue | <u>191,340</u> | <u>2</u> | <u>156,665</u> | <u>2</u> | <u>442,286</u> | <u>3</u> | <u>321,708</u> | <u>2</u> |
| Total operating revenue | 7,808,637 | 100 | 7,235,242 | 100 | 14,438,224 | 100 | 13,497,797 | 100 |
| OPERATING COSTS (Notes 11, 21 and 31) | <u>4,613,672</u> | <u>59</u> | <u>4,358,812</u> | <u>60</u> | <u>8,477,310</u> | <u>59</u> | <u>8,138,706</u> | <u>61</u> |
| GROSS PROFIT | <u>3,194,965</u> | <u>41</u> | <u>2,876,430</u> | <u>40</u> | <u>5,960,914</u> | <u>41</u> | <u>5,359,091</u> | <u>39</u> |
| OPERATING EXPENSES (Notes 21 and 31) | | | | | | | | |
| Selling and marketing expenses | 790,277 | 10 | 799,401 | 11 | 1,508,692 | 10 | 1,399,267 | 10 |
| General and administrative expenses | 444,309 | 6 | 369,534 | 5 | 913,316 | 6 | 840,470 | 6 |
| Research and development expenses | <u>665,205</u> | <u>9</u> | <u>556,244</u> | <u>8</u> | <u>1,278,750</u> | <u>9</u> | <u>1,145,801</u> | <u>9</u> |
| Total operating expenses | <u>1,899,791</u> | <u>25</u> | <u>1,725,179</u> | <u>24</u> | <u>3,700,758</u> | <u>25</u> | <u>3,385,538</u> | <u>25</u> |
| OPERATING PROFIT | <u>1,295,174</u> | <u>16</u> | <u>1,151,251</u> | <u>16</u> | <u>2,260,156</u> | <u>16</u> | <u>1,973,553</u> | <u>14</u> |
| NONOPERATING INCOME AND EXPENSES | | | | | | | | |
| Share of the profit of associates and joint ventures (Notes 4 and 12) | 20,238 | - | 16,775 | - | 39,915 | - | 21,428 | - |
| Interest income | 6,953 | - | 8,295 | - | 13,536 | - | 10,297 | - |
| Gain (loss) on disposal of property, plant and equipment | 42,770 | 1 | (817) | - | 41,735 | - | 31,559 | - |
| Gain on disposal of investments | 22,971 | - | 7,256 | - | 57,195 | - | 29,665 | - |
| Foreign exchange gain, net (Note 4) | 30,289 | 1 | - | - | 61,577 | 1 | - | - |
| Valuation gain on financial instruments (Notes 4 and 7) | 8,780 | - | 22,029 | - | 20,552 | - | 68,761 | 1 |
| Other income (Notes 8 and 31) | 19,343 | - | 34,984 | 1 | 41,637 | - | 59,874 | - |
| Finance costs (Note 21) | (2,243) | - | (5,921) | - | (5,448) | - | (11,072) | - |
| Valuation loss on financial instruments (Notes 4 and 7) | (21,259) | - | (9,117) | - | (36,346) | - | (28,848) | - |
| Foreign exchange loss, net (Note 4) | - | - | (42,440) | (1) | - | - | (69,115) | - |
| Other losses | <u>(775)</u> | <u>-</u> | <u>(5,312)</u> | <u>-</u> | <u>(4,884)</u> | <u>-</u> | <u>(8,253)</u> | <u>-</u> |
| Total nonoperating income and expenses | <u>127,067</u> | <u>2</u> | <u>25,732</u> | <u>-</u> | <u>229,469</u> | <u>1</u> | <u>104,296</u> | <u>1</u> |
| PROFIT BEFORE INCOME TAX | 1,422,241 | 18 | 1,176,983 | 16 | 2,489,625 | 17 | 2,077,849 | 15 |
| INCOME TAX EXPENSE (Notes 4 and 22) | <u>296,200</u> | <u>4</u> | <u>197,178</u> | <u>3</u> | <u>496,616</u> | <u>3</u> | <u>345,807</u> | <u>2</u> |
| NET PROFIT FOR THE PERIOD | <u>1,126,041</u> | <u>14</u> | <u>979,805</u> | <u>13</u> | <u>1,993,009</u> | <u>14</u> | <u>1,732,042</u> | <u>13</u> |

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

| | Three Months Ended June 30 | | | | Six Months Ended June 30 | | | |
|--|----------------------------|-----------|-------------------|-----------|--------------------------|-----------|---------------------|-----------|
| | 2013 | | 2012 | | 2013 | | 2012 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME | | | | | | | | |
| Exchange differences on translating foreign operations | \$ 50,956 | 1 | \$ 27,972 | - | \$ 217,401 | 1 | \$ (139,576) | (1) |
| Unrealized gain (loss) on available-for-sale financial assets (Notes 4 and 20) | (474,796) | (6) | (94,551) | (1) | (246,579) | (2) | 513,742 | 4 |
| Share of the other comprehensive income (loss) of associates and joint ventures (Note 4) | 810 | - | 1,326 | - | 3,593 | - | (1,711) | - |
| Income tax relating to the components of other comprehensive income (expense) (Notes 4 and 22) | (9,305) | - | (23,084) | - | (37,420) | - | 5,399 | - |
| Other comprehensive income for the period, net of income tax | (432,335) | (5) | (88,337) | (1) | (63,005) | (1) | 377,854 | 3 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u>\$ 693,706</u> | <u>9</u> | <u>\$ 891,468</u> | <u>12</u> | <u>\$ 1,930,004</u> | <u>13</u> | <u>\$ 2,109,896</u> | <u>16</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Company | \$ 1,119,093 | 14 | \$ 970,941 | 14 | \$ 1,978,960 | 14 | \$ 1,720,478 | 13 |
| Noncontrolling interests | 6,948 | - | 8,864 | - | 14,049 | - | 11,564 | - |
| | <u>\$ 1,126,041</u> | <u>14</u> | <u>\$ 979,805</u> | <u>14</u> | <u>\$ 1,993,009</u> | <u>14</u> | <u>\$ 1,732,042</u> | <u>13</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Company | \$ 689,729 | 9 | \$ 885,030 | 12 | \$ 1,915,081 | 13 | \$ 2,101,696 | 16 |
| Noncontrolling interests | 3,977 | - | 6,438 | - | 14,923 | - | 8,200 | - |
| | <u>\$ 693,706</u> | <u>9</u> | <u>\$ 891,468</u> | <u>12</u> | <u>\$ 1,930,004</u> | <u>13</u> | <u>\$ 2,109,896</u> | <u>16</u> |
| EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 23) | | | | | | | | |
| Basic | <u>\$1.98</u> | | <u>\$1.75</u> | | <u>\$3.50</u> | | <u>\$3.11</u> | |
| Diluted | <u>\$1.96</u> | | <u>\$1.73</u> | | <u>\$3.48</u> | | <u>\$3.06</u> | |

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

(With Deloitte & Touche review report dated August 7, 2013)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

| | Equity Attributable to Owners of the Company | | | | | | | | Other Equity (Notes 4 and 20) | | | Noncontrolling Interests (Notes 4, 20 and 27) | Total Equity |
|--|--|--------------------------------------|---------------------|----------------------------------|--------------------------------------|-------------------|-------------------------|---------------------|--|---|----------------------|---|----------------------|
| | Issued Capital (Notes 20 and 24) | | | Capital Surplus (Notes 4 and 20) | Retain Earnings (Notes 4, 20 and 27) | | | | Exchange Differences on Translating Foreign Operations | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Total | | |
| | Share Capital | Advance Receipts for Ordinary Shares | Total | | Legal Reserve | Special Reserve | Unappropriated Earnings | Total | | | | | |
| | | | | | | | | | | | | | |
| BALANCE AT JANUARY 1, 2012 | \$ 5,517,971 | \$ 11,990 | \$ 5,529,961 | \$ 4,007,679 | \$ 2,359,911 | \$ 621,662 | \$ 3,524,919 | \$ 6,506,492 | \$ 105,408 | \$ (648,592) | \$ 15,500,948 | \$ 99,158 | \$ 15,600,106 |
| Appropriation of the 2011 earnings | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | 355,274 | - | (355,274) | - | - | - | - | - | - |
| Special reserve | - | - | - | - | - | (76,359) | 76,359 | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | - | (2,764,981) | (2,764,981) | - | - | (2,764,981) | - | (2,764,981) |
| Issue of ordinary shares for employee share options | 24,510 | (11,990) | 12,520 | 51,345 | - | - | - | - | - | - | 63,865 | - | 63,865 |
| Compensation cost recognized for employee share options | - | - | - | 26,158 | - | - | - | - | - | - | 26,158 | - | 26,158 |
| Convertible bonds converted to ordinary shares | 27,562 | - | 27,562 | 190,492 | - | - | - | - | - | - | 218,054 | - | 218,054 |
| Change in capital surplus from investments in associates and joint ventures accounted for by the equity method | - | - | - | - | - | - | (2,794) | (2,794) | - | - | (2,794) | - | (2,794) |
| Additional acquisition of equity interest in a subsidiary | - | - | - | - | - | - | (5,646) | (5,646) | - | - | (5,646) | (2,777) | (8,423) |
| Net profit for the six months ended June 30, 2012 | - | - | - | - | - | - | 1,720,478 | 1,720,478 | - | - | 1,720,478 | 11,564 | 1,732,042 |
| Other comprehensive income for the six months ended June 30, 2012, net of income tax | - | - | - | - | - | - | (757) | (757) | (131,767) | 513,742 | 381,218 | (3,364) | 377,854 |
| Total comprehensive income for the six months ended June 30, 2012 | - | - | - | - | - | - | 1,719,721 | 1,719,721 | (131,767) | 513,742 | 2,101,696 | 8,200 | 2,109,896 |
| BALANCE AT JUNE 30, 2012 | <u>\$ 5,570,043</u> | <u>\$ -</u> | <u>\$ 5,570,043</u> | <u>\$ 4,275,674</u> | <u>\$ 2,715,185</u> | <u>\$ 545,303</u> | <u>\$ 2,192,304</u> | <u>\$ 5,452,792</u> | <u>\$ (26,359)</u> | <u>\$ (134,850)</u> | <u>\$ 15,137,300</u> | <u>\$ 104,581</u> | <u>\$ 15,241,881</u> |
| BALANCE AT JANUARY 1, 2013 | \$ 5,639,971 | \$ - | \$ 5,639,971 | \$ 4,701,785 | \$ 2,715,185 | \$ 545,303 | \$ 3,952,535 | \$ 7,213,023 | \$ (104,345) | \$ 168,944 | \$ 17,619,378 | \$ 107,891 | \$ 17,727,269 |
| Appropriation of the 2012 earnings | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | 346,239 | - | (346,239) | - | - | - | - | - | - |
| Special reserve | - | - | - | - | - | (545,303) | 545,303 | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | - | (2,763,586) | (2,763,586) | - | - | (2,763,586) | - | (2,763,586) |
| Issue of ordinary shares for employee share options | 10,740 | - | 10,740 | 42,689 | - | - | - | - | - | - | 53,429 | - | 53,429 |
| Compensation cost recognized for employee share options | - | - | - | 11,969 | - | - | - | - | - | - | 11,969 | - | 11,969 |
| Change in capital surplus from investments in associates and joint ventures accounted for by the equity method | - | - | - | 463 | - | - | - | - | - | - | 463 | - | 463 |
| Additional acquisition of equity interest in a subsidiary | - | - | - | - | - | - | (1,384) | (1,384) | - | - | (1,384) | (2,211) | (3,595) |
| Convertible bonds converted to ordinary shares | 5,561 | - | 5,561 | 36,952 | - | - | - | - | - | - | 42,513 | - | 42,513 |
| Net profit for the six months ended June 30, 2013 | - | - | - | - | - | - | 1,978,960 | 1,978,960 | - | - | 1,978,960 | 14,049 | 1,993,009 |
| Other comprehensive income for the six months ended June 30, 2013, net of income tax | - | - | - | - | - | - | - | - | 182,700 | (246,579) | (63,879) | 874 | (63,005) |
| Total comprehensive income for the six months ended June 30, 2013 | - | - | - | - | - | - | 1,978,960 | 1,978,960 | 182,700 | (246,579) | 1,915,081 | 14,923 | 1,930,004 |
| BALANCE AT JUNE 30, 2013 | <u>\$ 5,656,272</u> | <u>\$ -</u> | <u>\$ 5,656,272</u> | <u>\$ 4,793,858</u> | <u>\$ 3,061,424</u> | <u>\$ -</u> | <u>\$ 3,365,589</u> | <u>\$ 6,427,013</u> | <u>\$ 78,355</u> | <u>\$ (77,635)</u> | <u>\$ 16,877,863</u> | <u>\$ 120,603</u> | <u>\$ 16,998,466</u> |

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

(With Deloitte & Touche review report dated August 7, 2013)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | Six Months Ended June 30 | |
|--|---------------------------------|------------------|
| | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 2,489,625 | \$ 2,077,849 |
| Adjustments for: | | |
| Depreciation expenses | 179,711 | 182,810 |
| Amortization expenses | 54,371 | 51,379 |
| Impairment loss recognized on trade receivables | 18,910 | 20,634 |
| Compensation cost of employee share options | 11,969 | 26,158 |
| Finance costs | 5,448 | 11,072 |
| Interest income | (13,536) | (10,297) |
| Share of profit of associates and joint ventures | (39,915) | (21,428) |
| Gain on disposal of property, plant and equipment | (41,735) | (31,559) |
| Gain on disposal of available-for-sale financial assets | (61,567) | (29,665) |
| Loss on disposal of former associates | 4,372 | - |
| Loss recognized on the write-down and disposal of inventories | 71,033 | 112,686 |
| Changes in operating assets and liabilities | | |
| Decrease in financial assets held for trading | 9,392 | 4,047 |
| Increase in notes receivable | (25,563) | (54,055) |
| Increase in trade receivables | (838,533) | (901,158) |
| Increase in trade receivables - related parties | (19,882) | (993) |
| Increase in other receivables | (14,190) | (19,615) |
| (Increase) decrease in inventories | 35,699 | (90,523) |
| Increase in other current assets | (82,476) | (193,967) |
| Increase in trade payables | 325,378 | 1,031,739 |
| (Decrease) increase in accrued pension liabilities | (2,630) | 11,081 |
| Increase in other payables | 278,335 | 86,470 |
| Decrease in other current liabilities | (130,016) | (4,333) |
| Cash generated from operations | <u>2,214,200</u> | <u>2,258,332</u> |
| Interest received | 12,525 | 6,512 |
| Interest paid | (1,739) | (11,077) |
| Income tax paid | <u>(181,349)</u> | <u>(300,247)</u> |
| Net cash generated from operating activities | <u>2,043,637</u> | <u>1,953,520</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Decrease in prepayments for equipment | (10,848) | (14,002) |
| Purchase of available-for-sale financial assets | (3,224,293) | (1,775,809) |
| Proceeds of the sale of available-for-sale financial assets | 1,034,695 | 1,643,088 |
| Purchase of debt investments with no active market | - | (1,414,769) |
| Proceeds of the sale of debt investments with no active market | 25,454 | - |
| Net cash inflow on acquisition of subsidiaries | - | (176,915) |
| Net cash inflow on disposal of subsidiaries | 11,654 | 14,503 |
| Payments for property, plant and equipment | (549,552) | (222,490) |
| Proceeds of the disposal of property, plant and equipment | 74,818 | 62,722 |

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | Six Months Ended June 30 | |
|--|---------------------------------|---------------------|
| | 2013 | 2012 |
| Increase in refundable deposits | \$ (760) | \$ (439) |
| Payments for intangible assets | <u>(46,079)</u> | <u>-</u> |
| Net cash used in investing activities | <u>(2,684,911)</u> | <u>(1,884,111)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of short-term borrowings | (151,452) | (23,351) |
| Employee share options exercised | 53,429 | 63,865 |
| Repayments of long-term borrowings | (2,932) | (7,543) |
| Decrease in guarantee deposits | (722) | (758) |
| Changes in noncontrolling interests | <u>(3,595)</u> | <u>(8,423)</u> |
| Net cash generated from (used in) financing activities | <u>(105,272)</u> | <u>23,790</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>142,794</u> | <u>(106,930)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (603,752) | (13,731) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | <u>3,272,043</u> | <u>2,281,279</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>\$ 2,668,291</u> | <u>\$ 2,267,548</u> |

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

(With Deloitte & Touche review report dated August 7, 2013)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2013 AND 2012 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Advantech Co., Ltd. (the “Company”) is a listed company established in September 1981. It manufactures and sells embedded computing boards, industrial automation products, applied computers and industrial computers.

To improve the entire operating efficiency of the group, the Company’s board of directors resolved on June 30, 2009 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.

The Company’s shares have been listed on the Taiwan Stock Exchange since December 1999.

The functional currency of the Company is New Taiwan dollars. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company’s stock is listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on August 7, 2013.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. New and revised standards, amendments and interpretations in issue but not yet effective

In addition to the disclosure in Note 3 to the consolidated financial statements as of March 31, 2013, the Company and its entire controlled subsidiaries (the “Group”) have not applied the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations (IFRIC), and Standing Interpretations (SIC) that have been issued by the IASB.

As of the date that the consolidated financial statements were approved and authorized for issue, the Financial Supervisory Commission (“FSC”) has not announced the effective dates for the following new and revised standards, amendments and interpretations:

| New, Revised Standards, Amendments and Interpretations | | Effective Date Announced by IASB (Note) |
|---|---|--|
| <u>Not yet endorsed by the FSC</u> | | |
| Amendment to IAS 36 | Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets | January 1, 2014 |
| Amendment to IAS 39 | Novation of Derivatives and Continuation of Hedge Accounting | January 1, 2014 |
| IFRIC 21 | Levies | January 1, 2014 |

Note: Unless otherwise noted, the above new and revised standards, amendments and interpretations are effective for annual periods beginning on or after the respective effective dates.

- b. Possible significant changes in accounting policy resulting from new and revised standards, amendments and interpretations in issue but not yet effective

Except for the following and the disclosure in Note 3 of the consolidated financial statements as of March 31, 2013, the initial application of the above new and revised standards, amendments and interpretations is not expected to have any material impact on the Group’s accounting policies:

1) IFRS 9 “Financial Instruments”

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” to be subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the balance sheet date. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

As for financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability, is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the Group presents all gains or losses on that liability in profit or loss.

2) New and revised standards on consolidation, joint arrangement, and associates and disclosure

a) IFRS 10 “Consolidated Financial Statements”

IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation - Special Purpose Entities.” The Group considers its ability of control over other entities for consolidation. The Group has control over an investee if and only if it has (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

c) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 requires when a portion of an investment in associates meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Previously, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

3) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

4) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 require items of other comprehensive income to be grouped into those that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on related items of other comprehensive income are grouped on the same basis. Previously, there were no such requirements.

5) Revision to IAS 19 “Employee Benefits”

The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The revision requires all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

6) Amendments to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made some consequential amendments to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that the disclosure of such recoverable amount is required during the period when an impairment loss has been recognized or reversed. Furthermore, the Group is required to disclose the discount rate used in current and previous measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

- c. Possible material impact on consolidated financial statements resulted from new and revised standards, amendments and interpretations issued but not yet effective

The initial application of the standards, amendments and interpretations that caused significant changes in accounting policy, had the following impact on the financial position and operating results of the Group:

The Group is in the process of estimating the impact of the initial application of the standards, amendments and interpretations on its financial position and results of operations. Disclosures will be provided until a detailed review of the impact has been completed and the consolidated financial statements have been approved and authorized for issuance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the Financial Supervisory Commission (FSC) announced the “Framework for the Adoption of IFRSs by the Companies in the ROC.” Under this framework, starting from 2013, companies with shares listed on the Taiwan Stock Exchange, traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), the Interpretations approved by the FSC (IFRIC) and SIC.

The date of transition to IFRSs was January 1, 2012. Refer to Note 37 for the impact of IFRS conversion on the consolidated financial statements.

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Business Accounting Guidelines, IFRS 1 “First-time Adoption of International Financial Reporting Standards” and IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in interim financial reports is less than disclosures required in a full set of annual financial reports.

- b. Basis of preparation

The consolidated financial statements have been prepared on the same basis as the consolidated financial statements as of March 31, 2013. Refer to the Note 4 to the consolidated financial statements as of March 31, 2013 for details.

Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

| Investor | Investee | % of Ownership | | | | |
|-----------------------------------|---|------------------------------|-------------------|---------------|-----------------|--------|
| | | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 | |
| Advantech Co., Ltd. | AAC (BVI) | 100.00 | 100.00 | 100.00 | 100.00 | |
| | ATC | 100.00 | 100.00 | 100.00 | 100.00 | |
| | Advansus Corp. | 100.00 | 100.00 | 100.00 | 50.00 | |
| | Advantech Fund-A | 100.00 | 100.00 | 100.00 | 100.00 | |
| | AEUH | 100.00 | 100.00 | 100.00 | 100.00 | |
| | ASG | 100.00 | 100.00 | 100.00 | 100.00 | |
| | AAU | 100.00 | 100.00 | 100.00 | 100.00 | |
| | AJP | 100.00 | 100.00 | 100.00 | 100.00 | |
| | AMY | 100.00 | 100.00 | 100.00 | 100.00 | |
| | AKR | 100.00 | 100.00 | 100.00 | 100.00 | |
| | ABR | 43.28 | 43.28 | 43.28 | 43.28 | |
| | AiST | - | 100.00 | 100.00 | 100.00 | |
| | ACA | 99.36 | 99.36 | 99.36 | 99.36 | |
| | AIN | 99.99 | 99.99 | - | - | |
| | AHK | - | - | 100.00 | 100.00 | |
| | Advantech Fund-A | Netstar Technology Co., Ltd. | 95.48 | 94.28 | 92.05 | 89.79 |
| | | BCM Embedded Computer Inc. | 100.00 | 100.00 | 100.00 | 100.00 |
| Broadwin Technology Inc. (Remark) | | 100.00 | 100.00 | 100.00 | 100.00 | |
| Cemate Technology Inc. | | 55.00 | 55.00 | 55.00 | 55.00 | |
| ATC | ATC (HK) | 100.00 | 100.00 | 100.00 | 100.00 | |
| ATC (HK) | AKMC | 100.00 | 100.00 | 100.00 | 100.00 | |
| AAC (BVI) | ANA | 100.00 | 100.00 | 100.00 | 100.00 | |
| | AAC (HK) | 100.00 | 100.00 | 100.00 | 100.00 | |
| ANA | ABR | 16.72 | 16.72 | 16.72 | 16.72 | |
| AAC (HK) | AMX | 100.00 | 100.00 | - | - | |
| | ACN | 100.00 | 100.00 | 100.00 | 100.00 | |
| | AISC | 100.00 | 100.00 | 100.00 | 100.00 | |
| ACN | AXA | 100.00 | 100.00 | 100.00 | 100.00 | |
| | Hangzhou Advantofine Automation Co., Ltd. | 60.00 | 60.00 | 60.00 | 60.00 | |
| AEUH | AEU | 100.00 | 100.00 | 100.00 | 100.00 | |
| | APL | 100.00 | 100.00 | 100.00 | 100.00 | |
| | A-DLOG | - | - | 100.00 | 100.00 | |
| AEU | A-DLOG | 100.00 | 100.00 | - | - | |
| | Innocore | - | - | 100.00 | 100.00 | |
| Innocore | IGL | - | - | 100.00 | 100.00 | |
| | ASG | 51.00 | 51.00 | 51.00 | 51.00 | |
| ASG | ATH | 100.00 | 100.00 | - | - | |
| | AID | 100.00 | 100.00 | - | - | |
| Cemate Technology Inc. | Land Mark | 100.00 | 100.00 | 100.00 | 100.00 | |
| Land Mark | Cemate (Shanghai) | 100.00 | 100.00 | 100.00 | 100.00 | |
| | Cemate (Shenzhen) | 90.00 | 90.00 | 90.00 | 90.00 | |

Remark: Subsidiaries AiST and Broadwin Technology Inc. ("Broadwin") had merged as of June 30, 2013, as of the reorganization, the entity's name became AiST.

c. Other significant accounting policies

The same accounting policies have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the three months ended March 31, 2013, except for those described below. Refer to Note 4 to the consolidated financial statements as of March 31, 2013 for the summary of significant accounting policies.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements followed in these consolidated financial statements are the same as those used in the preparation of the consolidated financial statements for the three months ended March 31, 2013, except for those described below. Refer to Note 5 to the consolidated financial statements for the three months ended March 31, 2013 for the details of critical accounting judgments and key sources of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|---|---------------------|----------------------|---------------------|---------------------|
| Cash on hand | \$ 2,842 | \$ 2,742 | \$ 3,813 | \$ 3,174 |
| Checking accounts and demand deposits | 2,222,488 | 2,496,697 | 2,256,930 | 2,239,968 |
| Time deposits with original maturities less than three months | <u>442,961</u> | <u>772,604</u> | <u>6,805</u> | <u>38,137</u> |
| | <u>\$ 2,668,291</u> | <u>\$ 3,272,043</u> | <u>\$ 2,267,548</u> | <u>\$ 2,281,279</u> |

Cash equivalents include time deposits that have a maturity of three months or less from the date of acquisition, are readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value; these were held for the purpose of meeting short-term cash commitments.

The market rates for cash in bank at the end of the reporting period were as follows:

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|---------------|---------------|----------------------|---------------|--------------------|
| Time deposits | 0.75%-5.09% | 0.73%-4.50% | 0.40%-3.30% | 0.38%-3.30% |

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|--|------------------|----------------------|------------------|--------------------|
| Financial assets held for trading - current | | | | |
| Foreign exchange forward contracts | <u>\$ 8,756</u> | <u>\$ 16,879</u> | <u>\$ 9,704</u> | <u>\$ 57,204</u> |
| Financial liabilities held for trading - current | | | | |
| Foreign exchange forward contracts | <u>\$ 10,889</u> | <u>\$ 9,620</u> | <u>\$ 10,063</u> | <u>\$ 53,516</u> |

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|--------------------------|----------|-----------------|-----------------------------------|
| <u>June 30, 2013</u> | | | |
| Sell | USD/NTD | 2013.07-2014.01 | USD28,660/NTD850,666 |
| | EUR/USD | 2013.07-2014.01 | EUR7,500/USD9,957 |
| | EUR/NTD | 2013.07-2013.12 | EUR9,000/NTD352,698 |
| | JPY/USD | 2013.10-2013.11 | JPY20,000/USD204 |
| | JPY/NTD | 2013.07-2013.12 | JPY200,000/NTD61,739 |
| <u>December 31, 2012</u> | | | |
| Sell | EUR/NTD | 2013.01-2013.06 | EUR5,000/NTD189,762 |
| | EUR/USD | 2013.01-2013.06 | EUR10,000/USD13,024 |
| | USD/NTD | 2013.01-2013.06 | USD41,047/NTD1,201,760 |
| | JPY/NTD | 2013.01-2013.05 | JPY130,000/NTD47,989 |
| | JPY/USD | 2013.01-2013.05 | JPY80,000/USD1,023 |
| <u>June 30, 2012</u> | | | |
| Sell | USD/NTD | 2012.07-2012.11 | USD28,552/NTD843,578 |
| | JPY/NTD | 2012.07-2012.10 | JPY130,000/NTD48,424 |
| | JPY/USD | 2012.08-2012.10 | JPY70,000/USD883 |
| | EUR/USD | 2012.07-2012.08 | EUR3,500/USD4,552 |
| | EUR/NTD | 2012.07-2012.08 | EUR3,000/NTD116,920 |
| <u>January 1, 2012</u> | | | |
| Sell | EUR/NTD | 2012.01-2012.06 | EUR5,500/NTD223,957 |
| | EUR/USD | 2012.01-2012.06 | EUR13,000/USD18,419 |
| | USD/NTD | 2012.01-2012.06 | USD44,935/NTD1,308,802 |
| | JPY/USD | 2012.01-2012.04 | JPY120,000/USD1,517 |
| | JPY/NTD | 2012.01-2012.04 | JPY140,000/NTD52,273 |

The Group entered into foreign exchange forward contracts during the six months ended June 30, 2013 and 2012 to manage exposures due to exchange rate fluctuations of foreign-currency denominated assets and liabilities. The Group's financial hedging strategy is to minimize risks due to market price fluctuations and cash flows; however, because these contracts did not meet the criteria for hedge effectiveness, they were not subject to hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | <u>June 30, 2013</u> | | <u>December 31, 2012</u> | | <u>June 30, 2012</u> | | <u>January 1, 2012</u> | |
|-----------------------------|----------------------|------------|--------------------------|------------|----------------------|------------|------------------------|------------|
| | Current | Noncurrent | Current | Noncurrent | Current | Noncurrent | Current | Noncurrent |
| <u>Domestic investments</u> | | | | | | | | |
| Mutual funds | \$ 3,898,247 | \$ - | \$ 1,495,111 | \$ - | \$ 1,700,622 | \$ - | \$ 833,866 | \$ - |
| Quoted shares | | | | | | | | |
| Chunghwa Telecom Co., Ltd. | 50,485 | 126,851 | 15,588 | 117,524 | 15,506 | 116,901 | 16,495 | 124,364 |
| ASUSTek Computer Inc. | - | 1,304,825 | - | 1,784,146 | - | 1,666,864 | - | 1,576,266 |

(Continued)

| | June 30, 2013 | | December 31, 2012 | | June 30, 2012 | | January 1, 2012 | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|
| | Current | Noncurrent | Current | Noncurrent | Current | Noncurrent | Current | Noncurrent |
| Pegatron Corp. | \$ - | \$ 398,751 | \$ - | \$ 370,077 | \$ - | \$ 383,382 | \$ - | \$ 609,132 |
| AverMedia | | | | | | | | |
| Information Inc. | 16,615 | - | 17,464 | - | 19,606 | - | 23,447 | - |
| Taiwan 50 | 9,367 | - | 9,146 | - | - | - | - | - |
| Foreign investments | | | | | | | | |
| Unquoted foreign shares | | | | | | | | |
| Coban Research and Technologies, Inc. (US\$1,020 thousand in June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012) | - | 33,257 | - | 33,257 | - | 33,257 | - | 33,257 |
| | <u>\$ 3,974,714</u> | <u>\$ 1,863,684</u> | <u>\$ 1,537,309</u> | <u>\$ 2,305,004</u> | <u>\$ 1,735,734</u> | <u>\$ 2,200,404</u> | <u>\$ 873,808</u> | <u>\$ 2,343,019</u> |

(Concluded)

The Company and its subsidiary, Advantech Fund-A, classified their shares in Chunghwa Telecom Co., Ltd. as available-for-sale financial assets - noncurrent and current, respectively, in accordance with the nature of the shares and their respective purposes for holding the shares.

The Group's designated unquoted foreign shares, which were originally recognized as financial assets measured at cost, amounted to \$33,257 thousand. Those shares were recognized as available-for-sale financial assets as of January 1, 2012, the transition date to IFRSs (Note 37). Refer to Note 30 for the determination of fair values of those shares and other available-for-sale financial assets.

For its securities borrowing and lending transactions, the Group placed some of its quoted domestic stock, recorded under available-for-sale assets - noncurrent, in a trust at Chinatrust Commercial Bank. As of June 30, 2013 and 2012, the stock held in trust amounted to \$1,537,085 thousand and \$1,948,602 thousand, respectively. Please refer to Table 2 for more information. On the transactions, the Group recognized gains of \$1,502 thousand and \$2,910 thousand in the six months ended June 30, 2013 and 2012, respectively. These amounts were recorded under other nonoperating income.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|--|-------------------|-------------------|---------------------|-------------------|
| Time deposits with original maturities of more than three months | <u>\$ 397,974</u> | <u>\$ 423,428</u> | <u>\$ 1,656,651</u> | <u>\$ 241,882</u> |

The market interest rates for time deposits with original maturities of more than three months were from 1.60% to 5.00% and from 0.275% to 3.30% per annum, as of the six months ended June 30, 2013 and 2012, respectively.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|------------------|-------------------|-------------------|-------------------|-------------------|
| Notes receivable | <u>\$ 599,855</u> | <u>\$ 574,292</u> | <u>\$ 481,311</u> | <u>\$ 427,256</u> |

(Continued)

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|-------------------------------------|----------------------|------------------------------|----------------------|------------------------------------|
| Trade receivables | \$ 4,555,387 | \$ 3,715,666 | \$ 4,445,097 | \$3,431,968 |
| Less: Allowance for impairment loss | <u>(104,686)</u> | <u>(84,588)</u> | <u>(67,786)</u> | <u>(50,788)</u> |
| | <u>\$ 4,450,701</u> | <u>\$ 3,631,078</u> | <u>\$ 4,377,311</u> | <u>\$ 3,381,180</u> (Concluded) |

a. Trade receivables

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables that were past due date but not impaired were as follows:

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|---------------|----------------------|------------------------------|----------------------|----------------------------|
| 31 to 60 days | \$ 135,567 | \$ 299,077 | \$ 87,672 | \$ 255,214 |
| 61 to 90 days | <u>45,360</u> | <u>105,687</u> | <u>48,665</u> | <u>35,581</u> |
| | <u>\$ 180,927</u> | <u>\$ 404,764</u> | <u>\$ 136,337</u> | <u>\$ 290,795</u> |

The above aging schedule was based on past due dates.

b. Information on the movement in the allowance for impairment loss recognized on trade receivables

Movement in the allowance for impairment loss recognized on trade receivables was as follows:

| | 2013 | 2012 |
|--|-------------------|------------------|
| Balance at January 1 | \$ 84,588 | \$ 50,788 |
| Add: Impairment losses recognized on receivables | 18,910 | 20,634 |
| Deduct: Amounts written off as uncollectible | (1,429) | (2,537) |
| Foreign exchange translation gains and losses | <u>2,617</u> | <u>(1,099)</u> |
| Balance at June 30 | <u>\$ 104,686</u> | <u>\$ 67,786</u> |

11. INVENTORIES

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|------------------------|----------------------|------------------------------|----------------------|----------------------------|
| Raw materials | \$ 1,592,600 | \$ 1,701,505 | \$ 1,770,219 | \$ 1,714,333 |
| Work in progress | 625,365 | 618,995 | 694,029 | 537,887 |
| Finished goods | 1,229,788 | 1,152,589 | 1,169,264 | 1,274,747 |
| Inventories in transit | <u>335,681</u> | <u>417,077</u> | <u>364,277</u> | <u>368,156</u> |
| | <u>\$ 3,783,434</u> | <u>\$ 3,890,166</u> | <u>\$ 3,997,789</u> | <u>\$ 3,895,123</u> |

The cost of inventories recognized as cost of goods sold included inventory write-downs and disposal of inventories. Inventory write-downs in the three months ended June 30, 2013 and 2012 amounted to \$5,999 thousand and \$46,154 thousand, respectively. For the six months ended June 30, 2013 and 2012, inventory write-downs amounted to \$11,692 thousand and \$57,803 thousand, respectively. Disposal of inventories in the three months ended June 30, 2013 and 2012 amounted to \$23,730 thousand and \$47,303 thousand, respectively. For the six months ended June 30, 2013 and 2012, disposal of inventories amounted to \$37,017 thousand and \$75,669 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

| Name of Investee | June 30, 2013 | | December 31, 2012 | | June 30, 2012 | | January 1, 2012 | |
|----------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|
| | Carrying Value | Percentage of Equity Ownership | Carrying Value | Percentage of Equity Ownership | Carrying Value | Percentage of Equity Ownership | Carrying Value | Percentage of Equity Ownership |
| <u>Listed companies</u> | | | | | | | | |
| Axiomtek Co., Ltd. | \$ 373,827 | 28.86% | \$ 372,944 | 28.86% | \$ 340,684 | 28.57% | \$ 355,638 | 28.57% |
| <u>Unlisted companies</u> | | | | | | | | |
| Jan Hsiang Electronics Co., Ltd. | <u>6,134</u> | 28.50% | <u>6,740</u> | 28.50% | <u>7,146</u> | 28.50% | <u>8,340</u> | 28.50% |
| | <u>\$ 379,961</u> | | <u>\$ 379,684</u> | | <u>\$ 347,830</u> | | <u>\$ 363,978</u> | |

Fair value of publicly traded investments accounted for using the equity method are summarized as follows, based on the closing price of those investments at the balance sheet date:

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|--------------------|-------------------|-------------------|-------------------|-------------------|
| Axiomtek Co., Ltd. | <u>\$ 704,353</u> | <u>\$ 602,775</u> | <u>\$ 450,778</u> | <u>\$ 429,786</u> |

The equity-method investees' financial statements, which had been used to determine the carrying amounts of the Group's investments, shares of profits and other comprehensive income of associates, had been reviewed, except those of Jan Hsiang Electronics Co., Ltd. The Group believes that, had Jan Hsiang Electronics Co., Ltd.'s financial statements been reviewed, any adjustments arising would have had no material effect on the Group's consolidated financial statements.

13. PROPERTY, PLANT AND EQUIPMENT

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
| Freehold land | \$ 2,806,109 | \$ 2,818,523 | \$ 2,821,383 | \$ 2,842,023 |
| Buildings | 2,268,860 | 2,260,798 | 2,313,002 | 2,258,825 |
| Equipment | 368,154 | 409,455 | 395,549 | 409,492 |
| Office equipment | 118,391 | 160,679 | 149,078 | 197,335 |
| Other facilities | 349,193 | 281,211 | 293,944 | 295,858 |
| Construction in progress | <u>935,741</u> | <u>460,970</u> | <u>209,337</u> | <u>236,547</u> |
| | <u>\$ 6,846,448</u> | <u>\$ 6,391,636</u> | <u>\$ 6,182,293</u> | <u>\$ 6,240,080</u> |

| | Freehold Land | Buildings | Equipment | Office Equipment | Other Facilities | Property in Construction | Total |
|--|---------------------|---------------------|---------------------|-------------------|-------------------|--------------------------|---------------------|
| <u>Cost</u> | | | | | | | |
| Balance at January 1, 2012 | \$ 2,842,023 | \$ 2,810,520 | \$ 1,058,027 | \$ 480,556 | \$ 778,249 | \$ 236,547 | \$ 8,205,922 |
| Additions | - | 1,973 | 17,614 | 17,861 | 32,622 | 152,420 | 222,490 |
| Disposals | (17,616) | (6,427) | (21,114) | (8,770) | (10,325) | (10,200) | (74,452) |
| Acquisitions through business combinations | - | - | 27,061 | 5,823 | 10,923 | - | 43,807 |
| Reclassifications | - | 128,060 | 23,570 | 5,831 | (27,174) | (164,237) | (33,950) |
| Effect of exchange differences | (3,024) | (33,731) | (9,567) | (8,540) | (7,603) | (5,193) | (67,658) |
| Balance at June 30, 2012 | <u>\$ 2,821,383</u> | <u>\$ 2,900,395</u> | <u>\$ 1,095,591</u> | <u>\$ 492,761</u> | <u>\$ 776,692</u> | <u>\$ 209,337</u> | <u>\$ 8,296,159</u> |
| Balance at January 1, 2013 | \$ 2,818,523 | \$ 2,902,510 | \$ 1,158,555 | \$ 536,207 | \$ 838,366 | \$ 460,970 | \$ 8,715,131 |
| Additions | - | 2,839 | 15,139 | 37,906 | 37,328 | 456,340 | 549,552 |
| Disposals | (17,089) | (7,785) | (16,339) | (7,027) | (5,631) | (800) | (54,671) |
| Reclassifications | - | - | 1,658 | 3,998 | 26,497 | - | 32,153 |
| Effect of exchange differences | 4,675 | 70,783 | 21,154 | 10,547 | 19,231 | 19,231 | 145,621 |
| Balance at June 30, 2013 | <u>\$ 2,806,109</u> | <u>\$ 2,968,347</u> | <u>\$ 1,180,167</u> | <u>\$ 581,631</u> | <u>\$ 915,791</u> | <u>\$ 935,741</u> | <u>\$ 9,387,786</u> |

| | Buildings | Equipment | Office Equipment | Other Facilities | Total |
|--|-------------------|-------------------|-------------------|-------------------|---------------------|
| <u>Accumulated depreciation and impairment</u> | | | | | |
| Balance at January 1, 2012 | \$ 551,695 | \$ 648,535 | \$ 283,221 | \$ 482,391 | \$ 1,965,842 |
| Disposals | (935) | (17,285) | (8,375) | (16,694) | (43,289) |
| Depreciation expense | 54,896 | 58,100 | 29,178 | 40,636 | 182,810 |
| Effect of exchange differences | (7,469) | (4,096) | (5,145) | (5,305) | (22,015) |
| Reclassifications | (10,794) | 14,788 | 44,804 | (18,280) | 30,518 |
| Balance at June 30, 2012 | <u>\$ 587,393</u> | <u>\$ 700,042</u> | <u>\$ 343,683</u> | <u>\$ 482,748</u> | <u>\$ 2,113,866</u> |
| Balance at January 1, 2013 | \$ 641,712 | \$ 749,100 | \$ 375,528 | \$ 557,155 | \$ 2,323,495 |
| Disposals | (4,524) | (6,734) | (6,029) | (4,301) | (21,588) |
| Depreciation expense | 46,205 | 59,650 | 29,775 | 44,081 | 179,711 |
| Effect of exchange differences | 16,094 | 9,997 | 7,249 | 12,469 | 45,809 |
| Reclassifications | - | - | 56,717 | (42,806) | 13,911 |
| Balance at June 30, 2013 | <u>\$ 699,487</u> | <u>\$ 812,013</u> | <u>\$ 463,240</u> | <u>\$ 566,598</u> | <u>\$ 2,541,338</u> |

The above items of property, plant and equipment were depreciated on a straight-line basis over the following economic lives:

| | |
|----------------------|-------------|
| Buildings | |
| Main buildings | 20-60 years |
| Electronic equipment | 5 years |
| Engineering systems | 5 years |
| Equipment | 2-8 years |
| Office equipment | 2-8 years |
| Other facilities | 2-10 years |

Refer to Note 32 for the carrying amount of property, plant and equipment pledged by the Group to secure its borrowings.

14. GOODWILL

Goodwill is the difference between the price of purchasing an investment and the acquisition-date fair value of the net assets obtained. Changes in goodwill as of the six months ended June 30, 2013 and 2012 were as follows:

| | 2013 | 2012 |
|--|-------------------|-------------------|
| <u>Cost</u> | | |
| Balance at January 1 | \$ 632,181 | \$ 607,363 |
| Additional amounts recognized from business combinations occurring during the period (Note 25) | - | 62,931 |
| Disposal of subsidiary during the period (Note 26) | (6,279) | - |
| Effect of exchange differences, net | <u>5,592</u> | <u>(3,225)</u> |
| Balance at June 30 | <u>\$ 631,494</u> | <u>\$ 667,069</u> |

15. PREPAYMENTS FOR LEASE

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|---|------------------|-------------------|------------------|-------------------|
| Current assets (included in other current assets) | \$ 2,497 | \$ 2,386 | \$ 2,407 | \$ 2,461 |
| Noncurrent assets | <u>96,186</u> | <u>93,098</u> | <u>95,120</u> | <u>98,496</u> |
| | <u>\$ 98,683</u> | <u>\$ 95,484</u> | <u>\$ 97,527</u> | <u>\$ 100,957</u> |

Lease prepayments refer to the Group's rights to use land located in Mainland China.

16. BORROWINGS

a. Short term borrowings

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|-----------------------------|---------------|-------------------|-------------------|-------------------|
| <u>Secured borrowings</u> | | | | |
| Bank loans | \$ - | \$ - | \$ - | \$ 7,000 |
| <u>Unsecured borrowings</u> | | | | |
| Line of credit borrowings | <u>-</u> | <u>151,452</u> | <u>148,091</u> | <u>164,442</u> |
| | <u>\$ -</u> | <u>\$ 151,452</u> | <u>\$ 148,091</u> | <u>\$ 171,422</u> |

- 1) The weighted average effective interest rates on secured and unsecured bank borrowings were 1.32% to 1.63%, 1.57% to 1.63%, and 1.35% to 1.63% per annum as of December 31, 2012, June 30, 2012 and January 1, 2012, respectively.

- 2) To meet its financing need, Netstar Technology Co., Ltd., an indirect subsidiary of the Company, obtained from a bank a secured loan, with a fixed interest rate. The carrying value was \$7,000 thousand for the credit line as of January 1, 2012.
- 3) To meet its financing need, Advantech Technology (China) Company Ltd., an indirect subsidiary of the Company, obtained from a bank an unsecured credit line, with a floating interest rate. The carrying values for the credit line were \$146,452 thousand, \$148,091 thousand, \$151,442 thousand as of December 31, 2012, June 30, 2012 and January 1, 2012, respectively. As of the six months ended, June 30, 2013, AKMC had repaid its bank loans in advance because it held sufficient funds and had no financing needs.
- 4) To meet its financing need, Cermate Technologies Inc., an indirect subsidiary of the Company, obtained from a bank an unsecured credit line, with fixed interest rate. The carrying values of the credit line were \$5,000 thousand and \$13,000 thousand as of December 31, 2012 and January 1, 2012, respectively. As of the six months ended, June 30, 2013, Cermate Technologies Inc. had repaid its bank loans in advance because it held sufficient funds and had no financing needs.

b. Long-term borrowings

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|---------------------------|----------------------|------------------------------|----------------------|----------------------------|
| <u>Secured borrowings</u> | | | | |
| Bank loans | \$ - | \$ 2,932 | \$ 5,109 | \$ 12,652 |
| Less: Current portion | _____ - | _____ (366) | _____ (584) | _____ (1,584) |
| Long-term borrowings | <u>\$ _____ -</u> | <u>\$ 2,566</u> | <u>\$ 4,525</u> | <u>\$ 11,068</u> |

Cermate Technologies Inc., an indirect subsidiary of the Company, obtained a mortgage bank loan for capital expenditure. This loan is repayable every one or three months at various amounts from March 2006 to March 2021. As of December 31, 2012, June 30, 2012 and January 1, 2012 the effective interest rate was 2.29%. As of the six months ended June 30, 2013, Cermate Technologies Inc. had repaid its bank loans in advance because it held sufficient funds and had no financing needs.

17. BONDS PAYABLE

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|---|----------------------|------------------------------|----------------------|----------------------------|
| Unsecured domestic convertible bonds | \$ 146,700 | \$ 190,200 | \$ 573,000 | \$ 800,000 |
| Less: Unamortized discount on bonds payable | (2,748) | (5,540) | (22,582) | (39,669) |
| Less: Current portion | <u>(143,952)</u> | <u>_____ -</u> | <u>_____ -</u> | <u>_____ -</u> |
| | <u>\$ _____ -</u> | <u>\$ 184,660</u> | <u>\$ 550,418</u> | <u>\$ 760,331</u> |

On May 26, 2011, the Company issued three-year unsecured convertible bonds, with an aggregate face value of \$800,000 thousand, a coupon rate of 0%, and an effective interest rate of 2.13%. Bondholders may convert the bonds into the Company's common shares at an agreed conversion price between May 27, 2012 and May 16, 2014. If the bonds are not converted, the Company should redeem the bonds at their face value upon maturity. According to the Statement of Financial Accounting Standard (SFAS) No. 36, the Company has bifurcated the bonds into liability and equity components. The bonds had been recorded as stock options from capital surplus amounting to \$44,716 thousand and bonds payable amounting to \$750,943 thousand. As of June 30, 2013, the conversion price was \$78.22 per share.

18. OTHER LIABILITIES

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|-------------------------------|---------------------|----------------------|---------------------|---------------------|
| Other payables | | | | |
| Salaries or bonuses payable | \$ 1,273,547 | \$ 1,256,296 | \$ 963,470 | \$ 981,384 |
| Payable for royalties | 107,482 | 61,870 | 94,322 | 61,843 |
| Payable for employee benefits | 119,325 | 89,795 | 71,696 | 90,297 |
| Others | <u>842,835</u> | <u>666,766</u> | <u>722,052</u> | <u>604,878</u> |
| | <u>\$ 2,343,189</u> | <u>\$ 2,074,727</u> | <u>\$ 1,851,540</u> | <u>\$ 1,738,402</u> |

Payables for employee benefits consisted of accruals toward employee annual holidays and holiday benefits for long-term services.

19. RETIREMENT BENEFIT PLANS

The Group's retirement benefit plans include defined contribution and defined benefit plans. For defined benefit plans, employee benefit expenses were calculated using the actuarially determined pension cost discount rate as of December 31, 2012 and January 1, 2012, and recognized in their respective periods. Refer to Note 19 to the consolidated financial statements as of March 31, 2013 for information on the Group's retirement benefit plans.

Employee benefit expenses were included in the following line items:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--------------------------------------|---------------------------------------|-----------------|-------------------------------------|-----------------|
| | 2013 | 2012 | 2012 | 2012 |
| Operating cost | \$ <u>296</u> | \$ <u>561</u> | \$ <u>600</u> | \$ <u>1,100</u> |
| Marketing expenses | \$ <u>206</u> | \$ <u>404</u> | \$ <u>399</u> | \$ <u>693</u> |
| Administration expenses | \$ <u>261</u> | \$ <u>442</u> | \$ <u>507</u> | \$ <u>805</u> |
| Research and development expenses | \$ <u>573</u> | \$ <u>1,254</u> | \$ <u>1,170</u> | \$ <u>2,278</u> |

20. EQUITY

a. Share capital

Ordinary shares

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|--|---------------------|----------------------|---------------------|---------------------|
| Numbers of shares authorized (in thousands) | <u>600,000</u> | <u>600,000</u> | <u>600,000</u> | <u>600,000</u> |
| Shares authorized | <u>\$ 6,000,000</u> | <u>\$ 6,000,000</u> | <u>\$ 6,000,000</u> | <u>\$ 6,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>565,627</u> | <u>563,997</u> | <u>557,004</u> | <u>552,996</u> |
| Shares issued | <u>\$ 5,656,272</u> | <u>\$ 5,639,971</u> | <u>\$ 5,570,043</u> | <u>\$ 5,529,961</u> |

b. Capital surplus

The premium from shares issued in excess of par (including share premium from issuance of common shares and conversion of bonds) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited once a year at a certain percentage of the Company's capital surplus).

The capital surplus from long-term investments and employee share options may not be used for any purpose.

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, if the Company has earnings for the year, it should primarily make taxation payments, offset any past years' deficits and then make appropriations for its legal reserve at 10% of annual net income. In addition, a special reserve should be appropriated or reversed as needed, adding cumulative retained earnings from previous periods and retaining partially, retained earnings for corporate growth. The remainder of the income should be appropriated in the following order:

- 1) 1% to 20% as bonus to employees;
- 2) 1% or less as remuneration to directors and supervisors; and
- 3) Dividends, as proposed by the board of directors.

Recipients of stock bonuses may include subsidiaries' employees who meet the criteria set by the Company's board of directors.

Any appropriations from earnings should be recorded in the year of shareholders' approval, following the year the earnings were generated.

For the six months ended June 30, 2013 and 2012, the bonuses to employees and remunerations to directors and supervisors were \$38,000 thousand and \$36,000 thousand (included in other payables), respectively. These amounts were estimated and accrued on the basis of past experience. 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 estimates. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of at the share bonus by the fair value of the shares. The fair value of the shares refers to the closing price (after considering the effect of cash and stock dividends) of the shares on the day immediately preceding the shareholders' meeting.

Under Rule No. 100116 and Rule No. 0950000507 issued by the FSC, certain amounts shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of IFRSs, a company should appropriate and reverse a special reserve.

Appropriation of earnings to legal reserve should be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset a deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

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 interests, 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 2012 and 2011 had been approved in the shareholders' meetings on June 13, 2013 and June 13, 2012, respectively. The appropriations and dividends per share were as follows:

| | <u>Appropriation of Earnings</u> | | <u>Dividends Per Share</u> <u>(Dollars)</u> | |
|----------------------------|----------------------------------|-------------|--|-------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Legal reserve | \$ 346,239 | \$ 355,274 | \$ - | \$ - |
| Special reserve (reversal) | (545,303) | (76,359) | - | - |
| Cash dividends | 2,763,586 | 2,764,981 | 4.9 | 5.0 |

The bonus to employees and the remuneration to directors and supervisors for 2012 and 2011 approved in the shareholders' meetings on June 13, 2013 and June 13, 2012, respectively, were as follows:

| | <u>Cash Dividends</u> | |
|---|--------------------------------|-------------|
| | <u>Years Ended December 31</u> | |
| | <u>2012</u> | <u>2011</u> |
| Bonus to employees | \$ 60,000 | \$ 60,000 |
| Remuneration to directors and supervisors | 12,000 | 12,000 |

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for 2012, which were prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

There was 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 bonuses to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity items

1) Foreign currency translation reserve

| | <u>2013</u> | <u>2012</u> |
|--|------------------|--------------------|
| Balance at January 1 | \$ (104,345) | \$ 105,408 |
| Exchange differences arising on translating the foreign operations | 216,527 | (136,212) |
| Income tax relating to gains arising on translating the net assets of foreign operations | (37,420) | 5,399 |
| Share of exchange difference of associates accounted for using the equity method | <u>3,593</u> | <u>(954)</u> |
| Balance at June 30 | <u>\$ 78,355</u> | <u>\$ (26,359)</u> |

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that were designated as hedging instruments for hedges of net investments in foreign operations were included in the foreign currency translation reserve, and upon the disposal of the foreign operations, were reclassified to profit or loss.

2) Unrealized gain or loss from available-for-sale financial assets

| | 2013 | 2012 |
|---|--------------------|---------------------|
| Balance at January 1 | \$ 168,944 | \$ (648,592) |
| Unrealized gain (loss) arising on revaluation of available-for-sale financial assets | (185,012) | 543,270 |
| Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets | <u>(61,567)</u> | <u>(29,528)</u> |
| Balance at June 30 | <u>\$ (77,635)</u> | <u>\$ (134,850)</u> |

Unrealized gain or loss from available-for-sale financial assets refers to the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

e. Noncontrolling interests

| | 2013 | 2012 |
|---|-------------------|-------------------|
| Balance at January 1 | \$ 107,891 | \$ 99,158 |
| Attributable to noncontrolling interests: | | |
| Share of profit for the year | 14,049 | 11,564 |
| Exchange difference arising on translation of foreign entities | 874 | (3,364) |
| Acquisition of noncontrolling interests in Subsidiaries (Note 27) | <u>(2,211)</u> | <u>(2,777)</u> |
| Balance at June 30 | <u>\$ 120,603</u> | <u>\$ 104,581</u> |

21. NET OPERATING PROFIT

a. Finance costs

| | For the Three Months Ended | | For the Six Months Ended | |
|---------------------------------------|-----------------------------------|-----------------|---------------------------------|------------------|
| | June 30 | | June 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Interest on bank overdrafts and loans | \$ 1,373 | \$ 1,841 | \$ 3,644 | \$ 2,932 |
| Interest on convertible bonds | <u>870</u> | <u>4,080</u> | <u>1,804</u> | <u>8,140</u> |
| | <u>\$ 2,243</u> | <u>\$ 5,921</u> | <u>\$ 5,448</u> | <u>\$ 11,072</u> |

b. Depreciation and amortization

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|------------------|---|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| An analysis of depreciation by function | | | | |
| Operating costs | \$ 20,800 | \$ 10,796 | \$ 53,643 | \$ 44,466 |
| Operating expenses | <u>63,295</u> | <u>81,010</u> | <u>126,068</u> | <u>138,344</u> |
| | <u>\$ 84,095</u> | <u>\$ 91,806</u> | <u>\$ 179,711</u> | <u>\$ 182,810</u> |
| An analysis of amortization by function | | | | |
| Operating costs | \$ 996 | \$ 3,579 | \$ 2,231 | \$ 5,522 |
| Operating expenses | <u>29,310</u> | <u>24,420</u> | <u>52,140</u> | <u>45,857</u> |
| | <u>\$ 30,306</u> | <u>\$ 27,999</u> | <u>\$ 54,371</u> | <u>\$ 51,379</u> |

c. Employee benefits expense

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---|---------------------|---|---------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Post-employment benefits (Note 19) | | | | |
| Defined contribution plans | \$ 50,637 | \$ 42,651 | \$ 100,665 | \$ 86,641 |
| Defined benefit plans | <u>1,336</u> | <u>2,661</u> | <u>2,676</u> | <u>4,876</u> |
| | <u>51,973</u> | <u>45,312</u> | <u>103,341</u> | <u>91,517</u> |
| Other employee benefits | <u>1,499,110</u> | <u>1,368,876</u> | <u>2,915,931</u> | <u>2,647,000</u> |
| Total employee benefits expense | <u>\$ 1,551,083</u> | <u>\$ 1,414,188</u> | <u>\$ 3,019,272</u> | <u>\$ 2,738,517</u> |
| An analysis of employee benefits expense by function | | | | |
| Operating costs | \$ 326,103 | \$ 311,378 | \$ 629,875 | \$ 587,364 |
| Operating expenses | <u>1,224,980</u> | <u>1,102,810</u> | <u>2,389,397</u> | <u>2,151,153</u> |
| | <u>\$ 1,551,083</u> | <u>\$ 1,414,188</u> | <u>\$ 3,019,272</u> | <u>\$ 2,738,517</u> |

22. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---------------------------------------|-------------------|-------------------------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Current tax | | | | |
| In respect of the current period | \$ 195,124 | \$ 147,423 | \$ 408,516 | \$ 272,579 |
| Tax on retained earnings | 89,787 | 50,884 | 89,787 | 50,884 |
| Deferred tax | <u>11,289</u> | <u>(1,129)</u> | <u>(1,687)</u> | <u>22,344</u> |
| Income tax expense recognized in profit or loss | <u>\$ 296,200</u> | <u>\$ 197,178</u> | <u>\$ 496,616</u> | <u>\$ 345,807</u> |

The Group used the average yearly effective income taxation rate to estimate the midyear taxation expense. However, because of the large discrepancies in tax-exempt income and nondeductable expenses used to estimate the yearly and actual midyear taxation amounts, the difference between the midyear taxation expense and the actual taxable income for the period multiplied by the taxation rate was recorded as deferred income tax. Thus, the reconciliation between accounting income and taxable income will not be disclosed.

b. Income tax recognized in other comprehensive income

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---------------------------------------|--------------------|-------------------------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| <u>Deferred tax liabilities</u> | | | | |
| Recognized in other comprehensive income | | | | |
| Translation of foreign operations | <u>\$ (9,305)</u> | <u>\$ (23,084)</u> | <u>\$ (37,420)</u> | <u>\$ 5,399</u> |

For the six months ended June 30, 2013 and 2012, the effective income tax rates were 17% for the Company under the Income Tax Law of the ROC and 25% for subsidiary firms in Mainland China. For those subsidiaries located elsewhere, the income tax expenses were based on the income tax rates of their respective jurisdictions.

c. Integrated income tax

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|--|---------------------|---------------------|---------------------|---------------------|
| Unappropriated earnings | | | | |
| Unappropriated earnings generated on and after January 1, 1998 | <u>\$ 3,365,589</u> | <u>\$ 3,952,535</u> | <u>\$ 2,192,304</u> | <u>\$ 3,524,919</u> |
| Imputation credits accounts | <u>\$ 598,460</u> | <u>\$ 399,880</u> | <u>\$ 480,497</u> | <u>\$ 256,138</u> |

The actual creditable ratio for distribution of earnings of 2011 was 11.58%.

Under the Income Tax Law, for distribution of earnings generated after 1998, the imputation credits allocated to ROC resident shareholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution.

The expected creditable ratio for distribution of earnings of 2012 was 10.88%, which was calculated based on the draft amendments to Income Tax Law. As of the date that these consolidated financial statements were approved and authorized for issue, the draft amendments had not been approved by the Legislative Yuan. The actual imputation credits allocated to shareholders of the Company was based on the balance of the ICA as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2012 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

d. Income tax assessments

The tax returns through 2007, have been assessed by the tax authorities.

23. EARNINGS PER SHARE

| | For the Three Months Ended | | For the Six Months Ended | |
|----------------------------|----------------------------|---------------|--------------------------|---------------|
| | June 30 | | June 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Basic earnings per share | <u>\$1.98</u> | <u>\$1.75</u> | <u>\$3.50</u> | <u>\$3.11</u> |
| Diluted earnings per share | <u>\$1.96</u> | <u>\$1.73</u> | <u>\$3.48</u> | <u>\$3.06</u> |

As of the six months ended June 30, 2012, the amount of earnings per share increased when employees' share options were taken into consideration, which means these options had an anti-dilutive effect. Thus, the employees' share options should not be considered when calculating diluted earnings per share.

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

| | For the Three Months Ended | | For the Six Months Ended | |
|--|----------------------------|-------------------|--------------------------|---------------------|
| | June 30 | | June 30 | |
| | 2013 | 2012 | 2013 | 2012 |
| Earnings used in the computation of basic earnings per share | \$ 1,119,093 | \$ 970,941 | \$ 1,978,960 | \$ 1,720,478 |
| Effect of dilutive potential ordinary shares: | | | | |
| Convertible bonds | 870 | 4,080 | 1,804 | 8,140 |
| Employee share options | 4,967 | - | 9,934 | - |
| Bonuses issued to employees | - | - | - | - |
| Earnings used in the computation of diluted earnings per share | <u>\$ 1,124,930</u> | <u>\$ 975,021</u> | <u>\$ 1,990,698</u> | <u>\$ 1,728,618</u> |

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--|---------------------------------------|----------------|-------------------------------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Weighted average number of ordinary shares in computation of basic earnings per share | 565,260 | 553,889 | 564,837 | 553,626 |
| Effect of dilutive potential ordinary shares: | | | | |
| Convertible bonds | 2,138 | 9,713 | 2,220 | 9,713 |
| Employee share options | 4,904 | - | 4,904 | - |
| Bonuses issued to employees | <u>666</u> | <u>962</u> | <u>666</u> | <u>962</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>572,968</u> | <u>564,564</u> | <u>572,627</u> | <u>564,301</u> |

The Accounting Research and Development Foundation issued Interpretation 2007-052, which 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 decides to 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, if the potential resulting shares have a dilutive effect, these shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS. 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. The 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.

24. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company and its subsidiaries were granted 3,000 thousand options in July 2010 and 10,000 thousand options in December 2009. Each option entitles the holder to subscribe for one thousand common shares of the Company. The holders of these shares include employees whom meet certain criteria from the Company, from both domestic and overseas subsidiaries in which the Company directly or indirectly invests over 50%. Options issued in July 2010 and December 2009 are valid for five 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 will be adjusted accordingly.

Information on employee share options as of June 30, 2013 and 2012 is as follows:

| | For the Six Months Ended June 30 | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| Employee Share Options | Number of Options (In Thousands) | Weighted-average Exercise Price (NT\$) | Number of Options (In Thousands) | Weighted-average Exercise Price (NT\$) |
| Balance at January 1 | 8,450 | \$50.46 | 11,801 | \$60.35 |
| Options exercised | <u>1,074</u> | 49.75 | <u>1,252</u> | 51.01 |
| Balance at June 30 | <u>7,376</u> | 50.56 | <u>10,549</u> | 53.36 |
| Options exercisable, end of period | <u>7,376</u> | 50.56 | <u>10,549</u> | 53.36 |
| Weighted-average fair value of options granted (NT\$) | <u>\$16.45-20.25</u> | | <u>\$16.45-20.25</u> | |

Information on outstanding options for the six months ended June 30, 2013 and 2012 is as follows:

| | June 30, 2013 | | June 30, 2012 | |
|------------------|---------------------------------------|--|---------------------------------------|--|
| | Range of Exercise Price (NT\$) | Weighted-average Remaining Contractual Life (Years) | Range of Exercise Price (NT\$) | Weighted-average Remaining Contractual Life (Years) |
| Issuance in 2010 | \$56.10 | 2.03 | \$59.03 | 3.03 |
| Issuance in 2009 | 48.40 | 1.42 | 51.01 | 2.42 |

Options granted in 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 in 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 were \$11,969 thousand and \$26,158 thousand for the six months ended June 30, 2013 and 2012, respectively.

25. BUSINESS COMBINATIONS

a. Subsidiaries acquired

| | Principal Activity | Date of Acquisition | Proportion of Voting Equity Interests Acquired (%) | Consideration Transferred |
|----------------|---|----------------------------|---|----------------------------------|
| Advansus Corp. | Production and sale of industrial automation products | January 2, 2012 | 50% | <u>\$ 306,000</u> |

The Company acquired 50% of Advansus Corp. from Pegatron Corp. to facilitate the Company's business expansion and improve its economic returns. After this acquisition, the Company's equity in Advansus Corp. became 100%.

b. Considerations transferred

| | Advansus Corp. |
|------|-----------------------|
| Cash | <u>\$ 306,000</u> |

The Company acquired 50% of Advansus Corp. for \$306,000 thousand at NT\$17 per share. The Company paid \$126,000 thousand of the acquisition price as of March 31, 2012 and the remaining \$180,000 thousand on June 30, 2012.

c. Assets acquired and liabilities assumed at the date of acquisition

| | Advansus Corp. |
|---|-----------------------|
| Current assets | |
| Cash and cash equivalents | \$ 258,170 |
| Financial assets available-for-sale - current | 80,030 |
| Trade receivables | 231,215 |
| Inventories | 249,659 |
| Other current assets | 4,008 |
| Noncurrent assets | |
| Plant and equipment | 19,387 |
| Other assets | 3,447 |
| Current liabilities | |
| Trade and other payables | (330,992) |
| Tax liabilities | (11,986) |
| Other current liabilities | <u>(16,800)</u> |
| | 486,138 |
| Percentage of equity interest acquired | <u>50%</u> |
| Net amount | <u>\$ 243,069</u> |

d. Goodwill arising on acquisition

Advansus Corp.

| | |
|--|------------------|
| Consideration transferred | \$ 306,000 |
| Less: Fair value of identifiable net assets acquired | <u>(243,069)</u> |
| Goodwill arising on acquisition | <u>\$ 62,931</u> |

Goodwill arose in the acquisition of Advansus Corp. because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Advansus Corp. Limited. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow on acquisition of subsidiaries

**For the Six
Months Ended
June 30, 2013**

| | |
|--|-------------------|
| Consideration paid in cash | \$ 306,000 |
| Less: Cash and cash equivalent balances acquired | <u>(129,085)</u> |
| | <u>\$ 176,915</u> |

f. Impact of acquisitions on the results of the Group

The results of acquirees since the acquisition date included in the consolidated statements of comprehensive income were as follows:

**For the Six
Months Ended
June 30, 2013**

| | |
|----------------|---------------------|
| Revenue | |
| Advansus Corp. | <u>\$ 1,339,747</u> |
| Profit | |
| Advansus Corp. | <u>\$ 43,004</u> |

26. DISPOSAL OF SUBSIDIARIES

As of June 30, 2013, the Group had disposed 100% of its equity interests in BCM Embedded Computer Inc. (BCM), which manufactured telecommunications equipment and electronic parts. The subsidiary was disposed of because of an analysis indicating a decline in the subsidiary's business scope and its failure to improve the Group's economic returns and resource use. On June 30, 2013, this disposal was completed and control of BCM was passed to the acquirer.

a. Consideration received from the disposal

**BCM
Embedded
Computer Inc.**

| | |
|---|------------------|
| Consideration received in cash and cash equivalents | <u>\$ 13,500</u> |
|---|------------------|

- b. Analysis of asset and liabilities on the date control was lost

| | BCM Embedded Computer Inc. |
|---|---|
| Current assets | |
| Cash and cash equivalents | \$ 1,846 |
| Available-for-sale financial assets - current | 10,609 |
| Other current assets | 32 |
| Noncurrent assets | |
| Property, plant and equipment | 1 |
| Current liabilities | |
| Other current liabilities | <u>(786)</u> |
| Net assets disposed of | <u>\$ 11,702</u> |

- c. Loss on disposal of subsidiary

| | For the Six Months Ended June 30, 2013 |
|--|---|
| Consideration received | \$ 13,500 |
| Net assets disposed of | (11,702) |
| Goodwill | (6,279) |
| Unrealized gain from available-for-sale financial - assets reclassified from equity to profit or loss on loss of control of subsidiary | <u>109</u> |
| Loss on disposal | <u>\$ (4,372)</u> |

- d. Net cash inflow on disposal of subsidiary

| | For the Six Months Ended June 30, 2013 |
|---|---|
| Consideration received in cash and cash equivalents | \$ 13,500 |
| Less: Cash and cash equivalent balances disposed of | <u>(1,846)</u> |
| | <u>\$ 11,654</u> |

27. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

For the six months ended June 30, 2012, the Group acquired an additional 2.8% interest in Netstar Technology Co., Ltd., increasing its interest from 89.79% to 92.59%.

For the six months ended June 30, 2013, the Group acquired an additional 1.2% interest in Netstar Technology Co., Ltd., increasing its interest from 94.28 % to 95.48%.

The above transactions were accounted for as equity transactions since the Group had control over these subsidiaries.

| | For the Six Months Ended June 30 | |
|--|---|-------------------|
| | 2013 | 2012 |
| Cash consideration paid | \$ (3,595) | \$ (8,423) |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred to noncontrolling interests | <u>2,211</u> | <u>2,777</u> |
| Differences arising from equity transaction | <u>\$ (1,384)</u> | <u>\$ (5,646)</u> |
| <u>Line items adjusted for equity transaction</u> | | |
| Retained earnings | <u>\$ (1,384)</u> | <u>\$ (5,646)</u> |

28. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Lease arrangements

The Group leased offices in the U.S.A., Europe and Japan from third parties; the lease contracts, which will end between 2012 and 2017, are renewable upon expiry.

For the three months ended June 30, 2013 and 2012 there were no significant increases in lease payments. Refer to Note 27 of the consolidated financial statements as of March 31, 2013 for details.

29. CAPITAL MANAGEMENT

Management followed the same objectives, policies and process for managing capital, and capital structures of consolidated financial statements in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the three months ended March 31, 2013. Refer to Note 28 to the consolidated financial statements as of March 31, 2013 for details.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

Except as detailed in the following table, the management believed that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximated their fair values:

| | June 30, 2013 | | December 31, 2012 | |
|--|----------------------------|-------------------|----------------------------|-------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <u>Financial liabilities</u> | | | | |
| Financial liabilities measured at amortized cost: | | | | |
| Convertible bonds | <u>\$ 143,952</u> | <u>\$ 263,195</u> | <u>\$ 184,660</u> | <u>\$ 280,375</u> |

| | <u>June 30, 2012</u> | | <u>January 1, 2012</u> | |
|---|------------------------|-------------------|------------------------|-------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <u>Financial liabilities</u> | | | | |
| Financial liabilities measured at amortized cost: | | | | |
| Convertible bonds | <u>\$ 550,418</u> | <u>\$ 649,842</u> | <u>\$ 760,331</u> | <u>\$ 810,484</u> |

2) Fair value measurements recognized in the balance sheets

Financial instruments are analyzed after initial recognition at fair value and are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- a) Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

June 30, 2013

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|---------------------|------------------|------------------|---------------------|
| Financial assets at FVTPL | | | | |
| Derivative financial assets | <u>\$ -</u> | <u>\$ 8,756</u> | <u>\$ -</u> | <u>\$ 8,756</u> |
| Available-for-sale financial assets | | | | |
| Securities listed in ROC | | | | |
| Equity securities | \$ 1,906,894 | \$ - | \$ - | \$ 1,906,894 |
| Unlisted securities - other countries | | | | |
| Equity securities | - | - | 33,257 | 33,257 |
| Mutual funds | <u>3,898,247</u> | <u>-</u> | <u>-</u> | <u>3,898,247</u> |
| | <u>\$ 5,805,141</u> | <u>\$ -</u> | <u>\$ 33,257</u> | <u>\$ 5,838,398</u> |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities | <u>\$ -</u> | <u>\$ 10,889</u> | <u>\$ -</u> | <u>\$ 10,889</u> |

December 31, 2012

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|----------------|------------------|----------------|------------------|
| Financial assets at FVTPL | | | | |
| Derivative financial assets | <u>\$ -</u> | <u>\$ 16,879</u> | <u>\$ -</u> | <u>\$ 16,879</u> |

(Continued)

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|---------------------|-----------------|------------------|--------------------------------|
| Available-for-sale financial assets | | | | |
| Securities listed in ROC | | | | |
| Equity securities | \$ 2,313,945 | \$ - | \$ - | \$ 2,313,945 |
| Unlisted securities - other countries | | | | |
| Equity securities | - | - | 33,257 | 33,257 |
| Mutual funds | <u>1,495,111</u> | <u>-</u> | <u>-</u> | <u>1,495,111</u> |
| | <u>\$ 3,809,056</u> | <u>\$ -</u> | <u>\$ 33,257</u> | <u>\$ 3,842,313</u> |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities | <u>\$ -</u> | <u>\$ 9,620</u> | <u>\$ -</u> | <u>\$ 9,620</u> (Concluded) |

June 30, 2012

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|---------------------|------------------|------------------|---------------------|
| Financial assets at FVTPL | | | | |
| Derivative financial assets | <u>\$ -</u> | <u>\$ 9,704</u> | <u>\$ -</u> | <u>\$ 9,704</u> |
| Available-for-sale financial assets | | | | |
| Securities listed in ROC | | | | |
| Equity securities | \$ 2,202,259 | \$ - | \$ - | \$ 2,202,259 |
| Unlisted securities - other countries | | | | |
| Equity securities | - | - | 33,257 | 33,257 |
| Mutual funds | <u>1,700,622</u> | <u>-</u> | <u>-</u> | <u>1,700,622</u> |
| | <u>\$ 3,902,881</u> | <u>\$ -</u> | <u>\$ 33,275</u> | <u>\$ 3,936,138</u> |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities | <u>\$ -</u> | <u>\$ 10,063</u> | <u>\$ -</u> | <u>\$ 10,063</u> |

January 1, 2012

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------------------|------------------|------------------|---------------------|
| Financial assets at FVTPL | | | | |
| Derivative financial assets | <u>\$ -</u> | <u>\$ 57,204</u> | <u>\$ -</u> | <u>\$ 57,204</u> |
| Available-for-sale financial assets | | | | |
| Securities listed in ROC | | | | |
| Equity securities | \$ 2,349,704 | \$ - | \$ - | \$ 2,349,704 |
| Unlisted securities - ROC | | | | |
| Equity securities | - | - | 33,257 | 33,257 |
| Mutual funds | <u>833,866</u> | <u>-</u> | <u>-</u> | <u>833,866</u> |
| | <u>\$ 3,183,570</u> | <u>\$ -</u> | <u>\$ 33,257</u> | <u>\$ 3,216,827</u> |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities | <u>\$ -</u> | <u>\$ 53,516</u> | <u>\$ -</u> | <u>\$ 53,516</u> |

As of the six months ended June 30, 2013 and 2012, there were no transfers between Level 1 and 2 in the current and prior periods.

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices. Where such prices were not available, valuation techniques were applied. The estimates and assumptions used by the Group are consistent with those that market participants would use in setting a price for the financial instrument.
- b) The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The estimates and assumptions used by the Group were consistent with those that market participants would use in setting a price for the financial instrument.

The fair values of forward contracts are estimated using a yield curve, which projects future interest rate changes in relation to predetermined settlement rates for these contracts on maturity.

- c) The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

b. Categories of financial instruments

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|--|----------------------|------------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | | |
| Fair value through profit or loss (FVTPL) | | | | |
| Designated as at FVTPL | \$ 8,756 | \$ 16,879 | \$ 9,704 | \$ 57,204 |
| Loans and receivables (Note 1) | 8,267,327 | 7,976,010 | 8,890,820 | 6,384,396 |
| Available-for-sale financial assets (Note 2) | 5,838,398 | 3,842,313 | 3,936,138 | 3,216,827 |
| <u>Financial liabilities</u> | | | | |
| Fair value through profit or loss (FVTPL) | | | | |
| Designated as at FVTPL | 10,889 | 9,620 | 10,063 | 53,516 |
| Measured at amortized cost (Note 3) | 7,903,353 | 4,741,019 | 8,193,578 | 4,392,632 |

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, note receivables, trade receivables and other receivables.

Note 2: The balances included the carrying amount of available-for-sale financial assets measured at cost.

Note 3: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, trade and other payables, accrued convertible bonds and long-term borrowings.

c) Financial risk management objectives and policies

The Group's major financial instruments included equity investments, trade receivables, trade payables, and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into financial instrument transactions (including derivative financial instruments) for speculative purposes.

The Corporate Treasury function reported quarterly to the board of directors on the Group's current derivative instrument management.

1) Market risk

The Group's activities expose it primarily to financial risks on changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed it to foreign currency risk. The Group's sales were denominated in currencies other than the functional currency of the group entity making the sale; likewise the costs were denominated in the group entity's functional currency. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were as follows:

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|---------------|---------------|----------------------|---------------|--------------------|
| <u>Assets</u> | | | | |
| USD | \$ 3,737,760 | \$ 4,459,875 | \$ 4,868,567 | \$ 3,424,850 |
| EUR | 775,131 | 758,525 | 907,309 | 818,687 |
| RMB | 2,069,915 | - | - | - |

(Continued)

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|--------------------|----------------------|------------------------------|----------------------|----------------------------|
| <u>Liabilities</u> | | | | |
| USD | \$ 3,668,837 | \$ 4,811,871 | \$ 5,640,181 | \$ 3,971,804 |
| RMB | 1,035,901 | - | - | - |
| | | | | (Concluded) |

The carrying amounts of the Group's derivatives exposed to foreign currency risk at the end of the reporting period were as follows:

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|---------------|----------------------|------------------------------|----------------------|----------------------------|
| <u>Assets</u> | | | | |
| USD | \$ 236 | \$ 9,858 | \$ 251 | \$ 444 |
| EUR | 7,122 | 55 | 9,189 | 56,517 |
| JPY | <u>1,398</u> | <u>6,966</u> | <u>264</u> | <u>243</u> |
| | <u>\$ 8,756</u> | <u>\$ 16,879</u> | <u>\$ 9,704</u> | <u>\$ 57,204</u> |

| | | | | |
|--------------------|------------------|-----------------|------------------|------------------|
| <u>Liabilities</u> | | | | |
| USD | \$ 8,721 | \$ 163 | \$ 9,240 | \$ 49,903 |
| EUR | 1,637 | 9,457 | 255 | 3,613 |
| JPY | <u>531</u> | <u>-</u> | <u>568</u> | <u>-</u> |
| | <u>\$ 10,889</u> | <u>\$ 9,620</u> | <u>\$ 10,063</u> | <u>\$ 53,516</u> |

Sensitivity analysis

The Group was mainly exposed to U.S. dollar, Euro and Chinese Yen currencies.

The following table details the Group's sensitivity to a 5% increase in New Taiwan dollars (the functional currency) against the relevant foreign currencies. This 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of reasonable changes in foreign exchange rates. The sensitivity analysis only includes outstanding monetary items denominated in foreign currencies and forward contracts designated as cash flow hedges, and their translation is adjusted at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis includes cash and cash equivalents, trade receivables, bank borrowings and trade payables. A positive number below indicates an increase in post-tax profit associated with New Taiwan dollars strengthen 5% against the relevant currency. For a 5% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on post-tax profit and the balances below would be negative.

| | <u>U.S. Dollar Impact</u> | | <u>Euro Impact</u> | | <u>Chinese Yen Impact</u> | |
|----------------|---------------------------------|-------------|---------------------------------|-------------|---------------------------------|-------------|
| | <u>For the Six Months Ended</u> | | <u>For the Six Months Ended</u> | | <u>For the Six Months Ended</u> | |
| | <u>June 30</u> | | <u>June 30</u> | | <u>June 30</u> | |
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Profit or loss | \$ (32,045) | \$ (67,420) | \$ 41,694 | \$ 53,817 | \$ 51,711 | \$ - |
| | (Note 1) | (Note 1) | (Note 2) | (Note 2) | (Note 3) | (Note 3) |

Note 1: This was mainly attributable to the exposure outstanding on U.S. dollars denominated cash, trade receivables, trade payables, and bank borrowing, which were not hedged at the end of the reporting period.

Note 2: This was mainly attributable to the exposure outstanding on Euro denominated cash, trade receivables and payables, which were not hedged at the end of the reporting period.

Note 3: This was mainly attributable to the exposure outstanding on Chinese Yen denominated cash, trade receivables and trade payables.

b) Interest rate risk

The Group's floating-rate bank savings are exposed to risk on changes in interest rates for financial assets. The Group was also exposed to risk on changes in interest rates for financial liabilities, specifically fixed and floating-rate bank borrowings. The Group was not engaged in hedging activities for speculative purposes. The Group's management monitors fluctuations in market interest rates regularly to ensure that interest rate risks are minimized.

The Group's fixed-term bank deposits are exposed to fair value interest rate risk; however, this expected risk is insignificant.

The carrying amount of the Groups financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|-------------------------------|----------------------|------------------------------|----------------------|----------------------------|
| Fair value interest rate risk | | | | |
| Financial assets | \$ 950,045 | \$ 1,309,802 | \$ 1,668,157 | \$ 280,019 |
| Financial liabilities | - | 7,932 | 5,109 | 32,652 |
| Cash flow interest rate risk | | | | |
| Financial assets | 2,066,309 | 2,119,181 | 1,939,786 | 1,886,373 |
| Financial liabilities | - | 146,452 | 148,091 | 151,442 |

Sensitivity analysis

The sensitivity analyses below were determined based on the Groups exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents managements assessment of the reasonably possible change in interest rates.

Had interest rates been 50 basis points higher and all other variables had been held constant, the Group's pretax profit for the six months ended June 30, 2013 and 2012 would have increased by \$5,166 thousand and \$4,479 thousand, respectively. Had interest rates been 50 basis points lower, the effects on the Group's pretax profit would have been of the same amounts but negative. The source of the negative effects would have been mainly the floating-interest rates on bank savings.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities and open-end mutual funds. The Group manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

Had equity prices been 1% higher, pretax other comprehensive gains for the six months ended June 30, 2013 and 2012 would have increased by \$58,051 thousand and \$39,029 thousand, respectively, as a result of changes in fair value of available-for-sale investments. Had equity prices been 1% lower, the effects on pretax other comprehensive gains would have been of the same amounts but negative.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Groups maximum exposure to credit risk due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognized financial assets, as stated in the balance sheets.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider the Group's credit risk as significantly reduced.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Groups operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the Group had available unutilized overdraft and short-term bank loan facilities of approximately \$2,995,750 thousand, \$2,972,600 thousand, \$2,892,200 thousand and \$2,401,000 thousand, respectively.

a) Liquidity and interest risk rate tables

The following table details the Groups remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group will be required to pay. The tables included both interest and principal cash flows.

For the liabilities with floating interests, the undiscounted amounts were derived from the interest rate curve at the end of the reporting period.

June 30, 2013

| | Weighted Average Effective Interest Rate (%) | On Demand or Less than 1 Month | 1-3 Months | Over 3 Months to 1 Year | Over 1 Year - 5 Years |
|--|---|---|-------------------|--|----------------------------------|
| <u>Nonderivative financial liabilities</u> | | | | | |
| Noninterest bearing | | \$ 2,970,630 | \$ 3,980,884 | \$ 951,839 | \$ - |

December 31, 2012

| | Weighted Average Effective Interest Rate (%) | On Demand or Less than 1 Month | 1-3 Months | Over 3 Months to 1 Year | Over 1 Year - 5 Years |
|--|---|---|---------------------|--|----------------------------------|
| <u>Nonderivative financial liabilities</u> | | | | | |
| Noninterest bearing | | \$ 1,309,170 | \$ 2,330,508 | \$ 760,009 | \$ 184,660 |
| Variable interest rate liabilities | 1.30%-1.32% | 155 | 476 | 147,709 | - |
| Fixed interest rate liabilities | 1.47%-2.29% | 5,012 | 100 | 326 | 2,894 |
| | | <u>\$ 1,314,337</u> | <u>\$ 2,331,084</u> | <u>\$ 908,044</u> | <u>\$ 187,554</u> |

June 30, 2012

| | Weighted Average Effective Interest Rate (%) | On Demand or Less than 1 Month | 1-3 Months | Over 3 Months to 1 Year | Over 1 Year - 5 Years |
|--|---|---|---------------------|--|----------------------------------|
| <u>Nonderivative financial liabilities</u> | | | | | |
| Noninterest bearing | | \$ 2,902,456 | \$ 3,958,317 | \$ 626,605 | \$ 550,418 |
| Variable interest rate liabilities | 1.57%-1.63% | 160 | 490 | 149,384 | - |
| Fixed interest rate liabilities | 2.29% | 58 | 117 | 524 | 5,049 |
| | | <u>\$ 2,902,674</u> | <u>\$ 3,958,924</u> | <u>\$ 776,513</u> | <u>\$ 555,467</u> |

January 1, 2012

| | Weighted Average Effective Interest Rate (%) | On Demand or Less than 1 Month | 1-3 Months | Over 3 Months to 1 Year | Over 1 Year - 5 Years |
|--|---|---|---------------------|--|----------------------------------|
| <u>Nonderivative financial liabilities</u> | | | | | |
| Noninterest bearing | | \$ 1,024,408 | \$ 1,967,139 | \$ 452,804 | \$ 760,331 |
| Variable interest rate liabilities | 1.30%-1.32% | 162 | 496 | 152,752 | - |
| Fixed interest rate liabilities | 1.47%-2.29% | 46 | 16,474 | 5,407 | 12,613 |
| | | <u>\$ 1,024,616</u> | <u>\$ 1,984,109</u> | <u>\$ 610,963</u> | <u>\$ 772,944</u> |

The amounts included above for variable interest rate instruments for both nonderivative financial assets and liabilities were subject to change if variable interest rates at the end of the reporting period differed from estimates of interest rates.

The following tables detailed the Group's liquidity analysis of its derivative financial instruments. The tables were based on the undiscounted contractual net cash inflows and outflows on derivative instruments that were settled on a net basis.

June 30, 2013

| | On Demand or Less than 1 Month | 1-3 Months | Over 3 Months to 1 Year | Total |
|------------------------------------|---|-------------------|--|-------------------|
| <u>Gross settled</u> | | | | |
| Foreign exchange forward contracts | | | | |
| Inflows | \$ 400,980 | \$ 889,936 | \$ 273,499 | \$ 1,564,415 |
| Outflows | <u>404,851</u> | <u>888,500</u> | <u>273,197</u> | <u>1,566,548</u> |
| | <u>\$ (3,871)</u> | <u>\$ 1,436</u> | <u>\$ 302</u> | <u>\$ (2,133)</u> |

December 31, 2012

| | On Demand or Less than 1 Month | 1-3 Months | Over 3 Months to 1 Year | Total |
|------------------------------------|---|-------------------|--|------------------|
| <u>Gross settled</u> | | | | |
| Foreign exchange forward contracts | | | | |
| Inflows | \$ 368,157 | \$ 1,148,748 | \$ 333,113 | \$ 1,850,018 |
| Outflows | <u>363,794</u> | <u>1,144,847</u> | <u>334,118</u> | <u>1,842,759</u> |
| | <u>\$ 4,363</u> | <u>\$ 3,901</u> | <u>\$ (1,005)</u> | <u>\$ 7,259</u> |

June 30, 2012

| | On Demand or Less than 1 Month | 1-3 Months | Over 3 Months to 1 Year | Total |
|------------------------------------|---|-------------------|--|------------------|
| <u>Gross settled</u> | | | | |
| Foreign exchange forward contracts | | | | |
| Inflows | \$ 387,678 | \$ 782,194 | \$ - | \$ 1,169,872 |
| Outflows | <u>384,702</u> | <u>785,529</u> | <u>-</u> | <u>1,170,231</u> |
| | <u>\$ 2,976</u> | <u>\$ (3,335)</u> | <u>\$ -</u> | <u>\$ (359)</u> |

| <u>January 1, 2012</u> | On Demand or Less than 1 Month | 1-3 Months | Over 3 Months to 1 Year | Total |
|------------------------------------|---|-------------------|--|------------------|
| <u>Gross settled</u> | | | | |
| Foreign exchange forward contracts | | | | |
| Inflows | \$ 450,421 | \$ 941,229 | \$ 772,797 | \$ 2,164,447 |
| Outflows | <u>459,758</u> | <u>943,771</u> | <u>757,230</u> | <u>2,160,759</u> |
| | <u>\$ (9,337)</u> | <u>\$ (2,542)</u> | <u>\$ 15,567</u> | <u>\$ 3,688</u> |

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and related parties are disclosed below.

a. Trading transactions

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|------------------------------|---|----------------------------|
| | 2013 | 2012 | 2013 | 2012 |
| <u>Sales of goods</u> | | | | |
| Associate | <u>\$ 31,876</u> | <u>\$ 7,981</u> | <u>\$ 50,227</u> | <u>\$ 12,889</u> |
| <u>Purchases of goods</u> | | | | |
| Associate | <u>\$ 4,655</u> | <u>\$ 5,633</u> | <u>\$ 8,486</u> | <u>\$ 10,074</u> |
| <u>Operating expenses</u> | | | | |
| Associate | <u>\$ 2,213</u> | <u>\$ 2,213</u> | <u>\$ 4,426</u> | <u>\$ 4,426</u> |
| <u>Nonoperating income and profit</u> | | | | |
| Associate | <u>\$ 250</u> | <u>\$ 1,343</u> | <u>\$ 750</u> | <u>\$ 1,843</u> |
| | June 30, 2013 | December 31, 2012 | June 30, 2012 | January 1, 2012 |
| <u>Trade receivables from related parties</u> | | | | |
| Associate | <u>\$ 23,259</u> | <u>\$ 3,377</u> | <u>\$ 4,457</u> | <u>\$ 3,464</u> |
| <u>Other receivables from related parties</u> | | | | |
| Associate | <u>\$ 40,254</u> | <u>\$ -</u> | <u>\$ 30,807</u> | <u>\$ -</u> |
| <u>Trade payables to related parties</u> | | | | |
| Associate | <u>\$ 1,689</u> | <u>\$ 1,286</u> | <u>\$ 1,962</u> | <u>\$ 1,284</u> |

Lease contracts formed between the Company and its subsidiaries were based on market rental prices and stipulated normal payment terms. There was no significant differences in the sales price and payment terms given to related parties and unrelated parties. When payment terms with related parties were not stipulated, they were decided on the basis of mutual agreement.

No guarantees were given for trade payables to related parties. The outstanding of trade receivables from related parties are unsecured. No expense was recognized for the six months ended June 30, 2013 and 2012 for allowance for impaired trade receivables with respect to the amounts owed by related parties.

b. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the three and six months ended June 30, 2013 and 2012 were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|--------------------------|---------------------------------------|------------------|-------------------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Short-term benefits | \$ 11,193 | \$ 10,446 | \$ 19,388 | \$ 20,893 |
| Post-employment benefits | 28 | 34 | 56 | 68 |
| Share-based payments | <u>853</u> | <u>1,910</u> | <u>1,706</u> | <u>3,819</u> |
| | <u>\$ 12,074</u> | <u>\$ 12,390</u> | <u>\$ 21,150</u> | <u>\$ 24,780</u> |

The remuneration of directors and key executives was determined by the remuneration committee with regards to the performance of individuals and market trends.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

- a. As of December 31, 2012, June 30, 2012 and January 1, 2012, Cermate Technologies Inc., an indirect subsidiary of the Company, had pledged assets for a letter of credit and long-term bank borrowings, as follows:

| | December 31, 2012 | June 30, 2012 | January 1, 2012 |
|--------------------------|----------------------|------------------|------------------|
| Fixed assets - land | \$ 13,047 | \$ 13,047 | \$ 13,047 |
| Fixed assets - buildings | <u>15,206</u> | <u>15,625</u> | <u>16,044</u> |
| | <u>\$ 28,253</u> | <u>\$ 28,672</u> | <u>\$ 29,091</u> |

- b. As of June 30, 2013, the Company was required by its supplier to provide a bankers' letter of guarantee. The Company offered a time deposit of \$109,110 thousand (recorded under other current assets) as collateral.
- c. As of June 30, 2012, Shanghai Advantech Intelligent Services Co., Ltd. (AiSC), an indirect subsidiary of the Company, was required by its supplier to provide a bankers' letter of guarantee. AiSC offered time deposit of \$4,701 thousand (recorded under other current assets) as collateral.

33. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

- a. As of June 30, 2013 and 2012, the guarantee notes issued by Cermate Technologies Inc. for its bank borrowings had amounted to \$40,000 thousand.
- b. As of June 30, 2013 and 2012, the guarantee notes issued by Netstar Technology Co., Ltd. for its bank loan had amounted to \$1,500 thousand and \$48,000 thousand, respectively.

34. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

June 30, 2013

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|------------------------------|-----------------------|-----------------|---------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 124,592 | 30.00 (USD:NTD) | \$ 3,737,760 |
| RMB | 227,262 | 0.163 (RMB:USD) | 1,108,350 |
| RMB | 197,163 | 4.877 (RMB:NTD) | 961,565 |
| EUR | 19,799 | 39.15 (EUR:NTD) | <u>775,131</u> |
| | | | <u>\$ 6,582,806</u> |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 42,574 | 6.151 (USD:RMB) | \$ 1,277,218 |
| USD | 79,721 | 30.00 (USD:NTD) | 2,391,619 |
| RMB | 212,405 | 4.877 (RMB:NTD) | <u>1,035,901</u> |
| | | | <u>\$ 4,704,738</u> |

December 31, 2012

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|------------------------------|-----------------------|-----------------|---------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 19,118 | 6.232 (USD:RMB) | \$ 555,189 |
| USD | 134,459 | 29.04 (USD:NTD) | 3,904,686 |
| EUR | 19,707 | 38.49 (EUR:NTD) | <u>758,525</u> |
| | | | <u>\$ 5,218,400</u> |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 96,975 | 29.04 (USD:NTD) | \$ 2,816,146 |
| USD | 68,721 | 6.232 (USD:RMB) | <u>1,995,725</u> |
| | | | <u>\$ 4,811,871</u> |

June 30, 2012

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|------------------------------|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 27,272 | 6.356 (USD:RMB) | \$ 814,880 |
| USD | 135,666 | 29.88 (USD:NTD) | 4,053,687 |
| EUR | 24,156 | 37.56 (EUR:NTD) | <u>907,309</u> |
| | | | <u>\$ 5,775,876</u> |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 115,783 | 29.88 (USD:NTD) | \$ 3,459,591 |
| USD | 72,978 | 6.356 (USD:RMB) | <u>2,180,590</u> |
| | | | <u>\$ 5,640,181</u> |

January 1, 2012

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|------------------------------|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 14,262 | 6.30 (USD:RMB) | \$ 431,924 |
| USD | 98,858 | 30.275 (USD:NTD) | 2,992,926 |
| EUR | 20,896 | 39.18 (EUR:NTD) | <u>818,687</u> |
| | | | <u>\$ 4,243,537</u> |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 76,786 | 30.275 (USD:NTD) | \$ 2,324,708 |
| USD | 54,388 | 6.30 (USD:RMB) | <u>1,647,096</u> |
| | | | <u>\$ 3,971,804</u> |

35. SEPARATELY DISCLOSED ITEMS

All significant intercompany transactions have been eliminated from consolidation.

a. Information on significant transactions and b. information on investees:

- 1) Lending funds to others. (Table 1)
- 2) Holding of securities at the end of the period. (Table 2)

- 3) Aggregate purchases or sales of the same securities reaching NT\$100 million or 20 percent of paid-in capital or more. (Table 3)
 - 4) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more. (Table 4)
 - 5) Trade receivables from related parties reaching NT\$100 million or 20 percent of paid-in capital or more. (Table 5)
 - 6) Name, locations, and other information on investees. (Table 6)
 - 7) Information on investments in mainland China. (Table 7)
 - 8) Organization chart. (Table 8)
 - 9) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (Table 9)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gains or losses, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 7)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 9)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 9)
 - c) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)

36. SEGMENT INFORMATION

- a. Segment information is provided to the Groups chief operating decision maker for allocating resources to the segments and assessing their performance. The information focuses on every type of products sold or services provided. The Groups segment information disclosed is as follows:
 - 1) Industrial automation services: Focus on services retaining to industrial automation;
 - 2) Embedded board and design-in services: Services involving embedded boards, systems and peripheral hardware and software;
 - 3) Intelligent services: Referring to integrated intelligent applications that can be used in various areas;

- 4) Design and manufacturing services: Customized design and other services based on customers requirements;
- 5) Global customer services: Global repair, technical support and warranty services.

b. Segment information

| For the Six Months Ended June 30, 2013 | | | | | | | |
|--|--------------------------------|--|----------------------|-----------------------------------|--------------------------|--------------------------------|----------------------|
| | Industrial Automation Services | Embedded Boards and Design-in Services | Intelligent Services | Design and Manufacturing Services | Global Customer Services | Reconciliation and Elimination | Total |
| Income | | | | | | | |
| From outside customers | \$ 2,318,992 | \$ 5,677,723 | \$ 1,055,043 | \$ 3,553,310 | \$ 1,703,807 | \$ 129,348 | \$ 14,438,224 |
| Income from sales between segments | - | - | - | - | - | - | - |
| Interest income | - | - | - | - | - | 13,536 | 13,536 |
| Income total | <u>\$ 2,318,992</u> | <u>\$ 5,677,723</u> | <u>\$ 1,055,043</u> | <u>\$ 3,553,310</u> | <u>\$ 1,703,807</u> | <u>\$ 142,884</u> | <u>\$ 14,451,760</u> |
| Interest expense | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,448 | \$ 5,448 |
| Depreciation and amortization | - | - | - | - | - | 234,082 | 234,082 |
| Income from equity-method investments | - | - | - | - | - | 39,915 | 39,915 |
| Segment profit (loss) | <u>\$ 581,357</u> | <u>\$ 1,112,456</u> | <u>\$ 58,989</u> | <u>\$ 728,242</u> | <u>\$ 317,195</u> | <u>\$ (308,615)</u> | <u>\$ 2,489,625</u> |
| Investments accounted for by the equity method | | | | | | | |
| Capital expense from noncurrent assets | - | - | - | - | - | 549,552 | 549,552 |
| Segment assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 26,808,610</u> | <u>\$ 26,808,610</u> |
| For the Six Months Ended June 30, 2012 | | | | | | | |
| | Industrial Automation Services | Embedded Boards and Design-in Services | Intelligent Services | Design and Manufacturing Services | Global Customer Services | Reconciliation and Elimination | Total |
| Income | | | | | | | |
| From outside customers | \$ 2,101,814 | \$ 4,818,532 | \$ 1,197,136 | \$ 3,509,789 | \$ 1,780,794 | \$ 89,732 | \$ 13,497,797 |
| Income from sales between segments | - | - | - | - | - | - | - |
| Interest income | - | - | - | - | - | 10,297 | 10,297 |
| Income total | <u>\$ 2,101,814</u> | <u>\$ 4,818,532</u> | <u>\$ 1,197,136</u> | <u>\$ 3,509,789</u> | <u>\$ 1,780,794</u> | <u>\$ 100,029</u> | <u>\$ 13,508,094</u> |
| Interest expense | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,072 | \$ 11,072 |
| Depreciation and amortization | - | - | - | - | - | 234,189 | 234,189 |
| Income from equity-method investments | - | - | - | - | - | 21,428 | 21,428 |
| Segment profit (loss) | <u>\$ 543,009</u> | <u>\$ 990,073</u> | <u>\$ 47,469</u> | <u>\$ 500,299</u> | <u>\$ 147,557</u> | <u>\$ (152,285)</u> | <u>\$ 2,076,122</u> |
| Investments accounted for by the equity method | | | | | | | |
| Capital expense from noncurrent assets | - | - | - | - | - | 399,405 | 399,405 |
| Segment assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 25,088,642</u> | <u>\$ 25,088,642</u> |

The income above was generated from transactions with external customers. There were no sales between segments in the six months ended June 30, 2013 and 2012.

Segment income refers to the income generated by each segment, excluding allocable central management costs and remuneration to directors and supervisors, share of the profit (loss) of associates and joint ventures, gain (loss) on disposal of associates, rental income, interest income, gain (loss) on disposal of properties, plant and equipment, gain (loss) on disposal of investments, foreign exchange net (gain) loss, valuation gain (loss) on financial instruments, finance costs and income tax expense. This segment income is the measure reported to the operation's decision maker and is used in the allocation of resources among segments and performance evaluation.

37. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation for financial information under IFRSs

The Group's consolidated financial statements for the six months ended June 30, 2013 not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Impact on the transition to IFRSs

Except for the following additional information on the impact on the transition to IFRSs, refer to Note 36 to the consolidated financial statements as of March 31, 2013 for the impact on the Group's consolidated balance sheets and consolidated statements of comprehensive income after transition to IFRSs.

1) Reconciliation of the consolidated balance sheet as of June 30, 2012

| ROC GAAP Item | Amount | Effect of Transition to IFRSs | | Amount | IFRSs Item | Note |
|---|-------------------|---|----------------------------|-------------------|---|-----------|
| | | Recognition and Measurement Difference | Presentation Difference | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 3,924,199 | \$ - | \$ (1,656,651) | \$ 2,267,548 | Cash and cash equivalents | g) |
| Financial assets at fair value through profit or loss | 9,704 | - | - | 9,704 | Financial assets at fair value through profit or loss | |
| Available-for-sale financial assets - current | 1,735,734 | - | - | 1,735,734 | Available-for-sale financial assets - current | |
| Notes receivable | 481,311 | - | - | 481,311 | Notes receivable | |
| Accounts receivables (total) | 4,445,097 | - | - | 4,445,097 | Trade receivables | |
| Provision for doubtful accounts | (67,786) | - | - | (67,786) | Allowance for impairment loss | |
| Accounts receivables from related parties (net) | 4,457 | - | - | 4,457 | Trade receivables from related parties | |
| Other receivable | 72,735 | - | - | 72,735 | Other receivable | |
| Other receivables - related parties | 30,807 | - | - | 30,807 | Other receivables - related parties | |
| - | - | - | 1,656,651 | 1,656,651 | Debt investments with no active market - current | g) |
| Inventories, net | 3,997,789 | - | - | 3,997,789 | Inventories | |
| Deferred income tax assets - current | 68,367 | - | (68,367) | - | - | a) |
| Prepaid expenses and other current assets | 385,946 | - | 4,960 | 390,906 | Other current assets | h) and i) |
| Total current assets | <u>15,088,360</u> | <u>-</u> | <u>(63,407)</u> | <u>15,024,953</u> | Total current assets | |
| Long-term investments | | | | | | |
| Investments accounted for using the equity method | 355,446 | (7,489) | (127) | 347,830 | Investments accounted for using the equity method | n) and p) |
| Available-for-sale financial assets | 2,167,147 | - | 33,257 | 2,200,404 | Available-for-sale financial assets | l) |
| Financial assets measured at cost | 33,257 | - | (33,257) | - | - | l) |
| Total long-term investments | <u>2,555,850</u> | <u>(7,489)</u> | <u>(127)</u> | <u>2,548,234</u> | | |

(Continued)

| ROC GAAP | | Effect of Transition to IFRSs | | | IFRSs | | Note |
|---|---------------|-------------------------------|-------------------------|---------------|--|--|-------------------------------|
| | | Measurement Difference | Presentation Difference | Amount | | | |
| Item | Amount | | | Amount | | | |
| Properties | | | | | | | |
| Cost | \$ 7,946,763 | \$ 6,561 | \$ 133,499 | \$ 8,086,823 | Property, plant and equipment | | |
| Minus: Accumulated depreciation | (2,057,480) | (1,243) | (55,144) | (2,113,867) | Cost | | h), j) and m) |
| Construction in progress and prepayments for equipment | 245,347 | - | (36,010) | 209,337 | Accumulated depreciation | | h), j) and m) |
| Properties, net | 6,134,630 | 5,318 | 42,345 | 6,182,293 | Construction in progress | | k) |
| Total intangible assets | 984,984 | (12,408) | 44,327 | 1,016,903 | Property, plant and equipment | | |
| Other assets | | | | | | | |
| Assets leased to others, net | 18,129 | - | (18,129) | - | Intangible assets | | e), h), i) and q) |
| Deferred income tax assets - noncurrent | - | - | 137,838 | 137,838 | | | |
| Refundable deposits | 41,393 | - | - | 41,393 | Deferred income tax assets - noncurrent | | a) and b) |
| Deferred expenses | 210,531 | - | (210,531) | - | Refundable deposits | | |
| Long-term prepayments | - | - | 95,120 | 95,120 | | | h) |
| Prepayments for equipment | - | - | 41,908 | 41,908 | Long-term prepayments | | i) |
| Total other assets | 270,053 | - | 46,206 | 316,259 | Prepayments for equipment | | h) and k) |
| Total assets | \$ 25,033,877 | \$ (14,579) | \$ 69,344 | \$ 25,088,642 | Total assets | | |
| Current liabilities | | | | | | | |
| Short-term bank loans | \$ 148,091 | \$ - | \$ - | \$ 148,091 | Short-term borrowings | | |
| Financial liabilities at fair value through profit or loss | 10,063 | - | - | 10,063 | Financial liabilities at fair value through profit or loss | | |
| Accounts payable | 2,873,439 | - | - | 2,873,439 | Trade payables | | |
| Income tax payable | 430,373 | - | - | 430,373 | Current tax liabilities | | |
| Accrued expenses | 1,940,641 | 22,302 | - | 1,962,943 | Accrued expenses | | c) |
| Advance receipts and other current liabilities | 393,232 | - | - | 393,232 | Advance receipts and other current liabilities | | |
| Current portion of long-term bank loans | 584 | - | - | 584 | Current portion of long-term borrowings | | |
| Accrued bonus | 2,764,981 | - | - | 2,764,981 | | | |
| Total current liabilities | 8,561,404 | 22,302 | - | 8,583,706 | Total current liabilities | | |
| Noncurrent liabilities | | | | | | | |
| Accrued convertible bonds | 550,418 | - | - | 550,418 | Bonds payable | | |
| Long-term bank loans | 4,525 | - | - | 4,525 | Long-term borrowings | | |
| Total long-term liabilities | 554,943 | - | - | 554,943 | | | |
| Other liabilities | | | | | | | |
| Accrued pension cost | 123,671 | 59,355 | - | 183,026 | Accrued pension liabilities | | d) and e) |
| Guarantee deposits | 358 | - | - | 358 | Guarantee deposits | | n) |
| Deferred credits | 127 | - | (127) | - | | | |
| Deferred income tax liabilities - noncurrent | 455,257 | - | 69,471 | 524,728 | Deferred tax liabilities - noncurrent | | b) |
| Total other liabilities | 579,413 | 59,355 | 69,344 | 708,112 | | | |
| Total liabilities | 9,695,760 | 81,657 | 69,344 | 9,846,761 | Total liabilities | | |
| Shareholders' equity of parent company | | | | | | | |
| Share capital | | | | | | | |
| Capital stock | 5,570,043 | - | - | 5,570,043 | Ordinary shares | | |
| Advance receipts for common stock | - | - | - | - | Advance receipts for ordinary shares | | |
| Total capital stock | 5,570,043 | - | - | 5,570,043 | Total issued capital | | |
| Capital surplus | | | | | | | |
| Additional paid-in capital from share issuance in excess of par value | 4,097,469 | - | - | 4,097,469 | | | |
| From long-term equity investments | 56,397 | (56,397) | - | - | | | f) |
| From stock options | 178,205 | - | - | 178,205 | | | |
| Total capital surplus | 4,332,071 | (56,397) | - | 4,272,880 | Total capital surplus | | |
| Retained earnings | | | | | | | |
| Legal reserve | 2,715,185 | - | - | 2,715,185 | Retained earnings | | |
| Special reserve | 545,303 | - | - | 545,303 | Legal reserve | | |
| Unappropriated earnings | 2,233,478 | (41,174) | - | 2,192,304 | Special reserve | | |
| Total retained earnings | 5,493,966 | (41,174) | - | 5,452,792 | Unappropriated earnings | | c), d), e), f), j), p) and q) |
| Total retained earnings | 5,493,966 | (41,174) | - | 5,452,792 | Total retained earnings | | |

(Continued)

| ROC GAAP | | Effect of Transition to IFRSs | | | IFRSs | | Note |
|--|---------------|-------------------------------|-----------|------------------------|--|--|-----------|
| | | Item | Amount | Measurement Difference | | | |
| Other | | | | | | | |
| Cumulative translation adjustments | \$ (26,359) | \$ - | \$ - | \$ (26,359) | Foreign currency translation reserve | | |
| Unrealized gain on financial instruments | (134,850) | - | - | (134,850) | Unrealized gain from available-for-sale financial assets | | |
| Net loss not recognized as pension cost | (2,121) | 2,121 | - | - | | | e) |
| Total other equity items | (163,330) | 2,121 | - | (161,209) | | | |
| Total shareholders' equity of the Company | 15,232,750 | (94,450) | - | 15,137,300 | Total equity attributable to owners of the Company | | |
| Minority interests | 105,367 | (786) | - | 104,581 | Noncontrolling interests | | c) and d) |
| Total shareholders' equity | 15,338,117 | (96,236) | - | 15,241,881 | Total equity | | |
| Total liabilities and shareholders' equity | \$ 25,033,877 | \$ (14,579) | \$ 69,344 | \$ 25,088,642 | Total liabilities and equity | | |

(Concluded)

2) Reconciliation of the consolidated statement of comprehensive income for the six months ended June 30, 2012

| ROC GAAP | | Effect of Transition to IFRSs | | | IFRSs | | Note |
|---|---------------|-------------------------------|-------------|------------------------|--|--|-------------------|
| | | Item | Amount | Measurement Difference | | | |
| Net sales | \$ 13,510,682 | \$ - | \$ (12,885) | \$ 13,497,797 | Operating revenue, net | | n) |
| Cost of sales | 8,117,786 | (1,002) | 21,922 | 8,138,706 | Operating costs | | c), d), n) and o) |
| Gross profit | 5,392,896 | 1,002 | (34,807) | 5,359,091 | Gross profit | | |
| Operating expenses | | | | | | | |
| Research and development | 1,145,499 | 302 | - | 1,145,801 | Research and development expenses | | c), d) |
| Administrative | 841,189 | (1,090) | 371 | 840,470 | General and administrative expenses | | c), d), j) and m) |
| Marketing | 1,436,643 | (2,569) | (34,807) | 1,399,267 | Selling and marketing expenses | | c), d) and o) |
| Total | 3,423,331 | (3,357) | (34,436) | 3,385,538 | | | |
| Operating income | 1,969,565 | 4,359 | (371) | 1,973,553 | Profit from operations | | |
| Nonoperating income and gains | | | | | | | |
| Investment income recognized under the equity method, net | 21,323 | 105 | - | 21,428 | Share of other comprehensive income of associates and joint ventures | | p) |
| Gain on disposal of properties, net | 31,559 | - | - | 31,559 | Gain on disposal of property, plant and equipment | | |
| Interest income | 10,297 | - | - | 10,297 | Interest income | | |
| Gain on disposal of investments, net | 29,665 | - | - | 29,665 | Gain on disposal of investments, net | | |
| Rental income | 13,625 | - | - | 13,625 | Rental income | | |
| Foreign exchange gain, net | - | - | - | - | Foreign exchange gain, net | | |
| Valuation gain on financial instruments, net | 68,761 | - | - | 68,761 | Valuation gain on financial instruments, measured at fair value | | |
| Other income | 46,249 | - | - | 46,249 | Other income | | |
| Total operating expenses | 221,479 | 105 | - | 221,584 | | | |
| Nonoperating expenses and losses | | | | | | | |
| Interest expense | 11,072 | - | - | 11,072 | Finance costs | | |
| Valuation loss on financial instrument | 28,848 | - | - | 28,848 | Valuation loss on financial instruments, measured at fair value | | |
| Foreign exchange loss, net | 69,115 | - | - | 69,115 | Foreign exchange loss, net | | |
| Other expenses | 8,624 | - | (371) | 8,253 | Other losses | | m) |
| Total operating expenses | 117,659 | - | (371) | 117,288 | | | |

(Continued)

| ROC GAAP | | Effect of Transition to IFRSs | | IFRSs | | Note |
|--------------------------|---------------------|-------------------------------|-------------|--|--|------|
| | | Item | Amount | Recognition and Measurement Difference | Presentation Difference | |
| Income before income tax | \$ 2,073,385 | \$ 4,464 | \$ - | \$ 2,077,849 | Profit before income tax | |
| Income tax expense | 345,807 | - | - | 345,807 | Income tax expense | |
| Net income | <u>\$ 1,727,578</u> | <u>\$ 4,464</u> | <u>\$ -</u> | <u>1,732,042</u> | Net profit for the period | |
| | | | | (139,576) | Exchange differences on translating foreign operations | |
| | | | | 513,742 | Unrealized gain or loss on available-for-sale financial assets | |
| | | | | (1,711) | Share of other comprehensive income of associates and joint ventures | |
| | | | | 5,399 | Income tax relating to components of other comprehensive income | |
| | | | | 377,854 | Other comprehensive income for the period, net of income tax | |
| | | | | <u>\$ 2,109,896</u> | Total comprehensive income for the period | |

(Concluded)

3) Reconciliation of the consolidated statement of comprehensive income for the three months ended June 30, 2012

| ROC GAAP | | Effect of Transition to IFRSs | | IFRSs | | Note |
|---|------------------|-------------------------------|-----------------|--|--|-------------------|
| | | Item | Amount | Recognition and Measurement Difference | Presentation Difference | |
| Net sales | \$ 7,243,219 | \$ - | \$ (7,977) | \$ 7,235,242 | Operating revenues, net | n) |
| Operating costs | 4,345,350 | (486) | 13,948 | 4,358,812 | Operating costs | c), d), n) and o) |
| Gross profit | <u>2,897,869</u> | <u>486</u> | <u>(21,925)</u> | <u>2,876,430</u> | Gross profit | |
| Operating expenses | | | | | | |
| Research and development | 557,549 | (1,305) | - | 556,244 | Research and development expenses | c) and d) |
| Administration | 369,835 | (486) | 185 | 369,534 | Administration expenses | c), d), j) and m) |
| Marketing | 821,641 | (315) | (21,925) | 799,401 | Selling and marketing expenses | c), d) and o) |
| Total | <u>1,749,025</u> | <u>(2,106)</u> | <u>(21,740)</u> | <u>1,725,179</u> | | |
| Operating income | <u>1,148,844</u> | <u>2,592</u> | <u>(185)</u> | <u>1,151,251</u> | Profit from operations | |
| Nonoperating income and gains | | | | | | |
| Investment income recognized under the equity method, net | 16,736 | 39 | - | 16,775 | Share of other comprehensive income of associates and joint ventures | p) |
| Interest income | 8,295 | - | - | 8,295 | Interest income | |
| Gain on disposal of investments, net | 7,256 | - | - | 7,256 | Gain on disposal of investments, net | |
| Rental revenue | 5,923 | - | - | 5,923 | Rental revenue | |
| Valuation gain on financial instruments, net | 22,029 | - | - | 22,029 | Valuation loss on financial instruments, measured at fair value | |
| Other income | <u>29,061</u> | <u>-</u> | <u>-</u> | <u>29,061</u> | Other income | |
| Total nonoperating income and gains | <u>89,300</u> | <u>39</u> | <u>-</u> | <u>89,339</u> | | |
| Nonoperating expenses and losses | | | | | | |
| Loss on disposal of properties | 817 | - | - | 817 | | |
| Interest expense | 5,921 | - | - | 5,921 | Finance costs | |
| Valuation loss on financial instruments | 9,117 | - | - | 9,117 | Valuation loss on financial instruments, measured at fair value | |

(Continued)

| ROC GAAP | | Effect of Transition to IFRSs | | | IFRSs | | Note |
|-----------------------------|------------|-------------------------------|--------|------------------------|---|--------|------|
| | | Item | Amount | Measurement Difference | Presentation Difference | Amount | |
| Foreign exchange loss, net | \$ 42,440 | \$ - | \$ - | \$ 42,440 | Foreign exchange loss, net | | |
| Other expenses | 5,497 | - | (185) | 5,312 | Other losses | | m) |
| Total nonoperating expenses | 63,792 | - | (185) | 63,607 | | | |
| Income before income tax | 1,174,352 | 2,631 | - | 1,176,983 | Profit before income tax | | |
| Income tax expense | 197,178 | - | - | 197,178 | Income tax expense | | |
| Net income | \$ 977,174 | \$ 2,631 | \$ - | \$ 979,805 | Net profit for the period | | |
| | | | | 27,972 | Exchange differences on translating foreign operations | | |
| | | | | (94,551) | Unrealized gain or loss on available-for-sale financial assets | | |
| | | | | 1,326 | Share of other comprehensive income of associates and joint ventures | | |
| | | | | (23,084) | Income tax relating to components of other comprehensive income (expense) | | |
| | | | | (88,337) | Other comprehensive income for the period, net of income tax | | |
| | | | | \$ 891,468 | Total comprehensive income for period | | |

(Concluded)

4) Exemptions from IFRS 1

The exemptions adopted by the Group on January 1, 2012 were the same as those indicated in the consolidated financial statements as of March 31, 2013. Refer to the Note 36 of the consolidated financial statements as of March 31, 2013 for detail information.

5) Explanations of significant reconciling items in the transition to IFRSs

Material differences between the accounting policies under R.O.C. GAAP and the accounting policies adopted under IFRSs were as follows:

a) Classification of deferred tax assets/liabilities and valuation allowance

Under ROC GAAP, valuation allowances are provided to the extent that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred tax assets are recognized to the extent that it is highly probable that taxable profits will be available against which the deductible temporary differences can be used; thus, the valuation allowance account will no longer be used.

In addition, under ROC GAAP, deferred tax assets and liabilities are classified as current or noncurrent in accordance with the classification of its related assets or liabilities. However, if a deferred income tax assets or liabilities do not relate to assets or liabilities in the financial statements, it is classified as either current or noncurrent based on the expected length of time before its reversal. Under IFRSs, deferred tax assets and liabilities are classified as noncurrent assets or liabilities.

As of June 30, 2012, the amount reclassified from deferred income tax assets to noncurrent assets was \$68,367 thousand.

b) Offsetting deferred tax assets and liabilities

Under ROC GAAP, the Group's deferred tax assets and liabilities should only be shown at their net value with current deferred tax assets offsetting by current deferred tax liabilities. The same applies to noncurrent deferred tax assets and liabilities. Under IFRS, businesses have a legally enforceable right to offset income tax assets and liabilities of the current period. In addition, when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority, deferred tax assets should be offset by deferred tax liabilities.

As of June 30, 2012, the results of offsetting the Group's deferred tax assets and deferred tax liabilities was \$69,471 thousand.

c) Employee benefits - short-term cumulative compensated absences

Under ROC GAAP, there are no specific rules pertaining to the recognition of short term absences, being usually recognized when the cost has been incurred. However, under IFRSs, when the employees render services that increase their entitlement to future compensated absences, an entity should recognize the expected cost of employee benefits at the end of reporting periods.

As of June 30, 2012, the Group's reclassification adjustment of short-term cumulative compensated absences resulted in increase of accrued expenses of \$22,302 thousand. Also, as of June 30, 2012, retained earnings were adjusted for a decrease of \$24,441 thousand. Noncontrolling interests was adjusted for a decrease of \$65 thousand. Salary expense were adjusted for decreases of \$4,600 thousand for the six months ended June 30, 2012 and \$3,911 thousand for the three months ended June 30, 2012.

d) Employee benefits - actuarial gains and losses on defined benefit plans

Under ROC GAAP, the recognition of pension cost is determined by actuarial valuations accounted for under the corridor approach, which results in the deferral of gains and losses. The corridor approach requires the amortization of actuarial gains and losses in pension costs over the expected average remaining service years of the participating employees. Under IFRSs, IAS No. 19 - "Employee Benefits," all actuarial gains and losses are to be immediately recognized through other comprehensive income in the period in which they occur. A subsequent reclassification of these actuarial gains and losses to earnings is not permitted.

As of June 30, 2012, the Group had elected to recognize all cumulative actuarial gains and losses on employee benefits in retained earnings in accordance with IAS No. 19 "Employee Benefits," and on electing to adopt an exemption under IFRS 1 "First-time Adoption of International Financial Reporting Standards," adjusted accrued pension liabilities for an increase of \$68,301 thousand, retained earnings and noncontrolling interests for decreases of \$67,372 thousand and \$729 thousand, respectively. In addition, for the six months ended June 30, 2012, decreases in pension costs were adjusted for a decrease of \$1,735 thousand and noncontrolling interests were adjusted for an increase of \$8 thousand, respectively.

e) Employee benefits - minimum pension liability

Under ROC GAAP, the minimal required standard is the minimum pension liability to be recognized on the balance sheet. If the accrued pension liability is lower than that standard, the shortfall is recognized by crediting accrued pension liabilities.

Under IFRSs, there is no requirement to recognize pension liabilities at a certain minimum.

As of June 30, 2012, the Group's accrued pension liabilities, deferred pension cost and retained earnings were adjusted for decreases of \$7,211 thousand, \$6,762 thousand and \$1,671 thousand respectively, as a result of these decreases, net loss not recognized as pension costs was adjusted for an increase of \$2,121 thousand.

- f) The Company's accounting treatment for capital surplus, long-term equity investment adjustment-changes in carrying values of equity-method investments due to disproportional subscriptions to additionally issued shares of investees.

Under ROC GAAP, the difference in the Company's holding percentage and its interest in the investee's net assets, caused by a disproportionate purchase of new shares issued by the investee, will be adjusted to capital surplus-long term equity investments and long-term equity investment accounts.

Under IFRSs, the investing company records such a difference as an adjustment to long-term investments, with the corresponding amount charged or credited to capital surplus. If the investing company subscribes for additional investee's shares at a percentage different from its existing ownership percentage, which results in a loss in the investing company's holding percentage in the investee, the loss is recognized in other comprehensive income and reclassified proportionally to losses under related parties. This accounting method is based on the same foundation as the disposal of assets and liabilities of related parties.

Any change in the Group's equity interests that does not result in the loss of controlling influence over its subsidiaries will be deemed as equity transactions. In addition, based on the "Adoption of IFRS-Q&A" issued by the Taiwan Stock Exchange, capital surplus items not covered by the IFRS, the ROC Company law and the legal interpretations of the Ministry of Economic Affairs (MOEA) will be adjusted at the date of transition to IFRSs.

As of June 30, 2012, after making the adjustments as described above, the Group's "capital surplus - long-term equity investments" decreased by \$56,397 thousand and retained earnings were adjusted for an increase of \$56,397 thousand.

- g) Time deposits with maturities of more than three months

Under ROC GAAP, "cash and cash equivalents" comprise of cash on hand, demand deposits, check deposits, time deposits that are cancellable and without the loss of principal and readily salable negotiable certificates without the loss of principal. However, under IFRSs, an investment normally qualifies as a cash equivalent only when it is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value. Thus, an investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition. After IFRSs adoption, time deposits held by the Group for investment purposes with maturities more than three months were reclassified to bond investments with no active market.

As of June 30, 2012, the amount reclassified to debt investments with no active market was \$1,656,651 thousand.

- h) Classification of deferred expenses

Under ROC GAAP, deferred expenses are recorded under other assets. Under IFRSs, the Group reclassified deferred expenses according to their nature to fixed assets, intangible assets, prepaid expenses, and long-term prepaid expenses.

As of June 30, 2012, the Group reclassified deferred expense to fixed assets, intangible assets, prepaid expenses, and long-term prepaid expenses amounting to \$60,226 thousand, \$141,854 thousand, \$2,553 thousand, and \$5,898 thousand, respectively.

i) Superficies

Under ROC GAAP, superficies are recorded under intangible assets. Under IFRSs, superficies are recorded under prepayment for leases in accordance with IAS 17 - "Leases."

As of June 30, 2012, the Group reclassified to prepayment for leases - current (included in other current assets) and prepayment for leases - noncurrent (included in long-term prepayments) amounting to \$2,407 thousand and \$95,120 thousand, respectively.

j) Capitalization of superficies

Under ROC GAAP, amortization of superficies during the period of factory construction should be recognized under current year's expense. Under IFRSs, the amortization expense during the construction period should be capitalized in which the asset is expected to contribute to the Group's revenue-generating activities.

As of June 30, 2012, based on the accounting treatment for the capitalization of superficies, fixed assets were adjusted for an increase of \$5,318 thousand and retained earnings were adjusted for an increase of \$4,888 thousand. Depreciation expenses was adjusted for an increase of \$237 thousand and the amortization expense was adjusted for a decrease of \$547 thousand for the six months ended June 30, 2012. Depreciation expenses were adjusted for an increase of \$119 thousand and the amortization expense were adjusted for a decrease of \$275 thousand for the three months ended June 30, 2012.

k) Classification of prepayments for equipment

Under ROC GAAP, prepayments for equipment are usually recorded under fixed assets. Under IFRSs, prepayments for equipment are usually recorded under prepayments or long-term prepayments.

As of June 30, 2012, based on the nature of the prepayments for equipment, the Group reclassified from prepayments for equipment (under fixed assets) to prepayments for equipment (under noncurrent assets) amounting to \$36,010 thousand.

l) Financial assets carried at cost

Under Regulations Governing the Preparation of Financial Reports by Securities Issuers, unlisted shares or shares not traded in the Emerging Stock Market which are held by investors with no significant influence over their investees should be recognized as financial assets carried at cost. Under IFRSs, unlisted equity instruments are classified under financial assets held for sale and measured at fair value.

As of June 30, 2012, the Group reclassified financial assets carried at cost to available for sale financial assets which amounted to \$33,257 thousand.

m) Classification of assets leased to others

Under IFRSs, assets leased to others originally classified under other assets, are reclassified to property, plant and equipment according to their nature. Based on IAS 40 - "Investment Property," investment properties are defined as properties held by the entity to earn rental revenue or in the anticipation of a capital gain. The subsidiaries' leased assets mainly consist of factories leased to suppliers. As these factories cannot be sold separately and comprise of an insignificant portion of the plant, they are not to be considered as investment property.

As of June 30, 2012, the amount reclassified from leased assets to property, plant and equipment was \$18,129 thousand. For the six months ended June 30, 2012 and three months ended June 30, 2012, depreciation expenses - assets leased to others amounting to \$371 thousand and \$185 thousand, respectively, had been reclassified from nonoperating expenses and losses - others to operating expenses - administration.

n) Investments in associates - unrealized profits from downstream transactions

Under ROC GAAP, unrealized profits from downstream transactions with non-majority-owned equity-method investees are deferred proportionately and recognized as deferred credits. Under IFRSs, unrealized profits from downstream transactions are recorded under investments in associates.

As of June 30, 2012, the Group reclassified deferred credits of \$127 thousand, to investments accounted for by the equity method.

For the six months ended June 30, 2012 and three months ended June 30, 2012, the Group's unrealized gross profit and loss on downstream transactions were adjusted for decreases in operating revenue and operating costs amounting to \$12,885 thousand and \$7,977 thousand, respectively.

o) Reclassification of line items in the consolidated statement of comprehensive income

Under the IFRSs, based on the nature of operating transactions, the Group reclassified RMA (return merchandise authorization) in warranty cost amounting to \$34,807 thousand for the six months ended June 30, 2012 and \$21,925 thousand for the three months ended June 30, 2012 to cost of goods sold.

p) Investments in associates - adjustments

The Group's investments in associates that are accounted for by the equity method are analyzed and reconciled accordingly after the adoption of IFRS. The main reconciliation items include employee benefits and short-term cumulative compensated absences.

As of June 30, 2012, the adjustment of the Group's investment in associates accounted for by the equity method led to decreases of \$7,594 thousand in retained earnings and \$7,489 thousand in investments accounted for by the equity method.

In addition, the adjustment of the Group's investments in associates by the equity method led to an increase of \$105 thousand investment gains for the six months ended June 30, 2012 and \$39 thousand for the three months ended June 30, 2012, respectively.

q) Changes of equity in subsidiaries' without loss of control by the Company

Under ROC GAAP, investment costs are analyzed on the date of acquisition, with the difference between the price of purchasing an investment and the fair value of the net assets obtained recorded as goodwill. Goodwill is not amortized. Under IFRSs, any changes in the Company's equity in its subsidiaries without the Company's losing control over its subsidiaries are recorded as equity transactions.

As of June 30, 2012, retained earnings - the difference in acquisition price and the fair value of net assets and goodwill - were adjusted for decreases of \$5,646 thousand and \$5,646 thousand, respectively.

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
SIX MONTHS ENDED JUNE 30, 2013

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

| No. | Financier | Counter-party | Financial Statement Account | Credit Line (Note D) | | Actual Disbursement | | Interest Rate | Nature of Financing | Transaction Amount | Financing Reasons | Allowance for Impairment Loss | Collateral | | Maximum Amount of Financing to Individual Counter-party | Maximum Amount of Financing that Can be Provided by the Financier |
|-----|-----------|---------------|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---------------|----------------------|--------------------|-------------------|-------------------------------|------------|-------|---|---|
| | | | | Maximum Balance for the Period | Ending Balance | Maximum Balance for the Period | Ending Balance | | | | | | Item | Value | | |
| 1 | AEUH | AEU | Accounts receivables - related parties | \$ 30,030 (EUR 750 thousand) | \$ 25,448 (EUR 650 thousand) | \$ 25,448 (EUR 750 thousand) | \$ 25,448 (EUR 650 thousand) | 4% | Short-term financing | \$ - | Financing need | \$ - | None | None | \$ 1,687,786 (Note B) | \$ 3,375,572 (Note B) |
| 2 | ANA | AKMC | Accounts receivables - related parties | 144,000 (US\$ 4,800 thousand) | 144,000 (US\$ 4,800 thousand) | 144,000 (US\$ 4,800 thousand) | 144,000 (US\$ 4,800 thousand) | 2% | Short-term financing | - | Financing need | - | None | None | 1,687,786 (Note B) | 3,375,572 (Note B) |
| 3 | AISC | ACN | Accounts receivables - related parties | 124,338 (RMB 26,182 thousand) | 119,760 (RMB 24,556 thousand) | 119,760 (RMB 26,182 thousand) | 119,760 (RMB 24,556 thousand) | 2% | Short-term financing | - | Financing need | - | None | None | 253,604 (Note C) | 253,604 (Note C) |

Note A: The exchange rates as of June 30, 2013 were EUR1.00=39.15, US\$1.00=30.00 and RMB1.00=4.877.

Note B: The maximum amount of financing to individual counter-parties which are not based in Taiwan that can be provided by the financier are 20% and 10% of the financier's net asset value, respectively.

Note C: The maximum amount of financing between subsidiary firms in Mainland China is RMB52,000 thousand. For more efficient use of capital by the subsidiaries in Mainland China, the capital-financing bank account in Citibank is centrally managed by ACN.

Note D: The maximum balance and ending balances for the credit lines were approved by the financiers' board of directors.

Note E: All intercompany gains and losses from investments have been eliminated from consolidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS
SIX MONTHS ENDED JUNE 30, 2013

(In Thousands of New Taiwan Dollars/Foreign Currency)

| Holding Company | Securities Type and Issuer | Relationship with the Holding Company | Financial Statement Account | June 30, 2013 | | | | Note | |
|--|--|---------------------------------------|---|--|----------------|-------------------------|---------------------------------|-----------|---------------|
| | | | | Shares | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value | | |
| Advantech Co., Ltd. (the "Company") | <u>Stock</u> AAC (BVI) | Subsidiary | Investments accounted for using the equity method | 29,623,834 | \$ 2,728,555 | 100.00 | \$ 2,728,555 | Note A | |
| | ATC | " | " | 38,750,000 | 2,937,373 | 100.00 | 2,937,373 | Note A | |
| | Advansus Corp. | " | " | 36,000,000 | 504,169 | 100.00 | 504,169 | Note A | |
| | Advantech Fund-A | " | " | 90,000,000 | 1,003,383 | 100.00 | 1,003,383 | Note A | |
| | Axiomtek | Associate | " | 20,537,984 | 331,780 | 26.55 | 331,780 | Note A | |
| | AEUH | Subsidiary | " | 9,572,024 | 829,423 | 100.00 | 829,423 | Note A | |
| | ASG | " | " | 1,450,000 | 87,400 | 100.00 | 87,400 | Note A | |
| | AAU | " | " | 500,204 | 52,677 | 100.00 | 52,677 | Note A | |
| | AJP | " | " | 1,200 | 144,540 | 100.00 | 144,540 | Note A | |
| | AMY | " | " | 2,000,000 | 35,100 | 100.00 | 35,100 | Note A | |
| | AKR | " | " | 600,000 | 150,149 | 100.00 | 150,149 | Note A | |
| | ABR | " | " | 971,055 | 42,557 | 43.28 | 42,557 | Note A | |
| | ACA | " | " | 7,948,839 | 442,343 | 99.36 | 442,343 | Note A | |
| | AIN | " | " | 999,999 | 1,941 | 99.99 | 1,941 | Note A | |
| | ASUSTek Computer Inc. | - | - | Available for sale financial assets - noncurrent | 5,057,461 | 1,304,825 | 0.67 | 1,304,825 | Notes B and D |
| | Pegatron Corp. | - | - | " | 8,055,570 | 398,751 | 0.35 | 398,751 | Notes B and E |
| | Chunghwa Telecom Co., Ltd. | - | - | " | 1,243,636 | 126,851 | 0.02 | 126,851 | Notes B and F |
| | <u>Fund</u> | Taishin 1699 Money Market | - | Available for sale financial assets - current | 36,509,427.74 | 480,902 | - | 480,902 | Note C |
| | | Eastspring Inv Well Pool Fund | - | " | 22,679,775.20 | 300,475 | - | 300,475 | Note C |
| | | Mega Diamond Money Market | - | " | 104,293,500.53 | 1,272,037 | - | 1,272,037 | Note C |
| Yuanta Wan Tai Money Market | | - | " | 36,034,467.20 | 531,984 | - | 531,984 | Note C | |
| Capital Money Market Fund | | - | " | 32,158,119.00 | 505,336 | - | 505,336 | Note C | |
| Advantech Fund-A | <u>Stock</u> Netstar Technology Co., Ltd. | Subsidiary | Investments accounted for using the equity method | 23,870,117 | 301,921 | 95.48 | 301,921 | Note A | |
| | AiST | " | " | 6,777,571 | 194,106 | 100.00 | 194,106 | Note A | |
| | Cermate Technologies Inc. | " | " | 5,500,000 | 99,729 | 55.00 | 99,729 | Note A | |
| | Axiomtek | Associate | " | 1,787,000 | 42,047 | 2.31 | 42,047 | Note A | |

(Continued)

| Holding Company | Securities Type and Issuer | Relationship with the Holding Company | Financial Statement Account | June 30, 2013 | | | | Note |
|-----------------|---|---------------------------------------|---|---------------|----------------|-------------------------|---------------------------------|--------|
| | | | | Shares | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value | |
| | Chunghwa Telecom Co., Ltd. | - | Available for sale financial assets - current | 494,952 | \$ 50,485 | 0.006 | \$ 50,485 | Note B |
| | AverMedia Information Inc. | - | " | 808,500 | 16,615 | 0.823 | 16,615 | Note B |
| | Taiwan 50 | - | " | 170,000 | 9,367 | - | 9,367 | Note B |
| | COBAN Research and Technologies, Inc. | - | Available-for-sale financial assets - noncurrent | 600,000 | 33,257 | 6.85 | 33,257 | - |
| | <u>Fund</u> | | | | | | | |
| | Eastspring Inv Well Pool Fund | - | Available for sale financial assets - current | 9,713,949.40 | 128,696 | - | 128,696 | Note C |
| | FSITC Money Market | - | " | 252,491.74 | 43,889 | - | 43,889 | Note C |
| | Fuh Hwa Money Market | - | " | 4,021,632.80 | 56,696 | - | 56,696 | Note C |
| | Taishin 1699 Money Market | - | " | 839,816.46 | 11,062 | - | 11,062 | Note C |
| Advansus Corp. | <u>Fund</u> | | | | | | | |
| | Taishin 1699 Money Market | - | " | 8,037,708.86 | 105,873 | - | 105,873 | Note C |
| ATC | <u>Stock</u> | | | | | | | |
| | ATC (HK) | Subsidiary | Investments accounted for using the equity method | 41,650,001 | 2,130,578 | 100.00 | 2,130,578 | Note A |
| ATC (HK) | <u>Stock</u> | | | | | | | |
| | AKMC | " | " | - | 2,130,578 | 100.00 | 2,130,578 | Note A |
| AAC (BVI) | <u>Stock</u> | | | | | | | |
| | ANA | " | " | 10,952,606 | 1,512,892 | 100.00 | 1,512,892 | Note A |
| | AAC (HK) | " | " | 15,230,001 | 1,370,233 | 100.00 | 1,370,233 | Note A |
| ANA | <u>Stock</u> | | | | | | | |
| | AMX | " | " | - | 1,979 | 100.00 | 1,979 | Note A |
| AAC (HK) | <u>Stock</u> | | | | | | | |
| | ACN | " | " | - | 716,664 | 100.00 | 716,664 | Note A |
| | AiSC | " | " | - | 671,829 | 100.00 | 671,829 | Note A |
| | AXA | " | " | - | (19,841) | 100.00 | (19,841) | Note A |
| ACN | <u>Stock</u> | | | | | | | |
| | Hangzhou Advantofine Automation Co., Ltd. | " | " | - | 13,554 | 60.00 | 13,554 | Note A |
| AEUH | <u>Stock</u> | | | | | | | |
| | AEU | " | " | 8,609,658 | 746,078 | 100.00 | 746,078 | Note A |
| | APL | " | " | 6,350 | 41,986 | 100.00 | 41,986 | Note A |
| AEU | <u>Stock</u> | | | | | | | |
| | A-DLoG | " | " | 1 | 649,282 | 100.00 | 649,282 | Note A |

(Continued)

| Holding Company | Securities Type and Issuer | Relationship with the Holding Company | Financial Statement Account | June 30, 2013 | | | | Note |
|------------------------------|---------------------------------------|---------------------------------------|---|---------------|----------------|-------------------------|---------------------------------|--------|
| | | | | Shares | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value | |
| ASG | <u>Stock</u> | | | | | | | |
| | ATH | " | " | 51,000 | \$ 13,562 | 51.00 | \$ 13,562 | Note A |
| | AID | " | " | 300,000 | 1,518 | 100.00 | 1,518 | Note A |
| Netstar Technology Co., Ltd. | <u>Stock</u> | | | | | | | |
| | Jan Hsiang Electronics Co., Ltd. | Associate | " | 655,500 | 6,134 | 28.50 | 6,134 | Note A |
| | <u>Fund</u> | | | | | | | |
| | Mega Diamond Money Market | - | Available for sale financial assets - current | 7,159,611.47 | 87,324 | - | 87,324 | Note C |
| Cermate Technologies Inc. | <u>Stock</u> | | | | | | | |
| | Land Mark | Subsidiary | Investments accounted for using the equity method | 972,284 | 56,100 | 100.00 | 56,100 | Note A |
| AiST | <u>Fund</u> | | | | | | | |
| | Eastspring Inv Well Pool Money Market | - | Available for sale financial assets - current | 1,474,830.50 | 19,539 | - | 19,539 | Note C |
| | Fuh Hwa Money Market | - | " | 1,160,697.20 | 16,362 | - | 16,362 | Note C |
| Land Mark | <u>Stock</u> | | | | | | | |
| | Cermate (Shanghai) | Subsidiary | Investments accounted for using the equity method | - | 25,862 | 100.00 | 25,862 | Note A |
| | Cermate (Shenzhen) | " | " | - | 30,427 | 90.00 | 30,427 | Note A |
| ACA | <u>Fund</u> | | | | | | | |
| | Union Money Market | - | Available for sale financial assets - current | 3,126,557.99 | 40,238 | - | 40,238 | Note C |
| | Mega Diamond Money Market | - | " | 2,220,595.61 | 27,084 | - | 27,084 | Note C |
| | Taishin 1699 Money Market | - | " | 20,554,992.48 | 270,750 | - | 270,750 | Note C |

Note A: The financial statements used as basis of net asset values had not been reviewed by independent CPAs, except those of AAC (BVI), AAC (HK), ANA, ATC, ATC (HK), AKMC, AEUH and AEU.

Note B: Market value was based on the closing price on June 30, 2013.

Note C: Market value was based on the net asset values of the open-ended mutual funds on June 30, 2013.

Note D: The amount included \$1,070,700 thousand, the carrying value of 4,150,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 8 of the financial statements for more information.

Note E: The amount included \$387,437 thousand, the carrying value of 8,050,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 8 of the financial statements for more information.

Note F: The amount included \$78,948 thousand, the carrying value of 1,243,000 shares held in trust with China Trust Commercial Bank. Please refer to Note 8 of the financial statements for more information.

Note G: All intercompany gains and losses from investments have been eliminated from consolidation.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2013
(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 | Shares | Amount | Shares | Amount | Carrying Value | Gain (Loss) on Disposal | Shares | Amount |
| Advantech Co., Ltd. (the "Company") | <u>Fund</u> | | | | | | | | | | | | | |
| | Mega Diamond Money Market | Available for sale financial assets - current | - | - | - | \$ - | 104,293,500.53 | \$ 1,270,500 | - | \$ - | \$ - | \$ - | 104,293,500.53 | \$ 1,270,500 |
| | Taishin 1699 Money Market | Available for sale financial assets - current | - | - | 35,809,736.85 | 469,145 | 37,200,204.18 | 489,000 | 36,500,513.29 | 480,000 | 478,224 | 1,776 | 36,509,427.74 | 479,921 |
| | Eastspring Inv Well Pool Money Market | Available for sale financial assets - current | - | - | 11,359,677.70 | 150,000 | 11,320,097.50 | 149,500 | - | - | - | - | 22,679,775.20 | 299,500 |
| | Yuanta Wan Tai Money Market | Available for sale financial assets - current | - | - | - | - | 36,034,467.20 | 530,800 | - | - | - | - | 36,034,467.20 | 530,800 |
| | Capital Money Market | Available for sale financial assets - current | - | - | - | - | 32,158,119.00 | 505,000 | - | - | - | - | 32,158,119.00 | 505,000 |
| | <u>Stock</u> | | | | | | | | | | | | | |
| | ASUSTek Computer Inc. | Available for sale financial assets - noncurrent | - | - | 5,464,461 | 1,613,268 | 34,000 | 9,113 | 441,000 | 161,972 | 130,196 | 31,776 | 5,057,461 | 1,492,185 |
| Advansus Corp. | <u>Fund</u> | | | | | | | | | | | | | |
| | Taishin 1699 Money Market | Available for sale financial assets | - | - | 10,697,254.15 | 140,030 | 8,733,956.10 | 115,000 | 11,393,501.39 | 150,000 | 149,197 | 803 | 8,037,708.86 | 105,833 |

TABLE 4

ADVANTECH CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2013
(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. (the "Company") | AEU | Indirect subsidiary | Sale | \$ (1,129,371) | 11.11 | 45 days after month end | Contract price | No significant difference from terms for related parties | \$ 798,947 | 19.18 | |
| | ACN | Indirect subsidiary | Sale | (939,650) | 9.24 | 45 days after month end | Contract price | No significant difference from terms for related parties | 509,622 | 12.24 | |
| | AKMC | Indirect subsidiary | Sale | (375,251) | 3.69 | 45 days after month end | Contract price | No significant difference from terms for related parties | 102,921 | 2.47 | |
| | AiSC | Indirect subsidiary | Sale | (1,018,495) | 10.02 | 45 days after month end | Contract price | No significant difference from terms for related parties | 689,559 | 16.56 | |
| | ANA | Indirect subsidiary | Sale | (3,372,333) | 33.17 | 45 days after month end | Contract price | No significant difference from terms for related parties | 603,131 | 14.48 | |
| | AKR | Subsidiary | Sale | (265,661) | 2.61 | 45 days after month end | Contract price | No significant difference from terms for related parties | 56,388 | 1.35 | |
| | AJP | Subsidiary | Sale | (142,504) | 1.40 | 60-90 days | Contract price | No significant difference from terms for related parties | 46,557 | 1.12 | |
| | ATC | Subsidiary | Purchase | 3,446,245 | 45.88 | 45 days after month end | Contract price | No significant difference from terms for related parties | (1,434,971) | 56.71 | |
| | Advansus Corp. | Subsidiary | Purchase | 252,251 | 3.36 | 30 days after month end | Contract price | No significant difference from terms for related parties | (97,145) | 3.84 | |
| | ACA | Subsidiary | Purchase | 1,445,249 | 19.24 | 30 days after month end | Contract price | No significant difference from terms for related parties | (327,664) | 12.95 | |
| ATC | Advantech Co., Ltd. | Ultimate parent company | Sale | (3,446,245) | 98.65 | 45 days after month end | Contract price | No significant difference from terms for related parties | 1,434,971 | 97.57 | |
| Advansus Corp. | Advantech Co., Ltd. | Ultimate parent company | Sale | (252,251) | 19.88 | 30 days after month end | Contract price | No significant difference from terms for related parties | 97,145 | 22.56 | |
| ACA | Advantech Co., Ltd. | Ultimate parent company | Sale | (1,445,249) | 67.39 | 30 days after month end | Contract price | No significant difference from terms for related parties | 327,664 | 50.08 | |
| ANA | Advantech Co., Ltd. | Ultimate parent company | Purchase | 3,372,333 | 90.63 | 45 days after month end | Contract price | No significant difference from terms for related parties | (603,131) | 100.00 | |
| AEU | Advantech Co., Ltd. | Ultimate parent company | Purchase | 1,129,371 | 72.55 | 45 days after month end | Contract price | No significant difference from terms for related parties | (798,947) | 98.38 | |
| ACN | Advantech Co., Ltd. | Ultimate parent company | Purchase | 939,650 | 70.50 | 45 days after month end | Contract price | No significant difference from terms for related parties | (509,622) | 81.02 | |

(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 | |
| AKMC | Advantech Co., Ltd. | Ultimate parent company | Purchase | \$ 375,251 | 11.58 | 45 days after month end | Contract price | No significant difference from terms for related parties | \$ (102,921) | 8.22 | |
| AiSC | Advantech Co., Ltd. | Ultimate parent company | Purchase | 1,018,495 | 65.73 | 45 days after month end | Contract price | No significant difference from terms for related parties | (689,559) | 80.65 | |
| AKR | Advantech Co., Ltd. | Ultimate parent company | Purchase | 265,661 | 50.16 | 45 days after month end | Contract price | No significant difference from terms for related parties | (56,388) | 44.89 | |
| AJP | Advantech Co., Ltd. | Ultimate parent company | Purchase | 142,504 | 26.91 | 60-90 days | Contract price | No significant difference from terms for related parties | (46,557) | 100.00 | |
| Advansus Corp. | AKMC | Related enterprise | Sale | (322,277) | 29.00 | 30 days after month end | Mark-up pricing | No significant difference from terms for related parties | 105,197 | 24.43 | |
| | ACA | Related enterprise | Sale | (112,134) | 10.09 | 30 days after month end | Mark-up pricing | No significant difference from terms for related parties | 26,075 | 6.06 | |
| ACN | AiSC | Related enterprise | Sale | (150,980) | 13.59 | 60 days after month end | Mark-up pricing | No significant difference from terms for related parties | 66,972 | 5.46 | |
| AKMC | ATC | Related enterprise | Sale | (3,308,893) | 93.34 | Next 30 days after month end | Mark-up pricing | No significant difference from terms for related parties | 601,543 | 87.26 | |
| AKMC | Netstar Technology Co., Ltd. | Related enterprise | Sale | (106,326) | 3.00 | Next 60 days after month end | Mark-up pricing | No significant difference from terms for related parties | 28,320 | 4.11 | |
| AiSC | AKMC | Related enterprise | Sale | (122,834) | 3.47 | Immediate payment | Mark-up pricing | No significant difference from terms for related parties | 109,224 | 11.76 | |
| ACA | Advansus Corp. | Related enterprise | Sale | (229,132) | 10.68 | 30 days after month end | Mark-up pricing | No significant difference from terms for related parties | 44,265 | 7.84 | |
| | AKMC | Related enterprise | Sale | (467,481) | 21.80 | 45 days after month end | Mark-up pricing | No significant difference from terms for related parties | 190,375 | 33.74 | |
| AKMC | Advansus Corp. | Related enterprise | Purchase | 322,277 | 9.95 | 30 days after month end | Mark-up pricing | No significant difference from terms for related parties | (105,197) | 8.41 | |
| ACA | Advansus Corp. | Related enterprise | Purchase | 112,134 | 5.56 | 30 days after month end | Mark-up pricing | No significant difference from terms for related parties | (26,075) | 3.60 | |
| AiSC | ACN | Related enterprise | Purchase | 150,980 | 9.74 | 60 days after month end | Mark-up pricing | No significant difference from terms for related parties | (66,972) | 7.83 | |
| ATC | AKMC | Related enterprise | Purchase | 3,308,893 | 100.00 | Next 30 days after month end | Mark-up pricing | No significant difference from terms for related parties | (601,543) | 99.04 | |

(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 | |
| Netstar Technology Co., Ltd. | AKMC | Related enterprise | Purchase | \$ 106,326 | 100.00 | Next 60 days after month end | Mark-up pricing | No significant difference from terms for related parties | \$ (28,320) | 97.93 | |
| AKMC | AiSC | Related enterprise | Purchase | 122,834 | 3.79 | Immediate payment | Mark-up pricing | No significant difference from terms for related parties | (109,224) | 8.73 | |
| Advansus Corp. | ACA | Related enterprise | Purchase | 229,132 | 20.62 | 30 days after month end | Mark-up pricing | No significant difference from terms for related parties | (44,265) | 10.16 | |
| AKMC | ACA | Related enterprise | Purchase | 467,481 | 14.43 | 45 days after month end | Mark-up pricing | No significant difference from terms for related parties | (190,375) | 15.21 | |

Note: All intercompany transactions have been eliminated from consolidation.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2013
(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 Impairment Loss |
|-------------------------------------|---------------------|------------------------|----------------|--------------------------|---------|--------------|--|----------------------------------|
| | | | | | Amount | Action Taken | | |
| Advantech Co., Ltd. (the "Company") | AEU | Indirect subsidiary | \$ 798,947 | 2.91 | \$ - | - | \$ 174,051 | \$ - |
| | AiSC | Indirect subsidiary | 689,559 | 3.27 | - | - | 171,802 | - |
| | ACN | Indirect subsidiary | 509,622 | 3.39 | - | - | 45,000 | - |
| | ANA | Indirect subsidiary | 603,131 | 11.38 | - | - | 546,631 | - |
| | AKMC | Indirect subsidiary | 102,921 | 9.79 | - | - | 102,703 | - |
| ATC | Advantech Co., Ltd. | Parent company | 1,434,971 | 4.99 | - | - | 672,918 | - |
| ACA | Advantech Co., Ltd. | Parent company | 327,664 | 16.65 | - | - | 220,099 | - |
| AKMC | ATC | Related enterprise | 601,543 | 12.01 | - | - | 601,543 | - |
| ACA | AKMC | Related enterprise | 190,375 | 6.62 | - | - | 100,080 | - |
| AiSC | AKMC | Related enterprise | 109,224 | 3.46 | - | - | 2,666 | - |

Note: All intercompany gains and losses from investments have been eliminated from consolidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SIX MONTHS ENDED JUNE 30, 2013
(In Thousands of New Taiwan Dollars)

| Investor Company | Investee Company | Location | Main Businesses and Products | Investment Amount | | Balance as of June 30, 2013 | | | Net Income (Loss) of the Investee | Investment Gain (Loss) (Note) | Note | |
|--|---|----------------------------|--|-------------------|-------------------|-----------------------------|-------------------------|----------------|-----------------------------------|-------------------------------|------------------------|------------|
| | | | | June 30, 2013 | December 31, 2012 | Shares | Percentage of Ownership | Carrying Value | | | | |
| Advantech Co., Ltd. (the "Company") | AAC (BVI) | BVI | Investment and management service | \$ 993,108 | \$ 993,108 | 29,623,834 | 100.00 | \$ 2,728,555 | \$ 193,937 | \$ 189,118 | Subsidiary | |
| | ATC | BVI | Sale of industrial automation products | 1,231,118 | 1,231,118 | 38,750,000 | 100.00 | 2,937,373 | (3,256) | (3,704) | Subsidiary | |
| | Advansus Corp. | Taipei, Taiwan | Production and sale of industrial automation products | 486,000 | 486,000 | 36,000,000 | 100.00 | 504,169 | 72,486 | 67,300 | Subsidiary | |
| | Advantech Fund-A | Taipei, Taiwan | Investment holding company | 900,000 | 900,000 | 90,000,000 | 100.00 | 1,003,383 | 80,177 | 80,427 | Subsidiary | |
| | Axiomtek | Taipei, Taiwan | Production and sale of industrial automation products | 249,059 | 249,059 | 20,537,984 | 26.55 | 331,780 | 148,891 | 37,276 | Equity-method investee | |
| | AEUH | Helmond, The Netherlands | Investment and management service | 1,146,489 | 1,146,489 | 9,572,024 | 100.00 | 829,423 | 6,770 | 6,225 | Subsidiary | |
| | ASG | Techplace, Singapore | Sale of industrial automation products | 27,134 | 27,134 | 1,450,000 | 100.00 | 87,400 | 3,506 | 3,506 | Subsidiary | |
| | AAU | Sydney, Australia | Sale of industrial automation products | 40,600 | 40,600 | 500,204 | 100.00 | 52,677 | (1,045) | (1,045) | Subsidiary | |
| | AJP | Tokyo, Japan | Sale of industrial automation products | 15,472 | 15,472 | 1,200 | 100.00 | 144,540 | (5,334) | (5,334) | Subsidiary | |
| | AMY | Malaysia | Sale of industrial automation products | 35,140 | 35,140 | 2,000,000 | 100.00 | 35,100 | 3,328 | 3,328 | Subsidiary | |
| | AKR | Seoul, Korea | Sale of industrial automation products | 73,355 | 73,355 | 600,000 | 100.00 | 150,149 | 15,700 | 15,700 | Subsidiary | |
| | ABR | Sao Paulo, Brazil | Sale of industrial automation products | - | - | 971,055 | 43.28 | 42,557 | 20,335 | 12,201 | Subsidiary | |
| | AiST | Taipei, Taiwan | Sale of industrial automation products | - | 50,000 | - | - | - | - | - | - | Subsidiary |
| | ACA | Taipei, Taiwan | Production and sale of portable industrial computing products | 141,562 | 141,562 | 7,948,839 | 99.36 | 442,343 | 116,688 | 115,850 | Subsidiary | |
| | AIN | India | Sale of industrial automation products | 5,567 | 5,567 | 999,999 | 99.99 | 1,941 | 678 | 678 | Subsidiary | |
| Advantech Fund-A | Netstar Technology Co., Ltd. | Taipei, Taiwan | Production and sale of industrial automation products | 291,159 | 287,564 | 23,870,117 | 95.48 | 301,921 | 32,158 | 30,158 | Indirect subsidiary | |
| | AiST | Taipei, Taiwan | Assembly and production of computers | 142,063 | 142,063 | 6,777,571 | 100.00 | 194,106 | 47,250 | 47,250 | Indirect subsidiary | |
| | Cermate Technologies Inc. | Taipei, Taiwan | Production and sale of electrical equipment, telecommunications equipment and electronic parts manufacturing | 71,500 | 71,500 | 5,500,000 | 55.00 | 99,729 | 6,728 | 3,700 | Indirect subsidiary | |
| | BCM Embedded Computer Inc. | Taipei, Taiwan | Telecommunication equipment and electronic parts manufacturing | - | 45,500 | - | - | - | (58) | (58) | Indirect subsidiary | |
| | Axiomtek | Taipei, Taiwan | Production and sale of industrial automation products | 40,816 | 40,816 | 1,787,000 | 2.31 | 42,047 | 148,891 | 3,244 | Equity-method investee | |
| ATC | ATC (HK) | Hong Kong | Investment and management service | 1,212,730 | 1,212,730 | 41,650,001 | 100.00 | 2,130,578 | 55,416 | 55,416 | Indirect subsidiary | |
| ATC (HK) | AKMC | Jiangsu, China | Production and sale of industrial automation products | 1,212,730 | 1,212,730 | - | 100.00 | 2,130,578 | 55,416 | 55,416 | Indirect subsidiary | |
| AAC (BVI) | ANA | Sunnyvale, USA | Sale and fabrication of industrial automation products | 504,179 | 504,179 | 10,952,606 | 100.00 | 1,512,892 | 78,176 | 78,176 | Indirect subsidiary | |
| | AAC (HK) | Hong Kong | Investment and management service | 539,146 | 539,146 | 15,230,001 | 100.00 | 1,370,233 | 115,815 | 115,815 | Indirect subsidiary | |
| ANA | AMX | Mexico | Sale of industrial automation products | 4,444 | 2,047 | - | 100.00 | 1,979 | (1,232) | (1,232) | Indirect subsidiary | |
| AAC (HK) | ACN | Beijing, China | Sale of industrial automation products | 185,356 | 185,356 | - | 100.00 | 716,664 | 66,878 | 66,878 | Indirect subsidiary | |
| | AiSC | Shanghai, China | Sale of industrial automation products | 257,040 | 257,040 | - | 100.00 | 671,829 | 70,833 | 70,833 | Indirect subsidiary | |
| | AXA | Xi'an, China | Development and production of software products | 32,960 | 32,960 | - | 100.00 | (19,841) | (21,696) | (21,696) | Indirect subsidiary | |
| ACN | Hangzhou Advantofine Automation Co., Ltd. | Hangzhou, China | Processing and sale of peripherals | 13,727 | 13,727 | - | 60.00 | 13,554 | (2,790) | (1,674) | Indirect subsidiary | |
| AEUH | AEU | Eindhoven, The Netherlands | Sale of industrial automation products | 316,403 | 316,403 | 8,609,658 | 100.00 | 746,078 | 3,722 | 3,722 | Indirect subsidiary | |
| | APL | Warsaw, Poland | Sale of industrial automation products | 14,176 | 14,176 | 6,350 | 100.00 | 41,986 | 2,935 | 2,935 | Indirect subsidiary | |
| AEU | A-DLoG | Munich, Germany | Design, R&D and sale of industrial automation vehicles and related products | 553,536 | 553,536 | 1 | 100.00 | 649,282 | 31,301 | 17,425 | Indirect subsidiary | |
| ASG | ATH | Thailand | Production of computers | 7,537 | 7,537 | 51,000 | 51.00 | 13,562 | 2,149 | 1,096 | Indirect subsidiary | |
| | AID | Indonesia | Sale of industrial automation products | 4,797 | 3,330 | 300,000 | 100.00 | 1,518 | (2,016) | (2,016) | Indirect subsidiary | |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Investment Amount | | Balance as of June 30, 2013 | | | Net Income (Loss) of the Investee | Investment Gain (Loss) (Note) | Note |
|------------------------------|----------------------------------|-----------------|---|-------------------|-------------------|-----------------------------|-------------------------|----------------|-----------------------------------|-------------------------------|------------------------|
| | | | | June 30, 2013 | December 31, 2012 | Shares | Percentage of Ownership | Carrying Value | | | |
| Netstar Technology Co., Ltd. | Jan Hsiang Electronics Co., Ltd. | Taipei, Taiwan | Electronic parts and components manufacturing | \$ 3,719 | 3,719 | 655,500 | 28.50 | \$ 6,134 | \$ (2,078) | \$ (605) | Equity method investee |
| Cermate Technologies Inc. | LandMark | BVI | General investment | 28,200 | 28,200 | 972,284 | 100.00 | 56,100 | 2,001 | 1,686 | Indirect subsidiary |
| LandMark | Cermate (Shanghai) | Shanghai, China | Sale of industrial electronic products | US\$ 572 | US\$ 572 | - | 100.00 | 25,862 | 159 | 159 | Indirect subsidiary |
| | Cermate (Shenzhen) | Shenzhen, China | Manufacture of LCD touch panels, USB data cables and industrial automation products | US\$ 308 | US\$ 308 | - | 90.00 | 30,427 | 2,046 | 1,841 | Indirect subsidiary |

Note A: The financial statements used as basis of net asset values had not been reviewed by independent CPAs, except those of AAC (BVI), AAC (HK), ANA, ATC, ATC (HK), AKMC, AEUH and AEU.

Note B: All intercompany gains and losses from investments have been eliminated from consolidation.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2013

(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, 2013 (Note E) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of June 30, 2013 (Note E) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Notes A and B) | Carrying Value as of June 30, 2013 | Accumulated Inward Remittance of Earnings as of June 30, 2013 |
|---|---|---------------------------------|--|--|------------------|--------|--|--|--|------------------------------------|---|
| | | | | | Outflow | Inflow | | | | | |
| Advantech Technology (China) Company Ltd. (AKMC) | Production and sale of components of industrial automation products | US\$ 41,650 Thousand | Indirect | \$ 1,119,000 (US\$ 37,300 thousand) | \$ - | \$ - | \$ 1,119,000 (US\$ 37,300 thousand) | 100 | \$ 55,416 | \$ 2,130,578 | \$ - |
| Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN) | Sale of industrial automation products | US\$ 4,230 thousand | Indirect | 159,630 (US\$ 5,332 thousand) | - | - | 159,630 (US\$ 5,332 thousand) | 100 | 66,878 | 716,664 | 337,050 (US\$ 11,235 thousand) |
| Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) | Production and sale of industrial automation products | US\$ 8,000 thousand | Indirect | 240,000 (US\$ 8,000 thousand) | - | - | 240,000 (US\$ 8,000 thousand) | 100 | 70,833 | 671,829 | - |
| Xi'an Advantech Software Ltd. (AXA) | Development and production of software products | (Note C) | Indirect | (Note C) | - | - | (Note C) | 100 | (21,696) | (19,841) | - |

| Accumulated Investment in Mainland China as of June 30, 2013 | Investment Amounts Authorized by Investment Commission, MOEA | Maximum Allowable Limit on Investment |
|--|--|---------------------------------------|
| \$1,524,960 (US\$50,832 thousand) (Note D) | \$2,070,000 (US\$69,000 thousand) | \$10,199,080 (Note F) |

Note A: The financial statements used as basis of net asset values had not been reviewed by independent CPAs, except those of AAC (BVI), AAC (HK), ANA, ATC, ATC (HK), AKMC, AEUH and AEU.

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. (the "Company") and its investees in Mainland China are described in Note 36 of the financial statements and Tables 1, 5 and 6.

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

(Continued)

Note D: Included is the outflow of US\$200 thousand on the investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. located in a free trade zone in Guang Zhou. When this investee was liquidated in September 2005, the outward investment remittance ceased upon the approval of the Ministry of Economic Affairs (MOEA). For each future capital return, the Company will apply to the MOEA for the approval of the return as well as reduce the accumulated investment amount by the return amount

Note E: The exchange rate was US\$1.00=NT\$30.

Note F: The maximum allowable limit on investment was based on 60% of the consolidated net asset value of the "Company".

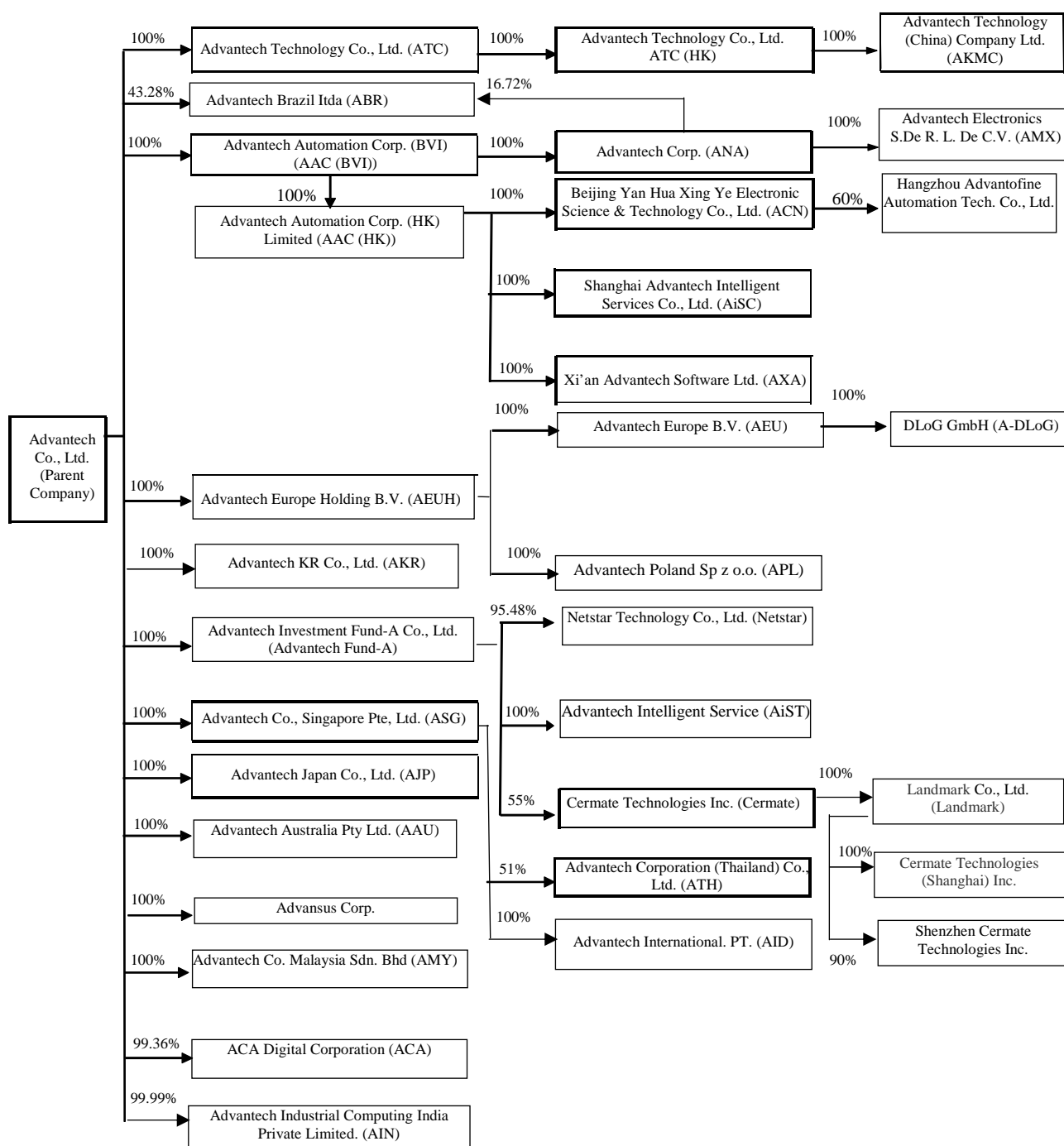
Note G: All intercompany gains and losses from investments have been eliminated from consolidation.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

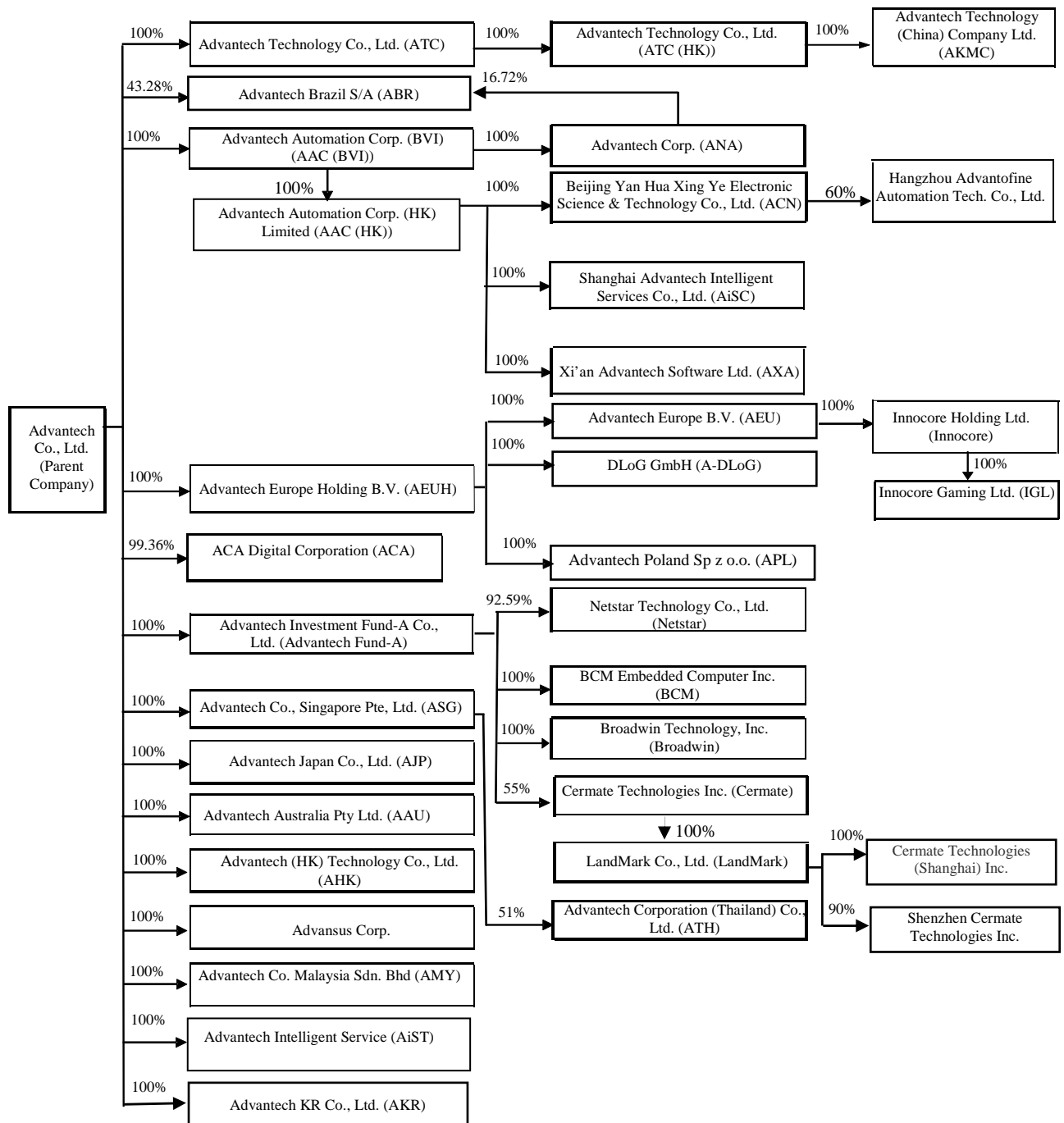
**ORGANIZATION CHART
JUNE 30, 2013 AND 2012**

Intercompany relationships and percentages of ownership as of June 30, 2013 are shown below:



(Continued)

Intercompany relationships and percentages of ownership as of June 30, 2012 are shown below:



(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES
SIX MONTHS ENDED JUNE 30, 2013
(In Thousands of New Taiwan Dollars)

June 30, 2013

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note B) | Transaction Details (Note D) | | | % to Consolidated Assets/Revenue (Note C) |
|--------------------|---------------------|---------------|------------------------------------|----------------------------------|-----------|----------------------------|---|
| | | | | Financial Statement Account | Amount | Payment Terms | |
| 0 | Advantech Co., Ltd. | AAC (HK) | 1 | Receivables from related parties | \$ 70 | 45 days EOM | - |
| | | AAC (HK) | 1 | Operating expense | 2,136 | Normal | - |
| | | AAU | 1 | Purchase | 2 | Normal | - |
| | | AAU | 1 | Other revenue | 1,576 | Normal | - |
| | | AAU | 1 | Receivables from related parties | 37,581 | 60-90 days | - |
| | | AAU | 1 | Sales | 79,283 | Normal | 1% |
| | | ABR | 1 | Other revenue | 1,829 | Normal | - |
| | | ABR | 1 | Receivables from related parties | 30,871 | 90 days EOM | - |
| | | ABR | 1 | Sales | 63,777 | Normal | - |
| | | ACA | 1 | Receivables from related parties | 882 | 30 days EOM | - |
| | | ACA | 1 | Sales | 1,032 | Normal | - |
| | | ACA | 1 | Other revenue | 2,520 | 45 days after invoice date | - |
| | | ACA | 1 | Payables from related parties | 327,664 | 30 days EOM | 1% |
| | | ACA | 1 | Purchase | 1,445,249 | Normal | 10% |
| | | ACN | 1 | Purchase | 85 | Normal | - |
| | | ACN | 1 | Payables from related parties | 136 | 30 days EOM | - |
| | | ACN | 1 | Receivables from related parties | 509,622 | 45 days EOM | 2% |
| | | ACN | 1 | Sales | 939,650 | Normal | 7% |
| | | A-DLoG | 1 | Other revenue | 2,791 | Normal | - |
| | | A-DLoG | 1 | Receivables from related parties | 6,104 | 30 days after invoice date | - |
| | | A-DLoG | 1 | Sales | 19,110 | Normal | - |
| | | A-DLoG | 1 | Payables from related parties | 8,625 | 30 days after invoice date | - |
| | | A-DLoG | 1 | Purchase | 21,145 | Normal | - |
| | | AEU | 1 | Other revenue | 6,918 | Normal | - |
| | | AEU | 1 | Purchase | 970 | Normal | - |
| | | AEU | 1 | Payables from related parties | 1,209 | 30 days EOM | - |
| | | AEU | 1 | Receivables from related parties | 798,947 | 30 days EOM | 3% |
| | | AEU | 1 | Sales | 1,129,371 | Normal | 8% |
| | | AID | 1 | Receivables from related parties | 374 | 45 days after invoice date | - |
| | | AID | 1 | Sales | 477 | Normal | - |
| | | AIN | 1 | Purchase | 420 | Normal | - |
| | | AIN | 1 | Payables from related parties | 612 | 60 days EOM | - |
| | | AIN | 1 | Sales | 8,786 | Normal | - |
| | | AIN | 1 | Receivables from related parties | 9,266 | 60 days EOM | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note B) | Transaction Details (Note D) | | | % to Consolidated Assets/Revenue (Note C) |
|--------------------|--------------|----------------------------|------------------------------------|----------------------------------|-----------|----------------------------|---|
| | | | | Financial Statement Account | Amount | Payment Terms | |
| | | AIN | 1 | Operating expense | \$ 3,402 | Normal | - |
| | | AiSC | 1 | Purchase | 629 | Normal | - |
| | | AiSC | 1 | Receivables from related parties | 689,559 | 45 days EOM | 3% |
| | | AiSC | 1 | Sales | 1,018,495 | Normal | 7% |
| | | AJP | 1 | Payables from related parties | 155 | 60-90 days | - |
| | | AJP | 1 | Other revenue | 2,609 | Normal | - |
| | | AJP | 1 | Receivables from related parties | 46,557 | 60-90 days | - |
| | | AJP | 1 | Sales | 142,504 | Normal | 1% |
| | | AKMC | 1 | Receivables from related parties | 102,921 | 45 days EOM | - |
| | | AKMC | 1 | Sales | 375,251 | Normal | 3% |
| | | AKR | 1 | Purchase | 71 | Normal | - |
| | | AKR | 1 | Payables from related parties | 72 | 30 days EOM | - |
| | | AKR | 1 | Other revenue | 2,527 | Normal | - |
| | | AKR | 1 | Receivables from related parties | 56,388 | Immediate payment | - |
| | | AKR | 1 | Sales | 265,661 | Normal | 1% |
| | | AMY | 1 | Purchase | 8 | Normal | - |
| | | AMY | 1 | Other revenue | 1,130 | Normal | - |
| | | AMY | 1 | Receivables from related parties | 9,349 | 45 days EOM | - |
| | | AMY | 1 | Sales | 28,200 | Normal | - |
| | | ANA | 1 | Other revenue | 9,574 | Normal | - |
| | | ANA | 1 | Receivables from related parties | 603,131 | 45 days EOM | 2% |
| | | ANA | 1 | Sales | 3,372,333 | Normal | 23% |
| | | ANA | 1 | Payables from related parties | 22,436 | 45 days EOM | - |
| | | ANA | 1 | Purchase | 53,468 | Normal | - |
| | | APL | 1 | Purchase | 1 | Normal | - |
| | | APL | 1 | Payables from related parties | 229 | 30 days after invoice date | - |
| | | APL | 1 | Receivables from related parties | 2,960 | 45 days EOM | - |
| | | APL | 1 | Sales | 4,571 | Normal | - |
| | | ASG | 1 | Other revenue | 1,416 | Normal | - |
| | | ASG | 1 | Operating expense | 236 | Normal | - |
| | | ASG | 1 | Receivables from related parties | 30,556 | 60-90 days | - |
| | | ASG | 1 | Sales | 58,430 | Normal | - |
| | | ATC | 1 | Royalty revenue | 174,284 | Normal | 1% |
| | | ATC | 1 | Payables from related parties | 1,434,971 | 60 days EOM | 5% |
| | | ATC | 1 | Purchase | 3,446,245 | Normal | 24% |
| | | ATH | 1 | Other revenue | 1,167 | Normal | - |
| | | ATH | 1 | Receivables from related parties | 2,957 | 30 days after invoice date | - |
| | | ATH | 1 | Sales | 18,286 | Normal | - |
| | | BCM Embedded Computer Inc. | 1 | Rental revenue | 30 | Normal | - |
| | | Cermate Technologies Inc. | 1 | Sales | 51 | Normal | - |
| | | Cermate Technologies Inc. | 1 | Receivables from related parties | 54 | 30 days EOM | - |
| | | Cermate Technologies Inc. | 1 | Other revenue | 360 | Normal | - |
| | | Cermate Technologies Inc. | 1 | Payables from related parties | 727 | 30 days EOM | - |
| | | Cermate Technologies Inc. | 1 | Purchase | 2,512 | Normal | - |
| | | Broadwin Technology Inc. | 1 | Sales | 297 | Normal | - |
| | | Broadwin Technology Inc. | 1 | Receivables from related parties | 355 | 60 days EOM | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note B) | Transaction Details (Note D) | | | % to Consolidated Assets/Revenue (Note C) |
|--------------------|--------------|---|------------------------------------|----------------------------------|---------|----------------------------|---|
| | | | | Financial Statement Account | Amount | Payment Terms | |
| | | Broadwin Technology Inc. | 1 | Other revenue | \$ 400 | Normal | - |
| | | Broadwin Technology Inc. | 1 | Purchase | 216 | Normal | - |
| | | Broadwin Technology Inc. | 1 | Payables from related parties | 2,294 | 60 days EOM | - |
| | | Advantech Fund-A | 1 | Rental revenue | 18 | Normal | - |
| | | AiST | 1 | Payables from related parties | 7 | 30 days EOM | - |
| | | AiST | 1 | Receivables from related parties | 7,983 | 30 days EOM | - |
| | | AiST | 1 | Sales | 15,113 | Normal | - |
| | | AiST | 1 | Purchase | 1,775 | Normal | - |
| | | AiST | 1 | Other revenue | 80 | Normal | - |
| | | Advansus Corp. | 1 | Rental revenue | 30 | Normal | - |
| | | Advansus Corp. | 1 | Rental expense | 85 | Normal | - |
| | | Advansus Corp. | 1 | Receivables from related parties | 3,805 | 60-90 days | - |
| | | Advansus Corp. | 1 | Sales | 6,221 | Normal | - |
| | | Advansus Corp. | 1 | Payables from related parties | 97,145 | 60-90 days | - |
| | | Advansus Corp. | 1 | Purchase | 252,251 | Normal | 2% |
| | | Netstar Technology Co., Ltd. | 1 | Sales | 93 | Normal | - |
| | | Netstar Technology Co., Ltd. | 1 | Receivables from related parties | 327 | 25th of every quarter | - |
| | | Netstar Technology Co., Ltd. | 1 | Other revenue | 480 | Normal | - |
| | | Netstar Technology Co., Ltd. | 1 | Payables from related parties | 20,999 | 60 days EOM | - |
| | | Netstar Technology Co., Ltd. | 1 | Purchase | 39,848 | Normal | - |
| 1 | ACN | AEU | 3 | Sales | 1,473 | Normal | - |
| | | AEUH | 3 | Receivables from related parties | 212 | 30 days EOM | - |
| | | AEU | 3 | Payables from related parties | 131 | 30 days after invoice date | - |
| | | AiSC | 3 | Payables from related parties | 149,864 | 25th of every month | 1% |
| | | AiSC | 3 | Sales | 150,980 | Normal | 1% |
| | | AiSC | 3 | Receivables from related parties | 66,972 | Immediate payment | - |
| | | AiSC | 3 | Interest expense | 1,019 | Normal | - |
| | | AiSC | 3 | Purchase | 69,638 | Normal | - |
| | | AKMC | 3 | Receivables from related parties | 4,567 | 60-90 days | - |
| | | AKMC | 3 | Sales | 6,016 | Normal | - |
| | | AKMC | 3 | Rental expense | 2,144 | Normal | - |
| | | AKMC | 3 | Payables from related parties | 7,466 | 60-90 days | - |
| | | AKMC | 3 | Purchase | 21,952 | Normal | - |
| | | AKR | 3 | Sales | 89 | Normal | - |
| | | AMY | 3 | Sales | 24 | Normal | - |
| | | ANA | 3 | Sales | 501 | 30 days EOM | - |
| | | AXA | 3 | Receivables from related parties | 39,040 | 60 days EOM | - |
| | | AXA | 3 | Payables from related parties | 163 | 25th of every month | - |
| | | Advantech Co., Ltd. | 2 | Sales | 85 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 136 | 30 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 509,622 | 45 days EOM | 2% |
| | | Advantech Co., Ltd. | 2 | Purchase | 939,650 | Normal | 7% |
| | | Hangzhou Advantofine Automation Co., Ltd. | 3 | Purchase | 889 | Normal | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note B) | Transaction Details (Note D) | | | |
|--------------------|--------------|---------------------|------------------------------------|--------------------------------------|-----------|----------------------------|---|
| | | | | Financial Statement Account | Amount | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| 2 | AAU | A-DLoG | 3 | Payables from related parties | \$ 51 | 30 days after invoice date | - |
| | | A-DLoG | 3 | Purchase | 51 | Normal | - |
| | | AKMC | 3 | Receivables from related parties | 113 | 30 days after invoice date | - |
| | | ANA | 3 | Purchase | 23 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Other expense | 1,576 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Sales | 2 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 37,581 | 60-90 days | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 79,283 | Normal | - |
| 3 | ABR | Advantech Co., Ltd. | 2 | Other expense | 1,829 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 30,871 | 90 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 63,777 | Normal | - |
| | | ANA | 3 | Purchase | 9 | Normal | - |
| 4 | ACA | AiSC | 3 | Purchase | 10,605 | 60 days after invoice date | - |
| | | AiSC | 3 | Payables from related parties | 1,328 | 60 days after invoice date | - |
| | | AKMC | 3 | Receivables from related parties | 190,375 | 45 days EOM | 1% |
| | | AKMC | 3 | Sales | 467,481 | Normal | 3% |
| | | AKMC | 3 | Payables from related parties | 843 | 60-90 days | - |
| | | AKMC | 3 | Purchase | 828 | Next 30 days EOM | - |
| | | ANA | 3 | Payables from related parties | 569 | 60 days after invoice date | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 882 | 30 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 1,032 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Other expense | 2,520 | 45 days after invoice date | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 327,664 | 30 days EOM | 1% |
| | | Advantech Co., Ltd. | 2 | Sales | 1,445,249 | Normal | 10% |
| | | Advansus Corp. | 3 | Sales | 229,132 | Normal | 2% |
| | | Advansus Corp. | 3 | Receivables from related parties | 44,265 | 45 days EOM | - |
| | | Advansus Corp. | 3 | Purchase | 112,134 | 30 days EOM | 1% |
| | | Advansus Corp. | 3 | Payables from related parties | 26,075 | 30 days EOM | - |
| 5 | ADL | ADL (AFR) | 3 | Payables from related parties | 742 | 30 days after invoice date | - |
| | | AEU | 3 | Commission revenue | 39,725 | Normal | - |
| | | AEU | 3 | Receivables from related parties | 14,471 | 30 days after invoice date | - |
| | | AEU | 3 | Payables from related parties | 317 | 30 days after invoice date | - |
| | | AEUH | 3 | Interest expense | 97 | Normal | - |
| | | ATC | 3 | Receivables from related parties | 4,299 | 30 days after invoice date | - |
| | | ADL (AFR) | 3 | Commission revenue | 20,226 | Normal | - |
| | | AEU | 3 | Receivables from related parties | 2,920 | 30 days after invoice date | - |
| | | AEU | 3 | Payables from related parties | 12 | 30 days after invoice date | - |
| | | ADL | 3 | Receivables from related parties | 742 | 30 days after invoice date | - |
| | | A-DLoG | 3 | Receivables from related parties | 783 | 30 days upon delivery | - |
| | | ADL (AIT) | 3 | Commission revenue | 25,238 | Normal | - |
| | | AEU | 3 | Payables from related parties | 135 | 30 days after invoice date | - |
| | | AEU | 3 | Advance receipt from related parties | 5,006 | 30 days after invoice date | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note B) | Transaction Details (Note D) | | | |
|--------------------|--------------|--|--|--|--|--|---|
| | | | | Financial Statement Account | Amount | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| | ADL (AUK) | AEU AEU AEU AEU ANA ANA ATC | 3 3 3 3 3 3 3 | Royalty revenue Commission revenue Receivables from related parties Payables from related parties Royalty revenue Receivables from related parties Receivables from related parties | \$ 771 6,850 5,456 312 385 392 4,432 | Normal Normal 30 days after invoice date 30 days after invoice date Normal Immediate payment 7 days after invoice date | - - - - - - - |
| 6 | AEUH | ACN ADL AEU AEU | 3 3 3 3 | Payables from related parties Interest revenue Interest revenue Receivables from related parties | 212 97 390 25,448 | 30 days EOM Normal Normal Short-term financing | - - - - |
| 7 | AiSC | AAC (HK) ABJ (ACN) ABJ (ACN) ABJ (ACN) ACA ACA ACN ACN AEU AJP AJP AKMC AKMC AKMC AKMC ANA ASG ASG Advantech Co., Ltd. Advantech Co., Ltd. Advantech Co., Ltd. Hangzhou Advantofine Automation Tech. Co., Ltd. Hangzhou Advantofine Automation Tech. Co., Ltd. | 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 2 2 2 3 3 | Receivables from related parties Receivables from related parties Sales Interest revenue Sales Receivables from related parties Purchase Payables from related parties Sales Receivables from related parties Sales Payables from related parties Purchase Receivables from related parties Sales Sales Sales Receivables from related parties Sales Sales Purchase Purchase Receivables from related parties Sales | 8,330 149,864 69,638 1,019 10,605 1,328 150,980 66,972 84 16 26 45,272 95,542 109,224 122,834 687 169 49 629 689,559 1,018,495 12,683 18,693 | 90 days 25th of every month Normal Normal 60 days after invoice date 60 days after invoice date Normal 25th of every month Immediate payment 60 days EOM Normal Immediate payment Normal 30 days EOM Normal Normal Normal 30 days EOM Normal 45 days EOM Normal Immediate payment Normal | - 1% - - - - 1% - - - - - - - - - - - - - - 3% 7% - - |
| 8 | AJP | A-DLoG A-DLoG AiSC AiSC ANA Advantech Co., Ltd. Advantech Co., Ltd. | 3 3 3 3 2 2 | Purchase Payables from related parties Purchase Payables from related parties Purchase Other expense Payables from related parties | 100 1 26 16 83 2,609 46,557 | Normal 45 days EOM Normal 60 days EOM Normal Normal 60-90 days | - - - - - - - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note B) | Transaction Details (Note D) | | | % to Consolidated Assets/Revenue (Note C) |
|--------------------|--------------|------------------------------|------------------------------------|----------------------------------|-----------|----------------------------|---|
| | | | | Financial Statement Account | Amount | Payment Terms | |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | \$ 155 | 60-90 days | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 142,504 | Normal | 1% |
| | | Netstar Technology Co., Ltd. | 3 | Payables from related parties | 405 | 60 days EOM | - |
| | | Netstar Technology Co., Ltd. | 3 | Purchase | 403 | Normal | - |
| 9 | AKMC | AAU | 3 | Payables from related parties | 113 | 30 days after invoice date | - |
| | | ACA | 3 | Payables from related parties | 190,375 | 45 days EOM | 1% |
| | | ACA | 3 | Purchase | 467,481 | Normal | 3% |
| | | ACA | 3 | Receivables from related parties | 843 | 60-90 days | - |
| | | ACA | 3 | Sales | 828 | Next 30 days EOM | - |
| | | ACN | 3 | Payables from related parties | 4,567 | 60-90 days | - |
| | | ACN | 3 | Receivables from related parties | 7,466 | 60-90 days | - |
| | | ACN | 3 | Sales | 21,952 | Normal | - |
| | | ACN | 3 | Rental revenue | 2,144 | Normal | - |
| | | ACN | 3 | Purchase | 6,016 | Normal | - |
| | | AEU | 3 | Sales | 258 | Normal | - |
| | | AEU | 3 | Receivables from related parties | 40 | 60 days EOM | - |
| | | AEU | 3 | Payables from related parties | 49 | 30 days after invoice date | - |
| | | AEU | 3 | Purchase | 28 | Normal | - |
| | | AiSC | 3 | Payables from related parties | 109,224 | 30 days EOM | - |
| | | AiSC | 3 | Purchase | 122,834 | Normal | 1% |
| | | AiSC | 3 | Receivables from related parties | 45,272 | Immediate payment | - |
| | | AiSC | 3 | Sales | 95,542 | Normal | - |
| | | AKR | 3 | Sales | 48 | Normal | - |
| | | ANA | 3 | Payables from related parties | 149,024 | 30 days after invoice date | 1% |
| | | ANA | 3 | Purchase | 7,084 | Normal | - |
| | | ANA | 3 | Interest expense | 1,424 | Normal | - |
| | | ANA | 3 | Sales | 98 | Normal | - |
| | | ANA | 3 | Receivables from related parties | 17 | 60-90 days | - |
| | | ATH | 3 | Purchase | 186 | Normal | - |
| | | ASG | 3 | Receivables from related parties | 9 | 30 days after invoice date | - |
| | | ASG | 3 | Sales | 9 | Normal | - |
| | | ATC | 3 | Payables from related parties | 4,783 | 60-90 days | - |
| | | ATC | 3 | Purchase | 15,968 | Normal | - |
| | | ATC | 3 | Receivables from related parties | 601,543 | 60-90 days | 2% |
| | | ATC | 3 | Sales | 3,308,893 | Normal | 23% |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 102,921 | 45 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 375,251 | Normal | 3% |
| | | Cermate (Shenzhen) | 3 | Purchase | 15,449 | Normal | - |
| | | Cermate (Shenzhen) | 3 | Payables from related parties | 1,391 | 40 days EOM | - |
| | | Advansus Corp. | 3 | Purchase | 322,277 | Normal | 2% |
| | | Advansus Corp. | 3 | Payables from related parties | 105,197 | 60-90 days | - |
| | | Advansus Corp. | 3 | Receivables from related parties | 6,223 | Immediate payment | - |
| | | Advansus Corp. | 3 | Sales | 6,316 | Normal | - |
| | | Netstar Technology Co., Ltd. | 3 | Sales | 106,326 | Normal | 1% |
| | | Netstar Technology Co., Ltd. | 3 | Receivables from related parties | 28,320 | Next 60 days EOM | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note B) | Transaction Details (Note D) | | | % to Consolidated Assets/Revenue (Note C) |
|--------------------|--------------|------------------------------|------------------------------------|----------------------------------|---------|----------------------------|---|
| | | | | Financial Statement Account | Amount | Payment Terms | |
| | | Netstar Technology Co., Ltd. | 3 | Purchase | \$ 393 | Normal | - |
| | | Netstar Technology Co., Ltd. | 3 | Payables from related parties | 266 | Next 60 days EOM | - |
| 10 | AKR | ACN | 3 | Purchase | 89 | Normal | - |
| | | AEU | 3 | Purchase | 489 | Normal | - |
| | | AEU | 3 | Payables from related parties | 13 | 30 days after invoice date | - |
| | | AKMC | 3 | Purchase | 48 | Normal | - |
| | | ANA | 3 | Purchase | 388 | Normal | - |
| | | ANA | 3 | Payables from related parties | 37 | 45 days after invoice date | - |
| | | Advantech Co., Ltd. | 2 | Other expense | 2,527 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 56,388 | Immediate payment | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 265,661 | Normal | 2% |
| | | Advantech Co., Ltd. | 2 | Sales | 71 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 72 | 30 days EOM | - |
| | | Advansus Corp. | 3 | Purchase | 57,487 | Normal | - |
| | | Advansus Corp. | 3 | Payables from related parties | 24,051 | 60-90 days | - |
| 11 | AMY | ACN | 3 | Purchase | 24 | Normal | - |
| | | ASG | 3 | Purchase | 4,116 | Normal | - |
| | | ASG | 3 | Payables from related parties | 585 | 30 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Other expense | 1,130 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 9,349 | 45 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 28,200 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Sales | 8 | Normal | - |
| 12 | ANA | AAU | 3 | Sales | 23 | Normal | - |
| | | Netstar Technology Co., Ltd. | 3 | Purchase | 207 | Normal | - |
| | | ACA | 3 | Receivables from related parties | 569 | 60 days after invoice date | - |
| | | ABR | 3 | Sales | 9 | Normal | - |
| | | ACN | 3 | Purchase | 501 | 30 days EOM | - |
| | | ADL (AUK) | 3 | Commission expense | 385 | Normal | - |
| | | ADL (AUK) | 3 | Payables from related parties | 392 | Immediate payment | - |
| | | AEU | 3 | Purchase | 17,691 | Normal | - |
| | | AEU | 3 | Payables from related parties | 3,162 | 30 days after invoice date | - |
| | | AEU | 3 | Sales | 626 | Normal | - |
| | | AEU | 3 | Receivables from related parties | 440 | 60-90 days | - |
| | | AiSC | 3 | Purchase | 687 | Normal | - |
| | | AJP | 3 | Sales | 83 | Normal | - |
| | | AKR | 3 | Sales | 388 | Normal | - |
| | | AKR | 3 | Receivables from related parties | 37 | 45 days after invoice date | - |
| | | AKMC | 3 | Receivables from related parties | 149,024 | 30 days after invoice date | 1% |
| | | AKMC | 3 | Sales | 7,084 | Normal | - |
| | | AKMC | 3 | Interest revenue | 1,424 | Normal | - |
| | | AKMC | 3 | Purchase | 98 | Normal | - |
| | | AKMC | 3 | Payables from related parties | 17 | 60-90 days | - |
| | | ATH | 3 | Sales | 186 | Normal | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note B) | Transaction Details (Note D) | | | |
|--------------------|--------------|---------------------|------------------------------------|----------------------------------|-----------|----------------------------|---|
| | | | | Financial Statement Account | Amount | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| | | Advantech Co., Ltd. | 2 | Other expense | \$ 9,574 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 603,131 | 45 days EOM | 2% |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 22,436 | 45 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Sales | 53,468 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 3,372,333 | Normal | 23% |
| | | Advansus Corp. | 3 | Purchase | 61 | Normal | - |
| 13 | APL | AEU | 3 | Payables from related parties | 1,305 | 30 days EOM | - |
| | | AEU | 3 | Purchase | 981 | Normal | - |
| | | AEU | 3 | Receivables from related parties | 30,987 | 30 days after invoice date | - |
| | | AEU | 3 | Sales | 23,406 | Normal | - |
| | | AEU | 3 | Commission revenue | 3,465 | 60 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 2,960 | 45 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 4,571 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Sales | 1 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 229 | 30 days after invoice date | - |
| 14 | ASG | A-DLoG | 3 | Purchase | 11 | Normal | - |
| | | AEU | 3 | Payables from related parties | 44 | 30 days after invoice date | - |
| | | AEU | 3 | Purchase | 44 | Normal | - |
| | | AID | 3 | Receivables from related parties | 743 | 30 days upon delivery | - |
| | | AID | 3 | Sales | 733 | Normal | - |
| | | AiSC | 3 | Purchase | 169 | Normal | - |
| | | AiSC | 3 | Payables from related parties | 49 | 30 days EOM | - |
| | | AKMC | 3 | Payables from related parties | 9 | 30 days after invoice date | - |
| | | AKMC | 3 | Purchase | 9 | Normal | - |
| | | AMY | 3 | Sales | 4,116 | Normal | - |
| | | AMY | 3 | Receivables from related parties | 585 | 30 days EOM | - |
| | | ATH | 3 | Sales | 2,025 | Normal | - |
| | | ATH | 3 | Other revenue | 1,624 | Normal | - |
| | | ATH | 3 | Receivables from related parties | 240 | 30 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Other expense | 1,416 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 30,556 | 60-90 days | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 58,430 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Other revenue | 236 | Normal | - |
| 15 | ATC | ADL | 3 | Payables from related parties | 4,299 | 30 days after invoice date | - |
| | | ADL (AUK) | 3 | Payables from related parties | 4,432 | 7 days after invoice date | - |
| | | AEU | 3 | Payables from related parties | 1,304 | 30 days after invoice date | - |
| | | AKMC | 3 | Payables from related parties | 601,543 | 60-90 days | 2% |
| | | AKMC | 3 | Purchase | 3,308,893 | Normal | 23% |
| | | AKMC | 3 | Receivables from related parties | 4,783 | 60-90 days | - |
| | | AKMC | 3 | Sales | 15,968 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Commission expense | 174,284 | Normal | 1% |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 1,434,971 | 60 days EOM | 5% |
| | | Advantech Co., Ltd. | 2 | Sales | 3,446,245 | Normal | 24% |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note B) | Transaction Details (Note D) | | | % to Consolidated Assets/Revenue (Note C) |
|---------------------|---------------------------|---------------------------|------------------------------------|----------------------------------|--------|----------------------------|---|
| | | | | Financial Statement Account | Amount | Payment Terms | |
| 16 | ATH | ANA | 3 | Purchase | \$ 186 | Normal | - |
| | | ASG | 3 | Purchase | 2,025 | Normal | - |
| | | ASG | 3 | Other expense | 1,624 | Normal | - |
| | | ASG | 3 | Payables from related parties | 240 | 30 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Other expense | 1,167 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 2,957 | 30 days after invoice date | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 18,286 | Normal | - |
| 17 | AXA | ACN | 3 | Payables from related parties | 39,040 | 60 days EOM | - |
| | | ACN | 3 | Receivables from related parties | 163 | 25th of every month | - |
| 18 | A-DLoG | AAU | 3 | Receivables from related parties | 51 | 30 days after invoice date | - |
| | | AAU | 3 | Sales | 51 | Normal | - |
| | | ADL (AFR) | 3 | Payables from related parties | 783 | 30 days upon delivery | - |
| | | AEU | 3 | Payables from related parties | 2,796 | 30 days upon delivery | - |
| | | AEU | 3 | Purchase | 6,609 | 30 days upon delivery | - |
| | | AEU | 3 | Sales | 1,233 | 30 days upon delivery | - |
| | | AEU | 3 | Receivables from related parties | 392 | 30 days upon delivery | - |
| | | AJP | 3 | Sales | 100 | Normal | - |
| | | AJP | 3 | Receivables from related parties | 1 | 45 days EOM | - |
| | | ASG | 3 | Sales | 11 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Other expense | 2,791 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 6,104 | 30 days after invoice date | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 19,110 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 8,625 | 30 days after invoice date | - |
| Advantech Co., Ltd. | 2 | Sales | 21,145 | Normal | - | | |
| 19 | Cermate (Shenzhen) | AKMC | 3 | Sales | 15,449 | Normal | - |
| | | AKMC | 3 | Receivables from related parties | 1,391 | 40 days EOM | - |
| | | Cermate (Shanghai) | 3 | Sales | 10,981 | Normal | - |
| | | Cermate (Shanghai) | 3 | Receivables from related parties | 136 | 60 days EOM | - |
| | | Cermate (Shanghai) | 3 | Purchase | 86 | Normal | - |
| | | Cermate Technologies Inc. | 3 | Purchase | 32,511 | Normal | - |
| | | Cermate Technologies Inc. | 3 | Payables from related parties | 12,764 | 30 days EOM | - |
| | | Cermate Technologies Inc. | 3 | Sales | 11,394 | Normal | - |
| | | Cermate Technologies Inc. | 3 | Receivables from related parties | 2,723 | 60 days EOM | - |
| 20 | Cermate Technologies Inc. | Advantech Co., Ltd. | 2 | Purchase | 51 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 54 | 30 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Other expense | 360 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 727 | 30 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Sales | 2,512 | Normal | - |
| | | Cermate (Shenzhen) | 3 | Purchase | 11,394 | Normal | - |
| | | Cermate (Shenzhen) | 3 | Payables from related parties | 2,723 | 60 days EOM | - |
| | | Cermate (Shenzhen) | 3 | Receivables from related parties | 12,764 | 30 days EOM | - |
| | | Cermate (Shenzhen) | 3 | Sales | 32,511 | Normal | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note B) | Transaction Details (Note D) | | | % to Consolidated Assets/Revenue (Note C) |
|------------------------------|------------------------------|---------------------|------------------------------------|----------------------------------|-----------|----------------------------|---|
| | | | | Financial Statement Account | Amount | Payment Terms | |
| 21 | Cermate (Shanghai) | Cermate (Shenzhen) | 3 | Purchase | \$ 10,981 | Normal | - |
| | | Cermate (Shenzhen) | 3 | Sales | 86 | Normal | - |
| | | Cermate (Shenzhen) | 3 | Payables from related parties | 136 | 60 days EOM | - |
| 22 | BCM Embedded Computer Inc. | Advantech Co., Ltd. | 2 | Rental expense | 30 | Normal | - |
| 23 | Advansus Corp. | ACA | 3 | Purchase | 229,132 | Normal | 2% |
| | | ACA | 3 | Payables from related parties | 44,265 | 45 days EOM | - |
| | | ACA | 3 | Sales | 112,134 | Normal | 1% |
| | | ACA | 3 | Receivables from related parties | 26,075 | 30 days EOM | - |
| | | AKMC | 3 | Payables from related parties | 6,223 | Immediate payment | - |
| | | AKMC | 3 | Purchase | 6,316 | Normal | - |
| | | AKMC | 3 | Sales | 322,277 | Normal | 2% |
| | | AKMC | 3 | Receivables from related parties | 105,197 | 60-90 days | - |
| | | AKR | 3 | Sales | 57,487 | Normal | - |
| | | AKR | 3 | Receivables from related parties | 24,051 | 60-90 days | - |
| | | ANA | 3 | Sales | 61 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Rental expense | 30 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 3,805 | 60-90 days | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 6,221 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 97,145 | 60-90 days | - |
| | | Advantech Co., Ltd. | 2 | Sales | 252,251 | Normal | 2% |
| | | Advantech Co., Ltd. | 2 | Rental revenue | 85 | Normal | - |
| Netstar Technology Co., Ltd. | 3 | Sales | 4 | Normal | - | | |
| 24 | Netstar Technology Co., Ltd. | AJP | 3 | Receivables from related parties | 405 | 60 days EOM | - |
| | | AJP | 3 | Sales | 403 | Normal | - |
| | | AKMC | 3 | Purchase | 106,326 | Normal | - |
| | | AKMC | 3 | Payables from related parties | 28,320 | Next 60 days EOM | - |
| | | AKMC | 3 | Sales | 393 | Normal | - |
| | | AKMC | 3 | Receivables from related parties | 266 | Next 60 days EOM | - |
| | | ANA | 3 | Sales | 207 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 93 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 327 | 25th of every quarter | - |
| | | Advantech Co., Ltd. | 2 | Other expense | 480 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 20,999 | 60 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Sales | 39,848 | Normal | - |
| | | Advansus Corp. | 3 | Purchase | 4 | Normal | - |
| 25 | AEU | ACN | 3 | Purchase | 1,473 | Normal | - |
| | | ACN | 3 | Receivables from related parties | 131 | 30 days after invoice date | - |
| | | ADL | 3 | Payables from related parties | 14,471 | 30 days after invoice date | - |
| | | ADL | 3 | Commission expense | 39,725 | Normal | - |
| | | ADL | 3 | Receivables from related parties | 317 | 30 days after invoice date | - |
| | | ADL (AFR) | 3 | Payables from related parties | 2,920 | 30 days after invoice date | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note B) | Transaction Details (Note D) | | | % to Consolidated Assets/Revenue (Note C) |
|--------------------|--------------|---------------------|------------------------------------|----------------------------------|-----------|----------------------------|---|
| | | | | Financial Statement Account | Amount | Payment Terms | |
| | | ADL (AFR) | 3 | Commission expense | \$ 20,226 | Normal | - |
| | | ADL (AFR) | 3 | Receivables from related parties | 12 | 30 days after invoice date | - |
| | | ADL (AIT) | 3 | Commission expense | 25,238 | Normal | - |
| | | ADL (AIT) | 3 | Receivables from related parties | 135 | 30 days after invoice date | - |
| | | ADL (AIT) | 3 | Prepayments to related parties | 5,006 | 30 days after invoice date | - |
| | | ADL (AUK) | 3 | Payables from related parties | 5,456 | 30 days after invoice date | - |
| | | ADL (AUK) | 3 | Royalty expense | 771 | Normal | - |
| | | ADL (AUK) | 3 | Commission expense | 6,850 | Normal | - |
| | | ADL (AUK) | 3 | Receivables from related parties | 312 | 30 days after invoice date | - |
| | | A-DLoG | 3 | Purchase | 1,233 | 30 days upon delivery | - |
| | | A-DLoG | 3 | Payables from related parties | 392 | 30 days upon delivery | - |
| | | A-DLoG | 3 | Receivables from related parties | 2,796 | 30 days upon delivery | - |
| | | A-DLoG | 3 | Sales | 6,609 | 30 days upon delivery | - |
| | | AEUH | 3 | Payables from related parties | 25,448 | Short-term financing | - |
| | | AiSC | 3 | Purchase | 84 | Immediate payment | - |
| | | AKMC | 3 | Purchase | 258 | Normal | - |
| | | AKMC | 3 | Payables from related parties | 40 | 60-90 days | - |
| | | AKMC | 3 | Receivables from related parties | 49 | 30 days after invoice date | - |
| | | AKMC | 3 | Sales | 28 | Normal | - |
| | | AKR | 3 | Sales | 489 | Normal | - |
| | | AKR | 3 | Receivables from related parties | 13 | 30 days after invoice date | - |
| | | ANA | 3 | Purchase | 626 | Normal | - |
| | | ANA | 3 | Payables from related parties | 440 | 60-90 days | - |
| | | ANA | 3 | Sales | 17,691 | Normal | - |
| | | ANA | 3 | Receivables from related parties | 3,162 | 30 days after invoice date | - |
| | | APL | 3 | Payables from related parties | 30,987 | 30 days after invoice date | - |
| | | APL | 3 | Purchase | 23,406 | Normal | - |
| | | APL | 3 | Receivables from related parties | 1,305 | 30 days EOM | - |
| | | APL | 3 | Sales | 981 | Normal | - |
| | | APL | 3 | Commission expense | 3,465 | 60 days EOM | - |
| | | ASG | 3 | Receivables from related parties | 44 | 30 days after invoice date | - |
| | | ASG | 3 | Sales | 44 | Normal | - |
| | | ATC | 3 | Receivables from related parties | 1,304 | 30 days after invoice date | - |
| | | Advantech Co., Ltd. | 2 | Other expense | 6,918 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Sales | 970 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 1,209 | 30 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 798,947 | 30 days EOM | 3% |
| | | AEUH | 3 | Interest expense | 390 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 1,129,371 | Normal | 8% |
| 26 | AAC (HK) | AiSC | 3 | Payables from related parties | 8,330 | 90 days | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 70 | 45 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Other revenue | 2,136 | 60 days EOM | - |

(Continued)

| Number (Note A) | Company Name | Counter Party | Flow of Transaction (Note B) | Transaction Details (Note D) | | | |
|--------------------|--|---------------------|------------------------------------|----------------------------------|--------|----------------------------|---|
| | | | | Financial Statement Account | Amount | Payment Terms | % to Consolidated Assets/Revenue (Note C) |
| 27 | Hangzhou Advantofine Automation Tech. Co., Ltd. | ACN | 3 | Sales | \$ 889 | Normal | - |
| | | AiSC | 3 | Payables from related parties | 12,683 | Immediate payment | - |
| | | AiSC | 3 | Purchase | 18,693 | Normal | - |
| 28 | Advantech Fund-A | Advantech Co., Ltd. | 2 | Rental expense | 18 | Normal | - |
| 29 | AIN | Advantech Co., Ltd. | 2 | Purchase | 8,786 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 9,266 | 60 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Sales | 420 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 612 | 60 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Other revenue | 3,402 | Normal | - |
| 30 | AID | ASG | 3 | Payables from related parties | 743 | 30 days upon delivery | - |
| | | ASG | 3 | Purchase | 733 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 374 | 45 days after invoice date | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 477 | Normal | - |
| 31 | AiST | Advantech Co., Ltd. | 2 | Other expense | 80 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 7,983 | 30 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Purchase | 15,113 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 7 | 30 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Sales | 1,775 | Normal | - |
| 32 | Broadwin Technology Inc. | Advantech Co., Ltd. | 2 | Purchase | 297 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Payables from related parties | 355 | 60 days EOM | - |
| | | Advantech Co., Ltd. | 2 | Other expense | 400 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Sales | 216 | Normal | - |
| | | Advantech Co., Ltd. | 2 | Receivables from related parties | 2,294 | 60 days EOM | - |

Note A: The Parent Company and its subsidiaries are numbered as follows:

1. "0" for Advantech Co., Ltd.
2. Subsidiaries are numbered from "1".

Note B: The flow of related-party transactions is as follows:

1. From the Parent Company to its subsidiary.
2. From the subsidiary to its Parent Company.
3. Between subsidiaries.

Note C: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of June 30, 2013, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the six months ended June 30, 2013.

Note D: All intercompany transactions have been eliminated from consolidation.

(Concluded)