

**Advantech Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2008 and  
Independent Accountants' Review Report**

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Advantech Co., Ltd. and subsidiaries as of March 31, 2008, and the related consolidated statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our review.

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

As stated in Note 2 to the financial statements, the financial statements of the Company's subsidiaries as of and for the three months ended March 31, 2008 had not been reviewed. The total assets and liabilities of these subsidiaries were 43.36% (NT\$7,551,957 thousand) and 57.18% (NT\$2,190,814 thousand) of the Company's consolidated total assets and liabilities as of March 31, 2008. The operating revenues and net income of these subsidiaries were 73.01% (NT\$3,029,391 thousand) and 32.29% (NT\$203,387 thousand) of the Company's consolidated operating revenues and net income in the three months ended March 31, 2008. Also, as stated in Note 9 to the financial statements, Advantech Co., Ltd. had investments accounted for by the equity method. The carrying value of these investments of NT\$549,537 thousand as of March 31, 2008 and the Company's equity in these investees' net income amounting to NT\$18,300 thousand in the three months ended March 31, 2008 were based on these investees' unreviewed financial statements for the same reporting period as those of the Company.

Based on our review, except for the adjustments that might have been determined to be necessary had the subsidiaries and other equity-method investees' financial statements mentioned in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers; order VI-0960064020 issued by Financial Supervisory Commission under the Executive Yuan on November 15, 2007; and accounting principles generally accepted in the Republic of China.

As stated in Note 2 to the financial statements, under certain guidelines issued by authorities, Advantech Co., Ltd. and subsidiaries have decided to prepare first-quarter consolidated financial statements that cover only one reporting period, starting with financial statements as of and for the three months ended March 31, 2008.

As stated in Note 3 to the financial statements, Advantech Co., Ltd. adopted Interpretation No. 2007-052 of the Accounting Research and Development Foundation of the Republic of China, which requires companies to recognize bonuses to employees and remuneration to directors and supervisors as compensation expenses starting on January 1, 2008. These bonuses and remunerations were previously recorded as appropriations from earnings.

April 24, 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 review such financial statements are those generally accepted and applied in the Republic of China.*

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEET

MARCH 31, 2008

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

(Reviewed, Not Audited)

ASSETS	Amount	%	LIABILITIES AND SHAREHOLDERS' EQUITY	Amount	%
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash (Note 4)	\$ 1,992,905	11	Financial liabilities at fair value through profit or loss - current (Note 5)	\$ 12,144	-
Financial assets at fair value through profit or loss - current (Note 5)	413	-	Short-term bank loans (Notes 12 and 18)	506,626	3
Available-for-sale financial assets - current (Note 6)	1,410,050	8	Notes payable	9,570	-
Notes receivable	183,681	1	Accounts payable (Note 17)	1,413,020	8
Accounts receivable, net of allowance for doubtful accounts of \$80,369 thousand	2,476,601	14	Income tax payable	285,406	2
Receivables from related parties (Note 17)	73,375	-	Accrued expenses	539,236	3
Other receivables	90,459	1	Long-term bank loans - current portion (Note 13 and 18)	13,371	-
Inventories, net (Note 7)	2,545,016	15	Advance receipts and other current liabilities	<u>573,677</u>	<u>3</u>
Deferred income tax assets - current	81,576	-	Total current liabilities	<u>3,353,050</u>	<u>19</u>
Restricted assets - current (Note 18)	84,938	1			
Prepayments and other current assets	<u>278,010</u>	<u>2</u>	<b>LONG-TERM LIABILITIES</b>		
Total current assets	<u>9,217,024</u>	<u>53</u>	Long-term bank loans (Notes 13 and 18)	<u>99,454</u>	<u>1</u>
<b>LONG-TERM FUNDS AND INVESTMENTS</b>			<b>OTHER LIABILITIES</b>		
Available-for-sale financial assets - noncurrent (Note 6)	3,698,427	21	Accrued pension liabilities	113,228	1
Financial assets carried at cost - noncurrent (Note 8)	72,000	1	Deferred income tax liabilities - noncurrent	247,876	1
Investments accounted for by the equity method (Note 9)	<u>549,537</u>	<u>3</u>	Deferred credits	12,966	-
Total long-term funds and investments	<u>4,319,964</u>	<u>25</u>	Others	<u>4,849</u>	<u>-</u>
			Total other liabilities	<u>378,919</u>	<u>2</u>
			Total liabilities	<u>3,831,423</u>	<u>22</u>
<b>PROPERTIES (Notes 10 and 18)</b>					
Cost			<b>SHAREHOLDERS' EQUITY (Notes 14 and 15)</b>		
Land	814,762	4	Capital stock, NTS10.00 par value		
Buildings	1,531,246	9	Authorized - 600,000 thousand shares		
Machinery and equipment	816,356	5	Issued - 491,877 thousand shares	<u>4,918,770</u>	<u>28</u>
Furniture and fixtures	339,926	2	Capital surplus		
Other equipment	<u>372,960</u>	<u>2</u>	Additional paid-in capital in excess of par	4,382,809	25
Total cost	3,875,250	22	From long-term equity investments	<u>65,635</u>	<u>1</u>
Less: Accumulated depreciation	<u>1,123,183</u>	<u>6</u>	Total capital surplus	<u>4,448,444</u>	<u>26</u>
Construction in progress and prepayment for equipment	<u>568,606</u>	<u>3</u>	Retained earnings		
Properties, net	<u>3,320,673</u>	<u>19</u>	Legal reserve	1,378,115	8
			Unappropriated earnings	<u>4,155,556</u>	<u>24</u>
			Total retained earnings	<u>5,533,671</u>	<u>32</u>
<b>INTANGIBLE ASSETS</b>			Others		
Goodwill, net	170,013	1	Cumulative translation adjustments	107,112	1
Deferred pension cost	<u>5,961</u>	<u>-</u>	Unrealized gain on financial instruments	<u>563,648</u>	<u>3</u>
Total intangible assets	<u>175,974</u>	<u>1</u>	Total other equity	<u>670,760</u>	<u>4</u>
			Treasury stock - 24,500 thousand shares	<u>(2,057,597)</u>	<u>(12)</u>
			Total shareholders' equity of parent company	13,514,048	78
<b>OTHER ASSETS</b>			<b>MINORITY INTEREST</b>	<u>70,827</u>	<u>-</u>
Assets leased to others (Note 11)	26,787	-	Total shareholders' equity	<u>13,584,875</u>	<u>78</u>
Refundable deposits	47,590	-			
Deferred expense, net	<u>308,286</u>	<u>2</u>	<b>TOTAL</b>	<u>\$ 17,416,298</u>	<u>100</u>
Total other assets	<u>382,663</u>	<u>2</u>			
<b>TOTAL</b>	<u>\$ 17,416,298</u>	<u>100</u>			

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

(With Deloitte & Touche review report dated April 24, 2008)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME

THREE MONTHS ENDED MARCH 31, 2008

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

(Reviewed, Not Audited)

	Amount	%
OPERATING REVENUES (Note 17)		
Sales	\$4,185,731	101
Sales returns and allowances	<u>102,453</u>	<u>3</u>
Net sales	4,083,278	98
Other operating revenues	<u>66,231</u>	<u>2</u>
Total operating revenues	4,149,509	100
OPERATING COSTS (Note 17)	<u>2,326,139</u>	<u>56</u>
GROSS PROFIT	1,823,370	44
REALIZED PROFITS ON INTERCOMPANY SALES	<u>4,616</u>	<u>-</u>
ADJUSTED GROSS PROFIT	<u>1,827,986</u>	<u>44</u>
OPERATING EXPENSES		
Marketing	457,156	11
Administrative	314,761	8
Research and development	<u>312,770</u>	<u>7</u>
Total operating expenses	<u>1,084,687</u>	<u>26</u>
OPERATING INCOME	<u>743,299</u>	<u>18</u>
NONOPERATING INCOME AND GAINS		
Interest income	9,807	-
Investment income recognized under the equity method, net (Note 9)	18,300	-
Gain on disposal of investments, net	5,635	-
Foreign exchange gain, net	19,762	1
Other income	<u>12,260</u>	<u>-</u>
Total nonoperating income and gains	<u>65,764</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES		
Interest expense	9,394	-
Loss on disposal of scrap inventories	2,939	-
Provision for losses on inventories	20,031	1
Valuation loss on financial assets, net (Note 5)	10,981	-
Other expenses	<u>2,951</u>	<u>-</u>
Total nonoperating expenses and losses	<u>46,296</u>	<u>1</u>

(Continued)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME

THREE MONTHS ENDED MARCH 31, 2008

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

(Reviewed, Not Audited)

	Amount	%
INCOME BEFORE INCOME TAX	\$ 762,767	18
INCOME TAX	<u>132,874</u>	<u>3</u>
CONSOLIDATED NET INCOME	<u>\$ 629,893</u>	<u>15</u>
ATTRIBUTABLE TO:		
Parent's shareholders	\$ 631,077	15
Minority interest	<u>(1,184)</u>	<u>-</u>
	<u>\$ 629,893</u>	<u>15</u>
	<b>Pretax</b>	<b>After Income Tax</b>
EARNINGS PER SHARE (Note 16)		
Basic	<u>\$ 1.50</u>	<u>\$ 1.33</u>
Diluted	<u>\$ 1.50</u>	<u>\$ 1.33</u>

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

(With Deloitte & Touche review report dated April 24, 2008)

(Concluded)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

THREE MONTHS ENDED MARCH 31, 2008

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

### CASH FLOWS FROM OPERATING ACTIVITIES

Consolidated net income	\$ 629,893
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	80,080
Provision for doubtful accounts	21,961
Provision for losses on inventories	20,031
Loss on disposal of scrap inventories	2,939
Loss on disposal of properties, net	1,746
Gain on disposal of investments	(5,635)
Equity in net gain of investees, net	(18,300)
Accrued pension liabilities	(807)
Deferred income taxes	21,941
Net changes in operating assets and liabilities	
Financial instruments at fair value through profit or loss	11,818
Notes receivable	23,903
Accounts receivable	(17,395)
Accounts receivable from related parties	15,574
Other receivables	64,906
Inventories	(142,441)
Prepayments and other current assets	(30,942)
Notes payable	9,570
Accounts payable	(70,511)
Income tax payable	71,834
Accrued expenses	11,950
Advance receipts and other current liabilities	29,733
Deferred credits	<u>(4,616)</u>
Net cash provided by operating activities	<u>727,232</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of available-for-sale financial assets	(2,242,336)
Proceeds of the disposal of available-for-sale financial assets	2,197,111
Acquisition of financial assets carried at cost	(4,574)
Acquisition of properties	(124,874)
Proceeds of the disposal of properties	18
Decrease in restricted assets	8,434
Decrease in refundable deposits	7,315
Increase in deferred expenses	<u>(50,874)</u>
Net cash used in investing activities	<u>(209,780)</u>

(Continued)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

THREE MONTHS ENDED MARCH 31, 2008

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

---

### CASH FLOWS FROM FINANCING ACTIVITIES

Decrease in short-term bank loans	\$ (128,910)
Decrease in long-term bank loans	(5,116)
Increase in other liabilities	(4,484)
Employee stock options	8,652
Cash bonus to employees and remuneration to directors and supervisors	(5,952)
Cash paid for acquisition of treasury stock	(671,899)
Decrease in minority interest	<u>(97)</u>

Net cash used in financing activities (807,806)

EFFECT OF EXCHANGE RATE CHANGES (114,073)

NET DECREASE IN CASH AND CASH EQUIVALENTS (404,427)

CASH, BEGINNING OF PERIOD 2,397,332

CASH, END OF PERIOD \$ 1,992,905

### SUPPLEMENTARY CASH FLOW INFORMATION

Interest paid (excluding capitalized interest)	<u>\$ 11,669</u>
Income tax paid	<u>\$ 82,981</u>

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

(With Deloitte & Touche review report dated April 24, 2008)

(Concluded)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2008

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

(Reviewed, Not Audited)

---

### 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 March 31, 2008, the Parent Company and the consolidated subsidiaries (collectively, the "Group") had 4,186 employees.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under the regulations of the Financial Supervisory Commission Executive Yuan, R.O.C., companies with shares that are listed or traded over the counter may prepare first-quarter and third-quarter consolidated financial reports that cover only a single period, starting with reports for 2008. Thus, the Parent Company has decided to apply this regulation, starting with financial statements as of and for the three months ended March 31, 2008.

The Group's financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers; order VI-0960064020 issued on November 15, 2007 by the Financial Supervisory Commission under the Executive Yuan; and accounting principles generally accepted in the Republic of China. 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, bonuses to employees and remuneration to directors and supervisors and income tax. Actual results could differ from these estimates.

For the convenience of readers, 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 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%. 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.

For the three months ended March 31, 2008, Advansus Corp. and Hangzhou Advantofine Automation Tech. Co., Ltd. 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 March 31, 2008 is shown in Table 9 (attached). The names, locations and other information of investees are shown in Table 7 (attached).

The financial statements used as basis of the consolidated subsidiaries' information and related investment amounts were unreviewed.

### **Current and Noncurrent Assets and Liabilities**

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

### **Financial Assets/Liabilities at Fair Value through Profit or Loss**

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

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

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

### **Available-for-sale Financial Assets**

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

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

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

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

### **Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts**

Sales are recognized when titles to products and material risks of ownerships are transferred to clients, primarily upon shipment, when the earnings process is mostly completed and profit is realized or is realizable. The 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.

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

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

### **Inventories**

Inventories consist of raw materials and supplies, work in process and finished goods. 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.

Besides an assessment if technological changes would result in stock obsolescence, the inventories at the balance sheet date are also evaluated for estimated excess quantities and obsolescence on the basis of a demand forecast. Estimated losses on scrap and slow-moving items are recognized as an allowance for inventory obsolescence.

### **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.

### **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 in the year of disposal.

## **Deferred Expenses**

Deferred expenses, consisting of computer software costs, royalties and superificies, are amortized over 2 to 50 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 and investments accounted for by the equity method exceeds, as of the balance sheet date, their recoverable amount, and this impairment loss should be charged to current income. An impairment loss recognized in prior years could be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the asset carrying amount that would have been determined had no impairment loss on the asset been recognized in prior years. However, reversal of impairment loss on goodwill is prohibited.

## **Pension Costs**

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

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

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

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

## **Treasury Stock**

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

## **Income Tax**

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

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

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

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

### **Foreign-currency Transactions**

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

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. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES**

#### Interpretation No. 96-052 - "Accounting for Bonuses to Employees, Directors and Supervisors"

In March 2007, the Accounting Research and Development Foundation of the Republic of China issued Interpretation No. 96-052 - "Accounting for Bonuses to Employees, Directors and Supervisors," which requires the Parent Company to recognize bonuses to employees and remunerations to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. This accounting change resulted in decreases of \$58,524 thousand in the Parent Company's net income and of NT\$0.12 in after income tax basic earnings per share of NT\$0.12 for the three months ended March 31, 2008.

### **4. CASH**

	<b>March 31, 2008</b>
Cash on hand	\$ 170,958
Checking and demand deposits	1,062,358
Time deposits: Interest - 1.40%-5.50%	<u>759,589</u>
	<u>\$ 1,992,905</u>

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

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

	<b>March 31, 2008</b>
<u>Financial assets resulting from trading</u>	
Forward contracts	\$ <u>413</u>
<u>Financial liabilities resulting from trading</u>	
Forward contracts	\$ <u>12,144</u>

The outstanding forward contracts as of March 31, 2008 were as follows:

<u>March 31, 2008</u>	<b>Currency</b>	<b>Maturity</b>	<b>Amount (Thousands)</b>
Sell	USD/NTD	From April to July 2008	USD40,600/NTD1,220,859
Sell	EUR/USD	From April to May 2008	EUR5,000/USD7,862
Sell	YEN/USD	April 2008	JPY49,510/USD500

The Parent Company entered into forward contract transactions in the three months ended March 31, 2008 to avoid risks on exchange rate fluctuations. The hedging strategy of the 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 three months ended March 31, 2008 was net losses \$10,981 thousand.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>March 31, 2008</b>	
	<b>Current</b>	<b>Noncurrent</b>
Mutual funds	\$ 1,393,750	\$ -
Publicly traded stocks		
Chunghwa Telecom Co., Ltd.	16,300	-
ASUSTEK Computer Inc.	<u>-</u>	<u>3,698,427</u>
	<u>\$ 1,410,050</u>	<u>\$ 3,698,427</u>

## 7. INVENTORIES, NET

	<b>March 31, 2008</b>
Finished goods	\$ 990,717
Work in process	680,539
Materials and supplies	1,046,960
Inventories in transit	<u>151,584</u>
	2,869,800
Allowance for losses	<u>324,784</u>
	<u>\$ 2,545,016</u>

## 8. FINANCIAL ASSETS CARRIED AT COST

	<b>March 31, 2008</b>
Non-publicly traded	
Domestic	
Broadwin Technology, Inc.	\$ 4,574
Foreign	
Superior Technology Co., Ltd.	33,442
Coban Research and Technologies, Inc.	33,257
Visual Systems GmbH	<u>727</u>
	<u>\$ 72,000</u>

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.

## 9. LONG-TERM EQUITY INVESTMENTS

	<u>March 31, 2008</u>	
	<b>Carrying Value</b>	<b>% of Owner- ship</b>
<u>Listed</u>		
Axiomtek Co., Ltd.	\$ 357,701	28.90
<u>Unlisted</u>		
Advantech Technologies Co., Ltd.	154,008	23.89
Advantech Hungary Ltd.	13,534	30.00
Supercom Technology Corporation	11,510	33.33
Timson Tech Co.	7,258	30.00
Advantech Corporation (Thailand) Co., Ltd.	<u>5,526</u>	30.00
	<u>\$ 549,537</u>	

The calculation of the carrying values of the equity-method investments and the equity in their net income or net loss was based on the investees' unreviewed financial statements for the three months ended March 31, 2008.

The market value of the listed stock of the equity investment's market values, which was calculated on the basis of the closing prices of March 31, 2008 was \$967,608 thousand.

## 10. PROPERTIES

Accumulated depreciation was as follows:

	<b>March 31, 2008</b>
Buildings	\$ 289,697
Machinery and equipment	399,480
Furniture and fixtures	211,411
Miscellaneous equipment	<u>222,595</u>
	<u>\$ 1,123,183</u>

Depreciation expenses for properties and properties leased to others were \$60,767 thousand for the three months ended March 31, 2008.

## 11. PROPERTIES LEASED TO OTHERS

	<b>March 31, 2008</b>
Cost	
Buildings	\$ 36,424
Accumulated depreciation	<u>9,637</u>
	<u>\$ 26,787</u>

## 12. SHORT-TERM BANK LOANS

	<b>March 31, 2008</b>
Materials purchase loans - interest 4.44%-6.00%	\$ 38,925
Secured loans - interest 4.44%	5,000
Credit loans - interest 3.33%-6.56%	<u>462,701</u>
	<u>\$ 506,626</u>

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 March 31, 2008, the carrying values were \$347,071 thousand.

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 March 31, 2008, the carrying values were \$158,925 thousand.

### 13. LONG-TERM BANK LOANS

	Current	Long-term	Total
<u>March 31, 2008</u>			
Credit loans	\$ 8,871	\$ 64,579	\$ 73,450
Secured loans	<u>4,500</u>	<u>34,875</u>	<u>39,375</u>
	<u>\$ 13,371</u>	<u>\$ 99,454</u>	<u>\$ 112,825</u>

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 March 31, 2008, the carrying values were \$73,450 thousand, and the implicit interest rates were 6.42%.

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 March 31, 2008, the carrying value was \$39,375 thousand and interest rate was 3.25%.

### 14. SHAREHOLDERS' EQUITY

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

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

- a. 3% to 12% as bonus to employees. For stock bonuses, employees may include subsidiaries' employees who meet certain criteria as determined by the Company's board of directors;
- b. 1% as remuneration to directors and supervisors.
- c. Dividends, as proposed by the board of directors.

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

For the three months ended March 31, 2008, the bonus to employees and remunerations to directors and supervisors, representing 13% and 1%, of net income, were accrued on the basis of past experiences. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are retroactively adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

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

Under the Company Law, legal reserve should be appropriated until the accumulated reserve equals the 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 2007 were proposed in the Board of Directors' meeting on March 21, 2008. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (Dollars)</b>
Legal reserve	\$ 294,988	\$ -
Cash dividends	1,869,508	4.0
Stock dividends	233,688	0.5
Remuneration to directors and supervisors	26,549	-
Bonus to employees - stock	60,000	-
Bonus to employees - cash	205,490	-

The appropriation of the earnings for 2007 had not been approved by the shareholders as of April 24, 2008, the date of the accompanying independent accountants' report. Information on earnings appropriation is available online through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

On April 1, 2003, the Securities and Futures Bureau 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 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 March 31, 2008.

As of March 31, 2008, there were 2,375 thousand units of stock options exercised, which were converted to 2,375 thousand common shares; thus, the unexercised stock options consisted of 265 thousand units.

When the grant date of stock-based employee compensation plans is on or before January 1, 2004, the Parent Company need not apply the accounting guideline nos. 070, 071 and 072 for stock-based compensation issued by the Accounting Research and Development Foundation of the ROC.

## 15. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
<u>Three months ended March 31, 2008</u>				
For transfer to employees	14,500	-	-	14,500
To maintain the Parent Company's credibility and shareholders' interest	-	10,000	-	10,000
	<u>14,500</u>	<u>10,000</u>	<u>-</u>	<u>24,500</u>

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

## 16. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		<u>Shares</u> <u>(Denominator)</u>	<u>Earnings Per Share</u>	
	Pretax	After-tax	(Thousands)	Pretax	After-tax
<u>Three months ended March 31, 2008</u>					
Basic EPS	\$ 713,723	\$ 631,077	474,676	<u>\$ 1.50</u>	<u>\$ 1.33</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	256		
Diluted EPS	<u>\$ 713,723</u>	<u>\$ 631,077</u>	<u>474,932</u>	<u>\$ 1.50</u>	<u>\$ 1.33</u>

## 17. RELATED-PARTY TRANSACTIONS

### a. Related parties

<u>Related Party</u>	<u>Relationship with the Group</u>
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
Broadwin Technology, Inc. ("Broadwin")	Broadwin's chairman is the same as the Parent Company's
Supercom Technology Corporation ("Supercom")	Equity-method investee of Netstar
Avalue Technology Inc. ("Avalue")	The Parent Company's chairman is the Avalue's director

(Continued)

<u>Related Party</u>	<u>Relationship with the Group</u>
Advantech International Co., Ltd.	The person in charge of Advantech IFC is a brother-in-law of the Parent Company's chairman
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 Immoobiliare Verdi Srl	Manager of AEU Manager of AEU

(Concluded)

b. The significant transactions with the above related parties are summarized as follows:

	<u>2008</u>	
	<u>Amount</u>	<u>% of Total</u>
<u>For the three months ended March 31</u>		
1) Sales		
AKR	\$ 72,013	2
ABR	16,225	1
Avalue	16,164	-
Supercom	7,350	-
ATH	6,535	-
Axiomtek	4,536	-
Broadwin	345	-
AHG	<u>21</u>	<u>-</u>
	<u>\$ 123,189</u>	<u>3</u>
2) Purchase of materials and supplies		
Supercom	\$ 2,441	-
Broadwin	552	-
Axiomtek	<u>509</u>	<u>-</u>
	<u>\$ 3,502</u>	<u>-</u>
<u>At the end of three months</u>		
3) Receivables		
Accounts		
AKR	\$ 43,658	60
ABR	13,263	18
Avalue	7,490	10
Supercom	3,860	5
Axiomtek	3,299	5
ATH	1,382	2
Broadwin	<u>423</u>	<u>-</u>
	<u>\$ 73,375</u>	<u>100</u>

	<u>2008</u>	
	<b>Amount</b>	<b>% of Total</b>
4) Payables		
Accounts		
AKR	\$ 624	49
Supercom	395	31
Axiomtek	<u>245</u>	<u>20</u>
	<u>\$ 1,264</u>	<u>100</u>

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

#### 18. ASSETS PLEDGED OR MORTGAGED

- a. As of March 31, 2008, the subsidiary - Netstar Technology Co., Ltd. offered assets for certificates of short-term and long-term bank loans as follows:

	<b>March 31, 2008</b>
Restricted current assets (time deposits)	\$ 34,938
Properties - land	40,336
Properties - buildings - cost	<u>27,123</u>
	<u>\$ 102,397</u>

- b. 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 three months ended March 31, 2008, the Parent Company Consolidated in the proportionate consolidated method.

#### 19. COMMITMENTS

- a. As of March 31, 2008, the Parent Company had the following guarantees for affiliates' loans:

	<b>Amount</b>
AKMC	<u>US\$ 10,000 thousand</u>

- b. In April 2007, for the business use, the Parent 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 Parent Company makes installment payments based on the construction progress. As of March 31, 2008, the Parent Company had paid \$443,340 thousand (tax included).
- c. As of March 31, 2008, 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 \$360 thousand.

- d. As of March 31, 2008, the guarantee notes issued by Netstar Technology Co., Ltd. for the bank loan amounted to \$265,875 thousand.

## 20. FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments were as follows:

	<b>March 31, 2008</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Nonderivative Financial Instruments</u>		
<u>Assets</u>		
Available-for-sale financial assets - current	\$ 1,410,050	\$ 1,410,050
Available-for-sale financial assets - noncurrent	3,698,427	3,698,427
<u>Liabilities</u>		
Long-term bank loans (including current portion)	112,825	112,825
<u>Derivative financial instruments location</u>		
Financial assets at fair value through profit or loss - current		
Domestic	1	1
Foreign (foreign corporation operating in domestic district included)	412	412
Financial liabilities at fair value through profit or loss - current		
Domestic	3,728	3,728
Foreign (foreign corporation operating in domestic district included)	8,416	8,416

- b. Methods and assumptions used in the determination of fair values of financial instruments
- 1) For financial instruments such as cash, notes and accounts receivables, receivables from related parties, other receivables, restricted assets - current, short-term bank loans, notes and accounts payables and payables to related parties and refundable deposits, the carrying amounts of these financial instruments approximate their fair values.
  - 2) Fair values of available-for-sale financial assets were based on their quoted market price.
  - 3) 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 the Parent Company's financial assets and liabilities were based on the quoted market prices or determined using certain valuation techniques, as follows:

	<u>March 31, 2008</u>	
	<b>Based on Quoted Market Price</b>	<b>Determined Using Valuation Techniques</b>
<u>Asset</u>		
Financial assets at fair value through profit or loss - current	\$ -	\$ 413
Available-for-sale financial assets - current	1,410,050	-
Available-for-sale financial assets - noncurrent	3,698,427	-
<u>Liabilities</u>		
Financial liabilities at fair value through profit or loss - current	-	12,144

- d. As of March 31, 2008, financial assets exposed to fair value risk from interest rate fluctuation amounted to \$844,527 thousand. As of March 31, 2008, financial liabilities exposed to fair value risk from interest rate fluctuation amounted to \$619,451 thousand.
- e. The Parent Company recognized an unrealized loss of \$349,059 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the three months ended March 31, 2008. The Parent Company also recognized an unrealized gain of \$3,007 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees for the three months ended March 31, 2008.
- 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.

## 21. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 17 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the 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 March 31, 2008, accumulated inward remittance of earnings as of March 31, 2008 and upper limit on investment: Please see Table 8 attached.
  - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 17, 19 and Tables 1, 2, 5 and 6.
- c. Intercompany relationships and significant intercompany transactions: Please see Table 10 attached.

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## FINANCING PROVIDED

THREE MONTHS ENDED MARCH 31, 2008

(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	Receivables from related parties	\$ 12,013 (EUR 250 thousand)	\$ 12,013 (EUR 250 thousand)	2.50%	Short-term financing	\$ -	Financing need	\$ -	-	\$ -	\$ 48,983 (Note C)	\$ 97,966 (Note G)
2	AESC	AEU	Receivables from related parties	12,493 (EUR 260 thousand)	12,493 (EUR 260 thousand)	2.50%	Short-term financing	-	Financing need	-	-	-	18,657 (Note D)	37,313 (Note H)
3	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Receivables from related parties	131,736	113,291	-	Service intercourse	-	Service intercourse	-	-	-	131,736 (Note B)	131,736 (Note B)
4	Netstar Technology Co., Ltd.	LANSONIC (BVI)	Receivables from related parties	3,523	3,523	-	Short-term financing	-	Financing need	-	-	-	24,422 (Note E)	48,844 (Note F)

Notes: A. The exchange rate was EUR1.00=NT\$48.05.

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

C. 15% of capital stock of AEU.

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

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 capital stock of AEU.

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

**ADVANTECH CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENT/GUARANTEE PROVIDED  
THREE MONTHS ENDED MARCH 31, 2008  
(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	\$ 737,815 (Note A)	\$ 304,000 (US\$ 10,000 thousand)	\$ 304,000 (US\$ 10,000 thousand)	\$ -	2.25%	\$ 1,475,631 (Note B)
1	SHHQ	AKMC	Indirect subsidiary	737,815 (Note A)	23,894 (US\$ 786 thousand)	23,894 (US\$ 786 thousand)	-	0.18%	1,475,631 (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\$30.40.

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

MARCH 31, 2008

(In Thousands of New Taiwan Dollars)

Holding Company	Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2008				Note	
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value		
Advantech Co., Ltd. (the "Company")	<u>Stock</u>								
	AAC (BVI)	Investee	Long-term equity investments	24,606,500	\$ 1,449,855	100.00	\$ 1,449,855	Note A	
	ATC	"	"	13,450,000	917,150	100.00	917,150	Note A	
	Advansus Corp.	"	"	30,000,000	281,508	50.00	281,508	Note A	
	AEU	"	"	9,497,024	397,950	99.22	397,950	Note A	
	Advantech Fund-A	"	"	50,000,000	417,095	100.00	417,095	Note A	
	Axiontek	"	"	20,162,430	357,701	28.90	357,701	Note A	
	AKR	"	"	3,112,131	154,008	23.89	154,008	Note A	
	ASG	"	"	1,450,000	112,636	100.00	112,636	Note A	
	AAU	"	"	500,204	110,349	100.00	110,349	Note A	
	AJP	"	"	1,200	113,880	100.00	113,880	Note A	
	AYS	"	"	12,300,000	99,128	100.00	99,128	Note A	
	AMY	"	"	2,000,000	40,086	100.00	40,086	Note A	
	AHG	"	"	30	13,534	30.00	13,534	Note B	
	AIMS	"	"	500,000	5,786	100.00	5,786	Note A	
	AHK	"	"	999,999	(7,221)	100.00	(7,221)	Notes A and D	
	ASUSTek Computer Inc.	-		Available for sale financial assets - noncurrent	41,555,359	3,698,427	1.18	3,698,427	Note C
		<u>Fund</u>							
		Prudential Well Pool Fund	-	Available for sale financial assets - current	21,100,410.90	269,646	-	269,646	Note B
		Capital Income Fund	-	"	362,085.10	5,500	-	5,500	Note B
		Fuh-Hwa Bond Fund	-	"	16,193,516.10	220,300	-	220,300	Note B
		ING Taiwan Income Fund	-	"	4,658,193.97	75,250	-	75,250	Note B
		NITC Taiwan Bond Fund	-	"	12,074,865.50	173,591	-	173,591	Note B
		James Bond Fund	-	"	18,507,951.20	291,295	-	291,295	Note B
	Advantech Fund-A	<u>Stock</u>							
		Netstar Technology Co., Ltd.	Investee	Long-term equity investments	16,897,511	160,111	67.59	160,111	Note A
		Timson Tech Co. (TTC)	"	"	270,000	7,258	30.00	7,258	Note A
BCM Embedded Computer Inc.		"	"	1,000,000	6,852	50.00	6,852	Note A	
Broadwin Technology, Inc.		-	"	304,960	4,574	3.22	4,574	Note A	
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	204,000	16,300	-	16,300	Note C		

(Continued)

Holding Company	Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2008				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advansus Corp.	<u>Fund</u> ABN AMRO Bond Fund	-	Available for sale financial assets - current	3,164,677.35	\$ 48,648	-	\$ 48,648	Note B
	NITC Taiwan Bond Fund	-	”	6,766,609.40	97,278	-	97,278	Note B
	<u>Fund</u> Capital Income Fund	-	”	21,747,098.40	330,334	-	330,334	Note B
	NITC Taiwan Bond Fund	-	”	4,440,022.10	63,831	-	63,831	Note B
BCM Embedded Computer Inc.	<u>Fund</u> Capital Income Fund	-	”	866,061.60	13,155	-	13,155	Note B
TTC	<u>Shares</u> Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	25,940	100.00	25,940	Note A
ATC	<u>Shares</u> AKMC	”	”	-	592,806	100.00	592,806	Note A
AYS	<u>Shares</u> ADMC	”	”	-	59,628	100.00	59,628	Note A
AAC (BVI)	<u>Stock</u> AC	”	”	10,952,606	873,184	100.00	873,184	Note A
	<u>Shares</u> ACN	”	”	-	477,860	100.00	477,860	Note A
	SHHQ	”	”	-	98,100	100.00	98,100	Note A
	Visual Systems GmbH	-	Financial assets carried at cost - noncurrent	-	695	20.00	695	Note A
ACN	<u>Shares</u> Hangzhou Advantofine Automation tech. Co., Ltd.	Investee	Long-term equity investments	-	6,426	50.00	6,426	Note A
AEU	<u>Stock</u> AESC	”	”	8,314,280	116,768	100.00	116,768	Note A
	ADL (former name: AEBC)	”	”	1,142,000	40,100	100.00	40,100	Note A
	APL	”	”	2,000	1,563	80.00	1,563	Note A
ASG	<u>Stock</u> APN	”	”	570,570	7,818	55.00	7,818	Note A
	ATH	”	”	30,000	5,333	30.00	5,333	Note A
	AKL	”	”	418,000	3,644	55.00	3,644	Note A
Netstar Technology Co., Ltd.	<u>Stock</u> Jan Hsiang Electronics Co., Ltd.	Investee	Long-term equity investments	1,900,000	19,186	76.00	19,186	Note A
	Supercom Technology Corporation	”	”	1,250,000	11,510	33.33	11,510	Note A
	LANSONIC (BVI)	”	Other liabilities	3,527,529	(71,197)	94.83	(71,197)	Notes A and D

(Continued)

Holding Company	Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2008				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
LANSONIC (BVI)	<u>Shares</u> Netstar Electronics Corporation	”	”	-	\$ (142,889)	100.00	\$ (142,889)	Notes A and D

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

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

Note C: Market value was based on the closing price in March 31, 2008.

Note D: 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  
THREE MONTHS ENDED MARCH 31, 2008  
(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 (Note)	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal		Shares	Amount
Advantech Co., Ltd. (the "Company")	<u>Fund</u>														
	Capital Income Fund	Available for sale financial assets - current	-	-	16,373,844.40	\$ 247,671	2,179,318.90	\$ 33,000	18,191,078.20	\$ 275,942	\$ 275,171	\$ 771	\$ -	362,085.10	\$ 5,500
	Fuh-Hwa Bond Fund	"	-	-	-	-	32,387,032.20	440,359	16,193,516.10	220,259	220,100	159	41	16,193,516.10	220,300
	James Bond Fund	"	-	-	-	-	37,015,902.40	581,743	18,507,951.20	291,243	290,500	743	52	18,507,951.20	291,295
	Prudential Bond Fund	"	-	-	22,055,731.70	280,602	25,063,027.70	320,211	26,018,348.50	332,351	331,202	1,149	35	21,100,410.90	269,646
	Mega Diamond Bond Fund	"	-	-	16,743,993.45	195,746	7,939,859.76	92,880	24,683,853.21	289,166	288,626	539	-	-	-
	NITC Taiwan Bond Fund	"	-	-	8,357,665.30	119,627	22,086,449.80	317,058	18,369,249.60	263,747	263,128	619	34	12,074,865.50	173,591
ING Taiwan Income Fund	"	-	-	7,903,346.71	127,120	14,042,217.64	226,236	17,287,370.38	278,916	278,120	795	14	4,658,193.97	75,250	
Advansus Corp.	<u>Fund</u>														
	Capital Income Fund	Available for sale financial assets - current	-	-	24,940,897.50	377,241	23,132,932.60	351,334	26,326,731.70	399,734	398,241	1,494	-	21,747,098.40	330,334
	NITC Taiwan Bond Fund	"	-	-	1,217,909.60	17,436	7,442,215.50	106,931	4,220,103.00	60,631	60,536	94	-	4,440,022.10	63,831

Note: 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.

## 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  
THREE MONTHS ENDED MARCH 31, 2008  
(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	\$ 827,679	39	Set for 60 days a month	\$ -	-	\$ (541,215)	(78)	
	AC	Indirect subsidiary	Sale	(790,415)	(26)	Set for 45 days a month	-	-	464,953	20	
	AESC	Indirect subsidiary	Sale	(555,214)	(19)	Set for 45 days a month	-	-	770,139	33	
	ACN	Indirect subsidiary	Sale	(534,636)	(18)	Set for 45 days a month	-	-	515,118	22	
	AYS	Subsidiary	Purchase	128,087	6	Set for 90 days a month	-	-	(102,548)	(15)	
	Advansus Corp.	Subsidiary	Purchase	119,768	6	Set for 60 days a month	-	-	(36,589)	(5)	
	ATC	Advantech Co., Ltd.	Parent company	Sale	(827,679)	(100)	Set for 60 days a month	-	-	541,215	96
AC	Advantech Co., Ltd.	Ultimate parent company	Purchase	790,415	87	Set for 45 days a month	-	-	(464,953)	(92)	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	555,214	77	Set for 45 days a month	-	-	(770,139)	(82)	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	534,636	82	Set for 45 days a month	-	-	(515,118)	(88)	
AYS	Advantech Co., Ltd.	Parent company	Sale	(128,087)	(100)	Set for 90 days a month	-	-	102,548	100	
Advansus Corp.	Advantech Co., Ltd.	Parent company	Sale	(119,768)	(34)	Set for 60 days a month	-	-	36,589	17	
ATC	AKMC	Subsidiary	Purchase	647,736	100	Set for 30 days a month	-	-	(92,908)	(92)	
AYS	ADMC	Subsidiary	Purchase	113,195	100	Set for 30 days after a month	-	-	(63,779)	(100)	
AKMC	ATC	Parent company	Sale	(647,736)	(98)	Set for 30 days a month	-	-	92,908	83	
ADMC	AYS	Parent company	Sale	(113,195)	(100)	Set for 30 days after a month	-	-	63,779	98	

**ADVANTECH CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
MARCH 31, 2008  
(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	\$ 770,139	3.11	\$ -	-	\$ 23,771	\$ -
	ACN	Indirect subsidiary	515,118	4.53	-	-	195,203	-
	AC	Indirect subsidiary	464,953	6.46	-	-	-	-
ATC	Advantech Co., Ltd.	Parent company	541,215	5.30	-	-	376,621	-
AYS	Advantech Co., Ltd.	Parent company	102,548	4.81	-	-	40,189	-

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
THREE MONTHS ENDED MARCH 31, 2008  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2008			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				March 31, 2008	December 31, 2007	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	AAC (BVI)	BVI	Investment holding company	\$ 821,894	\$ 821,894	24,606,500	100.00	\$ 1,449,855	\$ 97,064	\$ 97,064	Subsidiary
	ATC	BVI	Sale of industrial automation products	427,781	427,781	13,450,000	100.00	917,150	139,280	139,280	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	300,000	500,000	30,000,000	50.00	281,508	3,891	4,750	Equity-method investee
	AEU	Helmond, The Netherlands	Investment holding company	392,218	392,218	9,497,024	99.22	397,950	(10,444)	(10,363)	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	General investment	500,000	500,000	50,000,000	100.00	417,095	1,065	1,065	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	289,844	289,844	20,162,430	28.90	357,701	58,692	20,636	Equity-method investee
	AKR	Seoul, Korea	Sale of industrial automation products	32,989	32,989	3,112,131	23.89	154,008	(5,729)	(1,422)	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	112,636	936	936	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	110,349	4,071	4,071	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	113,880	5,131	5,131	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	51,662	51,662	12,300,000	100.00	99,128	24,546	24,546	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	40,086	(1,157)	(1,157)	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	13,534	-	-	Equity-method investee
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	5,000	5,000	500,000	100.00	5,786	146	146	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(7,221)	1,252	1,252	Subsidiary (Note A)
	Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	206,860	206,860	16,897,511	67.59	160,111	1,911	1,292
TTC		Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,258	-	-	Equity-method investee
BCM Embedded Computer Inc.		Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	10,000	10,000	1,000,000	50.00	6,852	(1,731)	(865)	Indirect subsidiary
Broadwin Technology, Inc.		Taipei, Taiwan	Sale of industrial automation products	4,574	-	304,960	70.28	4,574	-	-	Indirect subsidiary
ATC	AKMC	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	592,806	10,575	10,575	Indirect subsidiary
AYS	ADMC	Guangzhou, China	Production and sale of industrial automation products	51,662	51,662	-	100.00	59,628	8,340	8,340	Indirect subsidiary
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	873,184	23,497	23,497	Indirect subsidiary
	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	477,860	74,799	74,799	Indirect subsidiary
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	96,750	-	100.00	98,100	(4,322)	(4,322)	Indirect subsidiary
ACN	Hangzhou Advantofine Automation tech. Co., Ltd.	Hangzhou, China	Sale of industrial automation products	6,660	6,660	-	100.00	6,426	-	-	Equity-method investee
AEU	AESC	Eindhoven, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	116,768	(13,038)	(13,038)	Indirect subsidiary
	ADL	Munich, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	40,100	6,696	6,696	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	7,030	92.89	1,563	(4,400)	(3,520)	Indirect subsidiary
ASG	APN	Penang, Malaysia	Sale of industrial automation products	8,181	8,181	570,570	55.00	7,818	-	-	Indirect subsidiary
	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	5,333	547	164	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	3,644	23	13	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	19,186	1,694	1,287	Subsidiary
	Supercom Technology Corporation	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	16,250	16,250	1,250,000	33.33	11,510	(2,930)	(977)	Equity-method investee
	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	(71,197)	(2,762)	(2,762)	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2008			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				March 31, 2008	December 31, 2007	Shares	Percentage of Ownership	Carrying Value			
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\$ (36,582)	HK\$ 702	HK\$ 702	Indirect subsidiary

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

Note B: The financial statements used as basis of net asset values were all unreviewed.

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

(Concluded)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA  
THREE MONTHS ENDED MARCH 31, 2008

(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, 2008	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2008	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2008	Accumulated Inward Remittance of Earnings as of March 31, 2008
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$16,350 thousand (Note D)	Indirect	\$ 364,800 (US\$ 12,000 thousand)	\$ -	\$ -	\$ 364,800 (US\$ 12,000 thousand)	100%	\$ 10,575	\$ 592,806	\$ -
Yan Hua Xng Ye Electronic (SHHQ)	Sale of industrial automation products	US\$3,000 thousand	Indirect	91,200 (US\$ 3,000 thousand)	-	-	91,200 (US\$ 3,000 thousand)	100%	(4,322)	98,100	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$4,230 thousand	Indirect	162,093 (US\$ 5,332 thousand)	-	-	162,093 (US\$ 5,332 thousand)	100%	74,799	477,860	-
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US\$1,400 thousand	Indirect	(Note C)	-	-	(Note C)	100%	8,340	59,628	-

Accumulated Investment in Mainland China as of March 31, 2008	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$624,173 (US\$20,532 thousand) (Note D)	\$1,717,600 (US\$56,500 thousand)	\$4,202,809

Note A: The calculation of investment gain (loss) was based on the unreviewed 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 16 and 18 to the financial statements and Tables 2, 5 and 6.

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.

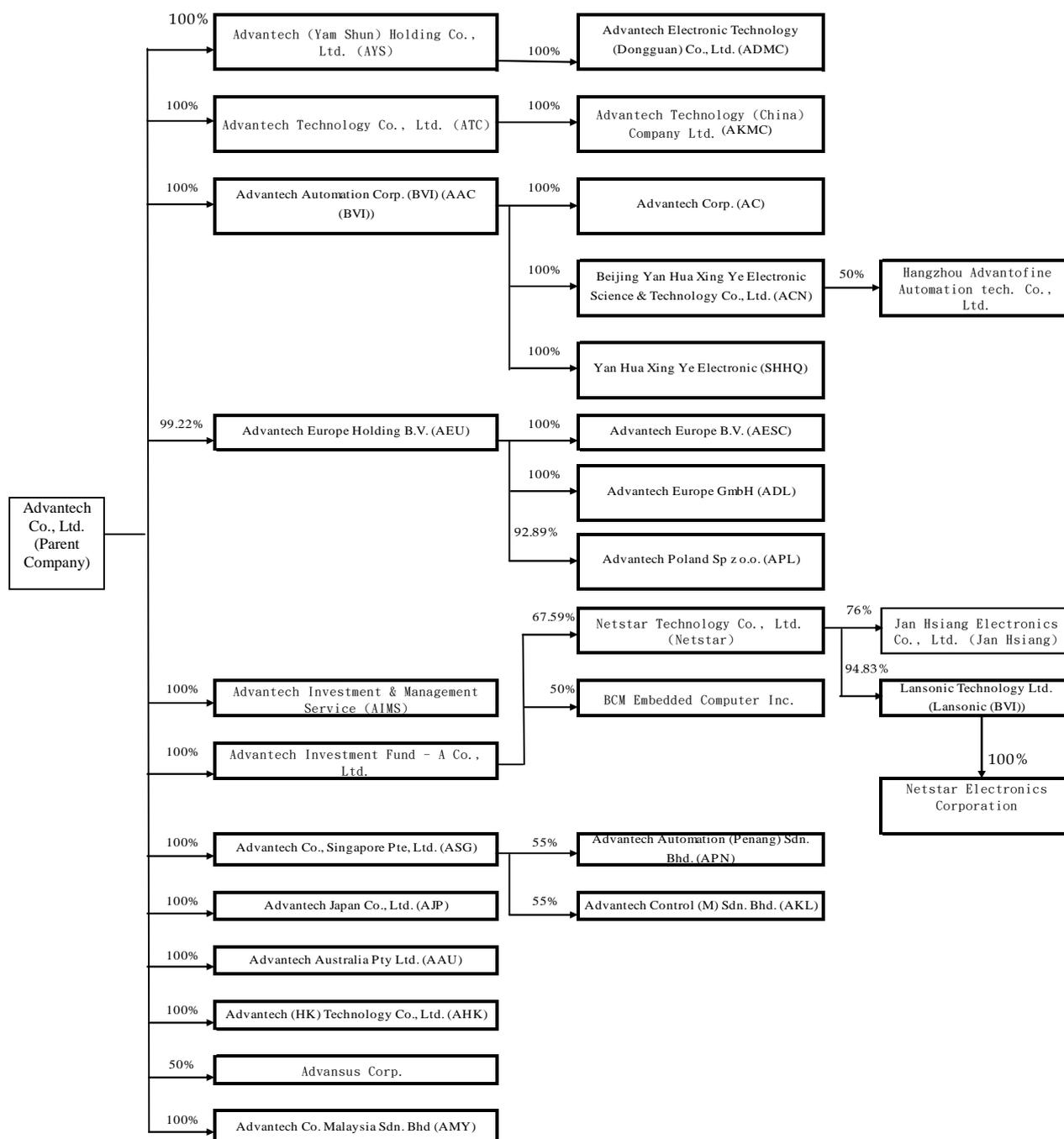
Note F: The exchange rate was US\$1.00=NT\$30.4.

**TABLE 9**

**ADVANTECH CO., LTD. AND SUBSIDIARIES**

**ORGANIZATION CHART  
MARCH 31, 2008**

Intercompany relationships and percentages of ownership as of March 31, 2008 are shown below:



Note: Advansus Corp. and Hangzhou Advantofine Automation tech. Co., Ltd. were consolidated using the proportionate consolidated method.

## ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD AND SUBSIDIARIES  
THREE MONTHS ENDED MARCH 31, 2008  
(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
0	Advantech Co., Ltd.	AC	1	Sales	\$ 790,415	Normal.	19
		AC	1	Receivables from related parties	465,029	45 days.	3
		AC	1	Purchase	8,321	Normal.	-
		AC	1	Payables to related parties	4,362	45 days.	-
		AESC	1	Sales	555,214	Normal.	13
		AESC	1	Receivables from related parties	770,453	30 days.	4
		AESC	1	Purchase	252	Normal.	-
		AESC	1	Payables to related parties	1,996	30 days.	-
		ACN	1	Sales	534,636	Normal.	13
		ACN	1	Receivables from related parties	515,238	45 days.	3
		ACN	1	Purchase	1,109	Normal.	-
		ACN	1	Payables to related parties	365	30 days.	-
		ATC	1	Dividend receivable	160,000	Prompt collection.	1
		ATC	1	Purchase	827,679	Normal.	20
		ATC	1	Payables to related parties	541,215	60 days.	3
		ATC	1	Royalty revenue	41,378	Normal.	1
		AKMC	1	Sales	7,211	Normal.	-
		AKMC	1	Receivables from related parties	32,598	45 days.	1
		AKMC	1	Payables to related parties	16	60-90 days.	-
		AAU	1	Sales	31,490	Normal.	1
		AAU	1	Receivables from related parties	18,369	60-90 days.	-
		ASG	1	Sales	32,316	Normal.	1
		ASG	1	Receivables from related parties	11,678	60-90 days.	-
		ASG	1	Purchase	4	Normal.	-
		ASG	1	Payables to related parties	4	60-90 days.	-
		AJP	1	Sales	67,632	Normal.	2
		AJP	1	Receivables from related parties	65,601	60-90 days.	-
		AJP	1	Purchase	1	Normal.	-
		AJP	1	Payables to related parties	28	60-90 days.	-
		Advansus Corp.	1	Sales	3,938	Normal.	-
		Advansus Corp.	1	Receivables from related parties	208,704	60-90 days.	1
		Advansus Corp.	1	Purchase	119,768	Normal.	3
		Advansus Corp.	1	Payables to related parties	36,589	60-90 days.	-
		Advansus Corp.	1	Rental revenue	870	Normal.	-
		AIMS	1	Rental revenue	75	Normal.	-
		AIMS	1	Receivables from related parties	26	60-90 days.	-
		BCM Embedded Computer Inc.	1	Rental revenue	75	Normal.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		BCM Embedded Computer Inc.	1	Receivables from related parties	\$ 26	30 days.	-
		Advantech Fund-A	1	Rental revenue	9	Normal.	-
		Advantech Fund-A	1	Receivables from related parties	3	60-90 days.	-
		Broadwin Technology, Inc.	1	Sales	345	Normal.	-
		Broadwin Technology, Inc.	1	Receivables from related parties	422	60 days.	-
		Broadwin Technology, Inc.	1	Purchase	552	Normal.	-
		Broadwin Technology, Inc.	1	Payables to related parties	623	60 days.	-
		ADL (FORMER NAME: AEBC)	1	Receivables from related parties	6,351	30 days.	-
		ADL (FORMER NAME: AEBC)	1	Purchase	145	Normal.	-
		ADL (FORMER NAME: AEBC)	1	Payables to related parties	3,234	30 days.	-
		SHHQ	1	Receivables from related parties	4,493	45 days.	-
		AMY	1	Sales	6,817	Normal.	-
		AMY	1	Receivables from related parties	4,593	45 days.	-
		AMY	1	Purchase	1	Normal.	-
		AMY	1	Payables to related parties	19	60 days.	-
		APL	1	Sales	3,193	Normal.	-
		APL	1	Receivables from related parties	27,080	45 days.	-
		Netstar Technology Co., Ltd.	1	Purchase	5,514	Normal.	-
		Netstar Technology Co., Ltd.	1	Payables to related parties	3,585	60 days.	-
		Jan Hsiang	1	Sales	1	Normal.	-
		Jan Hsiang	1	Purchase	5,174	Normal.	-
		Jan Hsiang	1	Payables to related parties	1,658	60 days.	-
		AYS	1	Receivables from related parties	212	30 days.	-
		AYS	1	Purchase	128,087	Normal.	3
		AYS	1	Payables to related parties	102,548	90 days.	1
		ADMC	1	Sales	13	Normal.	-
		ADMC	1	Receivables from related parties	261	45 days.	-
1	AC	Advantech Co., Ltd.	2	Sales	8,321	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	4,362	45 days.	-
		Advantech Co., Ltd.	2	Purchase	790,415	Normal.	19
		Advantech Co., Ltd.	2	Payables to related parties	465,029	45 days.	3
		ASG	3	Sales	229	Normal.	-
		ASG	3	Receivables from related parties	220	15 days after invoice date.	-
		AESC	3	Sales	636	Normal.	-
		AESC	3	Receivables from related parties	257	60-90 days.	-
		AESC	3	Payables to related parties	16	30 days after invoice date.	-
		ATC	3	Sales	436	Normal.	-
		ATC	3	Receivables from related parties	1,080	60-90 days.	-
		AMY	3	Sales	8	Normal.	-
		AMY	3	Receivables from related parties	8	60-90 days.	-
		AAU	3	Sales	48	Normal.	-
		AAU	3	Receivables from related parties	7	60-90 days.	-
		AJP	3	Sales	4	Normal.	-
		AJP	3	Receivables from related parties	4	15 days after invoice date.	-
		ACN	3	Sales	312	Normal.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
2	AESC	Advantech Co., Ltd.	2	Sales	\$ 252	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,996	30 days.	-
		Advantech Co., Ltd.	2	Purchase	555,214	Normal.	13
		Advantech Co., Ltd.	2	Payables to related parties	770,453	30 days.	4
		ADL	3	Commission expense	161	Normal.	-
		AIT	3	Commission expense	2,517	Normal.	-
		APL	3	Commission expense	247	Normal.	-
		AUK	3	Commission expense	22	Normal.	-
		AC	3	Purchase	636	Normal.	-
		AC	3	Payables to related parties	257	60-90 days.	-
		AC	3	Receivables from related parties	16	30 days after invoice date.	-
		AAU	3	Receivables from related parties	35	30 days after invoice date.	-
		ABB	3	Commission expense	138	Normal.	-
		ACN	3	Receivables from related parties	163	60-90 days.	-
		ASG	3	Receivables from related parties	6	30 days after invoice date.	-
		AFR	3	Commission expense	79	Normal.	-
3	ACN	Advantech Co., Ltd.	2	Sales	1,109	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	365	30 days.	-
		Advantech Co., Ltd.	2	Purchase	534,636	Normal.	13
		Advantech Co., Ltd.	2	Payables to related parties	515,238	45 days.	3
		AEU	3	Receivables from related parties	292	60-90 days.	-
		AEU	3	Sales	208	Normal.	-
		AESC	3	Payables to related parties	163	60-90 days.	-
		ADMC	3	Receivables from related parties	134	60-90 days.	-
		AC	3	Purchase	312	Normal.	-
		AJP	3	Receivables from related parties	19	60-90 days.	-
		AJP	3	Sales	17	Normal.	-
		AKMC	3	Receivables from related parties	3,645	60-90 days.	-
		AKMC	3	Purchase	5,561	Normal.	-
		AKMC	3	Payables to related parties	5,089	60-90 days.	-
		AKMC	3	Sales	3,491	Normal.	-
		AKMC	3	Rental expense	905	Normal.	-
		SHHQ	3	Purchase	517	Normal.	-
		SHHQ	3	Payables to related parties	385	60-90 days.	-
		SHHQ	3	Sales	114,837	Normal.	3
		SHHQ	3	Receivables from related parties	54,109	60-90 days.	-
AHK	3	Receivables from related parties	5,360	60-90 days.	-		
4	ATC	Advantech Co., Ltd.	2	Sales	827,679	Normal.	20
		Advantech Co., Ltd.	2	Receivables from related parties	541,215	60 days.	3
		Advantech Co., Ltd.	2	Royalty expense	41,378	Normal.	1
		Advantech Co., Ltd.	2	Dividend payable	160,000	Prompt payment.	1
		AKMC	3	Purchase	648,303	Normal.	16
		AKMC	3	Sales	2,237	Normal.	-
		AKMC	3	Payables to related parties	93,024	60-90 days.	1
		AKMC	3	Receivables from related parties	5,468	60-90 days.	-
		AC	3	Purchase	436	Normal.	-
		AC	3	Payables to related parties	1,080	60-90 days.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
5	AKMC	Advantech Co., Ltd.	2	Receivables from related parties	\$ 16	60-90 days.	-
		Advantech Co., Ltd.	2	Purchase	7,211	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	32,598	45 days.	-
		ACN	3	Rental revenue	905	Normal.	-
		ACN	3	Sales	5,561	Normal.	-
		ACN	3	Receivables from related parties	5,089	60-90 days.	-
		ACN	3	Purchase	3,491	Normal.	-
		ACN	3	Payables to related parties	3,645	60-90 days.	-
		AAU	3	Receivables from related parties	170	Prompt collection.	-
		AAU	3	Sales	117	Normal.	-
		AKL	3	Receivables from related parties	29	Prompt collection.	-
		AKL	3	Sales	49	Normal.	-
		APN	3	Receivables from related parties	19	Prompt collection.	-
		APN	3	Sales	20	Normal.	-
		ASG	3	Receivables from related parties	28	45 days after invoice date.	-
		ASG	3	Sales	82	Normal.	-
		ADMC	3	Receivables from related parties	13,714	60-90 days.	-
		ADMC	3	Sales	9,166	Normal.	-
		ATC	3	Purchase	2,237	Normal.	-
		ATC	3	Payables to related parties	5,468	60-90 days.	-
		ATC	3	Sales	648,303	Normal.	16
		ATC	3	Receivables from related parties	93,024	60-90 days.	1
		SHHQ	3	Payables to related parties	1	60-90 days.	-
		SHHQ	3	Receivables from related parties	161	60-90 days.	-
		Advansus Corp.	3	Payables to related parties	150,586	60-90 days.	1
		Advansus Corp.	3	Purchase	194,647	Normal.	5
		6	ADMC	Advantech Co., Ltd.	2	Purchase	13
Advantech Co., Ltd.	2			Payables to related parties	261	45 days.	-
ACN	3			Payables to related parties	134	60-90 days.	-
AKMC	3			Purchase	9,166	Normal.	-
AKMC	3			Payables to related parties	13,714	60-90 days.	-
AYS	3			Sales	113,294	Normal.	3
AYS	3			Receivables from related parties	63,859	60-90 days.	-
7	APL	Advantech Co., Ltd.	2	Purchase	3,193	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	27,080	45 days.	-
		AESC	3	Commission revenue	247	Normal.	-
8	ASG	Advantech Co., Ltd.	2	Sales	4	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	4	60-90 days.	-
		Advantech Co., Ltd.	2	Purchase	32,316	Normal.	1
		Advantech Co., Ltd.	2	Payables to related parties	11,678	60-90 days.	-
		AMY	3	Other revenue	42	Normal.	-
		AESC	3	Payables to related parties	6	30 days after invoice date.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		AC	3	Purchase	\$ 229	Normal.	-
		AC	3	Payables to related parties	220	15 days after invoice date.	-
		AKMC	3	Payables to related parties	28	45 days after invoice date.	-
		AKMC	3	Purchase	82	Normal.	-
9	AJP	Advantech Co., Ltd.	2	Sales	1	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	28	60-90 days.	-
		Advantech Co., Ltd.	2	Purchase	67,632	Normal.	2
		Advantech Co., Ltd.	2	Payables to related parties	65,601	60-90 days.	-
		ACN	3	Payables to related parties	19	60-90 days.	-
		ACN	3	Purchase	17	Normal.	-
		AC	3	Purchase	4	Normal.	-
		AC	3	Payables to related parties	4	15 days after invoice date.	-
10	AAU	Advantech Co., Ltd.	2	Purchase	31,490	Normal.	1
		Advantech Co., Ltd.	2	Payables to related parties	18,369	60-90 days.	-
		AKMC	3	Payables to related parties	170	Prompt payment.	-
		AESC	3	Payables to related parties	35	30 days after invoice date.	-
		AKMC	3	Purchase	117	Normal.	-
		AC	3	Purchase	48	Normal.	-
		AC	3	Payables to related parties	7	60-90 days.	-
11	ADL (FORMER NAME: AEBC)	Advantech Co., Ltd.	2	Sales	145	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	3,234	30 days.	-
		Advantech Co., Ltd.	2	Payables to related parties	6,351	30 days.	-
		AESC	3	Commission revenue	161	Normal.	-
12	Advansus Corp.	Advantech Co., Ltd.	2	Sales	119,768	Normal.	3
		Advantech Co., Ltd.	2	Receivables from related parties	36,589	60-90 days.	-
		Advantech Co., Ltd.	2	Purchase	3,938	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	208,704	60-90 days.	1
		Advantech Co., Ltd.	2	Rental expense	870	Normal.	-
		AKMC	3	Receivables from related parties	150,586	60-90 days.	1
		AKMC	3	Sales	194,647	Normal.	5
		BCM Embedded Computer Inc.	3	Receivables from related parties	2,124	60-90 days.	-
		BCM Embedded Computer Inc.	3	Sales	2,394	Normal.	-
13	AIMS	Advantech Co., Ltd.	2	Rental expense	75	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	26	60-90 days.	-
14	Advantech Fund-A	Advantech Co., Ltd.	2	Rental expense	9	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			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
15	AMY	Advantech Co., Ltd.	2	Sales	\$ 1	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	19	60 days.	-
		Advantech Co., Ltd.	2	Purchase	6,817	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	4,593	45 days.	-
		AC	3	Purchase	8	Normal.	-
		AC	3	Payables to related parties	8	60-90 days.	-
		ASG	3	Other expense	42	Normal.	-
16	AEU	ACN	3	Payables to related parties	292	60-90 days.	-
		ACN	3	Purchase	208	Normal.	-
17	SHHQ	Advantech Co., Ltd.	2	Payables to related parties	4,493	45 days.	-
		AHK	3	Receivables from related parties	4,132	60-90 days.	-
		AKMC	3	Payables to related parties	161	60-90 days.	-
		AKMC	3	Receivables from related parties	1	60-90 days.	-
		ACN	3	Sales	517	Normal.	-
		ACN	3	Receivables from related parties	385	60-90 days.	-
		ACN	3	Purchase	114,837	Normal.	3
ACN	3	Payables to related parties	54,109	60-90 days.	-		
18	AIT	AESC	3	Commission revenue	2,517	Normal.	-
19	Netstar Technology Co., Ltd.	Advantech Co., Ltd.	2	Sales	5,514	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	3,585	60 days.	-
20	Jan Hsiang	Advantech Co., Ltd.	2	Sales	5,174	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,658	60 days.	-
		Advantech Co., Ltd.	2	Purchase	1	Normal.	-
21	APN	AKMC	3	Payables to related parties	19	Prompt payment.	-
		AKMC	3	Purchase	20	Normal.	-
22	AKL	AKMC	3	Payables to related parties	29	Prompt payment.	-
		AKMC	3	Purchase	49	Normal.	-
23	AYS	Advantech Co., Ltd.	2	Sales	128,087	Normal.	3
		Advantech Co., Ltd.	2	Receivables from related parties	102,548	90 days.	1
		Advantech Co., Ltd.	2	Payables to related parties	212	30 days	-
		ADMC	3	Purchase	113,294	Normal.	3
		ADMC	3	Payables to related parties	63,859	60-90 days.	-
24	AFR	AESC	3	Commission revenue	79	Normal.	-
25	AUK	AESC	3	Commission revenue	22	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)
26	ABB	AESC	3	Commission revenue	\$ 138	Normal.	-
27	BCM Embedded Computer Inc.	Advantech Co., Ltd.	2	Rental expense	75	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	26	30 days.	-
		Advansus Corp.	3	Payables to related parties	2,124	60-90 days.	-
		Advansus Corp.	3	Purchase	2,394	Normal.	-
28	Broadwin Technology, Inc.	Advantech Co., Ltd.	2	Sales	552	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	623	60 days.	-
		Advantech Co., Ltd.	2	Purchase	345	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	422	60 days.	-
29	AHK	ACN	3	Payables to related parties	5,360	60-90 days.	-
		SHHQ	3	Payables to related parties	4,132	60-90 days	-

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 subsidiary.
2. Subsidiary 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 March 31, 2008; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2008.

Note D: All intercompany transactions have been eliminated.

(Concluded)