Advantech Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2007 and 2006 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Advantech Co., Ltd. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years 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. However, as stated in Note 2 to the financial statements, we did not audit the financial statements of these subsidiaries as of and for the years ended December 31, 2007 and 2006. The total assets of these subsidiaries were 16.48% (NT$2,967,468 thousand) and 7.30% (NT$1,223,547 thousand) of the Company's consolidated total assets as of December 31, 2007 and 2006, respectively. The operating revenues of these subsidiaries were 29.38% (NT$4,793,617 thousand) and 10.44% (NT$1,535,444 thousand) of the Company's consolidated operating revenues in 2007 and 2006, respectively. Also, as stated in Note 8 to the financial statements, we did not audit the financial statements as of and for the years ended December 31, 2007 and 2006 of equity-method investees that are not majority owned. The carrying values of these investments were 2.91% (NT$524,542 thousand) and 3.51% (NT$588,789 thousand) of the Company's consolidated total assets as of December 31, 2007 and 2006, respectively. The equity in the investees' net gain was 2.41% (NT$85,448 thousand) and 3.69% (NT$125,193 thousand) of the Company's consolidated income before income tax in 2007 and 2006, respectively. The financial statements of these subsidiaries and investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the subsidiaries and investees' amounts included herein, is based solely on the reports of the other auditors.

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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Advantech Co., Ltd. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, on January 1, 2006, Advantech Co., Ltd. and subsidiaries 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.

March 7, 2008

Notice to Readers

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)

	2007		2006	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 2,397,332	13	$ 2,526,375	15
Financial assets at fair value through profit or loss - current (Notes 2, 3, 5 and 23)	87	-	-	-
Available-for-sale financial assets - current (Notes 2, 3, 6 and 23)	1,356,177	8	1,305,570	8
Notes receivable (Note 2)	207,584	1	166,859	1
Accounts receivable, net of allowance for doubtful accounts of $58,408 thousand in 2007 and $37,627 thousand in 2006 (Notes 2)	2,481,167	14	2,169,740	13
Receivables from related parties (Notes 2 and 20)	88,949	1	66,362	-
Other receivables	155,365	1	41,520	-
Inventories, net (Notes 2 and 7)	2,425,545	13	2,499,683	15
Deferred income tax assets - current (Notes 2 and 17)	84,271	-	87,854	1
Restricted assets - current (Note 21)	93,372	1	50,000	-
Prepayments and other current assets	247,068	1	158,506	1
Total current assets	9,536,917	53	9,072,469	54
LONG-TERM FUNDS AND INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2, 3, 6 and 23)	4,047,492	23	3,987,961	24
Financial assets carried at cost - noncurrent (Notes 2 and 9)	67,440	-	74,902	-
Equity-method investments (Notes 2 and 8)	565,063	3	613,584	4
Total long-term funds and investments	4,679,995	26	4,676,447	28
PROPERTIES (Notes 2, 10 and 21)				
Cost				
Land	820,900	4	777,103	5
Buildings and equipment	1,557,434	9	1,433,233	8
Machinery and equipment	780,274	4	623,050	4
Furniture and fixtures	311,231	2	270,400	2
Other equipment	411,161	2	234,515	1
Total cost	3,881,000	21	3,338,301	20
Accumulated depreciation	1,084,005	6	738,008	4
	2,796,995	15	2,600,293	16
Construction in progress and prepayments for equipment	460,446	3	46,138	-
Net properties	3,257,441	18	2,646,431	16
INTANGIBLE ASSETS				
Goodwill (Note 3)	169,882	1	94,261	-
Deferred pension cost (Note 14)	5,961	-	-	-
Total intangible assets	175,843	1	94,261	-
OTHER ASSETS				
Assets leased to others, net (Notes 2, 10 and 11)	27,676	-	7,877	-
Refundable deposits	54,905	-	39,439	-
Deferred expenses, net (Note 2)	276,725	2	223,696	2
Restricted assets - noncurrent (Note 21)	-	-	1,600	-
Total other assets	359,306	2	272,612	2
TOTAL	$ 18,009,502	100	$ 16,762,220	100

	2007		2006	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 2, 5 and 23)	-	-	$ 540	-
Short-term bank loans (Note 12)	635,536	4	289,639	2
Accounts payable (Note 20)	1,483,531	8	1,021,882	6
Income tax payable (Notes 2 and 17)	213,572	1	168,317	1
Employee bonus payable	180,106	1	141,771	1
Accrued expenses	527,286	3	501,311	3
Long-term bank loans - current portion (Note 13)	12,868	-	7,516	-
Advance receipts and other current liabilities	369,790	2	242,136	1
Total current liabilities	3,422,689	19	2,373,112	14
LONG-TERM LIABILITIES				
Long-term bank loans (Note 13)	105,073	1	69,569	-
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 14)	114,035	1	110,964	1
Deferred income tax liabilities - noncurrent (Notes 2 and 17)	228,630	1	124,351	1
Deferred credits (Note 2)	17,582	-	7,527	-
Others	9,333	-	8,550	-
Total other liabilities	369,580	2	251,392	2
Total liabilities	3,897,342	22	2,694,073	16
SHAREHOLDERS' EQUITY				
Capital stock, NT$10.00 par value				
Authorized - 600,000 thousand shares				
Issued - 491,577 thousand shares in 2007 and 463,630 thousand shares in 2006	4,915,770	27	4,636,295	28
Capital surplus				
Additional paid-in capital in excess of par	4,377,157	24	4,362,548	26
From long-term equity investments	65,635	1	64,098	-
Total capital surplus	4,442,792	25	4,426,646	26
Retained earnings				
Legal reserve	1,378,115	8	1,086,326	7
Unappropriated earnings	3,537,570	19	3,254,770	19
Total retained earnings	4,915,685	27	4,341,096	26
Others				
Cumulative translation adjustments	243,543	2	114,993	1
Unrealized gain on financial instruments	909,700	5	514,705	3
Treasury stock - 14,500 thousand shares	(1,385,698)	(8)	-	-
Total others	(232,455)	(1)	629,698	4
Total shareholders' equity of parent company	14,041,792	78	14,033,735	84
Minority interest	70,368	-	34,412	-
Total shareholders' equity	14,112,160	78	14,068,147	84
TOTAL	$ 18,009,502	100	$ 16,762,220	100

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

(With Deloitte & Touche audit report dated March 7, 2008)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)

	2007		2006	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 20)				
Sales	$16,360,052	100	$14,644,334	99
Sales returns and allowances	361,140	2	199,359	1
Net sales	15,998,912	98	14,444,975	98
Other operating revenues	315,979	2	257,429	2
Total operating revenues	16,314,891	100	14,702,404	100
OPERATING COSTS (Notes 18 and 20)	9,137,131	56	8,133,545	55
GROSS PROFIT	7,177,760	44	6,568,859	45
REALIZED (UNREALIZED) PROFITS ON INTERCOMPANY SALES (Note 2)	(9,709)	-	1,576	-
ADJUSTED GROSS PROFIT	7,168,051	44	6,570,435	45
OPERATING EXPENSES (Note 18)				
Marketing	1,623,907	10	1,365,668	9
Administrative	1,372,344	8	1,294,319	9
Research and development	1,078,259	7	816,687	6
Total operating expenses	4,074,510	25	3,476,674	24
OPERATING INCOME	3,093,541	19	3,093,761	21
NONOPERATING INCOME AND GAINS				
Interest income	52,109	-	43,083	-
Investment income recognized under the equity method, net (Notes 2 and 8)	71,753	1	126,083	1
Dividend revenue	65,218	-	41,082	-
Gain on disposal of investments	344,376	2	102,547	1
Foreign exchange gain, net (Note 2)	95,728	1	129,637	1
Valuation gain on financial assets, net (Notes 2 and 5)	18,247	-	8,907	-
Other income (Note 3)	97,319	1	124,761	1
Total nonoperating income and gains	744,750	5	576,100	4

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)

	2007		2006	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Interest expense	$ 32,412	-	$ 19,843	-
Loss on disposal of scrap inventories	203,419	2	100,874	1
Provision for loss on inventories (Note 2)	12,803	-	92,568	1
Valuation loss on financial liabilities, net (Notes 2 and 5)	8,287	-	12,501	-
Other expenses (Note 18)	31,694	-	53,673	-
Total nonoperating expenses and losses	288,615	2	279,459	2
INCOME BEFORE INCOME TAX	3,549,676	22	3,390,402	23
INCOME TAX (Notes 2 and 17)	610,973	4	466,703	3
CONSOLIDATED NET INCOME	$ 2,938,703	18	$ 2,923,699	20
ATTRIBUTABLE TO:				
Parent's shareholders	$ 2,971,049	18	$ 2,917,891	20
Minority interest	(32,346)	-	5,808	-
	$ 2,938,703	18	$ 2,923,699	20

	2007		2006	
	Pretax	**After-tax**	**Pretax**	**After-tax**
EARNINGS PER SHARE (Note 19)				
Basic	$ 7.02	$ 6.11	$ 6.65	$ 5.95
Diluted	$ 7.01	$ 6.10	$ 6.63	$ 5.93

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

(With Deloitte & Touche audit report dated March 7, 2008) (Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Capital Stock - Issued (Note 15)		Capital Surplus (Notes 2 and 15)			Retained Earnings (Notes 2 and 15)				Cumulative Translation Adjustments (Note 2)	Unrealized Valuation Gain on Financial Instruments (Notes 2, 3 and 23)	Treasury Stock (Notes 2and 16)	Minority Interest in Subsidiaries	Total Shareholders' Equity
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	From Long-term Equity Investments	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total					
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	$ -	$ -	$ 37,966	$ 12,510,570
Adjustment due to accounting changes	-	-	-	-	-	-	-	-	-	-	620,449	-	-	620,449
Appropriation of the 2005 earnings														
Legal reserve	-	-	-	-	-	242,980	-	(242,980)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(19,661)	19,661	-	-	-	-	-	-
Bonus to employees	5,000	50,000	-	-	-	-	-	(220,648)	(220,648)	-	-	-	-	(170,648)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(22,065)	(22,065)	-	-	-	-	(22,065)
Stock dividends - 2%	8,979	89,792	-	-	-	-	-	(89,792)	(89,792)	-	-	-	-	-
Cash dividends - NT$4.00 per share	-	-	-	-	-	-	-	(1,795,841)	(1,795,841)	-	-	-	-	(1,795,841)
Consolidated net income in 2006	-	-	-	-	-	-	-	2,917,891	2,917,891	-	-	-	5,808	2,923,699
Conversion of bonds into capital stock and capital surplus	210	2,100	6,700	-	6,700	-	-	-	-	-	-	-	-	8,800
Employee stock options	540	5,400	13,644	-	13,644	-	-	-	-	-	-	-	-	19,044
Increase in cumulative translation adjustments due to disposal of long-term investment	-	-	-	-	-	-	-	-	-	5,993	-	-	-	5,993
Increase in carrying values of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	13,733	13,733	-	-	-	-	-	-	-	-	13,733
Changes in unrealized valuation losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(106,113)	-	-	(106,113)
Equity in the changes in unrealized valuation gains on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	369	-	121	490
Changes in translation adjustments.	-	-	-	-	-	-	-	-	-	69,519	-	-	-	69,519
Effect of changes in subsidiaries' equity in their investments	-	-	-	-	-	-	-	-	-	-	-	-	(9,483)	(9,483)
BALANCE, DECEMBER 31, 2006	463,629	4,636,295	4,362,548	64,098	4,426,646	1,086,326	-	3,254,770	4,341,096	114,993	514,705	-	34,412	14,068,147
Appropriation of the 2006 earnings														
Legal reserve	-	-	-	-	-	291,789	-	(291,789)	-	-	-	-	-	-
Bonus to employees	4,000	40,000	-	-	-	-	-	(262,610)	(262,610)	-	-	-	-	(222,610)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(26,261)	(26,261)	-	-	-	-	(26,261)
Stock dividends - 5%	23,183	231,825	-	-	-	-	-	(231,825)	(231,825)	-	-	-	-	-
Cash dividends - NT$4.00 per share	-	-	-	-	-	-	-	(1,854,598)	(1,854,598)	-	-	-	-	(1,854,598)
Consolidated net income in 2007	-	-	-	-	-	-	-	2,971,049	2,971,049	-	-	-	(32,346)	2,938,703
Employee stock options	765	7,650	14,609	-	14,609	-	-	-	-	-	-	-	-	22,259
Increase in carrying values of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	1,537	1,537	-	-	-	-	-	-	-	-	1,537
Decrease in carrying values of equity-method investments due to the acquisition of treasury stock by the investees	-	-	-	-	-	-	-	(21,166)	(21,166)	-	-	-	-	(21,166)
Changes in unrealized valuation losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	393,929	-	-	393,929
Equity in the changes in unrealized valuation gains on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	1,066	-	-	1,066
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	(1,385,698)	-	(1,385,698)
Changes in translation adjustments	-	-	-	-	-	-	-	-	-	128,550	-	-	-	128,550
Effect of change in consolidated entities in 2007	-	-	-	-	-	-	-	-	-	-	-	-	64,597	64,597
Effect of changes in subsidiaries' equity in their investments	-	-	-	-	-	-	-	-	-	-	-	-	3,705	3,705
BALANCE, DECEMBER 31, 2007	491,577	$ 4,915,770	$ 4,377,157	$ 65,635	$ 4,442,792	$ 1,378,115	$ -	$ 3,537,570	$ 4,915,685	$ 243,543	$ 909,700	$(1,385,698)	$ 70,368	$ 14,112,160

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

(With Deloitte & Touche audit report dated March 7, 2008)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 2,938,703	$ 2,923,699
Depreciation and amortization	287,860	210,463
Provision for bad debts	20,781	7,658
Provision for losses on inventories	12,803	92,568
Loss on disposal of scrap inventories	203,419	100,874
Loss (gain) on disposal of properties, net	1,753	(2,075)
Gain on disposal of investments	(344,376)	(102,547)
Cash dividends received from equity-method investees	78,715	49,755
Equity in net gain of investees, net	(71,753)	(126,083)
Accrued pension liabilities	(1,866)	16
Deferred income taxes	107,862	(967)
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(627)	51
Notes receivable	(39,906)	23,471
Accounts receivable	(219,201)	(563,562)
Receivables from related parties	(40,824)	(14,261)
Other receivables	(113,845)	90,727
Inventories	(21,966)	(392,308)
Prepayment and other current assets	(34,364)	(7,536)
Accounts payable	400,077	(158,166)
Income tax payable	45,255	99,230
Accrued expenses	2,792	8,358
Advance receipts and other current liabilities	76,706	(31,328)
Deferred credits	10,055	(1,576)
Net cash provided by operating activities	3,298,053	2,206,461
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(11,521,703)	(10,002,261)
Proceeds of the disposal of available-for-sale financial assets	12,033,559	10,400,097
Acquisition of financial assets carried at cost	-	(40,709)
Proceeds of the disposal of equity-method investments	161,238	18,415
Cash paid for acquisition of subsidiaries	(177,216)	-
Proceeds of the disposal of properties	3,514	4,410
Acquisition of property, plant and equipment	(565,612)	(334,896)
Acquisition of goodwill	(13,175)	(31,647)
Increase in refundable deposits	(15,466)	(5,855)
Decrease (increase) in restricted assets	6,080	(64,940)
Increase in deferred expenses	(89,826)	(47,500)
Net cash used in investing activities	(178,607)	(104,886)

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in bank loans - short-term	$ 159,385	$ (163,751)
Decrease in long-term bank loans	(1,894)	(835)
Decrease in bonds payable	-	(100)
Increase (decrease) in other liabilities	518	(10,742)
Employee stock options	22,259	19,044
Cash dividends paid	(1,854,598)	(1,795,841)
Bonus paid to employees and remuneration to directors and supervisors	(210,536)	(200,967)
Cash paid for acquisition of treasury stock	(1,385,698)	-
Decrease in minority equity	(1,745)	(9,483)
Net cash used in financing activities	(3,272,309)	(2,162,675)
EFFECT OF CHANGE IN CONSOLIDATED ENTITIES	-	9,844
EFFECT OF EXCHANGE RATE CHANGES	23,820	59,797
NET INCREASE (DECREASE) IN CASH	(129,043)	8,541
CASH, BEGINNING OF YEAR	2,526,375	2,517,834
CASH, END OF YEAR	$ 2,397,332	$ 2,526,375
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	$ 35,412	$ 31,515
Income tax paid	$ 457,856	$ 368,440
NONCASH INVESTING AND FINANCING ACTIVITIES		
Bonus to employees payable	$ 50,371	$ 49,573
Reclassification of properties into leased properties	$ 19,799	$ -
Cash dividends from investments accounted for by the equity method	$ 6,640	$ -
Reclassification of properties leased to others into properties	$ -	$ 60,941
Conversion of bonds into capital stock and capital surplus	$ -	$ 8,800

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Fair values of assets and liabilities of Netstar Technology Co., Ltd., a subsidiary acquired in May 2007, at acquisition are summarized as follows:

Cash	$ 27,596
Accounts receivable	95,589
Inventories, net	120,118
Restricted assets	47,852
Other current liabilities	54,198
Investments accounted for by the equity method	9,057
Property, plant and equipment, net	159,875
Other assets	57,533
Short-term bank loans	(186,512)
Accounts payable	(61,572)
Accrued expenses	(23,183)
Other current liabilities	(50,948)
Long-term liabilities	(42,750)
Other liabilities	(5,816)
Net	201,037
Percentage of equity interest	67%
	134,695
Excess of cost over book value acquired	77,576
Total	212,271
Less: Cash balances of Netstar Technology Co., Ltd.	27,596
Cash paid for acquisition of Netstar Technology Co., Ltd. in 2006	7,459
Cash paid for acquisition of Netstar Technology Co., Ltd. in 2007	$ 177,216

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

(With Deloitte & Touche audit report dated March 7, 2008) (Concluded)

1. ORGANIZATION AND OPERATIONS

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

As of December 31, 2007 and 2006, the Parent Company and the consolidated subsidiaries (collectively, the "Group") had 3,417 and 3,070 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

For the convenience of readers, the Group's 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 Group's significant accounting policies are summarized as follows.

Basis for Consolidation

Consolidated financial statements should include direct and indirect subsidiaries in which the Parent Company has controlling interests or has voting rights of over 50%. In 2007 and 2006, the consolidated entities included the Parent Company and its all subsidiaries. All significant intercompany accounts and transactions have been eliminated from the consolidated financial statements.

Advansus Corp. in 2007 and 2006, Hangzhou Advantofine Automation Tech. Co., Ltd. in 2007, which were consolidated using the proportionate consolidated method. All significant accounts and transactions between the Parent and this company have been eliminated from the consolidated financial statements.

The organization charts of intercompany relationships and percentages of ownership as of December 31, 2007 and 2006 is shown, Table 10 (attached). The names, locations and other information of investees are shown in Table 8 (attached).

The financial statements of the following companies were audited by other auditors, i.e., not the Parent Company's auditors: (a) for 2007 and 2006 - Advansus Corp.; Advantech Europe Holding B.V. (but its subsidiary, Advantech Europe B.V., was audited by the Parent Company's CPAs in 2006); Advantech Japan Co., Ltd.; Advantech Australia Pty Ltd.; Advantech Co. Singapore Pte, Ltd.; Advantech Co.; Malaysia Sdn. Bhd.; and Viewsys Technology Co., Ltd.; and (b) for 2007 -Netstar Technology Co., Ltd., a subsidiary of Advantech Investment Fund-A Co., Ltd.; and Advantech (H.K.) Technology Co., Ltd.

The calculation of the investment carrying value and the Parent Company's equity in the net income of Hangzhou Advantofine Automation Tech. Co., Ltd. and BCM Embedded Computer Inc. in 2007 was based on unaudited financial statements since each investee's capital stock was less than $30,000 thousand and the investees' individual total operating revenues were less than $50,000 thousand or 10% of the Parent Company's total operating revenues. The Parent Company believes that had these investees' financial statements been audited, any adjustments would have had no major effects on the consolidated financial statements.

Current and Noncurrent Assets and Liabilities

Current assets include cash, financial assets held for trading and other assets consumed or used up within one year. Current liabilities include financial liabilities resulted from trading and repaid or settled within one year. All other assets and liabilities are classified as noncurrent.

Financial Assets/Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss ("FVTPL") include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to issue of initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

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

Available-for-sale Financial Assets

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

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

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

An impairment loss 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 Group 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 Group) 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.

Financial Assets Carried at Cost

Investments with no quoted market prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks, are carried at their original costs. The costs of non-publicly traded stocks are determined using the weighted-average method. If there is objective evidence of financial asset impairment, a loss is recognized. A reversal of this impairment loss is not allowed.

The accounting treatment for cash dividends and stock dividends arising from financial assets carried at cost is the same as that for cash and stock dividends arising from available-for-sale financial assets.

Long-term Equity Investments

Investments in shares of stock of companies in which the Group 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 Group's proportionate share in the investees' earnings or losses and changes in capital surplus. Cash dividends received are recognized as a reduction of the carrying value of the investments. Investment income (or loss) is recognized whenever the investees recognize income (or loss). 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 Group'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 Group needs to make asset impairment tests regularly. And if there are indications that the goodwill is probably impaired, the Group 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. If the unamortized long-term investment by the equity method acquired before January 1, 2006 exceeds the Group's equity in the investee's equity in the investee's assets, represent goodwill, are no longer being amortized; the negative goodwill previously acquired should be amortized over the remaining estimated economic life.

If an investee issues additional shares and the Group acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Group's equity in its investee's net assets is credited to capital surplus. Any decrease in the Group'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 Group has controlling influence, if the equity in losses recognized exceeds the original investment acquisition costs, the Group 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 Group totally until its previously recognized losses are covered.

All profits derived from sales of products by the Group to its subsidiaries are deferred but only profit in proportion to the Group'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 Group is deferred in proportion to the Group'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 Group'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 and Properties Leased to Others

Properties and properties leased to others 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 and properties leased to others still being used by the Group beyond their initially estimated service lives are depreciated over their newly estimated service lives.

Upon sale or other disposal of properties and properties leased to others, 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, royalties and the right to the use of the land are amortized over two to fifty years using the straight-line method.

Goodwill

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Goodwill was previously amortized using the straight-line method over the estimated life of five years. Effective January 1, 2006, based on the newly revised Statement of Financial Accounting Standards No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method" (SFAS No. 25), goodwill is no longer amortized and is instead assessed for impairment at least annually.

Assets Impairment

An impairment loss should be recognized if the carrying amount of properties, properties leased to others, deferred expenses, goodwill 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

For a defined benefit pension plan of the Parent Company and subsidiaries in Taiwan, net periodic pension costs are recognized on the basis of actuarial calculation. Unrecognized net transition obligations and unrecognized pension gains or losses are amortized using the straight-line method over 15 to 19 years and the average remaining service of employees. For a 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.

The subsidiaries in overseas all contribute to pension funds and recognize pension costs based on local government regulations.

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 Parent 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 write-offs 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.

Treasury Stock

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

Income Tax

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

Investment tax credits for certain equipment or technology purchases, research expenditure, employee trainings and stock investments 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.

Translation of Foreign-currency Financial Statements and Foreign-currency Transactions

ROC Statement of Financial Accounting Standards No. 14 - "Accounting for Foreign-currency Translation" applies to foreign subsidiaries that use the local currency as their functional currency. The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - current rates at year-end; shareholders' equity - historical rates; and income and expenses - average rates during the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity

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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 Group adopted the new Statements of Financial Accounting Standards ("Statements") No. 34 - "Accounting for Financial Instruments" (SFAS No. 34) and No. 36 - "Disclosure and Presentation of Financial Instruments" and related revisions of previously released Statements.

Effect of accounting changes

The Group properly categorized 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 in the year ended December 31, 2006.

Effective January 1, 2006, the Group 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$40,180 thousand in net income and of NT$0.09 basic earnings per share after tax for the year ended December 31, 2006.

4. CASH

	December 31 2007	December 31 2006
Cash on hand	$ 3,325	$ 4,701
Checking and demand deposits	1,473,326	857,551
Time deposits: Interest - 1.95%-4.50% in 2007 and 1.40%-5.50% in 2006	920,681	1,664,123
	$ 2,397,332	$ 2,526,375

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The trading assets or liabilities of the Parent Company are shown as follows:

	December 31	
	2007	2006
Financial assets resulted from trading		
Forward contracts	$ 87	$ -
Financial liabilities resulted from trading		
Forward contracts	$ -	$ 540

On December 31, 2007 and 2006, information about outstanding forward contracts is shown as follows:

	Currency	Maturity	Amount (Thousand)
December 31, 2007			
Sell	JPY/USD	January 2008	JPY55,615/USD500
December 31, 2006			
Sell	EUR/USD	January 2007	EUR1,000/USD1,299
		January 2007	EUR1,000/USD1,323

The Parent Company entered into forward contract transactions in the year ended December 31, 2007 and 2006 is to avoid risks on exchange rate fluctuations. The hedging strategy of the Parent Company is to avoid the major portion of the market and liquidity risks.

Net gains and losses arising from trading financial assets or liabilities for the year ended December 31, 2007 and 2006 were gains $9,960 thousand and losses $3,594 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2007		2006	
	Current	Noncurrent	Current	Noncurrent
Mutual funds	$ 1,342,735	$ -	$ 1,293,208	$ -
Publicly traded stocks				
Chunghwa Telecom Co., Ltd.	13,442	-	12,362	-
ASUSTEK Computer Inc.	-	4,047,492	-	3,898,166
Firich Enterprise Co., Ltd.	-	-	-	89,795
	$ 1,356,177	$ 4,047,492	$ 1,305,570	$ 3,987,961

7. INVENTORIES, NET

	December 31	
	2007	2006
Finished goods	$ 1,034,849	$ 983,452
Work in process	540,496	545,838
Materials and supplies	980,271	1,058,715
Inventories in transit	116,167	209,546
	2,671,783	2,797,551
Allowance for losses	246,238	297,868
	$ 2,425,545	$ 2,499,683

8. LONG-TERM EQUITY INVESTMENTS

	December 31			
	2007		2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Listed				
Axiomtek Co., Ltd.	$ 350,156	28.90	$ 412,454	33.92
Unlisted				
Advantech Technologies Co., Ltd.	174,386	23.89	176,335	23.89
Advantech Hungary Ltd.	14,438	30.00	12,591	30.00
Supercom Technology Corporation	12,485	33.33	-	-
Timson Tech Co.	7,743	30.00	7,782	30.00
Advantech Corporation (Thailand) Co., Ltd.	5,855	30.00	4,422	30.00
	$ 565,063		$ 613,584	

The financial statements used as basis for calculating the investment carrying value and the Parent Company's equity in the net income of two of its equity-method investees, Axiomtek Co., Ltd., Advantech Technologies Co., Ltd., in 2007 and 2006 were audited by other CPAs.

Also, the calculation of the investment carrying value and the Parent Company's equity in the net income of Advantech Hungary Ltd., Timson Tech Co. and Advantech Corporation (Thailand) Co., Ltd. in 2007 and 2006, and Supercom Technology Corporation in 2007 was based on unaudited financial statements since each of these investees' capital stock was less than $30,000 thousand and the investees' individual total operating revenues were less than $50,000 thousand or 10% of the Parent Company's total operating revenues. The Parent Company believes that had these investees' financial statements been audited, any adjustments would not have had a major effect on the consolidated financial statements.

The market values of the listed stocks invested in by the Parent Company, which were calculated on the basis of their closing prices as of December 31, 2007 and 2006 were $968,805 thousand and $1,189,935 thousand, respectively.

9. FINANCIAL ASSETS CARRIED AT COST

	December 31 2007	December 31 2006
Non-publicly traded		
Domestic		
Net Star Technology Corp.	$ -	$ 7,459
Foreign		
Superior Technology Co., Ltd.	33,442	33,441
Coban Research and Technologies, Inc.	33,257	33,257
Visual Systems GmbH	741	745
	67,440	67,443
	$ 67,440	$ 74,902

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost.

10. PROPERTIES

Accumulated depreciation was as follows:

	December 31 2007	December 31 2006
Buildings and equipment	$ 282,211	$ 208,691
Machinery and equipment	367,933	277,442
Furniture and fixtures	185,997	135,769
Miscellaneous equipment	247,864	116,106
	$ 1,084,005	$ 738,008

Depreciation expenses for properties and properties leased to others were $230,105 thousand in 2007 and $170,110 thousand in 2006.

11. PROPERTIES LEASED TO OTHERS

	December 31 2007	December 31 2006
Cost		
Buildings and equipment	$ 37,307	$ 10,234
Accumulated depreciation	9,631	2,357
	$ 27,676	$ 7,877

12. SHORT-TERM BANK LOANS

	December 31 2007	2006
Materials purchase loans - interest: 8.7%	$ 67,653	$ -
Secured loans - interest: 2.70%-6.5%	5,000	-
Credit loans - interest: 5.09%-6.56% in 2007 and 4.86%-6.17% in 2006	562,883	289,639
	$ 635,536	$ 289,639

Advantech Technology (China) Company Ltd., an indirect subsidiary of the Parent Company, obtained a credit loan from a bank to meet its financing need. As of December 31, 2007 and 2006, the carrying values were $415,883 thousand and $289,639 thousand, respectively.

Netstar Technology Co., Ltd., an indirect subsidiary of the Parent Company, obtained credit, materials purchase and mortgage loans from bank to meet its financing need. As of December 31, 2007, the carrying values were $219,653 thousand.

13. LONG-TERM BANK LOANS

	Current	Long-term	Total
December 31, 2007			
Secured loans	$ 8,368	$ 69,073	$ 77,441
Credit loans	4,500	36,000	40,500
	$ 12,868	$ 105,073	$ 117,941
December 31, 2006			
Credit loans	$ 7,516	$ 69,569	$ 77,085

Advantech Europe B.V., an indirect subsidiary of the Parent Company, obtained a mortgage loan from a bank to acquire a building. This loan is repayable quarterly till loan maturity in June 2010. As of December 31, 2007 and 2006, the carrying values were $77,441 thousand and $77,085 thousand, respectively, and the implicit interest rates were 6.42% and 4.00%, respectively.

Netstar Technology Co., Ltd., an indirect subsidiary of the Parent Company, obtained a mortgage loan from a bank for its operation need. This loan is repayable from October 2006 to October 2016 in 40 quarterly installments from January 2007. As of December 31, 2007, the carrying value was $40,500 thousand and interest rate was 3.25%-5.25%.

14. PENSION PLAN

The Labor Pension Act (the "Act") was enforced on July 1, 2005. The employees of the Parent Company subject to the Labor Standards Law before July 1, 2005 may 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.

Based on the Act, the rate of monthly contributions to employees' individual pension accounts is at 6% of the employees' monthly wages. For these contributions, the Parent Company and domestic subsidiaries recognized a pension cost $51,504 thousand and $40,445 thousand in 2007 and 2006, respectively.

Under the Labor Standard Laws, benefits of the Parent Company and its subsidiary - Netstar are based on length of service and average basic pay of the six months before retirement. The Parent Company and its subsidiary - Netstar make monthly contributions, equal to 2% of salaries, to a pension fund, which is administered by a pension plan committee and deposited in the committee's name in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity.

Some consolidated entities, which are mainly in investments, have either very few or even no staff including foreign subsidiaries ATC, AYS, AEU, AAC (BVI) and LANSONIC (BVI). These subsidiaries have no pension plans and thus do not contribute to pension funds and recognize pension costs.

Except for these companies, the remaining companies all contribute to pension funds and recognize pension costs based on local government regulations.

For the years ended December 31, 2007 and 2006, the pension expense were $40,365 thousand and $27,026 thousand, respectively, which were based on the defined benefit pension and overseas subsidiaries' local government regulations.

The Parent Company Netstar and it subsidiaries have the defined benefit pension plan. Other pension information is summarized as follows:

	2007		2006
	The Parent Company	**Netstar and Its Subsidiaries**	**The Parent Company**
a. Components of pension cost:			
Service cost	$ 3,940	$ 16	$ 3,481
Interest cost	3,812	489	4,116
Projected return on plan assets	(2,020)	(219)	(2,483)
Amortization of unrecognized net transition obligation and net pension plan gains or losses	(2,206)	610	(4,075)
	$ 3,526	$ 896	$ 1,039
b. Reconciliation between the funded status of the pension plan and accrued pension liabilities:			
Benefit obligation			
Vested benefit obligation	$ 1,287	$ 360	$ -
Non-vested benefit obligation	115,970	11,536	99,855
Accumulated benefit obligation	117,257	11,896	99,855
Additional benefits based on future salaries	44,182	3,533	38,774
Projected benefit obligation	161,439	15,429	138,629
Fair value of plan assets	(80,882)	(7,331)	(73,464)
Funded status	80,557	8,098	65,165
Unrecognized net transition obligation	(14,577)	(791)	(16,399)
Unrecognized net loss	42,953	(8,166)	62,198
Additional liabilities	-	5,961	-
Accrued pension liabilities	$ 108,933	$ 5,102	$ 110,964

c. Actuarial assumptions

	2007		2006
	The Parent Company	Netstar and Its Subsidiaries	The Parent Company
Discount rate used in determining present values	3.00%	3.25%	2.75%
Future salary increase rate	2.00%	2.00%	2.00%
Expected rate of return on plan assets	3.00%	3.25%	2.75%

d. The changes in the accrued pension liability are summarized as follows:

	2007		2006
	The Parent Company	Netstar and Its Subsidiaries	The Parent Company
Balance, beginning of period	$ 110,964	$ 5,568	$ 110,948
Accruals base on defined benefit pension plan	3,526	896	1,039
Contribution	5,557	1,362	1,023
Balance, end of period	$ 108,933	$ 5,102	$ 110,964

15. 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 only 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 shareholdings, and capitalized amounts should be within certain limits.

The Parent Company's Articles of Incorporation provide that legal reserve should be set aside at 10% of annual net income after appropriate income, tax and offset cumulative losses. In addition, a special reserve should adjusted according to the debit balance. 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 affiliate companies' 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, together with 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 (including unrealized gain or loss on financial instruments and cumulative transaction 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent Company's growth. The policy also requires that stock dividends be less than 75% of total dividends to retain internally generated cash within the Parent Company to finance future capital expenditures and working capital requirements.

The appropriations of earnings for 2006 and 2005 were proposed in the Parent Company's 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 Earnings		Dividend 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	-	-

The appropriation of earnings for 2006 were approved by the Financial Supervisory Commission, Executive Yuan, R.O.C. and then the Parent Company's board of directors resolved the date of distributing stock dividends and cash dividends on August 8, 2007. In addition, the Parent Company completed obtained on August 28, 2007 its revised registration from the Ministry of Economic Affairs on the increase in issued shares.

Had the above bonus to employees and remuneration to directors and supervisors been paid entirely in cash and charged to the earnings of 2006 and 2005, the basic earnings per share (after income tax) would have decreased from NT$6.30 to NT$5.68 in 2006 and from NT$6.05 to NT$5.44 in 2005, respectively.

The 4,000 thousand shares and 5,000 thousand shares distributed as bonus to employees were 0.86% and 1.11% of the total outstanding common shares as of December 31, 2006 and 2005, respectively.

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

On April 1, 2003, the SFB approved the Parent 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 options 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$28.84 as of December 31, 2007. As of December 31, 2007, there were 2,075 thousand units of stock options exercised, which were converted to 2,075 thousand common shares; thus, the unexercised stock options consisted of 565 thousand units.

16. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
Year ended December 31, 2007				
For transfer to employees	-	14,500	-	14,500

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

17. 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 Act. The Parent 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:

	2007	2006
Tax on pretax income at statutory rate	$ 1,017,875	$ 979,908
Add (deduct) tax effects of:		
Permanent differences		
Tax-exempt income	(334,721)	(264,543)
Other	(9,509)	(23,160)
Temporary differences	(45,237)	(81,781)
Income tax (10%) on undistributed earnings	30,282	10,805
Investment tax credit used	(152,614)	(153,559)
Loss carryforwards used	(2,965)	-
Income tax currently payable	$ 503,111	$ 467,670

b. Income tax expense consisted of the following:

	2007	2006
Income tax currently payable	$ 503,111	$ 467,670
Income tax expense - deferred	107,862	(967)
	$ 610,973	$ 466,703

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

	December 31 2007	December 31 2006
Balance, beginning of year	$ 168,317	$ 69,087
Income tax currently payable	503,111	467,670
Payment	(457,856)	(368,440)
Balance, end of year	$ 213,572	$ 168,317

d. Net deferred income taxes as of December 31, 2007 and 2006 consisted of the following:

	December 31 2007	December 31 2006
Current		
Deferred income tax assets:		
Allowance for loss on inventories	$ 46,084	$ 54,645
Investment tax credit	19,639	29,478
Loss carryforward	15,426	92,798
Unrealized product warranty reserve	10,292	10,929
Excess provisions for doubtful accounts	9,586	9,652
Others	12,559	17,358
	113,586	214,860
Valuation allowance	(18,945)	(122,454)
	94,641	92,406
Deferred income tax liabilities:		
Unrealized foreign exchange gain	$ (10,370)	$ (4,552)
Net deferred income tax assets	$ 84,271	$ 87,854
Noncurrent		
Deferred income tax assets:		
Deferred credits	$ 44,739	$ 79,841
Excess of pension cost	28,135	27,737
Investment tax credits	27,483	-
Loss of investees by equity method	24,829	104,374
Loss carryforward	17,874	-
Others	4,314	4,327
	147,374	216,279
Valuation allowance	(47,685)	(104,374)
	99,689	111,905
Deferred income tax liabilities:		
Gain of foreign investees by equity method	(328,094)	(236,043)
Others	(225)	(213)
	(328,319)	(236,256)
Net deferred income tax liabilities	$ (228,630)	$ (124,351)

The income tax rate of Parent Company and domestic subsidiaries used to recognize deferred income tax was 25%; otherwise the tax rate were according to oversea subsidiaries' decree.

e. As of December 31, 2007 investment tax credits consisted of the following:

Law	Item	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
The Parent Company				
Statute for Upgrading Industries	Research and development expenditures	$ 10,022	$ 10,022	2011
Netstar Technology Co., Ltd.				
Statute for Upgrading Industries	Research and development expenditures	$ 29,917	$ 29,917	2011
Advansus Corp.				
Statute for Upgrading Industries	Research and development expenditures	$ 7,183	$ 7,183	2011

f. Information on the domestic subsidiary - loss carryforward of Netstar Technology Co., Ltd. and Advansus as of December 31, 2007 is as follows:

Loss Year	Loss Carryforward Amount	Remaining Loss Carryforward Amount	Expiry Year
Netstar Technology Co., Ltd.			
2003	$ 33,870	$ 33,870	2008
2004	33,195	33,195	2009
2005	11,270	11,270	2010
2006	21,007	21,007	2011
2007	3,497	3,497	2012
	$ 102,839	$ 102,839	
Advansus Corp.			
2006	$ 41,960	$ 30,102	2011

g. As of December 31, 2007, the Parent Company's five years exemption on the income was 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

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

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

i. The Group's ICA balances as of December 31, 2007 and 2006 were as follows:

	December 31 2007	December 31 2006
Parent Company	$ 269,712	$ 188,475
Advantech Fund-A	$ 4,913	$ 3,959
Netstar Technology Co., Ltd.	$ 6,174	$ -
BCM Inc.	$ 10	$ -

The balance of unappropriated retained earnings as of 1997 were as follows:

	December 31 2007	December 31 2006
Parent Company	$ 81,329	$ 81,329

The expected and actual creditable tax ratios for earnings of the Parent Company were 8.94% and 8.18%, as of December 31, 2007 and 2006, respectively.

The creditable tax ratio should be based on the balance in the ICA on the date of dividend distribution. Thus, the expected creditable ratio for the 2007 earnings may differ from the actual ratio depending on the ICA balance on the dividend distribution date.

j. Income tax returns through 2004 had been examined and cleared by the tax authorities. However, the tax authorities made an assessment on the Parent Company's 2003 return, but the Parent Company disagreed with this assessment. Thus, the Parent Company requested for a reexamination of its return. As of March 7, 2008, the date of the accompanying auditors' report, the reexamination was in progress; nevertheless, the Parent Company recognized the payable on this case.

18. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	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	$ 435,560	$ 1,906,381	$ 2,341,941	$ 354,354	$ 1,573,711	$ 1,928,065
Insurance	30,460	185,715	216,175	40,573	155,466	196,039
Pension	19,250	77,041	96,291	9,657	58,853	68,510
Others	38,147	151,944	190,091	33,617	141,465	175,082
Depreciation	88,737	140,571	229,308	61,354	108,521	169,875
Amortization	6,554	51,201	57,755	3,232	37,121	40,353
	$ 618,708	$ 2,512,853	$ 3,131,561	$ 502,787	$ 2,075,137	$ 2,577,924

For properties leased to others, expenses of $797 thousand and $235 thousand as of December 31, 2007 and 2006, respectively (included in nonoperating expenses - other expenses), were not included in the above depreciation expenses.

19. 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	(Thousand)	Pretax	After-tax
2007					
Basic EPS	$ 3,415,906	$ 2,971,049	486,626	$ 7.02	$ 6.11
The impact of dilutive potential					
Employees' stock options	-	-	805		
Diluted EPS	$ 3,415,906	$ 2,971,049	487,431	$ 7.01	$ 6.10
2006					
Basic EPS	$ 3,258,683	$ 2,917,891	490,281	$ 6.65	$ 5.95
The impact of dilutive potential					
Employees' stock options	-	-	1,244		
Convertible bonds	-	-	117		
Diluted EPS	$ 3,258,683	$ 2,917,891	491,642	$ 6.63	$ 5.93

The EPS was retroactively adjusted for the stock dividends declared. Thus, pretax and after-tax primary EPS decreased from NT$7.04 to NT$6.65 and from NT$6.30 to $5.95 in 2006, respectively; and pretax and after-tax diluted EPS decreased from NT$7.02 to NT$6.63 and from $6.28 to $5.93 in 2006, respectively.

20. RELATED-PARTY TRANSACTIONS

a. Related parties

	Relationship with the Group
Axiomtek Co., Ltd. (Axiomtek)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Technologies Co., Ltd. (AKR)	Equity-method investee
Advantech Corporation (Thailand) Co., Ltd. (ATH)	Equity-method investee of ASG
Timson Tech Co. (TTC)	Equity-method investee of Advantech Fund-A
Supercom Technology Corporation (Supercom)	Equity-method investee of Netstar
Advantech International Co., Ltd.	The person in charge of Advantech International Co., Ltd. is a brother-in-law of the Parent Company's chairman
Firich Enterprise Co., Ltd. (Firich)	The Parent Company's chairman is the Firich Enterprise Co., Ltd.'s director (has resigned in May 2007)
Advantech Brazil S/A (ABR)	Substance related party
Advantech Investment Fund-C Co., Ltd. (Advantech IFC)	The person in charge of Advantech IFC is the brother-in-law of the Parent Company's chairman
Mr. Andrea Zolli	Manager of AEU (former: Manager of AIT)
Immoibiliare Verdi Srl	Manager of AEU (former: Manager of AIT)

b. The significant transactions with the above related parties, in addition to those disclosed in Note 22 and Tables 1 and 2, are summarized as follows:

	2007		2006	
	Amount	**% of Total**	**Amount**	**% of Total**
For the year				
1) Sales				
AKR	$ 327,131	2	$ 333,467	2
ABR	73,339	1	-	-
ATH	22,531	-	19,387	-
Axiomtek	14,036	-	34,359	-
Others	1,872	-	7,107	-
	$ 438,909	3	$ 394,320	2
2) Purchase of materials and supplies				
Axiomtek	$ 3,228	-	$ 3,051	-
At end of year				
3) Accounts receivable				
AKR	$ 39,600	45	$ 46,417	97
ABR	21,333	24	18,236	-
Axiomtek	1,725	2	825	2
Others	1,718	2	488	-
	64,376	73	65,966	99
Dividends receivable				
AKR	6,640	7	-	-
Other receivables				
Axiomtek	17,933	20	396	1
	$ 88,949	100	$ 66,362	100
4) Payables				
Accounts				
Axiomtek	$ 371	97	$ 552	100
ATH	13	3	-	-
	$ 384	100	$ 552	100

c. Long-term equity investments

The Parent 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 Parent 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 Parent Company bought in AEU shares from Mr. Andrea Zolli and Immoibiliare Verdi Srl in July 2007 and May 2006, respectively. The related transaction is summarized as follows:

	Common Stock Issuer	Shares	Cost
May 2006	AEU	162,364	$ 25,507
July 2007	AEU	81,329	$ 14,920

Product sales were conducted under normal terms. The payment terms for related parties were 30 to 90 days. Terms for third parties were 30 to 60 days.

21. ASSETS PLEDGED OR MORTGAGED (DECEMBER 31, 2007: NONE)

The Parent Company's certificates of deposits that had been pledged or mortgaged as part of court requirements for confiscating assets to settle uncollectible accounts amounted to $1,600 thousand in the year ended December 31, 2006.

As of December 31, 2007, the subsidiary - Netstar Technology Co., Ltd. offered assets for certificates of short-term and long-term bank loans as follows:

	December 31, 2007
Restricted current assets (time deposits)	$ 43,372
Properties - land	40,336
Properties - buildings - cost	27,437
Machinery - cost	706
	$ 111,851

The subsidiary - Advansus Corp.'s certificates of deposits that had been pledged or mortgaged as collaterals for tariff amounted to $100,000 thousand in the years ended December 31, 2007 and 2006, the Parent Company Consolidated in the proportionate consolidated method.

22. COMMITMENTS

a. As of December 31, 2007, the Parent Company had the following guarantees for affiliates' loans:

Guarantees for affiliates' loans:

	Amount
AKMC	US$ 10,000 thousand

b. In April, 2007, for the business use, the Company signed an agreement with E.R.C. Group and Venson Chuang for the presale building “No.13 e-Technology Building”. The total amount of the contract is $738,880 (tax included), and the Company makes installment payments based on the construction progress. As of December 31, 2007, the Company had paid $415,064 thousand (tax included).

c. As of December 31, 2007, the unused amount of the L/C for purchasing, which was opened by Netstar Technology Co., Ltd., an indirect subsidiary of the Parent Company, was $4,751 thousand.

d. As of December 31, 2007, the guarantee notes issued by Netstar Technology Co., Ltd. for the bank loan amounted to $267,000 thousand.

23. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2007		2006	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Nonderivative financial instruments				
Assets				
Available-for-sale financial assets - current	$ 1,356,177	$ 1,356,177	$ 1,305,570	$ 1,305,570
Available-for-sale financial assets - noncurrent	4,047,492	4,047,492	3,987,961	3,987,961
Liabilities				
Bonds payable (including current portion)	117,941	117,941	77,085	77,085
Derivative financial instruments location				
Financial assets at fair value through profit or loss - current				
Foreign (foreign corporation operating in domestic district included)	87	87	-	-
Financial liabilities at fair value through profit or loss - current				
Domestic	-	-	540	540

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, restricted assets-current, Refundable deposits, short-term bank loans, notes and accounts payables and payables to related parties, the carrying amounts of these financial instruments approximate their fair values.

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

3) The fair value of the long-term bank loans is determined using the present value based of the projected cash flows discounted at interest rates for similar long-term debts.

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 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 December 31		Determined Using Valuation Techniques December 31	
	2007	**2006**	**2007**	**2006**
Asset				
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 87	$ -
Available-for-sale financial assets - current	1,356,177	1,305,570	-	-
Available-for-sale financial assets - noncurrent	4,047,492	3,987,961	-	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	-	540

d. As of December 31, 2007 and 2006, financial assets exposed to fair value risk from interest rate fluctuation amounted to $1,014,053 thousand and $1,715,723 thousand, respectively. As of December 31, 2007 and 2006, financial liabilities exposed to fair value risk from interest rate fluctuation amounted to $753,477 thousand and $366,724 thousand, respectively.

e. The Company recognized unrealized gains of $393,929 thousand and unrealized losses $106,113 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets in the years ended December 31, 2007 and 2006, respectively. The Company also recognized an unrealized gains of $1,066 thousand and of $369 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees in the years ended December 31, 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 Group 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 Group 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 Group 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 Group 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.

24. ADDITIONAL DISCLOSURES

a. Except for those mentioned in Note 20 and Tables 1 to 8, no additional disclosures are required by the Securities and Futures Bureau for the Parent Company and its investees and on investment in Mainland China.

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 December 31, 2007, accumulated inward remittance of earnings as of December 31, 2007 and upper limit on investment: Please see Table 9 attached.

2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 20, 22 and Tables 1, 2, 6 and 7.

c. Intercompany relationships and significant intercompany transactions: Please see Table 11 attached.

25. SEGMENT INFORMATION

a. Industry: The Group is engaged only in a single industry: The manufacture and sale of embedded computing boards, applied panel computing, industrial automation and industrial and network computing,

b. Foreign operations: Please see Table 12 attached.

c. Export sales

Geographic Area	**2007**	**2006**
America	$ 6,710,535	$ 5,021,277
Asia	4,713,504	4,791,162
Europe	3,229,509	3,235,581
	$ 14,653,548	$ 13,048,020

d. Major customers

No single customer accounted for at least 10% of the Group's sales.

TABLE 1

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 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	$ 35,865 (EUR 750 thousand)	$ 11,955 (EUR 250 thousand)	2.50%	Short-term financing	$ -	Financing need	$ -	-	$ -	$ 48,749 (Note C)	$ 97,498 (Note G)
2	AESC	AEU	Receivables from related parties	12,433 (EUR 260 thousand)	12,433 (EUR 260 thousand)	2.50%	Short-term financing	-	Financing need	-	-	-	19,410 (Note D)	38,820 (Note H)
3	Netstar Technology Co., Ltd.	Lantech Communications Inc.	Receivables from related parties	37,575	-	6.825%	Service intercourse	Purchase 16,730	Service intercourse	-	-	-	16,730 (Note B)	291,052 (Note B)
4	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Receivables from related parties	148,804	115,096	-	Service intercourse	Purchase274,322	Service intercourse	-	-	-	274,322 (Note B)	291,052 (Note B)
5	Netstar Technology Co., Ltd.	LANSONIC (BVI)	Receivables from related parties	3,523	-	-	Short-term financing	-	Financing need	-	-	-	24,220 (Note E)	48,439 (Note F)

Notes:
A. The exchange rate was EUR1.00=NT$47.82.

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

C. 15% of the net asset value of AEU.

D. 15% of the AEU's Capital Stock.

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

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

G. 30% of the AEU's Capital Stock.

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

TABLE 2

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 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
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	AKMC	Indirect subsidiary	$ 737,365 (Note A)	$ 324,300 (US$ 10,000 thousand)	$ 324,300 (US$ 10,000 thousand)	$ -	2.31%	$ 1,474,731 (Note B)
1	SHHQ	AKMC	Indirect subsidiary	737,365 (Note A)	26,054 (RMB 5,868 thousand)	26,054 (RMB 5,868 thousand)	-	-	1,474,731 (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$32.43; RMB1=4.44.

TABLE 3

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Holding Company	Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech Co., Ltd.	Stock							
(the "Company")	AAC (BVI)	Investee	Long-term equity investments	24,606,500	$ 1,423,850	100.00	$ 1,423,850	Note A
	ATC	"	"	13,450,000	981,854	100.00	981,854	Note A
	Advansus Corp.	"	"	50,000,000	476,793	50.00	476,793	Note A
	AEU	"	"	9,497,024	404,358	99.22	404,358	Note A
	Advantech Fund-A	"	"	40,000,000	414,083	100.00	414,083	Note A
	Axiomtek	"	"	20,162,430	350,156	28.90	350,156	Note A
	AKR	"	"	3,112,131	174,386	23.89	174,386	Note A
	ASG	"	"	1,450,000	114,565	100.00	114,565	Note A
	AAU	"	"	500,204	109,327	100.00	109,327	Note A
	AJP	"	"	1,200	102,965	100.00	102,965	Note A
	AYS	"	"	12,300,000	78,167	100.00	78,167	Note A
	AMY	"	"	2,000,000	42,416	100.00	42,416	Note A
	AHG	"	"	30	14,438	30.00	14,438	Note B
	AIMS	"	"	500,000	5,639	100.00	5,639	Note A
	AHK	"	Other liabilities	999,999	(8,972)	100.00	(8,972)	Notes A and E
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	41,555,359	4,047,492	1.18	4,047,492	Note D
	Fund							
	Prudential Well Pool Fund	-	Available for sale financial assets - current	22,055,731.70	280,655	-	280,655	Note C
	Capital Income Fund	-	"	16,373,844.40	247,704	-	247,704	Note C
	Mega Diamond Bond Fund	-	"	16,743,993.45	195,782	-	195,782	Note C
	ING Taiwan Income Fund	-	"	7,903,346.71	127,141	-	127,141	Note C
	NITC Taiwan Bond Fund	-	"	8,357,665.30	119,654	-	119,654	Note C
Advantech Fund-A	Stock							
	Netstar Technology Co., Ltd.	Investee	Long-term equity investments	16,897,511	159,427	67.59	159,427	Note A
	Timson Tech Co. (TTC)	"	"	270,000	7,743	30.00	7,743	Note B
	BCM Embedded Computer Inc.	"	"	1,000,000	7,718	50.00	7,718	Note B
	Superior Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	913,470	33,442	12.93	33,442	
	COBAN Research and Technologies, Inc.	-	"	600,000	33,257	7.00	33,257	
	Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - current	204,400	13,442	-	13,442	Note D

(Continued)

Holding Company Securities	Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Fund							
	Capital Income Fund	-	Available for sale financial assets - current	7,320,151.50	$ 110,739	-	$ 110,739	Note C
	ING Taiwan Bond Fund	-	”	3,164,677.35	48,443	-	48,443	Note C
Advansus Corp.	Fund							
	Capital Income Fund	-	”	24,940,897.50	377,306	-	377,306	Note C
	NITC Taiwan Bond Fund	-	”	1,217,909.60	17,436	-	17,436	Note C
TTC	Shares							
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	25,940	100.00	25,940	Note B
ATC	Shares							
	AKMC	”	”	-	596,447	100.00	596,447	Note A
AYS	Shares							
	ADMC	”	”	-	52,658	100.00	52,658	Note A
AAC (BVI)	Stock							
	AC	”	”	10,952,606	907,329	100.00	907,329	Note A
	Shares							
	ACN	”	”	-	413,977	100.00	413,977	Note A
	SHHQ	”	”	-	104,824	100.00	104,824	Note A
	Visual Systems GmbH	-	Financial assets carried at cost - noncurrent	-	741	20.00	741	Note A
ACN	Shares							
	Hangzhou Advantofine Automation tech. Co., Ltd.	Investee	Long-term equity investments	-	6,426	50.00	6,426	Note B
AEU	Stock							
	AESC	”	”	8,314,280	129,403	100.00	129,403	Note A
	ADL (former name: AEBC)	”	”	1,142,000	32,986	100.00	32,986	Note A
	APL	”	”	2,000	5,046	80.00	5,046	Note A
ASG	Stock							
	APN	”	”	570,570	8,071	55.00	8,071	Note A
	ATH	”	”	30,000	5,855	30.00	5,855	Note A
	AKL	”	”	418,000	3,749	55.00	3,749	Note A

(Continued)

Holding Company Securities	Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Netstar Technology Co., Ltd.	Stock							
	Jan Hsiang Electronics Co., Ltd.	Investee	Long-term equity investments	1,900,000	$ 17,900	76.00	$ 17,900	Note A
	Supercom Technology Corporation	”	”	1,250,000	12,485	33.33	12,485	Note A
	Lantech Communications Inc.	”	”	1,159,500	-	77.30	-	-
	LANSONIC (BVI)	”	Other liabilities	3,527,529	(69,537)	94.83	(69,537)	Notes A and E
LANSONIC (BVI)	Shares							
	Netstar Electronics Corporation	”	”	-	(149,058)	100.00	(149,058)	Notes A and E

Note A: The net asset values were based on audited financial statements.

Note B: The financial statements used as basis of net asset values were all unaudited because relevant regulations did not require this company to have its financial statements audited.

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

Note D: Market value was based on the closing price in December 31, 2007.

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Holding Company Securities	Securities Type and Name/Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Other (Note1)	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	9,282,127.82	$ 140,069	$ 140,036	$ 33	$ -	-	$ -
	IIT Wan Pao Bond Fund	"	-	-	3,161,820.19	47,992	2,088,974.59	31,800	5,250,794.78	80,016	79,792	224	-	-	-
	Capital Income Fund	"	-	-	20,160,102.10	300,174	101,559,001.50	1,524,879	105,345,259.20	1,581,001	1,577,382	3,618	33	16,373,844.40	247,704
	Capital Cash Reserves Fund	"	-	-	1,928,910.70	22,607	-	-	1,928,910.70	22,612	22,607	5	-	-	-
	Fuh-Hwa Bond Fund	"	-	-	902,173.80	12,026	35,755,558.60	478,726	36,657,732.40	491,504	490,752	753	-	-	-
	Capital High Yield Fund	"	-	-	4,893,961.20	66,828	78,780,807.80	1,082,702	83,674,769.00	1,152,754	1,149,530	3,224	-	-	-
	James Bond Fund	"	-	-	-	-	11,579,928.00	180,400	11,579,928.00	180,622	180,400	222	-	-	-
	Prudential Bond Fund	"	-	-	-	-	91,550,586.40	1,159,322	69,494,854.70	880,705	878,720	1,985	53	22,055,731.70	280,655
	ABN AMRO Taiwan Fund	"	-	-	18,915,931.26	299,466	-	-	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	-	-	-
	Mega Diamond Bond Fund	"	-	-	-	-	74,097,895.24	862,946	57,353,901.79	668,701	667,200	1,501	36	16,743,993.45	195,782
	Dresdner Bond Dam Fund	"	-	-	8,928,435.04	103,453	48,123,558.15	560,876	57,051,993.19	666,260	664,329	1,931	-	-	-
	NITC Taiwan Bond Fund	"	-	-	-	-	62,368,438.70	887,579	54,010,773.40	769,353	767,951	1,402	27	8,357,665.30	119,654
	ING Taiwan Bond Fund	"	-	-	-	-	85,405,689.64	1,292,854	85,405,689.64	1,294,640	1,292,854	1,786	-	-	-
	ING Taiwan Income Fund	"	-	-	-	-	80,263,245.65	1,279,091	72,359,898.94	1,155,806	1,151,971	3,835	21	7,903,346.71	127,141
	Fubon Jin-Ju-E Fund	"	-	-	-	-	59,074,896.60	727,360	59,074,896.60	729,069	727,360	1,708	-	-	-
	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	89,795	-	-	195,207	113,148	7,980	105,168	(81,815)	-	-
	ASUSTEK Computer Inc.	Available for sale financial assets - noncurrent	-	-	43,701,412	3,898,166	2,173,947	-	4,320,000	422,137	326,364	95,773	475,690	41,555,359	4,047,492
Advansus Corp.	Fund														
	Capital Income Fund	Available for sale financial assets - current	-	-	353,867.70	5,270	79,159,428.10	1,190,850	54,572,398.30	822,017	818,879	3,138	65	24,940,897.50	377,306
	Capital High Yield Fund	"	-	-	-	-	12,759,425.63	175,771	12,759,425.63	176,604	175,771	833	-	-	-
	NITC Taiwan Bond Fund	"	-	-	-	-	17,023,238.00	241,930	15,805,328.40	224,910	224,494	416	-	1,217,909.60	17,436
Advantech Investment Fund-A Co., Ltd.	Stock														
	Netstar Technology Co., Ltd.	Long-term equity investments	-	-	621,622	7,459	16,275,889	204,812	-	-	-	-	(52,844) (Note 2)	16,897,511	159,427

Note 1: The amounts refer to the effect of adopting the newly released Statement of Financial Accounting Standards No. 34 - "Accounting for Financial Instruments," which requires the disclosure of the effect of recognizing investment income and the changes in the shareholders' equity in the investees.

Note 2: The amount refers to the recognized investment losses of $55,696 thousand plus $2,852 thousand, the amount of the change in translation adjustments.

ADVANTECH CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction Made by Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Advantech Co., Ltd.	Construction in process - office building	2007.4	$738,880 (tax included)	Payment by installments	Building: E.R.C. Group Land: Venson, Chuang	None	-	-	-	-	The quotation report of Taichu Asset Management Co., Ltd.	For business use	None

TABLE 6

ADVANTECH CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 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	$ 3,222,352	40	Set for 60 days a month	$ -	-	$ (709,984)	(73)	
	AC	Indirect subsidiary	Sale	(2,858,246)	(25)	Set for 45 days a month	-	-	513,394	27	
	ACN	Indirect subsidiary	Sale	(1,967,251)	(17)	Set for 45 days a month	-	-	428,063	23	
	AESC	Indirect subsidiary	Sale	(1,787,884)	(16)	Set for 30 days a month	-	-	657,938	35	
	Advansus Corp.	Subsidiary	Purchase	460,580	6	Set for 30 days a month	-	-	(129,404)	(13)	
	SHHQ	Indirect subsidiary	Sale	(371,138)	(3)	Set for 45 days a month	-	-	21,110	1	
	AKR	Investee	Sale	(327,131)	(3)	Set for 45 days a month	-	-	39,600	2	
	AJP	Subsidiary	Sale	(266,028)	(3)	Set for 45 days a month	-	-	91,547	5	
	AYS	Subsidiary	Purchase	212,958	3	Set for 90 days a month	-	-	(115,712)	(12)	
	AAU	Subsidiary	Sale	(134,001)	(1)	Set for 45 days a month	-	-	21,206	1	
	ASG	Subsidiary	Sale	(110,454)	(1)	Set for 60 days a month	-	-	4,411	-	
ATC	Advantech Co., Ltd.	Parent company	Sale	(3,222,352)	(100)	Set for 60 days a month	-	-	709,984	96	
AYS	Advantech Co., Ltd.	Parent company	Sale	(212,958)	(98)	Set for 90 days a month	-	-	115,712	96	
Advansus Corp.	Advantech Co., Ltd.	Parent company	Sale	(460,580)	(40)	Set for 30 days a month	-	-	129,404	50	
AC	Advantech Co., Ltd.	Ultimate parent company	Purchase	2,858,246	80	Set for 45 days a month	-	-	(513,394)	(92)	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,967,251	77	Set for 45 days a month	-	-	(428,063)	(81)	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,787,884	66	Set for 30 days a month	-	-	(657,938)	(83)	
SHHQ	Advantech Co., Ltd.	Ultimate parent company	Purchase	371,138	50	Set for 45 days a month	-	-	(21,110)	(24)	
AKR	Advantech Co., Ltd.	Parent company	Purchase	327,131	28	Set for 45 days a month	-	-	(39,600)	(39)	
AJP	Advantech Co., Ltd.	Parent company	Purchase	266,028	90	Set for 45 days a month	-	-	(91,547)	(100)	
AAU	Advantech Co., Ltd.	Parent company	Purchase	134,001	78	Set for 45 days a month	-	-	(21,206)	(93)	
ASG	Advantech Co., Ltd.	Parent company	Purchase	110,454	67	Set for 60 days a month	-	-	(4,411)	(38)	
Netstar Technology Co., Ltd.	Netstar Electronics Corporation	Indirect subsidiary	Purchase	274,322	89	Set for 30 days a month	-	-	-	-	

TABLE 7

ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 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	$ 657,938	2.57	$ -	-	$ 657,938	$ -
	AC	Indirect subsidiary	513,394	5.17	-	-	513,365	-
	ACN	Indirect subsidiary	428,063	5.39	-	-	276,380	-
ATC	Advantech Co., Ltd.	Parent company	709,984	6.74	-	-	709,984	-
Advansus Corp.	Advantech Co., Ltd.	Parent company	129,404	6.86	-	-	129,404	-
AYS	Advantech Co., Ltd.	Parent company	111,070	11.50	-	-	99,568	-

Note: All significant intercompany accounts and transactions have been eliminated upon consolidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				December 31, 2007	December 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	$ 1,423,850	$ 320,549	$ 320,549	Subsidiary
	ATC	BVI	Sale of industrial automation products	427,781	427,781	13,450,000	100.00	981,854	474,838	474,838	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	500,000	500,000	50,000,000	50.00	476,793	16,738	(1,202)	Equity-method investee
	AEU	Helmond, The Netherlands	Investment holding company	392,218	377,298	9,497,024	99.22	404,358	35,417	35,068	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	General investment	500,000	300,000	40,000,000	100.00	414,083	(54,990)	(54,990)	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	289,844	303,334	20,162,430	28.90	350,156	281,089	82,060	Equity-method investee
	AKR	Seoul, Korea	Sale of industrial automation products	32,989	32,989	3,112,131	23.89	174,386	11,820	3,388	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	114,565	(1,887)	(1,887)	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	109,327	15,133	15,133	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	102,965	5,472	5,472	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	51,662	-	12,300,000	100.00	78,167	25,658	25,658	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	42,416	4,229	4,229	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	14,438	6,454	1,936	Equity-method investee
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	5,000	5,000	500,000	100.00	5,639	201	201	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(8,972)	(8,023)	(8,023)	Subsidiary (Note A)
	Viewsys	Taipei, Taiwan	Sale of industrial automation products	22,000	22,000	-	-	-	55	(11,359)	Subsidiary
	AIMS	Taipei, Taiwan	Investment and management service	-	19,940	-	-	-	1,617	215	Note D
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	206,860	7,459	16,510,929	67.59	159,427	(89,921)	(55,696)	Indirect subsidiary
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,743	-	-	Equity-method investee
	BCM Embedded Computer Inc.	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	10,000	-	1,000,000	50.00	7,718	(4,564)	(2,282)	Subsidiary
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	-	-	-	-	-	1,617	1,078	Note D
ATC	AKMC	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	596,447	(7,213)	(7,213)	Indirect subsidiary
	ADMC	Guangzhou, China	Production and sale of industrial automation products	-	44,511	-	100.00	-	3,663	3,852	Indirect subsidiary (Note E)
AYS	ADMC	Guangzhou, China	Production and sale of industrial automation products	51,662	-	-	100.00	52,658	3,663	(189)	Indirect subsidiary (Note E)
TTC	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processes and sale of peripherals	30,222	30,222	-	100.00	25,940	-	-	Equity-method investee
AAC (BVI)	AC	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	907,329	107,416	107,416	Indirect subsidiary
	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	413,977	216,684	216,684	Indirect subsidiary
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	96,750	-	100.00	104,824	645	645	Indirect subsidiary
ACN	Hangzhou Advantofine Automation Tech. Co., Ltd.	Hangzhou, China	Sale of industrial automation products	6,660	-	-	50.00	6,426	(455)	(227)	Equity-method investee
AEU	AESC	Eindhoven, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	129,403	28,995	28,995	Indirect subsidiary
	ADL (former name AEBC)	Munich, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	32,986	13,726	13,726	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	2,000	80.00	5,046	(2,765)	(2,212)	Indirect subsidiary
	ABB	Roosendaal, The Netherlands	Sale of industrial automation products	-	39,565	-	-	-	4,513	4,513	Note C
	AUK	Milton Keynes, England	Sale of industrial automation products	-	13,373	-	-	-	(252)	(252)	Note C

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				December 31, 2007	December 31, 2006	Shares	Percentage of Ownership	Carrying Value			
ASG	APN	Penang, Malaysia	Sale of industrial automation products	$ 8,181	$ 8,181	570,570	55.00	$ 8,071	$ (26)	$ (14)	Indirect subsidiary
	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	5,855	1,766	530	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	3,749	(1,620)	(891)	Indirect subsidiary
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd.	Taipei, Taiwan	Electronic parts and components manufacturing	14,950	14,950	1,900,000	76.00	17,900	3,292	2,502	Subsidiary
	Supercom Technology Corporation	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	16,250	11,250	1,250,000	33.33	12,485	(7,059)	(2,353)	Equity-method investee
	Lantech Communications Inc.	Taipei, Taiwan	Retail sale of electronic materials	11,595	11,595	1,159,500	77.30	-	(2,287)	(6,566)	Subsidiary
	LANSONIC (B.V.I.)	Akara Building 24DeCastro Street, Wickhams Cay I, Road fown Tortola, British Virgin Islands	General investment	101,188	101,188	3,527,529	94.83	(69,537)	(32,302)	(32,374)	Subsidiary
LANSONIC (B.V.I.)	Netstar Electronics Corporation (Dongguan)	Guangzhou, China	Network and UPS product manufacture business	HK$ 2,935	HK$ 2,935	-	100.00	HK$ (35,857)	HK$ (4,494)	HK$ (7,706)	Indirect subsidiary

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

Note B: The financial statements used as basis for calculating of investment gain (loss) had all been audited, except those mentioned in Note B of Table 3.

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

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

Note E: ADMC restructured to be the subsidiary of the AYS in July 2007.

Note F All intercompany investments and investment gains (losses) have been eliminated.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2007	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2007	Accumulated Inward Remittance of Earnings as of December 31, 2007
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US$16,350 thousand (Note D)	Indirect	$ 389,160 (US$ 12,000 thousand)	$ -	$ -	$ 389,610 (US$ 12,000 thousand)	100%	$ (7,213)	$ 596,447	$ -
Yan Hua Xng Ye Electronic (SHHQ)	Sale of industrial automation products	US$3,000 thousand	Indirect	97,290 (US$ 3,000 thousand)	-	-	97,290 (US$ 3,000 thousand)	100%	(4,909)	104,824	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US$4,230 thousand	Indirect	172,917 (US$ 5,332 thousand)	-	-	172,917 (US$ 5,332 thousand)	100%	216,684	413,977	-
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US$1,400 thousand	Indirect	(Note C)	-	-	(Note C)	100%	3,663	52,658	-

Accumulated Investment in Mainland China as of December 31, 2007	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$665,853 (US$20,532 thousand) (Note D)	$1,832,295 (US$56,500 thousand)	$4,308,358

Note A: The calculation of investment gain (loss) was based on the audited financial statements of the parent company incorporated in Taiwan.

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 20 and 22 to the financial statements and Tables 2, 6 and 7.

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

Note D: Included the earnings of $4,350 thousand of Advantech Technology (China) Company Ltd. (AKMC) in 2007.

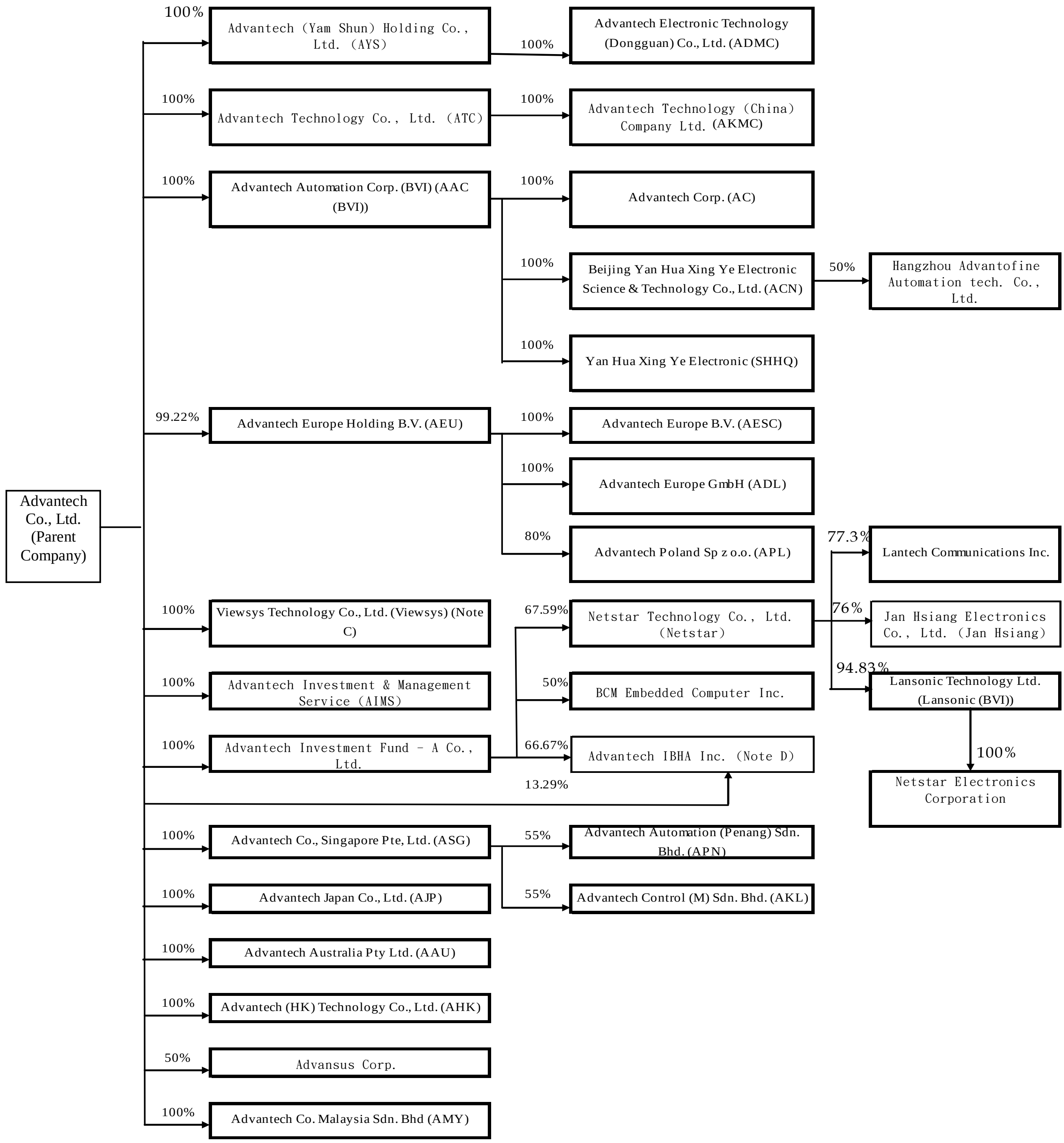
Note E: Included the outflow on investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. (AGZ) of US$200 thousand. This company had liquidated already, after the capitals of the original investment is inflow back, the Company will submit this incident to MOEA for approving and terminating this case under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

Note F: The exchange rate was US$1.00=NT$32.43.

ADVANTECH CO., LTD. AND SUBSIDIARIES

ORGANIZATION CHART
DECEMBER 31, 2007 AND 2006

Intercompany relationships and percentages of ownership as of December 31, 2007 are shown below:



Note A: ABB and AUK merged with ADL in January 2007.
Note B: Advansus Corp. and Hangzhou Advantofine Automation tech. Co., Ltd. were consolidated using the proportionate consolidated method.
Note C: Viewsys was liquidated in September 2007.
Note D: Advantech IBHA Inc. was liquidated in May 2007.

Intercompany relationships and percentages of ownership as of December 31, 2006 are shown below:

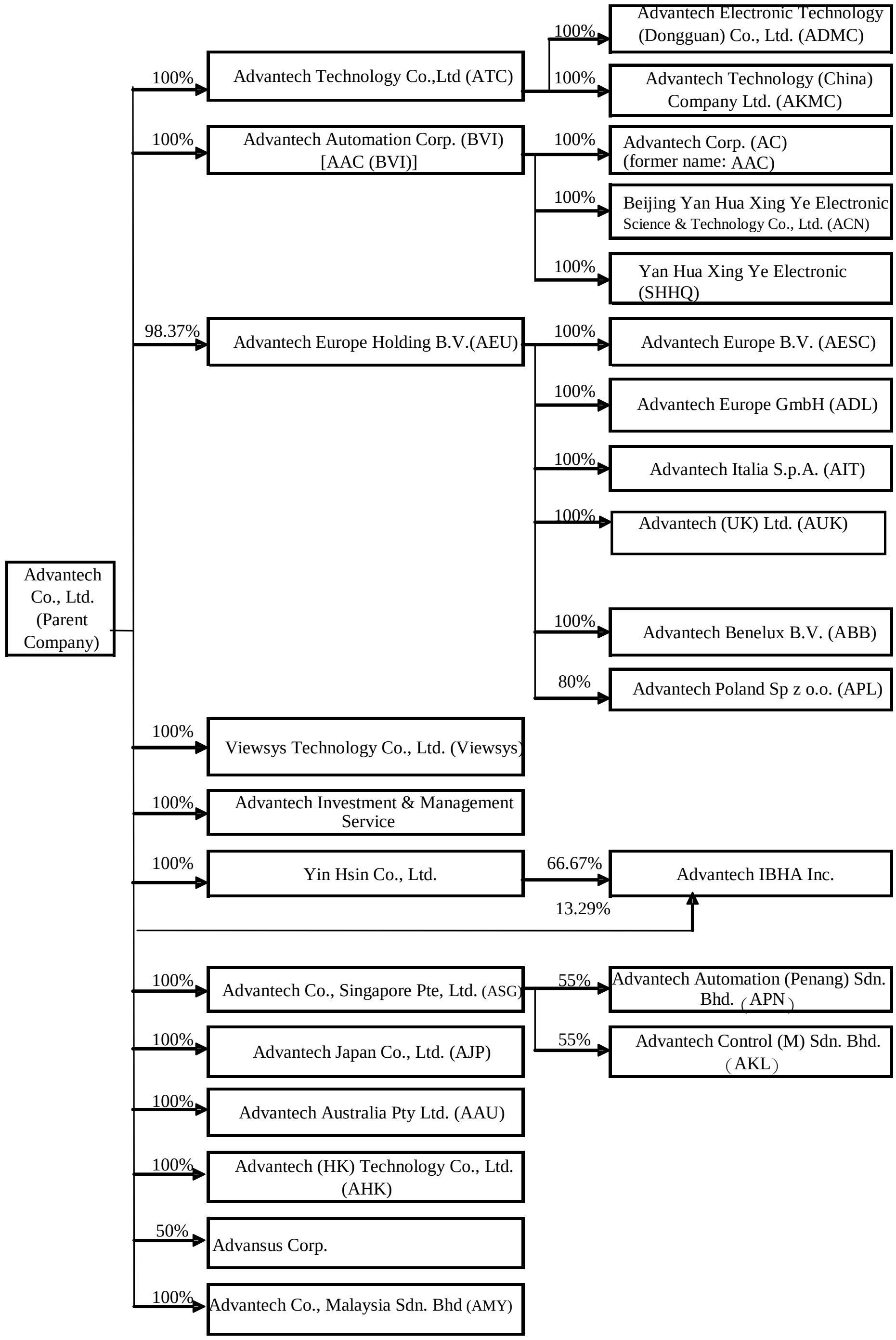


TABLE 11

ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD AND SUBSIDIARIES
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

2007

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	Advantech Co., Ltd.	AC	1	Sales	$ 2,858,246	Normal.	18
		AC	1	Receivables from related parties	517,441	45 days.	3
		AC	1	Purchase	28,688	Normal.	-
		AC	1	Payables to related parties	7,557	45 days.	-
		AESC	1	Sales	1,787,884	Normal.	11
		AESC	1	Receivables from related parties	658,171	30 days.	4
		AESC	1	Purchase	28,215	Normal.	-
		AESC	1	Payables to related parties	1,710	30 days.	-
		ACN	1	Sales	1,967,251	Normal.	12
		ACN	1	Receivables from related parties	428,063	45 days.	2
		ATC	1	Purchase	3,222,352	Normal.	20
		ATC	1	Payables to related parties	709,984	60 days.	4
		ATC	1	Royalty revenue	162,395	Normal.	1
		AKMC	1	Sales	59,861	Normal.	-
		AKMC	1	Receivables from related parties	50,822	45 days.	-
		AAU	1	Sales	134,001	Normal.	1
		AAU	1	Receivables from related parties	21,333	60-90 days.	-
		ASG	1	Sales	110,454	Normal.	1
		ASG	1	Receivables from related parties	4,508	60-90 days.	-
		AJP	1	Sales	266,028	Normal.	2
		AJP	1	Purchase	139	Normal.	-
		AJP	1	Receivables from related parties	91,889	60-90 days.	1
		Advansus Corp.	1	Sales	25,573	Normal.	-
		Advansus Corp.	1	Purchase	460,580	Normal.	3
		Advansus Corp.	1	Rental revenue	2,915	Normal.	-
		Advansus Corp.	1	Payables to related parties	129,404	60-90 days.	1
		Advansus Corp.	1	Other revenue	2,971	Normal.	-
		Advansus Corp.	1	Receivables from related parties	4,638	60-90 days.	-
		AIMS	1	Rental revenue	270	Normal.	-
		AIMS	1	Receivables from related parties	26	60-90 days.	-
		Advantech Fund-A	1	Rental revenue	36	Normal.	-
		Advantech Fund-A	1	Receivables from related parties	3	60-90 days.	-
		ADL (former name: AEBC)	1	Receivables from related parties	5,020	30 days.	-
		ADL (former name: AEBC)	1	Payables to related parties	2,029	30 days.	-
		SHHQ	1	Sales	371,138	Normal.	2
		SHHQ	1	Receivables from related parties	21,110	45 days.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AMY	1	Sales	$ 59,908	Normal.	-
		AMY	1	Purchase	19	Normal.	-
		AMY	1	Receivables from related parties	5,337	45 days.	-
		AMY	1	Payables to related parties	18	60 days.	-
		APL	1	Sales	12,592	Normal.	-
		APL	1	Receivables from related parties	23,712	45 days.	-
		AIT	1	Receivables from related parties	462	30 days after invoice date.	-
		AIT	1	Payables to related parties	606	30 days after invoice date.	-
		Netstar Technology Co., Ltd.	1	Purchase	8,458	Normal.	-
		Netstar Technology Co., Ltd.	1	Payables to related parties	5,032	60 days.	-
		Jan Hsiang	1	Sales	5	Normal.	-
		Jan Hsiang	1	Purchase	14,146	Normal.	-
		Jan Hsiang	1	Payables to related parties	1,750	60 days.	-
		AYS	1	Purchase	212,958	Normal.	1
		AYS	1	Payables to related parties	115,712	90 days.	1
		ADMC	1	Sales	298	Normal.	-
		ADMC	1	Receivables from related parties	747	45 days.	-
		ABB	1	Receivables from related parties	90	30 days after invoice date.	-
		AFR	1	Receivables from related parties	491	30 days.	-
		AUK	1	Receivables from related parties	57	30 days.	-
		AUK	1	Payables to related parties	65	90 days.	-
		Viewsys	1	Purchase	113	Normal.	-
		Viewsys	1	Receivables from related parties	3	60-90 days.	-
1	AC	Advantech Co., Ltd.	2	Payables to related parties	517,441	45 days.	3
		Advantech Co., Ltd.	2	Purchase	2,858,246	Normal.	18
		Advantech Co., Ltd.	2	Sales	28,688	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	7,557	45 days.	-
		ASG	3	Purchase	37	Normal.	-
		ASG	3	Sales	1,255	Normal.	-
		AESC	3	Receivables from related parties	103	60 days after invoice date.	-
		AESC	3	Sales	2,398	Normal.	-
		ATC	3	Receivables from related parties	442	30 days after invoice date.	-
		ATC	3	Sales	1,164	Normal.	-
		AMY	3	Receivables from related parties	11	30 days after invoice date.	-
		AMY	3	Sales	487	Normal.	-
		AAU	3	Sales	108	Normal.	-
		AAU	3	Receivables from related parties	47	30 days after invoice date.	-
		APN	3	Sales	10	Normal.	-
		ACN	3	Sales	31	Normal.	-
2	AESC	Advantech Co., Ltd.	2	Purchase	1,787,884	Normal.	11
		Advantech Co., Ltd.	2	Payables to related parties	658,171	30 days.	4
		Advantech Co., Ltd.	2	Sales	28,215	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,710	30 days.	-
		ADL	3	Receivables from related parties	103,648	30 days after invoice date.	1
		ADL	3	Commission expense	196,334	Normal.	1
		ADL	3	Sales	18,370	Normal.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details: Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AEU	3	Receivables from related parties - financing need	$ 12,433	Follow the contract.	-
		AIT	3	Sales	20,209	Normal.	-
		AIT	3	Receivables from related parties	17,367	30 days after invoice date.	-
		AIT	3	Commission expense	64,887	Normal.	-
		APL	3	Receivables from related parties	8,979	30 days after invoice date.	-
		APL	3	Sales	2,748	Normal.	-
		AUK	3	Sales	747	Normal.	-
		AUK	3	Receivables from related parties	40,314	30 days after invoice date.	-
		AUK	3	Commission expense	78,600	Normal.	-
		AC	3	Purchase	2,398	Normal.	-
		AC	3	Payables to related parties	103	60 days.	-
		ABB	3	Sales	1,791	Normal.	-
		ABB	3	Receivables from related parties	60,521	30 days after invoice date.	-
		ABB	3	Commission expense	112,622	Normal.	1
		ACN	3	Payables to related parties	167	30 days.	-
		ACN	3	Purchase	378	Normal.	-
		AKMC	3	Payables to related parties	896	30 days after invoice date.	-
		ASG	3	Purchase	481	Normal.	-
		Advansus Corp.	3	Purchase	27	Normal.	-
		AFR	3	Sales	1,711	Normal.	-
		AFR	3	Commission expense	78,049	Normal.	-
3	ACN	Advantech Co., Ltd.	2	Purchase	1,967,251	Normal.	12
		Advantech Co., Ltd.	2	Payables to related parties	428,063	45 days.	2
		AESC	3	Receivables from related parties	167	30 days.	-
		AESC	3	Sales	378	Normal.	-
		ADMC	3	Receivables from related parties	24	30 days.	-
		ADMC	3	Sales	20	Normal.	-
		AC	3	Purchase	31	Normal.	-
		AJP	3	Receivables from related parties	27	45 days.	-
		AJP	3	Sales	51	Normal.	-
		AKMC	3	Receivables from related parties	3,599	30 days.	-
		AKMC	3	Purchase	3,536	Normal.	-
		AKMC	3	Payables to related parties	10,358	30 days.	-
		AKMC	3	Sales	17,417	Normal.	-
		ASG	3	Purchase	120	Normal.	-
		SHHQ	3	Purchase	113,701	Normal.	1
		SHHQ	3	Payables to related parties	19,654	30 days.	-
		SHHQ	3	Sales	270,668	Normal.	2
		SHHQ	3	Receivables from related parties	56,553	30 days.	-
4	ATC	Advantech Co., Ltd.	2	Sales	3,222,352	Normal.	20
		Advantech Co., Ltd.	2	Royalty expense	162,395	Normal.	1
		Advantech Co., Ltd.	2	Receivables from related parties	709,984	60 days.	4
		AKMC	3	Purchase	2,195,414	Normal.	13
		AKMC	3	Sales	3,169	Normal.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AKMC	3	Payables to related parties	$ 339,560	30 days.	2
		AKMC	3	Receivables from related parties	4,051	30 days.	-
		AC	3	Purchase	1,164	Normal.	-
		AC	3	Payables to related parties	442	30 days after invoice date.	-
		ADMC	3	Purchase	335,622	Normal.	2
		ADMC	3	Receivables from related parties	22,530	14 days.	-
5	AKMC	Advantech Co., Ltd.	2	Purchase	59,861	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	50,822	45 days.	-
		ACN	3	Sales	3,536	Normal.	-
		ACN	3	Receivables from related parties	10,358	30 days.	-
		ACN	3	Purchase	17,417	Normal.	-
		ACN	3	Payables to related parties	3,599	30 days.	-
		AAU	3	Sales	377	Normal.	-
		AKL	3	Sales	169	Normal.	-
		APN	3	Sales	129	Normal.	-
		ASG	3	Sales	402	Normal.	-
		ADMC	3	Receivables from related parties	26,825	30 days.	-
		ADMC	3	Sales	70,582	Normal.	-
		AESC	3	Receivables from related parties	896	30 days after invoice date.	-
		ATC	3	Purchase	3,169	Normal.	-
		ATC	3	Payables to related parties	4,051	30 days.	-
		ATC	3	Sales	2,195,414	Normal.	13
		ATC	3	Receivables from related parties	339,560	30 days.	2
		SHHQ	3	Purchase	1,731	Normal.	-
		SHHQ	3	Receivables from related parties	18,513	30 days.	-
		Advansus Corp.	3	Payables to related parties	105,744	30 days.	1
		Advansus Corp.	3	Purchase	478,733	Normal.	3
6	ADMC	Advantech Co., Ltd.	2	Purchase	298	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	747	45 days.	-
		ATC	3	Sales	335,622	Normal.	2
		ATC	3	Payables to related parties	22,530	14 days.	-
		ACN	3	Payables to related parties	24	30 days.	-
		ACN	3	Purchase	20	Normal.	-
		AKMC	3	Purchase	70,582	Normal.	-
		AKMC	3	Payables to related parties	26,825	30 days.	-
		AYS	3	Sales	187,564	Normal.	1
		AYS	3	Receivables from related parties	91,158	14 days.	1
7	APL	Advantech Co., Ltd.	2	Purchase	12,592	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	23,712	45 days.	-
		AESC	3	Purchase	2,748	Normal.	-
		AESC	3	Payables to related parties	8,979	30 days after invoice date.	-
		ADL	3	Maintenance revenue	45,068	Normal.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
8	ASG	Advantech Co., Ltd.	2	Purchase	$ 110,454	Normal.	1
		Advantech Co., Ltd.	2	Payables to related parties	4,508	60-90 days.	-
		AMY	3	Sales	155	Normal.	-
		AESC	3	Sales	481	Normal.	-
		CAN	3	Sales	120	Normal.	-
		ATH	3	Receivables from related parties	398	45 days after invoice date.	-
		ATH	3	Sales	6	Normal.	-
		AAU	3	Sales	140	Normal.	-
		AC	3	Sales	37	Normal.	-
		AC	3	Purchase	1,255	Normal.	-
		AKMC	3	Purchase	402	Normal.	-
9	AJP	Advantech Co., Ltd.	2	Purchase	266,028	Normal.	2
		Advantech Co., Ltd.	2	Sales	139	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	91,889	60-90 days.	1
		CAN	3	Payables to related parties	27	45 days.	-
		CAN	3	Purchase	51	Normal.	-
10	AAU	Advantech Co., Ltd.	2	Purchase	134,001	Normal.	1
		Advantech Co., Ltd.	2	Payables to related parties	21,333	60-90 days.	-
		AKMC	3	Purchase	377	Normal.	-
		AC	3	Purchase	108	Normal.	-
		AC	3	Payables to related parties	47	30 days after invoice date.	-
		ASG	3	Purchase	140	Normal.	-
11	ADL (former name: AEBC)	Advantech Co., Ltd.	2	Payables to related parties	5,020	30 days.	-
		Advantech Co., Ltd.	2	Receivables from related parties	2,029	30 days.	-
		AESC	3	Payables to related parties	103,648	30 days after invoice date.	1
		AESC	3	Commission revenue	196,334	Normal.	1
		AESC	3	Purchase	18,370	Normal.	-
		AEU	3	Payables from related parties - financing need	11,955	Follow the contract	-
		APL	3	Maintenance expense	45,068	Normal.	-
12	Advansus Corp.	Advantech Co., Ltd.	2	Sales	460,580	Normal.	3
		Advantech Co., Ltd.	2	Rental expense	2,915	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	129,404	60-90 days.	1
		Advantech Co., Ltd.	2	Purchase	25,573	Normal.	-
		Advantech Co., Ltd.	2	Other expense	2,971	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	4,638	60-90 days.	-
		AESC	3	Sales	27	Normal.	-
		AKMC	3	Receivables from related parties	105,744	30 days.	1
		AKMC	3	Sales	478,733	Normal.	3
13	Viewsys	Advantech Co., Ltd.	2	Sales	113	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	3	60-90 days.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
14	AIMS	Advantech Co., Ltd.	2	Rental expense	$ 270	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	26	60-90 days.	-
15	Advantech Fund-A	Advantech Co., Ltd.	2	Rental expense	36	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	3	60-90 days.	-
16	AMY	Advantech Co., Ltd.	2	Sales	19	Normal.	-
		Advantech Co., Ltd.	2	Purchase	59,908	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	5,337	45 days.	-
		Advantech Co., Ltd.	2	Receivables from related parties	18	60 days.	-
		AC	3	Purchase	487	Normal.	-
		AC	3	Payables to related parties	11	30 days.	-
		ASG	3	Purchase	155	Normal.	-
17	AEU	AESC	3	Payables from related parties - financing need	12,433	Follow the contract.	-
		ADL	3	Receivables from related parties - financing need	11,955	Follow the contract.	-
18	SHHQ	Advantech Co., Ltd.	2	Purchase	371,138	Normal.	2
		Advantech Co., Ltd.	2	Payables to related parties	21,110	45 days.	-
		AKMC	3	Payables to related parties	18,513	30 days.	-
		AKMC	3	Sales	1,731	Normal.	-
		ACN	3	Sales	113,701	Normal.	1
		ACN	3	Receivables from related parties	19,654	30 days.	-
		ACN	3	Purchase	270,668	Normal.	2
		ACN	3	Payables to related parties	56,553	30 days.	-
19	AIT	Advantech Co., Ltd.	2	Receivables from related parties	606	30 days after invoice date.	-
		Advantech Co., Ltd.	2	Payables to related parties	462	30 days after invoice date.	-
		AESC	3	Purchase	20,209	Normal.	-
		AESC	3	Commission revenue	64,887	Normal.	-
		AESC	3	Payables to related parties	17,367	30 days after invoice date.	-
20	Netstar Technology Co., Ltd.	Advantech Co., Ltd.	2	Sales	8,458	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	5,032	60 days.	-
		Netstar Electronics Corporation	3	Purchase	274,322	Normal.	2
		Netstar Electronics Corporation	3	Receivables from related parties	115,389	60 days.	1
		Netstar Electronics Corporation	3	Sales	22,438	Normal.	-
		Lantech Communications Inc.	3	Purchase	16,730	Normal.	-
		Lantech Communications Inc.	3	Receivables from related parties	9,148	45 days.	-
21	Jan Hsiang	Advantech Co., Ltd.	2	Sales	14,146	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,750	60 days.	-
		Advantech Co., Ltd.	2	Purchase	5	Normal.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
22	Netstar Electronics Corporation	Netstar Technology Co., Ltd.	3	Sales	$ 274,322	Normal.	2
		Netstar Technology Co., Ltd.	3	Payables to related parties	115,389	60 days.	1
		Netstar Technology Co., Ltd.	3	Purchase	22,438	Normal.	-
23	Lantech Communications Inc.	Netstar Technology Co., Ltd.	3	Sales	4 16,730	Normal.	-
		Netstar Technology Co., Ltd.	3	Payables to related parties	9,148	45 days.	-
24	ATH	ASG	3	Payables to related parties	398	45 days after invoice date.	-
		ASG	3	Purchase	6	Normal.	-
25	APN	AC	3	Purchase	10	Normal.	-
		AKMC	3	Purchase	129	Normal.	-
26	AKL	AKMC	3	Purchase	169	Normal.	-
27	AYS	Advantech Co., Ltd.	2	Sales	212,958	Normal.	1
		Advantech Co., Ltd.	2	Receivables from related parties	115,712	90 days.	1
		ADMC	3	Purchase	187,564	Normal.	1
		ADMC	3	Payables to related parties	91,158	A month after 30 days.	1
28	AFR	Advantech Co., Ltd.	2	Payables to related parties	491	30 days.	-
		AESC	3	Purchase	1,711	Normal.	-
		AESC	3	Commission revenue	78,049	Normal.	-
29	AUK	Advantech Co., Ltd.	2	Receivables from related parties	65	90 days.	-
		Advantech Co., Ltd.	2	Payables to related parties	57	30 days.	-
		AESC	3	Purchase	747	Normal.	-
		AESC	3	Payables to related parties	40,314	30 days after invoice date.	-
		AESC	3	Commission revenue	78,600	Normal.	-
30	ABB	Advantech Co., Ltd.	2	Payables to related parties	90	30 days after invoice date.	-
		AESC	3	Purchase	1,791	Normal.	-
		AESC	3	Payables to related parties	60,521	30 days after invoice date.	-
		AESC	3	Commission revenue	112,622	Normal.	1

(Continued)

2006

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	Advantech Co., Ltd.	AC	1	Sales	$ 2,889,757	Note E	20
		AC	1	Receivables from related parties	592,598	Note G	4
		AC	1	Purchase	14,628	Note E	-
		AC	1	Payables to related parties	2,105	Note G	-
		AESC	1	Sales	1,846,414	Note E	13
		AESC	1	Receivables from related parties	733,977	Note F	4
		AESC	1	Purchase	4,611	Note E	-
		AESC	1	Payables to related parties	4,137	Note F	-
		ACN	1	Sales	1,614,439	Note E	11
		ACN	1	Receivables from related parties	301,238	Note F	2
		ATC	1	Purchase	2,805,612	Note E	19
		ATC	1	Payables to related parties	246,576	Note F	2
		ATC	1	Royalty revenue	141,100	Note E	1
		AKMC	1	Sales	107,812	Note E	1
		AKMC	1	Receivables from related parties	151,115	Note F	1
		APN	1	Sales	51,474	Note E	-
		APN	1	Receivables from related parties	15,272	Note G	-
		AAU	1	Sales	138,183	Note E	1
		AAU	1	Receivables from related parties	32,208	Note G	-
		ABR	1	Sales	11,797	Note E	-
		ABR	1	Receivables from related parties	18,236	Note G	-
		ASG	1	Sales	143,128	Note E	1
		ASG	1	Receivables from related parties	1,890	Note G	-
		AJP	1	Sales	377,474	Note E	3
		AJP	1	Receivables from related parties	79,593	Note G	1
		AUK	1	Sales	61	Note E	-
		Advantech IBHA Inc.	1	Purchase	25	Note E	-
		AKL	1	Sales	23,104	Note E	-
		AKL	1	Receivables from related parties	10,829	Note F	-
		Viewsys Technology Co., Ltd.	1	Sales	5,415	Note E	-
		Viewsys Technology Co., Ltd.	1	Payables to related parties	3,044	Note G	-
		Advansus Corp.	1	Purchase	152,755	Note E	1
		Advansus Corp.	1	Rental revenue	1,020	Note E	-
		Advansus Corp.	1	Payables to related parties	4,961	Note G	-
		Advantech Investment & Management Service	1	Rental revenue	60	Note E	-
		Yin Hsin Co., Ltd.	1	Rental revenue	36	Note E	-
		ADL (former name AEBC)	1	Receivables from related parties	47	Note E	-
1	AC	Advantech Co., Ltd.	2	Payables to related parties	592,598	Note F	4
		Advantech Co., Ltd.	2	Purchase	2,889,757	Note E	20
		Advantech Co., Ltd.	2	Sales	14,628	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	2,105	Note G	-
		ASG	3	Sales	1,211	Note E	-
		APN	3	Sales	691	Note E	-
		AESC	3	Purchase	71	Note E	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		ATC	3	Sales	$ 680	Note E	-
		AMY	3	Receivables from related parties	233	Note F	-
		AMY	3	Sales	232	Note E	-
2	AESC	Advantech Co., Ltd.	2	Purchase	1,846,414	Note E	13
		Advantech Co., Ltd.	2	Payables to related parties	733,977	Note F	4
		Advantech Co., Ltd.	2	Sales	4,611	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	4,137	Note F	-
		AEU	2	Receivables from related parties - financing	11,167	Note F	-
		AUK	3	Commission expense	58,514	Note E	-
		AUK	3	Sales	3,883	Note E	-
		AUK	3	Payables to related parties	7,651	Note F	-
		ABB	3	Payables to related parties	26,831	Note F	-
		ABB	3	Sales	2,809	Note E	-
		ABB	3	Commission expense	89,637	Note E	-
		AKMC	3	Payables to related parties	319	Note E	-
		ADL (former name AEBC)	3	Sales	55,558	Note E	-
		ADL (former name AEBC)	3	Commission expense	322,276	Note E	1
		ADL (former name AEBC)	3	Payables to related parties	59,838	Note F	-
		APL	3	Other operating expense	14,547	Note E	-
		AC	3	Sales	71	Note E	-
		ASG	3	Sales	23	Note E	-
3	ACN	Advantech Co., Ltd.	2	Purchase	1,614,439	Note E	11
		Advantech Co., Ltd.	2	Payables to related parties	301,238	Note F	2
		AKMC	3	Purchase	254,849	Note E	-
		AKMC	3	Receivables from related parties	4,927	Note F	-
		AKMC	3	Payables to related parties	3,674	Note F	-
		AKMC	3	Sales	86,201	Note E	-
		AHK	3	Receivables form related parties	4,941	Note E	-
4	ATC	Advantech Co., Ltd.	2	Sales	2,805,612	Note E	19
		Advantech Co., Ltd.	2	Royalty revenue	141,100	Note E	1
		Advantech Co., Ltd.	2	Receivables from related parties	246,576	Note F	2
		AKMC	3	Sales	10,339	Note E	2
		AKMC	3	Purchase	1,648,721	Note E	11
		AKMC	3	Payables to related parties	148,640	Note F	1
		AKMC	3	Receivables from related parties	7,800	Note F	-
		ADMC	3	Purchase	465,096	Note E	3
		ADMC	3	Payables to related parties	102,576	Note E	1
		AC	3	Purchase	680	Note E	-
5	AKMC	Advantech Co., Ltd.	2	Purchase	107,812	Note E	1
		Advantech Co., Ltd.	2	Payables to related parties	151,115	Note F	1
		ACN	3	Purchase	82,201	Note E	2
		ACN	3	Sales	254,849	Note E	2

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		ACN	3	Receivables from related parties	$ 3,674	Note F	-
		ACN	3	Payables to related parties	4,927	Note F	-
		ATC	3	Purchase	10,339	Note E	2
		ATC	3	Sales	1,648,721	Note E	11
		ATC	3	Receivables from related parties	148,640	Note F	1
		ATC	3	Payables to related parties	7,800	Note F	-
		ADMC	3	Sales	57,122	Note E	-
		ADMC	3	Purchase	720	Note E	-
		ADMC	3	Receivables from related parties	27,434	Note F	-
		AESC	3	Receivables from related parties	319	Note F	-
		APN	3	Payables to related parties	171	Note F	-
6	ADMC	ATC	3	Sales	465,096	Note E	3
		ATC	3	Receivables from related parties	102,576	Note F	1
		AKMC	3	Sales	720	Note E	-
		AKMC	3	Purchase	57,122	Note E	-
		AKMC	3	Payables to related parties	27,434	Note F	-
7	APL	AESC	3	Other operating revenue	14,547	Note E	-
8	APN	Advantech Co., Ltd.	2	Purchase	51,474	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	15,272	Note G	-
		AMY	3	Sales	7,126	Note E	-
		AMY	3	Purchase	15,336	Note E	-
		ASG	3	Purchase	37	Note E	-
		AKL	3	Purchase	6	Note E	-
		AC	3	Purchase	691	Note E	-
		AKMC	3	Receivables from related parties	171	Note F	-
9	ASG	Advantech Co., Ltd.	2	Purchase	143,128	Note E	1
		Advantech Co., Ltd.	2	Payables to related parties	1,890	Note G	-
		AMY	3	Sales	371	Note E	-
		AMY	3	Receivables from related parties	120	Note F	-
		AMY	3	Purchase	4	Note E	-
		APN	3	Sales	37	Note E	-
		AESC	3	Purchase	23	Note E	-
		AC	3	Purchase	1,211	Note E	-
		AAU	3	Sales	33	Note E	-
10	AJP	Advantech Co., Ltd.	2	Purchase	377,474	Note E	3
		Advantech Co., Ltd.	2	Payables to related parties	79,593	Note G	1
11	AAU	Advantech Co., Ltd.	2	Purchase	138,183	Note E	1
		Advantech Co., Ltd.	2	Payables to related parties	32,208	Note G	-
		ASG	3	Purchase	33	Note E	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details: Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
12	ABR	Advantech Co., Ltd.	2	Purchase	$ 11,797	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	18,236	Note G	-
13	ADL (former name AEBC)	Advantech Co., Ltd.	2	Payables to related parties	47	Note G	-
		AEU	2	Payables to related parties - financing	32,213	Note E	-
		AESC	3	Commission revenue	322,276	Note E	1
		AESC	3	Purchase	55,558	Note E	-
		AESC	3	Receivables from related parties	59,838	Note F	-
14	Advantech IBHA Inc.	Advantech Co., Ltd.	2	Receivables from related parties	25	Note F	-
15	AUK	Advantech Co., Ltd.	2	Purchase	61	Note E	
		AESC	3	Purchase	3,883	Note E	-
		AESC	3	Commission revenue	58,514	Note E	-
		AESC	3	Receivables from related parties	7,651	Note F	-
16	ABB	AESC	3	Purchase	2,809	Note E	-
		AESC	3	Commission revenue	89,637	Note E	-
		AESC	3	Receivables from related parties	26,831	Note F	-
17	Advansus Corp.	Advantech Co., Ltd.	2	Sales	152,755	Note E	1
		Advantech Co., Ltd.	2	Rental expense	1,020	Note G	-
		Advantech Co., Ltd.	2	Receivables from related parties	4,961	Note G	-
18	AKL	Advantech Co., Ltd.	2	Purchase	23,104	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	10,829	Note F	-
		APN	3	Sales	6	Note E	-
		AMY	3	Sales	810	Note E	-
		AMY	3	Purchase	1,145	Note E	-
19	Viewsys Technology Co., Ltd.	Advantech Co., Ltd.	2	Purchase	5,415	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	3,044	Note G	-
20	Advantech Investment & Management Service	Advantech Co., Ltd.	2	Rental expense	60	Note G	-
21	Yin Hsin Co., Ltd.	Advantech Co., Ltd.	2	Rental expense	36	Note G	-
22	AMY	ASG	3	Purchase	371	Note E	-
		ASG	3	Payables to related parties	120	Note F	-
		ASG	3	Sales	4	Note E	-
		APN	3	Purchase	7,126	Note E	-
		APN	3	Sales	15,336	Note E	-
		AKL	3	Purchase	810	Note E	-
		AKL	3	Sales	1,145	Note E	-
		AC	3	Payables to related parties	233	Note F	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AC	3	Purchase	$ 232	Note E	-
		ASG	3	Purchase	19	Note E	-
		ASG	3	Payables to related parties	47	Note F	-
23	AEU	ADL (former name AEBC)	1	Receivables from related parties - financing	32,213	Note F	-
		AESC	1	Payables to related parties - financing	11,167	Note F	-
24	AHK	ACN	3	Payables to related parties	4,941	Note F	-

Note A: Significant transactions between parent company and its subsidiaries or among subsidiaries are numbered as follows:

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

Note B: Flow of related-party transactions is as follows:

1. From parent company Advantech Co., Ltd. to its subsidiaries.
2. Subsidiaries to its parent company, Advantech Co., Ltd.
3. Among subsidiaries.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2007 and 2006, respectively; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2007 and 2006, respectively.

Note D: All intercompany transactions have been eliminated.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

GEOGRAPHIC INFORMATION
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007							2006						
	Taiwan	Asia	Europe	America	Oceania	Adjustments and Elimination	Consolidated	Taiwan	Asia	Europe	America	Oceania	Adjustments and Elimination	Consolidated
Sales to other than consolidated entities	$ 4,151,428	$ 4,399,408	$ 2,832,486	$ 4,670,532	$ 261,037	$ -	$ 16,314,891	$ 3,431,767	$ 3,556,887	$ 2,981,469	$ 4,512,528	$ 219,753	$ -	$ 14,702,404
Sales among consolidated entities	8,120,116	3,486,841	29,884	34,142	-	(11,670,983)	-	7,330,837	3,171,493	4,736	19,090	-	(10,526,156)	-
Total sales	$ 12,271,544	$ 7,886,249	$ 2,862,370	$ 4,704,674	$ 261,037	$ (11,670,983)	$ 16,314,891	$ 10,762,604	$ 6,728,380	$ 2,986,205	$ 4,531,618	$ 219,753	$ (10,526,156)	$ 14,702,404
Operating income	$ 1,885,030	$ 765,779	$ 49,695	$ 180,913	$ 17,419	$ 194,705	$ 3,093,541	$ 1,979,269	$ 736,971	$ 25,177	$ 188,675	$ 7,720	$ 155,949	$ 3,093,761
Interest revenue							52,109							43,083
Equity in net income (loss) of investees, net							71,753							126,083
Other non-operating income and gains							620,888							398,027
Interest expense							(32,412)							(19,843)
Other non-operating expenses and losses							(256,203)							(250,709)
Income before income tax							$ 3,549,676							$ 3,390,402
Identifiable assets	$ 17,712,678	$ 3,881,091	$ 1,363,288	$ 1,562,781	$ 146,730	$ (7,222,129)	$ 17,444,439	$ 16,270,714	$ 2,908,067	$ 1,276,239	$ 1,507,545	$ 125,570	$ (5,939,499)	$ 16,148,636
Long-term investments							565,063							613,584
Total assets							$ 18,009,502							$ 16,762,220

Notes:

A. The Corporation operates principally in Republic of China (domestic), Asia, Oceania, Europe and America.

B. Revenues from inter-division goods and services.

C. Representing revenues minus costs and operating expenses. Operating expenses include costs and expenses that directly correspond to a geographic area, excluding general and administrative expenses and interest expense.

D. Representing tangible assets that are used by the geographic area directly, excluding.

   a. Assets maintained for general corporate purposes;
   b. Advances or loans to, or investments in, another geographic area; and
   c. Equity-method investments in shares of stock.