Advantech Co., Ltd.

Financial Statements for the
Six Months Ended June 30, 2007 and 2006 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Advantech Co., Ltd. as of June 30, 2007 and 2006, and the related statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As stated in Note 8 to the financial statements, Advantech Co., Ltd. had investments accounted for by the equity method. As of June 30, 2007 and 2006, these investments had carrying values of NT$3,015,355 thousand and NT$3,476,317 thousand, respectively. As of June 30, 2007 and 2006, the credit balances on the carrying values of equity-method investees were NT$6,356 thousand and NT$1,009 thousand, respectively. The foregoing investment amounts and the net investment gains of NT$123,981 thousand and NT$518,382 thousand in the six months ended June 30, 2007 and 2006, respectively, as well as additional disclosures in Note 20 required by the Securities and Futures Bureau for the Company and its investees, were based on the investees' unaudited financial statements for the same reporting periods as those of the Company.

In our opinion, except for any adjustments that might have been determined to be necessary had the above equity-method investment amounts been based on the investees' audited financial statements, the financial statements referred to above present fairly, in all material respects, the financial position of Advantech Co., Ltd. as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the six-months then ended in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, on January 1, 2006, Advantech Co., Ltd. adopted the new Statements of Financial Accounting Standards ("Statements") No. 34 - "Accounting for Financial Instruments" and No. 36 - "Disclosure and Presentation of Financial Instruments" and related revisions of previously released Statements.

We have reviewed the consolidated financial statements of Advantech Co., Ltd. and its subsidiaries for the six months ended June 30, 2007 and 2006 (not presented herein) and have issued an qualified accountants' review report on the consolidated financial statements.

July 24, 2007

<u>Notice to Readers</u>

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

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

ADVANTECH CO., LTD.

BALANCE SHEETS
JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2007 Amount	2007 %	2006 Amount	2006 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 2,309,772	13	$ 1,343,521	9
Financial assets at fair value through profit or loss (Notes 2, 3, 5 and 19)	911	-	-	-
Available-for-sale financial assets - current (Notes 2, 3, 6 and 19)	1,652,264	9	1,743,131	11
Notes receivable (Note 2)	60,844	1	40,440	-
Accounts receivable, net of allowance for doubtful accounts of $10,191 thousand in 2007 and $9,603 thousand in 2006 (Note 2)	580,780	3	534,136	4
Receivables from related parties (Notes 2 and 16)	1,899,333	11	2,234,335	14
Tax refund receivable	32,713	-	143,628	1
Inventories, net (Notes 2 and 7)	1,048,543	6	1,222,660	8
Deferred income tax assets - current (Notes 2 and 13)	47,068	-	44,310	-
Prepayments and other current assets	23,608	-	46,919	-
Total current assets	7,655,836	43	7,353,080	47
LONG-TERM FUNDS AND INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2, 3, 6 and 19)	3,950,608	22	3,205,245	20
Equity-method investment (Notes 2 and 8)	4,315,817	24	3,476,317	22
Total long-term funds and investments	8,266,425	46	6,681,562	42
PROPERTIES (Notes 2 and 9)				
Cost				
Land	640,472	4	640,472	4
Buildings and equipment	844,911	5	844,911	5
Machinery and equipment	338,631	2	291,556	2
Furniture and fixtures	97,622	-	83,279	1
Miscellaneous equipment	160,237	1	139,136	1
Total cost	2,081,873	12	1,999,354	13
Accumulated depreciation	436,500	3	405,009	3
	1,645,373	9	1,594,345	10
Advances for equipment acquisition	163,951	1	2,606	-
Net properties	1,809,324	10	1,596,951	10
OTHER ASSETS				
Refundable deposits	12,074	-	7,928	-
Deferred expenses, net (Note 2)	135,197	1	125,593	1
Certificates of deposit - pledged (Note 17)	1,600	-	1,600	-
Total other assets	148,871	1	135,121	1
TOTAL	$ 17,880,456	100	$ 15,766,714	100

LIABILITIES AND SHAREHOLDERS' EQUITY	2007 Amount	2007 %	2006 Amount	2006 %
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 2, 3, 5 and 19)	$ 81	-	$ 403	-
Accounts payable	687,717	4	556,089	4
Payables to related parties (Note 16)	505,118	3	546,900	4
Income tax payable (Notes 2 and 13)	186,299	1	145,252	1
Accrued expenses	286,170	2	200,376	1
Dividend payable and employee bonus payable (Note 12)	2,232,439	12	2,079,253	13
Bonds payable - current portion (Notes 2 and 10)	-	-	2,700	-
Other current liabilities	77,307	-	57,047	-
Total current liabilities	3,975,131	22	3,588,020	23
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 11)	111,171	1	110,964	1
Deferred income tax liabilities - noncurrent (Notes 2 and 13)	214,211	1	106,095	1
Deferred income (Notes 2 and 16)	200,395	1	238,941	1
Miscellaneous (Notes 2 and 8)	6,356	-	1,963	-
Total other liabilities	532,133	3	457,963	3
Total liabilities	4,507,264	25	4,045,983	26
SHAREHOLDERS' EQUITY				
Capital stock, NT$10.00 par value				
Authorized - 600,000 thousand shares				
Issued and Outstanding - 463,665 thousand shares in 2007 and 449,138 thousand shares in 2006	4,636,645	26	4,491,383	28
For issuance	271,825	1	139,792	1
Total capital stock	4,908,470	27	4,631,175	29
Capital surplus				
Paid-in capital in excess of par value	4,363,403	25	4,349,570	28
From long-term equity investments	63,543	-	71,270	-
Total capital surplus	4,426,946	25	4,420,840	28
Retained earnings				
Legal reserve	1,378,115	8	1,086,326	7
Unappropriated earnings	2,000,976	11	1,794,233	11
Total retained earnings	3,379,091	19	2,880,559	18
Others				
Cumulative translation adjustments	175,541	1	54,970	1
Unrealized valuation gains (losses) on financial instruments	483,144	3	(266,813)	(2)
Total others	658,685	4	(211,843)	(1)
Total shareholders' equity	13,373,192	75	11,720,731	74
TOTAL	$ 17,880,456	100	$ 15,766,714	100

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

(With Deloitte & Touche audit report dated July 24, 2007)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 16)				
Sales	$ 5,241,745	100	$ 5,005,176	100
Sales returns and allowances	48,629	1	26,484	1
Net sales	5,193,116	99	4,978,692	99
Other operating revenues	70,553	1	41,251	1
Total operating revenue	5,263,669	100	5,019,943	100
OPERATING COSTS (Notes 2, 14 and 16)	3,704,054	70	3,526,553	70
GROSS PROFIT	1,559,615	30	1,493,390	30
REALIZED PROFITS ON INTERCOMPANY SALES (Note 2)	72,435	1	24,194	-
ADJUSTED GROSS PROFIT	1,632,050	31	1,517,584	30
OPERATING EXPENSES (Note 14)				
Marketing	144,978	3	133,119	3
Administrative	180,941	3	151,068	3
Research and development	396,975	8	279,385	5
Total operating expenses	722,894	14	563,572	11
OPERATING INCOME	909,156	17	954,012	19
NONOPERATING INCOME AND GAINS				
Interest	14,472	-	11,033	-
Equity in net income of investees, net (Notes 2 and 8)	447,982	9	518,382	11
Gain on disposal of investments	155,960	3	84,915	2
Foreign exchange gain, net (Note 2)	29,721	1	55,276	1
Royalty revenue (Note 16)	75,906	2	66,496	1
Reversal of allowance for loss on inventories (Note 2)	70,601	1	-	-
Financial instrument revaluation gain, net (Notes 2 and 5)	7,764	-	-	-
Other income (Notes 3 and 16)	7,559	-	14,228	-
Total nonoperating income and gains	809,965	16	750,330	15

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of scrap inventories (Notes 2 and 7)	$ 108,849	2	$ 31,128	1
Provision for losses on inventories (Notes 2 and 7)	-	-	51,173	1
Financial asset revaluation loss, net (Notes 2 and 5)	-	-	2,653	-
Other expenses	1,354	-	3,372	-
Total nonoperating expenses and losses	110,203	2	88,326	2
INCOME BEFORE INCOME TAX	1,608,918	31	1,616,016	32
INCOME TAX (Notes 2 and 13)	195,629	4	158,662	3
NET INCOME	$ 1,413,289	27	$ 1,457,354	29

	2007		2006	
	Income Before Income Tax	**Net Income**	**Income Before Income Tax**	**Net Income**
EARNINGS PER SHARE (Note 15)				
Basic	$ 3.47	$ 3.05	$ 3.49	$ 3.15
Diluted	$ 3.46	$ 3.04	$ 3.48	$ 3.14

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

(With Deloitte & Touche audit report dated July 24, 2007) (Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	Capital Stock - Issued and Outstanding (Notes 10 and 12)			Capital Surplus (Notes 2 and 12)			Retained Earnings (Notes 2 and 12)					Unrealized Valuation Gains (Losses) on Financial Instruments	
	Shares (Thousands)	Amount	For Issuance (Note 12)	Paid-in Capital in Excess of Par Value	From Long-term Equity Investments	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Note 2)	(Notes 2, 3 and 19)	Total Shareholders' Equity
BALANCE, JANUARY 1, 2007	463,630	$ 4,636,295	$ -	$ 4,362,548	$64,098	$ 4,426,646	$ 1,086,326	$ -	$ 3,254,770	$ 4,341,096	$ 114,993	$ 514,705	$ 14,033,735
Appropriation of the 2006 earnings													
Legal reserve	-	-	-	-	-	-	291,789	-	(291,789)	-	-	-	-
Bonus to employees	-	-	40,000	-	-	-	-	-	(262,610)	(262,610)	-	-	(222,610)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(26,261)	(26,261)	-	-	(26,261)
Stock dividends - 5%	-	-	231,825	-	-	-	-	-	(231,825)	(231,825)	-	-	-
Cash dividends - NT$4.00 per share	-	-	-	-	-	-	-	-	(1,854,598)	(1,854,598)	-	-	(1,854,598)
Net income for the six months ended June 30, 2007	-	-	-	-	-	-	-	-	1,413,289	1,413,289	-	-	1,413,289
Employee stock options	35	350	-	855	-	855	-	-	-	-	-	-	1,205
Increase in carrying value of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	(3,699)	(3,699)	-	-	-	-	-	-	(3,699)
Changes in capital surplus on long-term equity-method investments	-	-	-	-	3,144	3,144	-	-	-	-	-	-	3,144
Changes in unrealized losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(29,316)	(29,316)
Equity in the changes in unrealized valuation gains on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	(2,245)	(2,245)
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	60,548	-	60,548
BALANCE, JUNE 30, 2007	463,665	$ 4,636,645	$ 271,825	$ 4,363,403	$63,543	$ 4,426,946	$ 1,378,115	$ -	$ 2,000,976	$ 3,379,091	$ 175,541	$ 483,144	$ 13,373,192
BALANCE, JANUARY 1, 2006	448,900	$ 4,489,003	$ -	$ 4,342,204	$50,365	$ 4,392,569	$ 843,346	$19,661	$ 2,688,544	$ 3,551,551	$ 39,481	$ -	$ 12,472,604
Adjustment due to accounting changes (Note 3)	-	-	-	-	-	-	-	-	-	-	-	620,449	620,449
Appropriation of the 2005 earnings													
Legal reserve	-	-	-	-	-	-	242,980	-	(242,980)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(19,661)	19,661	-	-	-	-
Bonus to employees	-	-	50,000	-	-	-	-	-	(220,648)	(220,648)	-	-	(170,648)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(22,065)	(22,065)	-	-	(22,065)
Stock dividends - 2%	-	-	89,792	-	-	-	-	-	(89,792)	(89,792)	-	-	-
Cash dividends - NT$4.00 per share	-	-	-	-	-	-	-	-	(1,795,841)	(1,795,841)	-	-	(1,795,841)
Net income for the six months ended June 30, 2006	-	-	-	-	-	-	-	-	1,457,354	1,457,354	-	-	1,457,354
Conversion of bonds into capital stock and capital surplus	148	1,480	-	4,720	-	4,720	-	-	-	-	-	-	6,200
Employee stock options	90	900	-	2,646	-	2,646	-	-	-	-	-	-	3,546
Increase in capital surplus and cumulative translation adjustments due to disposal of long-term investment	-	-	-	-	-	-	-	-	-	-	5,993	-	5,993
Increase in carrying value of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	20,905	20,905	-	-	-	-	-	-	20,905
Changes in unrealized losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(887,693)	(887,693)
Equity in the changes in unrealized losses on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	431	431
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	9,496	-	9,496
BALANCE, JUNE 30, 2006	449,138	$ 4,491,383	$ 139,792	$ 4,349,570	$71,270	$ 4,420,840	$ 1,086,326	$ -	$ 1,794,233	$ 2,880,559	$ 54,970	$ (266,813)	$ 11,720,731

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

(With Deloitte & Touche audit report dated July 24, 2007)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,413,289	$ 1,457,354
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	69,164	55,738
Provision (reversal of allowance) for bad debts	(201)	(42)
Provision (reversal of allowance) for losses on inventories	(70,601)	51,173
Loss on disposal of scrap inventories	108,849	31,128
Gain on disposal of long-term equity investments, net	(38,444)	(74,439)
Gain on the sale of available-for-sale financial assets, net	(117,516)	(10,476)
Loss (gain) on disposal of properties, net	20	(82)
Equity in net gain of investees, net	(447,982)	(518,382)
Cash dividends from equity-method investees	106,816	390,142
Accrued pension liabilities	207	16
Deferred income taxes	75,412	20,339
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(1,370)	(86)
Notes receivable	(10,607)	57,867
Accounts receivable	(99,046)	(132,259)
Receivables from related parties	179,674	(462,995)
Tax refund receivable	4,712	(11,381)
Inventories	91,616	(84,137)
Prepayments and other current assets	(9,265)	(26,576)
Notes payable	-	182
Accounts payable	152,112	(143,925)
Payables to related parties	242,853	25,695
Income tax payable	48,416	88,381
Accrued expenses	75,603	(65,747)
Other current liabilities	30,869	30,013
Deferred income	(72,435)	(24,194)
Net cash provided by operating activities	1,732,145	653,307
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(6,586,234)	(375,611)
Proceeds of the sale of available-for-sale financial assets	6,141,263	74,629
Acquisition of long-term equity investments	(100,000)	(547,507)
Proceeds of the sale of equity-method investments	69,898	12,782
Acquisition of properties	(225,047)	(27,785)
Proceeds of the disposal of properties	25	100
Increase in deferred expenses	(22,769)	(11,723)
Decrease in certificates of deposit - pledged	-	2,500
Decrease (increase) in refundable deposits	519	(443)
Net cash used in investing activities	(722,345)	(873,058)

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits received	$ -	$ (273)
Employee stock option	1,205	3,546
Bonus paid to employees	(11,601)	(57,826)
Remuneration to directors and supervisors	(1,200)	(1,500)
Net cash used in financing activities	(11,596)	(56,053)
NET INCREASE (DECREASE) IN CASH	998,204	(275,804)
CASH, BEGINNING OF PERIOD	1,311,568	1,619,325
CASH, END OF PERIOD	$ 2,309,772	$ 1,343,521
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Income tax paid	$ 71,801	$ 49,942
NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends payable and remuneration to directors and supervisors and bonus to employees payable	$ 2,103,469	$ 1,988,554
Cash dividends receivable on equity-method investments	$ 77,542	$ 336,374
Credit balances on the carrying values of investments recorded as part of other liabilities	$ 6,356	$ 1,009
Reclassification of properties leased to others into properties	$ -	$ 21,344
Conversion of bonds into capital stock and capital surplus	$ -	$ 6,200

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

(With Deloitte & Touche audit report dated July 24, 2007) (Concluded)

1. ORGANIZATION AND OPERATIONS

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

As of June 30, 2007 and 2006, the Company had 1,255 and 1,010 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

The Company's significant accounting policies are summarized as follows:

Current and Noncurrent Assets and Liabilities

Current assets include cash (unrestricted), financial assets held for trading and other assets to be consumed or used up within 12 months from the balance sheet date. Current liabilities include obligations resulting from trading or to be repaid or settled within 12 months from the balance sheet date, all other assets and liabilities are classified as noncurrent.

Cash Equivalents

Commercial paper purchased under repurchase agreements of less than three months from the date of purchase are classified as cash equivalents. Their carrying amount approximates fair value.

Financial Assets/Liabilities at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets or liabilities for trading. These derivatives are initially recognized at fair value, with transaction costs expensed as incurred. After initial recognition, the derivatives are remeasured at fair value, with the changes in fair value recognized in current earnings. Purchase or sale of financial assets under customary transactions is recognized and derecognized using trading date accounting.

Derivatives that do not meet the criteria for hedge accounting are classified as trading financial assets or liabilities. When the fair value is a positive amount, the derivative is recognized as a financial asset; when the fair value is a negative amount, the derivative is recognized as a financial liability.

Fair value is estimated using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

Available-for-sale Financial Assets

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

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

Fair values of open-end mutual funds and publicly traded stocks are determined at their net asset values and closing prices, respectively, at the end of the period.

An impairment loss should be recognized on the balance sheet date if there are objective evidences that financial asset is impaired, and this impairment loss should be charged to the net income of the current period. This impairment loss can be reversed to the extent of the original carrying value and recognized as adjustments to shareholders' equity. If the reversible amount of a debt instrument is clearly attributable to an event which occurred after the impairment loss was recognized, then recognized as income.

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

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

If customers' payments are due a year after a sales transaction is made, revenue is recognized on the basis of the fair value of the transaction price (which includes commercial and volume discounts negotiated with the buyer by the Company) calculated at interest rates for similar transactions. In these transactions, the fair value and the actual payments approximate the transaction price.

Allowances for doubtful accounts are provided on the basis of a periodic review of the collectibility and aging of receivables and economic circumstances.

Inventories

Inventories consist of raw materials and supplies, finished goods and work in process. Inventories are stated at the lower of weighted-average cost or market. Market value refers to replacement value of raw materials and supplies and net realizable value of finished goods and work in process.

Estimation of ending inventories includes the evaluation of the possible influences of the changes in manufacturing technologies to recognize losses on disposal of scrap inventories and may include the evaluation of scraps and slow-moving raw materials, depending on future demand for the Company's products, to recognize provision for losses on inventories.

Long-term Equity Investments

Investments in shares of stock of companies in which the Company owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Stock investments accounted for by the equity method are initially carried at cost and subsequently adjusted for the Company's proportionate share in the investees' earnings or losses and changes in capital surplus. Investment income (or loss) is recognized whenever the investees recognize income (or loss). Cash dividends received are recognized as a reduction of the carrying value of the investments. If the equity in losses recognized exceeds the original investment acquisition costs plus any advance given to an equity-method investee, the excess losses should be recognized proportionately and is recorded as part of other liabilities. The difference between the cost of the investment and the Company's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted, is amortized over five years. Effective January 1, 2006, under the revised Statement of Financial Accounting Standards No.5, - "Long-Term Investments in Equity Securities," investment premiums, representing goodwill, are no longer being amortized, but the Company needs to make asset impairment tests regularly. And if there are indications that the goodwill is probably impaired, the Company also needs to make an impairment test. If the net fair value of an asset exceed its investment cost, the difference will be credited to depend on the proportion of noncurrent asset's (not include non-equity-method financial asset, dispose asset waiting for sale, differ tax asset and prepay pension cost or other pension pay) fair value. If the fair value of a noncurrent asset is not enough for crediting purposes, it will recognize as extraordinary gain. The accounting treatment for the investment premiums paid before January 1, 2006 is the same as that for goodwill, which should no longer be amortized, but investment discounts continue to be amortized over the remaining periods.

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

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

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

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

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

Properties

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

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

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

Deferred Expenses

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

Asset Impairment

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

Pension Costs

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

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

If the pension plans are revised, (a) the prior service costs of the defined benefit pension plan are amortized using the straight-line method over the average years from the revision date to conform to the date of benefit vesting, and (b) the prior service costs of the defined contribution pension plan are recognized as part of the net pension cost for the period.

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

Convertible Bonds

The book value of convertible bonds issued before December 31, 2005 is based on issuance prices. The interest-premium on bonds, which is the call price in excess of par value, is recognized as liability by the interest method from the issue date to the expiry date of the call.

To convert bonds to common shares, the Company uses the book value approach, which involves writing off the recognized interest-premium and par value of the convertible bonds. The common stock exchange certificate (capital stock) should be valued at the net written-off carrying amount, and the difference of this amount from the par value of the common stock exchange certificate (capital stock) should be recognized as capital surplus - issue of stock in excess of par value.

Income Tax

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

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

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

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

Foreign-currency Transactions

Foreign currency transactions (except derivative transactions) are recorded in New Taiwan dollars at the spot rates of exchange in effect when the transactions occur.

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

At year-end, the balances of foreign-noncurrency assets and liabilities are restated at the prevailing exchange rates, the resulting differences are recognized as current earnings or a separate component of shareholders' equity, and Balances carried at cost are restated at the history rates and recognized as the rate of the trading rate.

3. ACCOUNTING CHANGES

On January 1, 2006, the Company adopted the new Statements of Financial Accounting Standards ("Statements") No. 34 - "Accounting for Financial Instruments" (SFAS No. 34) and No. 36 - "Disclosure and Presentation for Financial Instruments" and related revisions of previously released Statements.

The effects of the accounting changes are summarized as follows:

Reclassification of financial assets and liabilities

The Company recategorized its financial assets and liabilities upon the adoption of the new Statements. The adjustments made to the carrying amounts of the financial instruments categorized as financial assets or financial liabilities at fair value through profit or loss or hedged financial instruments at fair value were included in the cumulative effect of changes in accounting principles. On the other hand, the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders' equity.

The adjustments based on the accounting changes are summarized as follows:

	Recognized as Cumulative Effect of Changes in Accounting Principles (Note)	Recognized as a Separate Component of Shareholders' Equity
Financial assets or liabilities at fair value through profit or loss	$ 104	$ -
Available-for-sale financial assets - current	-	1,324
Available-for-sale financial assets - noncurrent	-	619,125
	$ 104	$ 620,449

Note: Included in nonoperating income and gains - other.

The accounting changes had no material effect on the net income for the six months ended June 30, 2006.

Change in accounting treatment for goodwill

Effective January 1, 2006, the Company adopted the newly revised SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities" and SFAS No. 25 - "Business Combinations - Accounting Treatment Under Purchase Method", which prescribe that investment premiums, representing goodwill, be assessed for impairment at least annually instead of being amortized. This accounting change had no cumulative effect on the financial statements but resulted in increases of NT$25,859 thousand in net income and of NT$0.06 basic earnings per share after tax for the six months ended June 30, 2006.

4. CASH AND CASH EQUIVALENTS

	June 30	
	2007	2006
Cash		
Cash and petty cash	$ 1,514	$ 1,156
Checking and demand deposits	279,805	130,362
Time deposits: Interest - 1.61%-4.99% in 2007 and 1.45%-5.14% in 2006	1,134,859	1,212,003
Cash equivalents		
Commercial paper purchased under repurchase agreements	893,594	-
	$ 2,309,772	$ 1,343,521

On June 30, 2006 deposits overseas were as follows: (As of June 30, 2007: None)

	June 30, 2006
Hong Kong (US$316 and HK$138 in 2006)	$ 11

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Information about trading assets or liabilities of the Company are shown as follows:

	June 30	
	2007	2006
Financial assets resulted from trading		
Forward contracts	$ 911	$ -
Financial liabilities resulted from trading		
Forward contracts	$ 81	$ 403

On June 30, 2007 and 2006, information about outstanding forward contracts are shown as follows:

	Currency	Maturity	Amount (Thousand)
June 30, 2007			
Sell	USD/NTD	July 2007	USD1,000/NTD32,837
	EUR/USD	July 2007	EUR3,000/USD4,060
June 30, 2006			
Sell	USD/NTD	July 2006	USD4,000/NTD129,026

The Company entered into forward contract transactions for the six months ended June 30, 2007 and 2006 to avoid risks on exchange rate fluctuations. The hedging strategy of the Company is to avoid the major portion of the fair value risks.

Net profit arising from trading financial assets for the six months ended June 30, 2007 was $7,764 thousand and net loss arising from financial liabilities for the six months ended June 30, 2006 was $2,653 thousand.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30			
	2007		2006	
	Current	Noncurrent	Current	Noncurrent
Mutual funds	$ 1,652,264	$ -	$ 1,743,131	$ -
Publicly traded stocks				
ASUSTEK Computer Inc.	-	3,950,608	-	3,158,420
Firich Enterprise Co., Ltd.	-	-	-	46,825
	$ 1,652,264	$ 3,950,608	$ 1,743,131	$ 3,205,245

7. INVENTORIES, NET

	June 30 2007	June 30 2006
Finished goods	$ 327,200	$ 339,604
Work in process	328,191	409,858
Materials and supplies	512,031	613,758
Inventories in transit	2,930	13,643
	1,170,352	1,376,863
Less: Allowance for losses	121,809	154,203
	$ 1,048,543	$ 1,222,660

8. LONG-TERM EQUITY INVESTMENTS

	June 30			
	2007		2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Listed				
Axiomtek Co., Ltd.	$ 365,846	32.38	$ 380,247	35.93
Unlisted				
Advantech Automation Corp. (BVI)	1,409,668	100.00	1,065,998	100.00
Advantech Technology Co., Ltd.	799,397	100.00	496,663	100.00
Advansus Corp.	476,007	50.00	498,480	50.00
Advantech Investment Fund-A Co., Ltd.	370,128	100.00	260,701	100.00
Advantech Europe Holding B.V.	332,598	98.37	295,584	98.37
Advantech Technologies Co., Ltd.	176,859	23.89	164,923	23.89
Advantech Co. Singapore Pte, Ltd.	111,252	100.00	100,066	100.00
Advantech Australia Pty Ltd.	97,096	100.00	76,013	100.00
Advantech Japan Co., Ltd.	93,519	100.00	85,614	100.00
Advantech Co., Malaysia Sdn. Bhd	38,681	100.00	-	-
Viewsys Technology Co., Ltd.	24,583	100.00	22,000	100.00
Advantech Hungary Ltd.	14,630	30.00	12,836	30.00
Advantech Investment & Management Service	5,553	100.00	5,399	100.00
Advantech (H.K.) Technology Co., Ltd.	-	100.00	-	100.00
Advantech IBHA Technologies Inc.	-	-	11,793	13.29
	$ 4,315,817		$ 3,476,317	

The equity-method investees' financial statements of the same reporting periods as those of the Company, which were used to calculate the equity-method investments and the equity in the investees' net gains or losses, were all unaudited, except those of (a) Advantech Technology Co., Ltd. and its subsidiary, Advantech Technology (China) Company Ltd. (AKMC); and (b) Advantech Automation Corp. (BVI)'s subsidiaries, Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN) and Yan Huz Xing Ye Electronic (SHHQ) as of and for the six months ended June 30, 2007.

At the meeting on September 30, 2005, the board of directors approved a proposal for Advantech and ASUSTek to enter into a strategic alliance through a share swap. Shares will be exchanged at 1.13 shares of Advantech for every share of ASUSTek. Thus, Advantech will issue 44,893 thousand shares in exchange for 39,729 thousand shares of ASUSTek. In addition, under the proposal, the Company and ASUSTek each invested $500,000 thousand (i.e., 50-50 ownership) to establish a joint venture, Advansus Corp., in January 2006. The investment in Advansus Corp. was accounted for by the equity method and included in the consolidated financial statements for the six months ended June 30, 2007 in a proportionate consolidated method.

The combined ownership of the Company and its subsidiaries in Advantech IBHA Technologies Inc. (“Advantech IBHA”) exceeded 20% of Advantech IBHA’s outstanding common stock as of June 30, 2006. Thus, the investment in Advantech IBHA was accounted for by the equity method.

The Company intended to support the operations of Advantech (H.K.) Technology Co., Ltd. in the six months ended June 30, 2007 and 2006. Under the revised Statement of Financial Accounting Standards No. 5 - “Long-term Investments in Equity Securities” of the Republic of China, if the equity in losses recognized exceeds the original investment acquisition costs plus any advances given to the investee, the Company recognizes its investee’s total losses unless other investors commit to assume, and can assume, a portion of the losses. As of June 30, 2007 and 2006, there were credit balances on this investment of $6,356 thousand and $1,009 thousand, respectively, included in other liability - miscellaneous.

The market value of the listed stock of the equity investment’s market values, which was calculated on the basis of the closing price of June 30, 2007 and 2006 were $1,269,125 thousand and $950,374 thousand.

The Company has included all of its direct and indirect subsidiaries in the consolidated financial statements as of and for the six months ended June 30, 2007 and 2006.

9. PROPERTIES AND PROPERTIES LEASED OF OTHERS

Statement of changes in properties was as follows:

	Six Months Ended June 30, 2007				
	Beginning Balance	**Acquisition**	**Disposal**	**Re-classification**	**Ending Balance**
Properties					
Cost					
Land	$ 640,472	$ -	$ -	$ -	$ 640,472
Buildings and equipment	844,911	-	-	-	844,911
Machinery and equipment	298,347	39,833	5,334	5,785	338,631
Furniture and fixtures	90,573	7,345	496	200	97,622
Miscellaneous equipment	135,917	21,063	-	3,257	160,237
	2,010,220	$ 68,241	$ 5,830	$ 9,242	2,081,873
Accumulated depreciation					
Buildings and equipment	102,367	$ 8,265	$ -	$ -	110,632
Machinery and equipment	183,395	19,803	5,334	(1)	197,863
Furniture and fixtures	42,099	9,394	451	(9)	51,033
Miscellaneous equipment	65,096	11,866	-	10	76,972
	392,957	$ 49,328	$ 5,785	$ -	436,500
	1,617,263				1,645,373
Prepayments for equipment	16,387	$ 156,806	$ -	$ (9,242)	163,951
	$ 1,633,650				$ 1,809,324

	Six Months Ended June 30, 2006				
	Beginning Balance	**Acquisition**	**Disposal**	**Re-classification**	**Ending Balance**
Properties					
Cost					
Land	$ 624,779	$ -	$ -	$ 15,693	$ 640,472
Buildings and equipment	837,848	-	-	7,063	844,911
Machinery and equipment	281,554	11,596	2,381	787	291,556
Furniture and fixtures	77,108	6,259	88	-	83,279
Miscellaneous equipment	130,880	7,324	87	1,019	139,136
	1,952,169	$ 25,179	$ 2,556	$ 24,562	1,999,354
Accumulated depreciation					
Buildings and equipment	84,425	$ 8,265	$ -	$ 1,412	94,102
Machinery and equipment	170,114	17,638	2,381	-	185,371
Furniture and fixtures	43,451	6,605	70	-	49,986
Miscellaneous equipment	67,377	8,265	92	-	75,550
	365,367	$ 40,773	$ 2,543	$ 1,412	405,009
	1,586,802				1,594,345
Prepayments for equipment	11,816	$ 2,606	$ -	$ (11,816)	2,606
	$ 1,598,618				$ 1,596,951
Properties leased to others					
Cost					
Land	$ 15,693	$ -	$ -	$ (15,693)	$ -
Buildings and equipment	7,063	-	-	(7,063)	-
	22,756	$ -	$ -	(22,756)	-
Accumulated depreciation	1,412	$ -	$ -	(1,412)	-
	$ 21,344			$ (21,344)	$ -

10. BONDS DUE WITHIN ONE YEAR (AS OF JUNE 30, 2007: NONE)

	June 30, 2006
Unsecured convertible bonds	$ 2,700
Interest-premium on convertible bonds	-
	$ 2,700

On July 19, 2001, the Company issued domestic unsecured convertible bonds with aggregate face value of $1,000,000 thousand (or $100 thousand face value per unit), which were listed on the Taiwan Stock Exchange on July 31, 2001. These bonds will mature on July 18, 2006 and will be redeemed at 12.4864% of their face value on July 19, 2004 or 19.2519% of their face value on July 19, 2005. The bonds are convertible to capital stock at an agreed conversion price between October 19, 2001 and July 8, 2006 under certain conditions. The bonds with aggregate face value of $999,500 thousand had been converted to 20,910 thousand shares; bonds amounting to $400 thousand had been redeemed at the holders' request; and bonds amounting to $100 thousand were redeemed by the Company on maturity.

11. PENSION PLAN

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

Under the Act, the Company has a defined contribution pension plan. Since July 1, 2005, the Company has made monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries and wages. The pension cost under the defined contribution loan was NT$22,517 thousand and NT$18,289 thousand for the six months ended June 30, 2007 and 2006, respectively.

The Company has a defined benefit pension plan under the Labor Standards Law (the "Law"). Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can accumulated up to 45 based points, and the benefits based on employee's average monthly salary for the six-month period prior to retirement.

Under the Law, the Company accrues pension costs individually on the basis of actuarial calculations and make monthly contributions at 2% of salaries and wages to each company's pension fund, which is administered by each company's pension plan committee and deposited in the respective committees' names in the Central Trust of China.

The pension costs under the defined benefit pension plan were $1,763 thousand and $520 thousand for the six months ended June 30, 2007 and 2006, respectively. The Pension Fund Status as of June 30, 2007 and 2006 were $76,882 thousand and $72,944, respectively.

12. SHAREHOLDERS' EQUITY

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

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

a. 3% to 12% as bonus to employees. For stock bonuses, employees may include subsidiaries' employees who meet certain criteria as determined by the Company's board of directors;

b. 1% as remuneration to directors and supervisors.

c. Dividends, as proposed by the board of directors.

These appropriations and other allocations of earnings, including the distributable unappropriated earnings of prior years, should be resolved by the shareholders in, and given effect to in the financial statements of, the year following the year of earnings generation.

The special reserve should be equivalent to the debit balance (included unrealized losses or gains on financial instruments and cumulative translation adjustments) of any shareholders' equity account other than the deficit. The balance of the special reserve is adjusted according to the debit balance (except for treasury stocks) of the relevant shareholders' equity account.

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

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

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

The appropriations of earnings for 2006 and 2005 were proposed in the Board of Directors' meeting and approved in the shareholders' meeting held on June 15, 2007 and June 16, 2006, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2006	**2005**	**2006**	**2005**
Legal reserve	$ 291,789	$ 242,980	$ -	$ -
Reversal of special reserve	-	(19,661)	-	-
Cash dividends	1,854,598	1,795,841	4.0	4.0
Stock dividends	231,825	89,792	0.5	0.2
Remuneration to directors and supervisors	26,261	22,065	-	-
Bonus to employees - stock	40,000	50,000	-	-
Bonus to employees - cash	222,610	170,648	-	-

At their meeting on June 15, 2007, the shareholders approved the board of directors' proposal to distribute stock dividends of $231,825 thousand and stock bonus to employees amounting to $40,000 thousand. The appropriation of earnings for 2006 were approved by the Financial Supervisory Commission under the Executive Yuan of the ROC. The board of directors resolved August 8, 2007 as the date of distributing stock and cash dividends. The Company is applying for the revised license from the MOEA.

On April 1, 2003, the Securities and Futures Bureau approved the Company's stock option plan. There were 3,000 thousand units authorized to be issued, which may be converted to 3,000 thousand common shares. Employees may exercise a certain percentage of the option within two and four years of the grant date, and will expire six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT$34.44 as of June 30, 2007. As of June 30, 2007, there were 1,345 thousand units of stock options exercised, which were converted to 1,345 thousand common shares; thus, the unexercised stock options consisted of 1,315 thousand units.

13. INCOME TAX

The Basic Income Tax Act (the "BIT Act"), which took effect on January 1, 2006, requires that the basic income tax should be 10% of the sum of the taxable income as calculated in accordance with the Income Tax Law plus the tax-exempt income under the Income Tax Law or other laws. The tax payable of the current year would be the higher of the basic income tax or the income tax payable calculated in accordance with the Income Tax Law. The Company has considered the impact of the BIT Act in determining the current year's income tax expense.

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

	Six Months Ended June 30	
	2007	2006
Tax on pretax income at 25% statutory rate	$ 402,220	$ 403,994
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(125,649)	(136,380)
Other	(15,294)	(23,706)
Temporary differences	(100,559)	(40,822)
Income tax (10%) on undistributed earnings	25,081	5,848
Investment tax credit	(65,582)	(70,611)
Income tax currently payable	$ 120,217	$ 138,323

b. Income tax expense consisted of the following:

	Six Months Ended June 30	
	2007	2006
Income tax currently payable	$ 120,217	$ 138,323
Income tax expense - deferred	75,412	20,339
	$ 195,629	$ 158,662

c. The change of income tax payable of balance sheet consisted of the following:

	Six Months Ended June 30	
	2007	2006
Balance, beginning of period	$ 137,883	$ 56,871
Income tax currently payable	120,217	138,323
Payment	(71,801)	(49,942)
Balance, end of period	$ 186,299	$ 145,252

d. Net deferred income tax assets (liabilities) as of June 30, 2007 and 2006 were as follows:

	June 30	
	2007	**2006**
Current		
Deferred income tax assets		
Allowance for loss on inventories	$ 30,452	$ 38,551
Unrealized product warranty reserve	9,112	6,791
Excess provisions for doubtful receivables	6,958	6,958
Unrealized foreign exchange loss	546	-
Others	-	6,523
	47,068	58,823
Deferred income tax liabilities		
Unrealized foreign exchange gain	-	$ 14,513
Deferred income tax assets, net	$ 47,068	$ 44,310
Noncurrent		
Deferred income tax assets:		
Deferred income	$ 34,050	$ 43,686
Accumulated equity in the net loss of investees	32,612	104,246
Pension cost	27,737	27,737
	94,399	175,669
Valuation allowance	(32,612)	(104,246)
	61,787	71,423
Deferred income tax liabilities:		
Accumulated equity in the net gains of foreign investees	(275,998)	(177,518)
Deferred income tax liabilities, net	$ (214,211)	$ (106,095)

The income tax rate used to recognize deferred income tax was 25%.

e. As of June 30, 2007, the Company’s five years exemptions on the income were as follows:

Investment Plan	Exemption Period
The industry network server production	From 2003 to 2007
The industry 500 MHz thin client production	From 2006 to 2010

f. The information on the Company’s integrated income tax is as follows:

	June 30	
	2007	**2006**
Balance of the imputation credit account (ICA)	$ 259,071	$ 182,867
The balances of unappropriated retained earnings generated before 1997	$ 81,329	$ 81,329

The estimated and actual creditable tax ratios for earnings were 8.18% and 7.01% as of December 31, 2006 and 2005, respectively. The creditable tax ratio should be based on the ICA balance on the date of dividend distribution. Thus, the estimated creditable ratio for 2006 earnings may differ from the actual ratio depending on the ICA balance on the dividend distribution date.

g. Income tax returns through 2004 had been examined and cleared by the tax authorities. However, the tax authorities made an assessment on the Company's 2003 return, but Company disagreed with this assessment. Thus, the Company requested for a reexamination of its return. As of July 24, 2007, the date of the accompanying auditors' report, the reexamination was in progress; nevertheless, the Company recognized the payable on this case.

14. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	Six Months Ended June 30					
	2007			2006		
	Included in Cost of Goods Sold	Included in Operating Expenses	Total	Included in Cost of Goods Sold	Included in Operating Expenses	Total
Personnel expenses						
Payroll	$ 118,096	$ 331,478	$ 449,574	$ 72,254	$ 246,522	$ 318,776
Insurance	9,709	24,307	34,016	6,293	19,486	25,779
Pension	6,303	17,977	24,280	4,148	14,661	18,809
Others	10,244	18,902	29,146	3,673	7,564	11,237
Depreciation	18,498	30,830	49,328	17,229	23,544	40,773
Amortization	306	19,530	19,836	1,018	13,947	14,965
	$ 163,156	$ 443,024	$ 606,180	$ 104,615	$ 325,724	$ 430,339

15. EARNINGS PER SHARE

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

	Amount (Numerator)		Shares (Denominator)	Earnings Per Share	
	Pretax	After-tax	(Thousands)	Pretax	After-tax
Six months ended June 30, 2007					
Basic EPS	$ 1,608,918	$ 1,413,289	463,650	$ 3.47	$ 3.05
Impact of dilutive potential common stock					
Employees' stock options	-	-	895		
Diluted EPS	$ 1,608,918	$ 1,413,289	464,545	$ 3.46	$ 3.04
Six months ended June 30, 2006					
Basic EPS	$ 1,616,016	$ 1,457,354	462,922	$ 3.49	$ 3.15
Impact of dilutive potential common stock					
Employees' stock options	-	-	1,067		
Convertible bonds	-	-	142		
Diluted EPS	$ 1,616,016	$ 1,457,354	464,131	$ 3.48	$ 3.14

The EPS was retroactively adjusted for the stock dividends declared. Thus, for the six months ended June 30, 2006, pretax and after-tax basic EPS decreased from NT$3.60 to NT$3.49 and from NT$3.25 to NT$3.15, respectively, and pretax and after-tax diluted EPS decreased from NT$3.59 to NT$3.48 and from NT$3.24 to NT$3.14, respectively.

The numerators and denominators used in calculating pro forma EPS based on the potential adjustment for stock dividends declared were as follows:

	Amount (Numerator)		Shares (Denominator)	Earnings Per Share	
	Pretax	After-tax	(Thousands)	Pretax	After-tax
Six months ended June 30, 2007					
Basic EPS	$ 1,608,918	$ 1,413,289	490,832	$ 3.28	$ 2.88
Impact of dilutive potential common stock					
Employees' stock options	-	-	947		
Diluted EPS	$ 1,608,918	$ 1,413,289	491,779	$ 3.27	$ 2.87
Six months ended June 30, 2006					
Basic EPS	$ 1,616,016	$ 1,457,354	490,061	$ 3.30	$ 2.97
Impact of dilutive potential common stock					
Employees' stock options	-	-	1,129		
Convertible bonds	-	-	150		
Diluted EPS	$ 1,616,016	$ 1,457,354	491,340	$ 3.29	$ 2.97

16. RELATED-PARTY TRANSACTIONS

a. Related parties

	Relationship with the Company
Advantech Investment Fund-A Co., Ltd. (Advantech Fund-A)	Equity-method investee
Advantech IBHA Technologies Inc. (Advantech IBHA)	Equity-method investee (liquidated in May 2007)
Axiomtek Co., Ltd. (Axiomtek)	Equity-method investee
Advantech Investment & Management Service (AIMS)	Equity-method investee
Advansus Corp.	Equity-method investee
Advantech Europe Holding B.V. (AEU)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
Advantech Technologies Co., Ltd. (AKR)	Equity-method investee
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC (BVI))	Equity-method investee
Advantech Co., Malaysia Sdn. Bhd (AMY)	Equity-method investee
Viewsys Technology Co., Ltd. (Viewsys)	Equity-method investee
Advantech Italia S.p.A. (AIT)	Equity-method investee of AEU
Advantech France S.A. (AFR)	Equity-method investee of AEU (merged with ADL in March 2006)
Advantech Europe GmbH (ADL, former name: AEBC)	Equity-method investee of AEU

(Continued)

	Relationship with the Company
Advantech Europe B.V. (AESC)	Equity-method investee of AEU
Advantech Europe Design Center GmbH (AEDC)	Equity-method investee of AEU (merged with ADL in 2006)
Advantech Poland Sp. z o.o. (APL)	Equity-method investee of AEU
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC
Advantech Electronic Technology (Dongguan) Co., Ltd. (ADMC)	Equity-method investee of ATC
Advantech Corp. (AC)	Equity-method investee of AAC (BVI)
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AAC (BVI)
Yan Huz Xng Ye Electronic (SHHQ)	Equity-method investee of AAC (BVI)
Advantech Control (M) Sdn. Bhd. (AKL)	Equity-method investee of ASG
Advantech Automation (Penang) Sdn. Bhd. (APN)	Equity-method investee of ASG
Advantech Corporation (Thailand) Co. (ATH)	Equity-method investee of ASG
Netstar Technology Co., Ltd. (Netstar)	Equity-method investee of Advantech Fund-A
Jan Hsiang Electronics Co., Ltd. (Jan Hsiang)	Equity-method investee of Netstar
Advantech International Co., Ltd.	The person in charge of Advantech Internation Co., Ltd. is a brother-in-law of the Company's chairman
Advantech Brazil S/A (ABR)	
Firich Enterprise Co., Ltd. (Firich)	The Company's chairman is the Firich Enterprise Co., Ltd.'s director (retired in May 2007)
Advantech Investment Fund-C Co., Ltd. (Advantech IFC)	The person in charge of Advantech IFC is a brother-in-law of the Company's chairman
Mr. Andrea Zolli	Manager of AIT
Immoibiliare Verdi Srl	Manager of AIT

(Concluded)

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

b. The significant transactions with the above related parties, in addition to those disclosed in Note 18 and Table 2 are summarized as follows:

	2007		2006	
Six months ended June 30	Amount	% of Total	Amount	% of Total
1) Sales				
AC	$ 1,195,242	23	$ 1,253,261	25
AESC	914,234	19	870,088	17
ACN	819,452	17	657,386	13
SHHQ	217,990	4	-	-
AKR	164,655	2	173,220	4
AJP	124,400	2	193,314	4
AAU	61,587	1	65,134	1
ASG	53,502	1	89,698	2

	2007 Amount	2007 % of Total	2006 Amount	2006 % of Total
AMY	$ 36,075	-	$ -	-
AKMC	16,358	-	50,525	1
ATH	12,442	-	7,805	-
AKL	8,051	-	8,737	-
Advansus Corp.	6,104	-	-	-
Axiomtek	3,562	-	17,280	-
AHG	1,521	-	2,938	-
APN	-	-	24,320	-
ABR	-	-	11,797	-
AKL	-	-	8,737	-
Viewsys	-	-	6,307	-
Others	6,229	-	2,531	-
	$ 3,633,353	69	$ 3,434,341	67
2) Purchase of materials and supplies				
ATC	$ 1,509,978	43	$ 1,306,769	39
Advansus Corp.	192,144	6	25,048	1
AESC	13,836	-		
AC	10,118	-		
Viewsys	113	-	1,953	-
Others	3,828	-	8,241	-
	$ 1,730,017	49	$ 1,342,011	40
3) Royalty revenue for patent (part of nonoperating income)				
ATC	$ 75,906	9	$ 66,496	9
4) Rental revenues (part of nonoperating income)				
Advansus Corp.	1,410	-	205	-
AIMS	130	-	30	-
Advantech Fund-A	18	-	18	-
	1,558	-	253	-
5) Administrative revenues (part of nonoperating income)				
Viewsys	-	-	360	-
	$ 77,464	10	$ 67,109	9

	2007 Amount	2007 % of Total	2006 Amount	2006 % of Total
At the end of six months				
6) Receivables				
Accounts				
AESC	$ 652,445	34	$ 646,681	29
AC	438,230	23	494,469	22
ACN	355,635	19	441,732	20
AKMC	101,253	5	97,215	4
AJP	76,766	4	87,372	4
SHHQ	67,106	4	-	-
AKR	39,795	2	51,674	3
AMY	22,769	1	-	-
ASG	17,775	1	26,696	1
APL	15,512	1	-	-
AAU	11,895	1	16,257	1
Axiomtek	1,994	-	6,464	-
ATH	998	-	-	-
AHG	682	-	-	-
APN	-	-	15,691	1
AKL	-	-	5,859	-
Viewsys	-	-	2,033	-
Firich	-	-	53	-
Others	62	-	2,511	-
	1,802,917	95	1,894,707	85
Dividends				
Axiomtek	77,542	4	51,375	2
ATC	-	-	284,999	13
	77,542	4	336,374	15
Other receivables				
AKMC	14,164	1	-	-
ADL	3,036	-	-	-
AIT	358	-	-	-
AC	342	-	71	-
Advansus Corp.	273	-	237	-
AESC	269	-	561	-
ASG	191	-	-	-
AJP	189	-	-	-
AFR	-	-	877	-
Others	52	-	1,508	-
	18,874	1	3,254	-
	$ 1,899,333	100	$ 2,234,335	100

	2007		2006	
	Amount	% of Total	Amount	% of Total
7) Payables				
Accounts				
ATC	$ 477,888	95	$ 490,279	90
Advansus Corp.	10,248	2	26,169	5
AC	7,923	2	4,018	1
Jan Hsiang	2,466	1	-	-
Netstar	1,959	-	-	-
ASG	1,426	-	-	-
AESC	1,000	-	1,030	-
ADL	884	-	-	-
Viewsys	113	-	2,041	-
Advantech IBHA	-	-	14,589	3
Others	1,211	-	1,616	-
	505,118	100	539,742	99
Others - payments on behalf of others				
ACN	-	-	7,000	1
Others	-	-	158	-
	-	-	7,158	1
	$ 505,118	100	$ 546,900	100

c. Long-term equity investments

The Company sold to Advantech International Co., Ltd. all its common shareholdings in ABR in March 2006. This transaction is summarized as follows:

Marketable Securities Issuer	Shares	Transaction Price	Carrying Value	Disposal Gain
ABR	971,055	$ -	$ (13,574)	$ 13,574

The Company bought all of the shares issued by Viewsys Technology Co., Ltd. from Advantech Investment Fund-C Co., Ltd. in June 2006. The related transaction is summarized as follows:

Common Stock Issuer	Shares	Cost
Viewsys Technology Co., Ltd.	1,100,000	$ 22,000

The Company bought AEU shares from Mr. Andrea Zolli and Immoibiliare Verdi Srl in May 2006. The related transaction is summarized as follows:

	Common Stock Issuer	Shares	Cost
May 2006	AEU	162,364	$ 25,507

Rent contracts with related-parties were based on market prices and made under normal terms. Product sales were conducted under normal terms. The payment terms for related parties were 60 to 90 days, except those for AESC, ATC, AKMC, ADMC, AKL and ACN, for which payment terms were based on the investees' operating conditions. Terms for third parties were 30 to 60 days.

17. ASSETS PLEDGED OR MORTGAGED

The certificates of deposits that had been pledged or mortgaged as collaterals for bank loans and as part of court requirements for confiscating assets to settle uncollectible accounts amounted to $1,600 thousand as of June 30, 2007 and 2006.

18. COMMITMENTS

As of June 30, 2007, the Company had the following guarantees for affiliates' loans:

	Amount
AKMC	US$ 10,000 thousand

19. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	June 30			
	2007		**2006**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Nonderivative financial instruments				
Assets				
Available-for-sale financial assets - current	$ 1,652,264	$ 1,652,264	$ 1,743,131	$ 1,743,131
Available-for-sale financial assets - noncurrent	3,950,608	3,950,608	3,205,245	3,205,245
Liabilities				
Bonds payable - current portion	-	-	2,700	5,980
Derivative financial instruments location				
Financial assets at fair value through profit or loss - current				
Foreign (foreign corporation operating in domestic district included)	911	911	-	-
Financial liabilities at fair value through profit or loss - current				
Foreign (foreign corporation operating in domestic district included)	81	81	403	403

On January 1, 2006, the Company adopted the new Statement of Financial Accounting Standards No. 34 - "Accounting for Financial Instruments" and the related accounting treatments on derivative financial instruments were not adopted in 2005, about the changes as a separate component of shareholders' equity, please see Note 3.

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

1) For financial instruments such as cash, notes and accounts receivables, receivables from related parties, certificates of deposit - pledged, notes and accounts payables and payables to related parties guarantee deposits received, the carrying amounts of these financial instruments approximate their fair values.

2) Fair values of available-for-sale financial assets were based on their quoted market price.

3) Fair value of the current portion of bonds payable was based on their quoted market prices.

4) Fair values of derivatives were determined using the quoted market prices, using valuation techniques incorporating estimates and assumptions that are consistent with those prevailing in the market.

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

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	June 30		June 30	
	2007	2006	2007	2006
Asset				
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 911	$ -
Available-for-sale financial assets - current	1,652,264	1,743,131	-	-
Available-for-sale financial assets - noncurrent	3,950,608	3,205,245	-	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	81	403
Bonds payable - current portion	-	5,980	-	-

d. As of June 30, 2007 and 2006, financial assets exposed to fair value risk from interest rate fluctuation amounted to $2,030,053 thousand and $1,213,603 thousand, respectively.

e. The Company recognized unrealized losses of $29,316 thousand and $887,693 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets in the six months ended June 30, 2007 and 2006, respectively. The Company also recognized an unrealized losses of $2,245 thousand and an unrealized gains of $431 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees in the six months ended June 30, 2007 and 2006, respectively.

f. Financial risks

1) Market risk

The derivative financial instruments categorized as financial assets at fair value through profit or loss are mainly used to hedge exchange rate fluctuations of foreign currency-denominated assets and liabilities. Thus, the market risk of derivatives will be offset by the gain or loss on the exchange rate fluctuations of hedged assets and liabilities.

Available-for-sale financial assets held by the Company are mainly mutual funds and publicly traded stocks. Thus, price fluctuations in the open market would result in changes in fair values of these financial instruments.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Company if the counter-parties breach the contracts. Contracts with positive fair values on the balance sheet date are evaluated for credit risk. Since the counter-parties to the foregoing derivative financial instruments are reputable financial institutions, management believes its exposure to default by counter-parties is low.

3) Liquidity risk

The Company has sufficient operating capital to meet cash needs upon settlements of derivative financial instruments. Therefore, the cash flow risk is low. In addition, for long-term equity-method investments (mutual funds and publicly traded stocks), the Company keeps liquidity reserves, which are available on a short-term basis. Additionally, the contracted forward rate is decided on the contract starting dates. Thus, the cash flow risk on forward contracts is low.

20. ADDITIONAL DISCLOSURES

a. Except for those mentioned in Note 18 and Table 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Company and investees.

b. Investments in mainland China

1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of June 30, 2007, accumulated inward remittance of earnings as of June 30, 2007 and upper limit on investment: Table 8 (attached)

2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 16 and 18 and Tables 2, 5, 6 and 8.

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED
SIX MONTHS ENDED JUNE 30, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Nature of Financing	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing that Can Be Provided by the Financier
											Item	Value		
1	AEU	ADL (former name: AEBC)	Receivables from related parties	$ 33,150 (EUR 750 thousand)	$ 11,050 (EUR 250 thousand)	2.50%	Note A	$ -	Financing need	$ -	-	$ -	$ 45,058 (Note B)	$ 90,116 (Note C)
2	AESC	AEU	Receivables from related parties	11,492 (EUR 260 thousand)	11,492 (EUR 260 thousand)	2.50%	Note A	-	Financing need	-	-	-	12,554 (Note D)	25,108 (Note E)
3	Netstar Technology Co., Ltd.	Lantech Communications Inc.	Receivables from related parties	37,575	5,434	6.25%	Service intercourse	Purchase 15,407	Service intercourse	-	-	-	15,407 (Note F)	140,563 (Note F)
4	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Receivables from related parties	148,804	117,420	6.25%	Service intercourse	Purchase125,156	Service intercourse	-	-	-	125,156 (Note F)	140,563 (Note F)
5	Netstar Technology Co., Ltd.	LANSONIC (BVI)	Receivables from related parties	3,463	-	-	Note A	-	Financing need	-	-	-	40,933 (Note G)	81,866 (Note H)

Notes: A. Nature of Financing:

There is a need for short-term financing.

B. 15% of capital stock of AEU.

C. 30% of capital stock of AEU.

D. 15% of the net asset value of AESC.

E. 30% of the net asset value of AESC.

F. The amount of the service intercourse between Netstar and its subsidiary.

G. 20% of the net asset value of Netstar Technology Co., Ltd.

H. 40% of the net asset value of Netstar Technology Co., Ltd.

I. The exchange rate was EUR1.00=NT$44.2.

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
SIX MONTHS ENDED JUNE 30, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note)
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	AKMC	Indirect subsidiary	$ 695,497 (Note A)	$ 328,600 (US$10,000 thousand)	$ 328,600 (US$10,000 thousand)	$ -	2.46%	$ 1,390,994 (Note B)

Note: A. 15% of the Company's issued capital stock.

B. 30% of the Company's issued capital stock.

C. The exchange rate was US$1.00=NT$32.86.

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS
JUNE 30, 2007
(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2007 Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	Note
Advantech Co., Ltd.	Stock							
(the "Company")	AAC (BVI)	Investee	Long-term equity investments	24,606,500	$ 1,409,668	100.00	$ 1,409,668	Note A
	ATC	"	"	13,450,000	799,397	100.00	799,397	Note A
	Advansus Corp.	"	"	50,000,000	476,007	50.00	476,007	Note A
	Advantech Fund-A	"	"	40,000,000	370,128	100.00	370,128	Note A
	Axiomtek	"	"	21,657,430	365,846	32.38	365,846	Note A
	AEU	"	"	9,415,695	332,598	98.37	332,598	Note A
	AKR	"	"	3,112,131	176,859	23.89	176,859	Note A
	ASG	"	"	1,450,000	111,252	100.00	111,252	Note A
	AAU	"	"	500,204	97,096	100.00	97,096	Note A
	AJP	"	"	1,200	93,519	100.00	93,519	Note A
	AMY	"	"	2,000,000	38,681	100.00	38,681	Note A
	Viewsys	"	"	1,100,000	24,583	100.00	24,583	Note A
	AHG	"	"	30	14,630	30.00	14,630	Note A
	Advantech Investment & Management Service	"	"	500,000	5,553	100.00	5,553	Note A
	AHK	"	Other liabilities	999,999	(6,356)	100.00	(6,356)	Note A and Note D
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	43,701,412	3,950,608	1.28	3,950,608	Note C
	Fund							
	Capital High Yield Fund	-	Available for sale financial assets - current	23,278,736.80	320,395	-	320,395	Note B
	ING Taiwan Income Fund	-	"	19,952,515.55	318,335	-	318,335	Note B
	ING Taiwan Bond Fund	-	"	15,086,012.47	229,040	-	229,040	Note B
	Capital Income Fund	-	"	13,947,522.20	209,270	-	209,270	Note B
	Fubon Jin-Ju-E Fund	-	"	15,492,624.40	190,954	-	190,954	Note B
	NITC Taiwan Bond Fund	-	"	12,655,675.40	179,669	-	179,669	Note B
	Prudential Bond Fund	-	"	8,369,354.50	105,575	-	105,575	Note B
	Allianz Bond Dam Fund	-	"	8,480,964.95	99,026	-	99,026	Note B
Advantech Fund-A	Stock							
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	7,782	30.00	7,782	Note A
	Netstar Technology Co., Ltd.	"	"	16,510,929	210,104	66.04	210,104	Note A
	BCM Embedded Computer Inc.	"	"	1,000,000	10,000	50.00	10,000	Note A
	Superior Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	913,470	33,441	12.93	33,441	-
	COBAN Research and Technologies, Inc.	-	"	600,000	33,257	7.00	33,257	-
	Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - current	204,000	12,791	-	12,791	Note C

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2007				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Fund							
	Capital Income Fund	-	Available for sale financial assets - current	576,405.10	$ 8,648	-	$ 8,468	Note B
	ING Taiwan Bond Fund	-	Available for sale financial assets - current	3,295,892.00	50,039	-	50,039	Note B
Viewsys Technology Co., Ltd.	Fund							
	JIH SUN Bond Fund	-	”	798,169.87	10,964	-	10,964	Note B
Advansus Corp.	Fund							
	NITC Taiwan Bond Fund	-	Available for sale financial assets - current	4,604,323.70	65,366	-	65,366	Note B
	Capital Income Fund	-	”	19,592,518.60	293,968	-	293,968	Note B
	Capital High Yield Fund	-	”	4,619,116.73	63,574	-	63,574	Note B
AIMS	Fund							
	JIH SUN Bond Fund	-	Available for sale financial assets - current	155,639.90	2,138	-	2,138	Note B
TTC	Shares							
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	25,940	100.00	25,940	Note A
ATC	Shares							
	AKMC	”	”	-	584,082	100.00	584,082	Note A
	ADMC	”	”	-	49,264	100.00	49,264	Note A
AAC (BVI)	Stock							
	AC	”	”	10,952,606	859,577	100.00	859,577	Note A
	Shares							
	Visual Systems GmbH	-	Financial assets carried at cost - noncurrent	-	752	20.00	752	Note A
	ACN	Investee	Long-term equity investments	-	448,919	100.00	448,919	Note A
	SHHQ	”	”	-	101,410	100.00	101,410	Note A
AEU	Stock							
	AESC	”	”	8,314,280	83,693	100.00	83,693	Note A
	ADL (former name: AEBC)	”	”	1,142,000	34,928	100.00	34,928	Note A
	AIT	”	”	45,000	3,570	100.00	3,570	Note A
	APL	”	”	2,000	4,488	80.00	4,488	Note A
ASG	Stock							
	ATH	”	”	30,000	5,134	30.00	5,134	Note A
	APN	”	”	570,570	7,799	55.00	7,799	Note A
	AKL	”	”	418,000	3,671	55.00	3,671	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2007				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Netstar Technology Co., Ltd.	Stock							
	LANSONIC (BVI)	Investee	Other liability-others	3,527,529	$ (44,200)	94.83	$ (44,200)	Note A
	Jan Hsiang Electronics Co., Ltd.	"	Long-term equity investments	1,900,000	16,781	76.00	16,781	Note A
	Lantech Communications Inc.	"	Other liability-others	1,159,500	(18,442)	77.30	(18,442)	Note A
	Supercom Technology Corporation	"	Long-term equity investments	750,000	9,057	33.33	9,057	Note A
LANSONIC (BVI)	Shares							
	Netstar Electronics Corporation	Investee	Other liability-others	-	(62,686)	100.00	(62,686)	Note A

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

Note B: Market values were based on the net asset values of the-open-end mutual funds on the balance sheet date.

Note C: Market value was based on the closing price in June 30, 2007.

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2007
(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Other (Note A)	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal		Shares	Amount
Advantech Co., Ltd. (the "Company")	Fund														
	ABN AMRO Bond Fund	Available for sale financial assets - current	-	-	2,285,187.59	$ 34,436	6,996,940.23	$ 105,600	9,282,127.80	$ 140,069	$ 140,036	$ 33	$ -	-	$ -
	Capital Income Fund	"	-	-	20,160,102.10	300,174	60,986,533.40	912,128	67,199,113.30	1,005,630	1,003,064	2,566	32	13,947,522.20	209,270
	Fuh-Hwa Bond Fund	"	-	-	902,173.80	12,026	33,300,146.60	445,726	34,202,320.40	458,449	457,752	697	-	-	-
	Capital High Yield Fund	"	-	-	4,893,961.20	66,828	61,371,626.90	842,202	42,986,851.30	590,502	588,649	1,853	14	23,278,736.80	320,395
	ABN AMRO Taiwan Fund	"	-	-	18,915,931.26	299,465	-	-	18,915,931.26	299,466	299,466	-	-	-	-
	NITC Bond Fund	"	-	-	837,579.16	137,811	3,194,415.62	527,045	4,031,994.78	665,622	664,856	766	-	-	-
	Dresdner Bond Dam Fund	"	-	-	8,928,435.04	103,453	31,261,853.02	363,876	31,709,323.11	369,239	368,329	910	26	8,480,964.95	99,026
	ING Taiwan Bond Fund	"	-	-	-	-	85,274,032.74	1,290,854	70,188,020.27	1,063,281	1,061,835	1,446	21	15,086,012.47	229,040
	ING Taiwan Income Fund	"	-	-	-	-	58,820,962.36	934,871	38,868,446.81	618,905	616,564	2,341	28	19,952,515.55	318,335
	Fubon Jin-Ju-E Fund	"	-	-	-	-	40,269,987.90	495,260	24,777,363.50	304,969	304,335	634	29	15,492,624.40	190,954
	Wanpao Securities Investment Trust Fund	"	-	-	3,161,820.19	47,992	2,088,974.59	31,800	5,250,794.78	80,016	79,792	224	-	-	-
	Capital Cash Reserve Fund	"	-	-	1,928,910.70	22,607	-	-	1,928,910.70	22,612	22,607	5	-	-	-
	James Bond Fund	"	-	-	-	-	1,528,170.80	23,600	1,528,170.80	23,640	23,600	40	-	-	-
	Prudential Bond Fund	"	-	-	-	-	20,189,833.70	254,320	11,820,479.20	149,070	148,750	320	5	8,369,354.50	105,575
	NITC Taiwan Bond Fund	"	-	-	-	-	25,311,350.80	358,951	12,655,675.40	179,651	179,300	351	18	12,655,675.40	179,669
	Fubon chi-Hsiang Fund	"	-	-	3,904,902.90	56,833	-	-	3,904,902.90	56,994	56,833	161	-	-	-
	Stock														
	Firich Enterprise Co., Ltd. (Firich)	Long-term equity investments	-	-	195,207.00	89,795	-	-	195,207.00	112,709	7,980	105,169	-	-	-
Advansus Corp.	Capital Income Fund	Available for sale financial assets - current	-	-	353,867.70	5,270	44,067,277.60	660,276	24,828,626.70	372,376	371,591	785	14	19,592,518.60	293,968
	NITC Taiwan Bond Fund	"	-	-	-	-	12,580,494.00	178,362	7,976,170.30	113,163	113,000	163	4	4,604,323.70	65,366
Yin Hsin Investment Co., Ltd.	Stock														
	Netstar Technology Co., Ltd.	Long-term equity investments	-	-	621,622.00	7,459	15,889,307.00	199,401	-	-	-	-	3,244	16,510,929.00	210,104

Note A: The effect of adopting the newly released statements of Financial Accounting Standards No. 34 "Accounting for Financial Instrument" (SFAS No.34).

ADVANTECH CO., LTD. AND INVESTEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2007
(In Thousands of New Taiwan Dollars)

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.	ATC	Subsidiary	Purchase	$ 1,509,978	43	Depending on its operating conditions	$ -	-	$ (477,888)	95	
	AC	Indirect subsidiary	Sale	(1,195,242)	23	60-90 days	-	-	438,230	23	
	AESC	Indirect subsidiary	Sale	(914,234)	19	Depending on its operating conditions	-	-	652,445	34	
	ACN	Indirect subsidiary	Sale	(819,452)	17	Depending on its operating conditions	-	-	355,635	19	
	Advansus Corp.	Subsidiary	Purchase	192,144	6	Depending on its operating conditions	-	-	(10,248)	2	
	AKR	Investee	Sale	(164,655)	3	60-90 days	-	-	39,795	2	
	SHHQ	Subsidiary	Sale	(217,990)	4	60-90 days	-	-	67,106	4	
	AJP	Subsidiary	Sale	(124,400)	2	60-90 days	-	-	76,766	4	
ATC	Advantech Co., Ltd.	Parent company	Sale	(1,509,978)	100	Depending on its operating conditions	-	-	477,888	98	
AC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,195,242	77	60-90 days	-	-	(438,230)	93	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	914,234	68	Depending on its operating conditions	-	-	(652,445)	87	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	819,452	78	Depending on its operating conditions	-	-	(355,635)	70	
Advansus Corp.	Advantech Co., Ltd.	Parent company	Purchase	(192,144)	74	Depending on its operating conditions	-	-	10,248	83	
AKR	Advantech Co., Ltd.	Parent company	Purchase	164,655	28	60-90 days	-	-	(39,795)	40	
SHHQ	Advantech Co., Ltd.	Ultimate parent company	Purchase	217,990	51	60-90 days	-	-	(67,106)	38	
AJP	Advantech Co., Ltd.	Parent company	Purchase	124,400	82	60-90 days	-	-	(76,766)	100	
Netstar Technology Co., Ltd.	Netstar Electronics Corporation	Subsidiary	Purchase	125,156	85	60-90 days	-	-	-	-	

ADVANTECH CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Advantech Co., Ltd.	AESC	Indirect subsidiary	$ 652,445	2.64	$ -	-	$ -	$ -
	AC	Indirect subsidiary	438,230	4.64	-	-	-	-
	ACN	Indirect subsidiary	355,635	4.99	-	-	86,091	-
	AKMC	Indirect subsidiary	101,253	0.27	-	-	82,267	-
ATC	Advantech Co., Ltd.	Parent company	477,888	8.33	-	-	254,895	-

TABLE 7

ADVANTECH CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SIX MONTHS ENDED JUNE 30, 2007
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 2007	Dec. 31, 2006	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	AAC (BVI)	BVI	Investment holding company	$ 821,894	$ 821,894	24,606,500	100.00	$ 1,409,668	$ 122,339	$ 122,339	Subsidiary
	ATC	BVI	Sale of industrial automation products	427,781	427,781	13,450,000	100.00	799,397	253,442	253,442	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	500,000	500,000	50,000,000	50.00	476,007	(3,932)	(1,966)	Equity-method investee
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	289,844	303,334	21,657,430	32.38	365,846	140,374	52,114	Equity-method investee
	AEU	Helmond, the Netherlands	Investment holding company	377,298	377,298	9,415,695	98.37	332,598	8,364	8,228	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	General investment	400,000	300,000	40,000,000	100.00	370,128	3,093	3,093	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	32,989	32,989	3,112,131	23.89	176,859	7,745	1,936	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	111,252	205	205	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	93,519	4,434	4,434	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	97,096	5,392	5,392	Subsidiary
	AMY	Kuala Lumpur, Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	38,681	1,799	1,799	Subsidiary
	Viewsys	Taipei, Taiwan	Sale of industrial automation products	22,000	22,000	1,100,000	100.00	24,583	11	11	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	14,630	6,487	1,946	Equity-method investee
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	-	-	-	-	-	1,617	215	Note D
	AIMS	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,553	115	115	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(6,356)	(5,321)	(5,321)	Subsidiary (Note A)
Advantech Fund-A	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	-	-	-	-	-	1,617	1,078	Note D
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,782	-	-	Indirect subsidiary
	Netstar Technology Co., Ltd.	Taipei	Production and sale of industrial automation products	206,860	7,459	16,510,929	66.04	206,180	(5,207)	1,193	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei	Telecommunications equipment and electronic parts manufacturing	10,000	-	1,000,000	50.00	10,000	-	-	Equity-method investee
ATC	AKMC	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	584,082	(2,912)	(2,912)	Indirect subsidiary
	ADMC	Guangzhou, China	Production and sale of industrial automation products	44,511	44,511	-	100.00	49,264	3,988	3,988	Indirect subsidiary
Timson Tech Co. (TTC)	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processes and sale of peripherals	30,222	30,222	-	100.00	25,940	-	-	Equity-method of a subsidiary
AAC (BVI)	AC	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	859,577	47,901	47,901	Indirect subsidiary
	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	448,919	74,393	74,393	Indirect subsidiary
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	96,750	-	100.00	101,410	154	154	Indirect subsidiary
AEU	AESC	Helmond, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	83,693	(7,388)	(7,388)	Indirect subsidiary
	AUK	Milton Keynes, England	Sale of industrial automation products	-	13,373	-	-	-	-	-	Note C
	ABB	Roosendaal, The Netherlands	Sale of industrial automation products	-	39,565	-	-	-	-	-	Note C
	ADL (former name AEBC)	Munich, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	34,928	17,776	17,776	Indirect subsidiary
	AIT	Milano, Italy	Sale of industrial automation products	22,275	22,275	45,000	100.00	3,570	-	-	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	2,000	80.00	4,488	(2,653)	(2,122)	Indirect subsidiary
ASG	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	5,134	320	96	Indirect subsidiary
	APN	Penang, Malaysia	Sale of industrial automation products	8,181	8,181	570,570	55.00	7,799	(26)	(14)	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	3,671	(1,527)	(840)	Indirect subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 2007	Dec. 31, 2006	Shares	Percentage of Ownership	Carrying Value			
Netstar Technology Co., Ltd.	LANSONIC (BVI)	Akara Building 24DeCastro Street, Wickhams Cay I, Road fown Tortola, British Virgin Islands	General investment	$ 101,188	$ 93,313	3,527,529	94.83	$ (44,200)	$ (5,688)	$ (5,832)	Indirect subsidiary
	Jan Hsiang Electronics Co., Ltd.	Taipei	Electronic parts and components manufacturing	14,950	14,950	1,900,000	76.00	16,781	1,820	1,383	Indirect subsidiary
	Lantech Communications Inc.	Taipei	Retail sale of electronic materials	11,595	11,595	1,159,500	77.30	(18,442)	(1,866)	(1,866)	Indirect subsidiary
	Supercom Technology Corporation	Taipei	Telecommunication equipment and electronic parts manufacturing	11,250	11,250	750,000	33.33	9,057	(2,344)	(781)	Indirect subsidiary
LANSONIC (BVI)	Netstar Electronics Corporation (Dongguan)	Guangzhou, China	Network and UPS product manufacture business	HK$ 2,935	HK$ 2,935	-	100.00	(62,686)	(5,906)	(5,906)	Indirect subsidiary

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

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

Note C: AUK and ABB merged with ADL in 2007.

Note D: Advantech IBHA Inc. was liquidated in May 2007.

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Advantech Co., Ltd. (the "Company")

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2007	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2007	Accumulated Inward Remittance of Earnings as of June 30, 2007
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US$12,000 thousand	Indirect	$ 394,320 (US$ 12,000 thousand)	$ -	$ -	$ 394,320 (US$ 12,000 thousand)	100%	$ (2,912)	$ 584,082	$ -
Yan Hua Xng Ye Electronic (SHHQ)	Sale of industrial automation products	US$3,000 thousand	Indirect	98,580 (US$ 3,000 thousand)	-	-	98,580 (US$ 3,000 thousand)	100%	154	101,410	-
Kunshan Timson Tech Co., Ltd.	Processes and sale of peripherals	US$900 thousand	Indirect	8,872 (US$ 270 thousand)	-	-	8,872 (US$ 270 thousand)	30%	-	25,940	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US$4,230 thousand	Indirect	175,210 (US$ 5,332 thousand)	-	-	175,210 (US$ 5,332 thousand)	100%	74,393	488,919	-
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US$1,400 thousand	Indirect	(Note C)	-	-	(Note C)	100%	3,988	49,264	-

Accumulated Investment in Mainland China as of June 30, 2007	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$683,554 (US$20,802 thousand) (Note D)	$1,955,170 (US$59,500 thousand)	$4,174,638

Note A: The financial statements used as basis for calculating investment gain (loss) were all unaudited, financial statements, except those of AKMC, SHHQ and ACN.

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. and its investees in Mainland China are described in Note 18 to the financial statements and Tables 2, 5 and 6.

Note C: Which remittance by Advantech Technology Co., Ltd.

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

Note E: The exchange rate was US$1.00=NT$32.86.

(Continued)

Netstar Technology Co., Ltd.

Investee Company Name	**Main Businesses and Products**	**Total Amount of Paid-in Capital**	**Investment Type (e.g., Direct or Indirect)**	**Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2007**	**Investment Flows**		**Accumulated Outflow of Investment from Taiwan as of June 30, 2007**	**% Ownership of Direct or Indirect Investment**	**Investment Gain (Loss) (Note A)**	**Carrying Value as of June 30, 2007**	**Accumulated Inward Remittance of Earnings as of June 30, 2007**
					Outflow	**Inflow**					
Netstar Electronics Corporation (Dongguan)	Production and sale of UPS、interface card driver, piezo-electric buzzer and wireless mouse	$13,525	Note A	$ 10,815	$ -	$ -	$ 10,815	94.83%	$ (1,347)	$ (62,239)	$ -

Accumulated Investment in Mainland China as of June 30, 2007	**Investment Amounts Authorized by Investment Commission, MOEA**	**Upper Limit on Investment**
$28,782 (Note D)	$32,285 (US$929)	$81,866

Note A: Investment in China through a company incorporated overseas.

Note B: The calculation of investment gain (loss) was based on unaudited financial statements.

Note C: The related transactions are described in Table 5.

Note D: Included an outflow of US$517 thousand on an investment in Sedlan Technology Corporation Limited (“Sedlan”) which was liquidated in 2005. After it gets back its investment in Sedlan, the Company will report this investment liquidation to the MOEA for approval of the closing of this investee.

(Concluded)