

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

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2008 and 2007 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. ("Parent Company") and subsidiaries as of June 30, 2008 and 2007 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Parent Company's management. Our responsibility is to express an opinion on these financial statements based on our reviews.

Except as stated in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 - "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, we did not review the financial statements as of and for the six months ended June 30, 2008 and 2007 of some consolidated subsidiaries. As of June 30, 2008 and 2007, the subsidiaries' total assets were 29.87% (NT\$5,391,647 thousand) and 22.90% (NT\$4,336,702 thousand), respectively, of the consolidated total assets, and their total liabilities were 11.30% (NT\$695,020 thousand) and 16.00% (NT\$874,984 thousand), respectively, of the consolidated total liabilities. In the six months ended June 30, 2008 and 2007, respectively, the operating revenues of these subsidiaries were 42.45% (NT\$3,693,079 thousand) and 56.27% (NT\$4,331,892 thousand), respectively, of the consolidated operating revenues and the net income of these subsidiaries was 3.38% (NT\$42,871 thousand) and 4.80% (NT\$67,867 thousand), respectively, of the consolidated total net income. Also, as stated in Note 9 to the financial statements, we did not review the financial statements of equity-method investees as of and for the six months ended June 30, 2008 and 2007. As of June 30, 2008 and 2007, the carrying values of these investments were NT\$474,116 thousand and NT\$579,308 thousand, respectively, of the consolidated total assets, and the net investment gains were NT\$15,876 thousand and NT\$52,475 thousand in the six months ended June 30, 2008 and 2007, respectively. These investment amounts as well as additional disclosures in Note 24 required by the Securities and Futures Bureau for the Parent Company and its investees were based on the investees' unreviewed financial statements for the same reporting periods as those of the Parent Company.

Based on our reviews, except for any adjustments that might have been determined to be necessary had the financial statements of the subsidiaries and equity-method investees mentioned in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements of Advantech Co., Ltd. and subsidiaries as of and for the six months ended June 30, 2008 and 2007 for them to be in conformity with the Guidelines Governing the Preparation of Financial Report by Securities Issuers and accounting principles generally accepted in Republic of China.

As stated in Note 3 to the financial statements, effective January 1, 2008, Advantech Co., Ltd. and its subsidiaries adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors," issued in March 2007 by the Accounting Research and Development Foundation, which requires companies to record bonuses paid to employees, directors and supervisors as expenses rather than as appropriation from earnings.

July 29, 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 SHEETS**

**JUNE 30, 2008 AND 2007**

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

(Reviewed, Not Audited)

ASSETS	2008		2007		LIABILITIES AND SHAREHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,897,898	11	\$ 3,408,329	18	Short-term bank loans (Notes 12 and 21)	\$ 450,719	2	\$ 479,633	2
Financial assets at fair value through profit or loss (Notes 2 and 5)	116	-	911	-	Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	1,545	-	81	-
Available-for-sale financial assets - current (Notes 2 and 6)	1,719,788	10	1,948,298	10	Accounts payable (Note 20)	1,477,480	8	1,184,937	6
Notes receivable (Note 2)	224,380	1	168,155	1	Income tax payable (Notes 2 and 17)	356,238	2	191,544	1
Accounts receivable, net of allowance for doubtful accounts of \$77,128 thousand in 2008 and \$38,725 thousand in 2007 (Note 2)	2,436,869	13	2,404,972	13	Dividend payable and employee bonus payable (Note 15)	2,277,122	13	2,232,439	12
Receivables from related parties (Notes 2 and 20)	138,624	1	121,073	1	Accrued expenses	615,211	3	484,188	3
Other receivables	65,453	-	32,713	-	Long-term bank loans - current portion (Notes 13 and 21)	13,353	-	12,537	-
Inventories, net (Notes 2 and 7)	2,645,332	15	2,223,056	12	Advance receipts and other current liabilities	495,794	3	437,823	2
Deferred income tax assets - current (Notes 2 and 17)	66,727	-	99,011	-	Total current liabilities	5,687,462	31	5,023,182	26
Restricted current assets (Note 21)	50,000	-	97,852	-					
Prepayments and other current assets	405,517	2	335,870	2	<b>LONG-TERM LIABILITIES, NET OF CURRENT PORTION</b>				
Total current assets	9,650,704	53	10,840,240	57	Long-term bank loans (Notes 13 and 21)	98,197	1	105,693	1
					<b>OTHER LIABILITIES</b>				
<b>LONG-TERM FUNDS AND INVESTMENTS</b>					Accrued pension liabilities (Notes 2 and 14)	113,081	1	116,722	1
Available-for-sale financial assets - noncurrent (Notes 2 and 6)	3,432,473	19	3,950,608	21	Deferred income tax liabilities - noncurrent (Notes 2 and 17)	225,516	1	180,064	1
Financial assets carried at cost (Notes 2 and 8)	162,835	1	67,450	-	Deferred income (Note 2)	9,371	-	14,646	-
Equity-method investments (Notes 2 and 9)	474,116	2	579,308	3	Others	15,903	-	29,010	-
Total long-term funds and investments	4,069,424	22	4,597,366	24	Total other liabilities	363,871	2	340,442	2
					Total liabilities	6,149,530	34	5,469,317	29
<b>PROPERTIES (Notes 2, 10 and 21)</b>					<b>SHAREHOLDERS' EQUITY</b>				
Cost					Capital stock, NTS10.00 par value				
Land	809,664	4	819,285	4	Authorized - 600,000 thousand shares				
Buildings	1,557,935	9	1,474,367	8	Issued - 481,962 thousand shares in 2008 and 463,665 thousand shares in 2007	4,819,620	27	4,636,645	25
Machinery and equipment	841,906	5	824,249	4	For issuance	293,688	2	271,825	1
Furniture and fixtures	351,884	2	285,357	2	Total capital stock	5,113,308	29	4,908,470	26
Miscellaneous equipment	400,995	2	374,824	2	Capital surplus				
Total cost	3,962,384	22	3,778,082	20	Additional paid-in capital in excess of par value	4,295,306	24	4,363,403	23
Accumulated depreciation	1,184,955	6	961,034	5	Treasury stock transactions	18,620	-	-	-
	2,777,429	16	2,817,048	15	From equity-method investments	63,408	-	63,543	-
Construction in progress and advances for equipment acquisition	932,275	5	193,268	1	Total capital surplus	4,377,334	24	4,426,946	23
Net properties	3,709,704	21	3,010,316	16	Retained earnings				
					Legal reserve	1,673,104	9	1,378,115	7
<b>INTANGIBLE ASSETS</b>					Unappropriated earnings	1,621,829	9	2,000,976	11
Goodwill	255,792	2	171,041	1	Total retained earnings	3,294,933	18	3,379,091	18
Superficies	48,479	-	49,020	-	Other equity				
Deferred pension cost	5,961	-	6,575	-	Cumulative translation adjustments	117,636	1	175,541	1
Total intangible assets	310,232	2	226,636	1	Unrealized valuation gains on financial instruments	296,659	1	483,144	3
					Total other equity	414,295	2	658,685	4
<b>OTHER ASSETS</b>					Treasury stock - 14,500 thousand shares	(1,385,698)	(8)	-	-
Properties leased to others, net (Notes 2 and 11)	27,136	-	20,528	-	Total shareholders' equity of parent company	11,814,172	65	13,373,192	71
Guarantee deposits	49,590	-	39,486	1	Minority interest	85,421	1	92,225	-
Deferred expenses, net (Note 2)	232,333	2	198,562	1	Total shareholders' equity	11,899,593	66	13,465,417	71
Restricted assets - noncurrent (Note 21)	-	-	1,600	-					
Total other assets	309,059	2	260,176	2	<b>TOTAL</b>	<b>\$ 18,049,123</b>	<b>100</b>	<b>\$ 18,934,734</b>	<b>100</b>
<b>TOTAL</b>	<b>\$ 18,049,123</b>	<b>100</b>	<b>\$ 18,934,734</b>	<b>100</b>					

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

(With Deloitte & Touche review report dated July 29, 2008)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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

(Reviewed, Not Audited)

	2008		2007	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 20)				
Sales	\$ 8,671,670	100	\$ 7,695,144	100
Sales returns and allowances	<u>144,802</u>	<u>2</u>	<u>148,966</u>	<u>2</u>
Net sales	8,526,868	98	7,546,178	98
Other operating revenues	<u>173,549</u>	<u>2</u>	<u>152,183</u>	<u>2</u>
Total operating revenues	8,700,417	100	7,698,361	100
OPERATING COSTS (Notes 2, 18 and 20)	<u>4,911,914</u>	<u>57</u>	<u>4,326,797</u>	<u>56</u>
GROSS PROFIT	3,788,503	43	3,371,564	44
REALIZED (UNREALIZED) GAINS ON INTERCOMPANY SALES (Note 2)	<u>8,211</u>	<u>-</u>	<u>(6,138)</u>	<u>-</u>
ADJUSTED GROSS PROFIT	<u>3,796,714</u>	<u>43</u>	<u>3,365,426</u>	<u>44</u>
OPERATING EXPENSES (Note 18)				
Marketing	961,213	11	861,647	11
Administrative	647,238	7	563,485	8
Research and development	<u>661,748</u>	<u>8</u>	<u>525,153</u>	<u>7</u>
Total operating expenses	<u>2,270,199</u>	<u>26</u>	<u>1,950,285</u>	<u>26</u>
OPERATING INCOME	<u>1,526,515</u>	<u>17</u>	<u>1,415,141</u>	<u>18</u>
NONOPERATING INCOME AND GAINS				
Interest	19,791	-	26,450	-
Investment income recognized under the equity method (Notes 2 and 9)	15,876	-	52,475	1
Gain on disposal of investments	21,644	-	158,137	2
Foreign exchange gain, net (Note 2)	40,778	1	55,540	1
Gain on inventory value recovery (Note 2)	-	-	79,343	1
Financial instrument revaluation gain, net (Notes 2 and 5)	-	-	7,764	-
Other income	<u>40,782</u>	<u>1</u>	<u>24,876</u>	<u>-</u>
Total nonoperating income and gains	<u>138,871</u>	<u>2</u>	<u>404,585</u>	<u>5</u>

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# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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

(Reviewed, Not Audited)

	2008		2007	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest	\$ 13,320	-	\$ 12,241	-
Loss on disposal of scrap inventories	64,029	1	132,619	2
Provision for losses on inventories (Note 2)	4,546	-	-	-
Financial asset revaluation loss, net (Notes 2 and 5)	472	-	-	-
Other expenses (Note 18)	<u>21,601</u>	<u>-</u>	<u>11,179</u>	<u>-</u>
Total nonoperating expenses and losses	<u>103,968</u>	<u>1</u>	<u>156,039</u>	<u>2</u>
INCOME BEFORE INCOME TAX	1,561,418	18	1,663,687	21
INCOME TAX (Notes 2 and 17)	<u>294,712</u>	<u>3</u>	<u>248,612</u>	<u>3</u>
NET INCOME	<u>\$ 1,266,706</u>	<u>15</u>	<u>\$ 1,415,075</u>	<u>18</u>
ATTRIBUTABLE TO:				
Shareholders of Parent Company	\$ 1,270,296	15	\$ 1,413,289	18
Minority interest	<u>(3,590)</u>	<u>-</u>	<u>1,786</u>	<u>-</u>
	<u>\$ 1,266,706</u>	<u>15</u>	<u>\$ 1,415,075</u>	<u>18</u>
	<b>2008</b>		<b>2007</b>	
	<b>Pre-tax</b>	<b>After-tax</b>	<b>Pre-tax</b>	<b>After-tax</b>
EARNINGS PER SHARE, NEW TAIWAN				
DOLLARS (Note 19)				
Basic	<u>\$ 3.09</u>	<u>\$ 2.70</u>	<u>\$ 3.28</u>	<u>\$ 2.88</u>
Diluted	<u>\$ 3.07</u>	<u>\$ 2.68</u>	<u>\$ 3.27</u>	<u>\$ 2.87</u>

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

(With Deloitte & Touche review report dated July 29, 2008)

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ADVANTECH CO., LTD. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
SIX MONTHS ENDED JUNE 30, 2008 AND 2007  
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)  
(Reviewed, Not Audited)

	Capital Stock - Issued (Note 15)		For Issuance (Note 15)	Capital Surplus (Notes 2 and 15)			Total	Retained Earnings (Notes 2 and 15)			Cumulative Translation Adjustments (Note 2)	Unrealized Valuation Gains (Losses) on Financial Instruments (Notes 2 and 23)	Treasury Stock (Notes 2 and 16)	Minority Interest in Subsidiaries	Total Shareholders' Equity
	Shares (Thousands)	Amount		Additional Paid-in Capital in Excess of Par Value	From Treasury Stock	From Long-term Equity Investments		Legal Reserve	Unappropriated Earnings	Total					
BALANCE, JANUARY 1, 2008	491,577	\$4,915,770	\$ -	\$4,377,157	\$ -	\$65,635	\$4,442,792	\$1,378,115	\$3,537,570	\$4,915,685	\$243,543	\$909,700	\$(1,385,698)	\$70,368	\$14,112,160
Appropriation of the 2007 earnings	-	-	-	-	-	-	-	294,989	(294,989)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	(265,490)	(265,490)	-	-	-	-	(205,490)
Bonus to employees	-	-	60,000	-	-	-	-	-	(26,549)	(26,549)	-	-	-	-	(26,549)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(233,688)	(233,688)	-	-	-	-	-
Stock dividends - 5%	-	-	233,688	-	-	-	-	-	(1,869,508)	(1,869,508)	-	-	-	-	(1,869,508)
Cash dividends - NTS4.00 per share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the six months ended June 30, 2008	-	-	-	-	-	-	-	-	1,270,296	1,270,296	-	-	-	(3,590)	1,266,706
Employee stock options	385	3,850	-	7,253	-	-	7,253	-	-	-	-	-	-	-	11,103
Change in shareholders' equity in long-term equity-method investments	-	-	-	-	18,620	-	18,620	-	(13,091)	(13,091)	-	-	-	-	5,529
Increase in carrying value of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	-	(2,227)	(2,227)	-	-	-	-	-	-	-	(2,227)
Changes in unrealized losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(615,099)	-	-	(615,099)
Equity in the changes in unrealized losses on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	2,058	-	-	2,058
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	(671,826)	-	(671,826)
Retirement of treasury stock	(10,000)	(100,000)	-	(89,104)	-	-	(89,104)	-	(482,722)	(482,722)	-	-	671,826	-	-
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	(125,907)	-	-	-	(125,907)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	27,556	27,556
Acquisition of minority equity	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,913)	(8,913)
<b>BALANCE, JUNE 30, 2008</b>	<b>481,962</b>	<b>\$4,819,620</b>	<b>\$293,688</b>	<b>\$4,295,306</b>	<b>\$18,620</b>	<b>\$63,408</b>	<b>\$4,377,334</b>	<b>\$1,673,104</b>	<b>\$1,621,829</b>	<b>\$3,294,933</b>	<b>\$117,636</b>	<b>\$296,659</b>	<b>\$(1,385,698)</b>	<b>\$85,421</b>	<b>\$11,899,593</b>
BALANCE, JANUARY 1, 2007	463,630	\$4,636,295	\$ -	\$4,362,548	\$ -	\$64,098	\$4,426,646	\$1,086,326	\$3,254,770	\$4,341,096	\$114,993	\$514,705	\$ -	\$39,851	\$14,073,586
Appropriation of the 2006 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	291,789	(291,789)	-	-	-	-	-	-
Bonus to employees	-	-	40,000	-	-	-	-	-	(262,610)	(262,610)	-	-	-	-	(222,610)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(26,261)	(26,261)	-	-	-	-	(26,261)
Stock dividends - 5%	-	-	231,825	-	-	-	-	-	(231,825)	(231,825)	-	-	-	-	-
Cash dividends - NTS4.00 per share	-	-	-	-	-	-	-	-	(1,854,598)	(1,854,598)	-	-	-	-	(1,854,598)
Net income for the six months ended June 30, 2007	-	-	-	-	-	-	-	-	1,413,289	1,413,289	-	-	-	1,786	1,415,075
Employee stock options	35	350	-	855	-	-	855	-	-	-	-	-	-	-	1,205
Increase in carrying value of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	-	(3,699)	(3,699)	-	-	-	-	-	-	-	(3,699)
Changes in capital surplus on long-term equity-method investments	-	-	-	-	-	3,144	3,144	-	-	-	-	-	-	-	3,144
Changes in unrealized losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(29,316)	-	-	(29,316)
Equity in the changes in unrealized valuation gains on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	(2,245)	-	-	(2,245)
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	60,548	-	-	-	60,548
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	51,882	51,882
Acquisition of minority equity	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,046)	(8,046)
Effect of changes in subsidiaries' equity in their investments	-	-	-	-	-	-	-	-	-	-	-	-	-	6,752	6,752
<b>BALANCE, JUNE 30, 2007</b>	<b>463,665</b>	<b>\$4,636,645</b>	<b>\$271,825</b>	<b>\$4,363,403</b>	<b>\$ -</b>	<b>\$63,543</b>	<b>\$4,426,946</b>	<b>\$1,378,115</b>	<b>\$2,000,976</b>	<b>\$3,379,091</b>	<b>\$175,541</b>	<b>\$483,144</b>	<b>\$ -</b>	<b>\$92,225</b>	<b>\$13,465,417</b>

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

(With Deloitte & Touche review report dated July 29, 2008)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 1,266,706	\$ 1,415,075
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	150,899	136,985
Provision for bad debts	18,720	1,098
Provision (reversal of allowance) for loss on inventories	4,546	(79,343)
Loss on disposal of properties, net	1,974	2,824
Gain on the sale of investments, net	(21,644)	(158,137)
Investment income recognized under the equity method	(15,876)	(52,475)
Accrued pension liabilities	(954)	(817)
Deferred income taxes	14,430	105,884
Net changes in operating assets and liabilities		
Financial assets and liabilities at fair value through profit or loss	1,516	(1,370)
Notes receivable	(16,796)	(477)
Accounts receivable	36,803	(124,585)
Receivables from related parties	14,740	5,654
Other receivable	89,912	4,712
Inventories	(196,967)	476,368
Prepayments and other current assets	(158,085)	(151,410)
Accounts payable	(33,142)	109,785
Income tax payable	138,216	23,227
Accrued expenses	82,525	(40,306)
Advance receipts and their current liabilities	112,316	153,742
Deferred income	(8,211)	7,119
Net cash provided by operating activities	<u>1,481,628</u>	<u>1,833,553</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	(5,847,748)	(6,660,683)
Proceeds of the sale of available-for-sale financial assets	5,494,839	6,143,440
Proceeds of the sale of investments	23,950	69,898
Net cash paid for the acquisition of a subsidiary	(13,983)	(177,216)
Acquisition of financial assets carried at cost	(96,137)	-
Acquisition of properties	(542,546)	(335,779)
Proceeds of the sale of properties	18	35
Decrease in restricted assets	43,372	-
Increase in goodwill	(41,819)	(25,177)
Decrease (increase) in guarantee deposits paid	5,315	(47)
Increase in deferred expenses	<u>(42,603)</u>	<u>(24,124)</u>
Net cash used in investing activities	<u>(1,017,342)</u>	<u>(1,009,653)</u>

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# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2008	2007
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in bank loans - short-term	\$ (184,817)	\$ 3,482
Decrease in long-term loans payable	(6,391)	(6,626)
Increase in other liabilities	6,416	20,460
Employee stock options	11,103	1,205
Bonus paid to employees and remuneration to directors and supervisors	(4,531)	(12,801)
Cash paid for acquisition of treasury stock	(671,826)	-
Decrease in minority interest	<u>(8,913)</u>	<u>(8,046)</u>
Net cash used in financing activities	<u>(858,959)</u>	<u>(2,326)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(104,761)</u>	<u>60,380</u>
NET INCREASE (DECREASE) IN CASH	(499,434)	881,954
CASH, BEGINNING OF PERIOD	<u>2,397,332</u>	<u>2,526,375</u>
CASH, END OF PERIOD	<u>\$ 1,897,898</u>	<u>\$ 3,408,329</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest paid (excluding capitalized interest)	<u>\$ 13,615</u>	<u>\$ 15,492</u>
Income tax paid	<u>\$ 135,790</u>	<u>\$ 119,501</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Dividends payable and remuneration to directors and supervisors and bonus to employees payable	<u>\$ 2,101,547</u>	<u>\$ 2,103,469</u>
Cash dividends receivable on equity-method investments	<u>\$ 64,415</u>	<u>\$ 77,542</u>
Reclassification of prepayments for equipment into deferred expense	<u>\$ 5,481</u>	<u>\$ -</u>

Fair values of assets and liabilities of Broadwin Technology, Inc., a 70% subsidiary acquired in April 2008, at acquisition are summarized as follows:

Cash	\$ 85,397
Accounts receivable	11,225
Inventories, net	20,307
Other current assets	364
Properties, net	22,909
Other assets	2,434
Accounts payable	(27,091)
Income tax payable	(4,450)
Accrued expenses	(5,400)

(Continued)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

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Other current liabilities	\$ (13,688)
Other liabilities	(154)
Net	<u>91,853</u>
Percentage of equity interest	<u>70%</u>
	64,297
Cost in excess of book value of subsidiary acquired	<u>35,083</u>
Total	99,380
Less: Cash balances of Netstar Technology Co., Ltd.	<u>85,397</u>
Cash paid for the acquisition of Broadwin Technology, Inc. in 2008	<u>\$ 13,983</u>

Fair values of assets and liabilities of Netstar Technology Co., Ltd., a 67% subsidiary acquired in May 2007, at acquisition are summarized as follows:

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

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

(With Deloitte & Touche review report dated July 29, 2008)

(Concluded)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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

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### 1. ORGANIZATION AND OPERATIONS

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

Its stock has been listed on the Taiwan Stock Exchange since December 13, 1999.

As of June 30, 2008 and 2007, the Parent Company and the consolidated subsidiaries (collectively, the "Group") had 4,013 and 3,513 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group's financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC. Under these guidelines 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, compensation expenses bonuses paid to employees, directors and supervisors and income tax, etc. Actual results could differ from these estimates.

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

The Group's significant accounting policies are summarized as follows.

#### **Basis for Consolidation**

The consolidated financial statements should include all of the Parent Company's direct and indirect subsidiaries and investees over which the Parent Company has controlling interest. Thus, the consolidated entities for the six months ended June 30, 2008 and 2007 included the Parent Company and all of its subsidiaries for these periods.

The consolidated financial statements as of and for the six months ended June 30, 2008 and 2007 also included a partnership company, Advansus Corp., and those as of and for the six months ended June 30, 2008 included Hangzhou Advantofine Automation tech. Co., Ltd., which were consolidated using the proportionate consolidation method.

All significant accounts and transactions between the Parent Company and the consolidated entities have been eliminated upon consolidation.

The organization of the consolidated entities as well as their intercompany relationships and percentages of ownership as of June 30, 2008 and 2007 are 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, except those of Advantech Technology Co., Ltd., Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd., Advantech Technology (China) Company Ltd., Yan Hua Xing Ye Electronic and Netstar Technology Co., Ltd. (subsidiary of Advantech Fund-A Co., Ltd.) and its subsidiaries.

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

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

### **Cash Equivalents**

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

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

Financial instruments 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 Group recognizes a financial asset or a financial liability on its balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Group 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 value that cannot be reliably measured, such as non-publicly trade stocks, are carried at their original cost. The costs of non-publicly traded stocks are determined using the weighted-average method. If there is objective evidence of financial asset impairment, a loss is recognized. A reversal of this impairment loss is not allowed.

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

## **Long-term Equity Investments**

Investments in shares of stock of companies in which the Group owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method.

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, investment premiums, representing goodwill, are no longer being amortized. If the net fair value of an asset exceeds its investment cost, the difference will be credited to depend on the proportion of noncurrent asset's (not include non-equity-method financial asset, dispose asset waiting for sale, deferred 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 is a deferred liability will amortized depend on its remaining useful 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. If the equity in losses recognized exceeds the original investment acquisition costs plus any advance given to an equity-method investee, the excess losses should be recognized proportionately and is recorded as part of other liabilities.

All profits derived from sales of products by the 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, 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 period of disposal.

### **Intangible Assets**

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. Superficies, which represent royalty payment for using land, are amortized over 50 years using the straight-line method.

### **Deferred Expenses**

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

### **Asset Impairment**

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

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units ("CGU(s)") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

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

### **Pension Costs**

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

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

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

Except for the Parent Company, the subsidiaries all contribute to pension funds and recognize pension costs based on local government regulations.

## **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 period.

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

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

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

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

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 CHANGE IN ACCOUNTING PRINCIPLES**

Effective January 1, 2008, the Group adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued in March 2007 by the Accounting Research and Development Foundation, which requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in consolidated net income and earnings per share (after income tax) of \$117,243 thousand and NT\$0.25, respectively, for the six months ended June 30, 2008.



#### 4. CASH AND CASH EQUIVALENTS

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
Cash		
Cash and petty cash	\$ 126,360	\$ 16,699
Checking and demand deposits	877,051	1,291,953
Time deposits: Interest - 0.60%-3.00% in 2008 and 1.61%-4.99% in 2007	894,487	1,206,083
Cash equivalents		
Commercial paper purchased under resell agreements	<u>-</u>	<u>893,594</u>
	<u>\$ 1,897,898</u>	<u>\$ 3,408,329</u>

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

The trading assets and liabilities of the Parent Company were as follows:

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
<u>Financial assets resulting from trading</u>		
Forward contracts	<u>\$ 116</u>	<u>\$ 911</u>
<u>Financial liabilities resulting from trading</u>		
Forward contracts	<u>\$ 1,545</u>	<u>\$ 81</u>

On June 30, 2008 and 2007, the outstanding forward contracts were as follows:

	<b>Currency</b>	<b>Maturity</b>	<b>Amount (Thousand)</b>
<u>June 30, 2008</u>			
Sell	USD/NTD	July 2008	USD7,500/NTD226,368
	EUR/USD	July 2008	EUR2,400/USD3,779
<u>June 30, 2007</u>			
Sell	USD/NTD	July 2007	USD1,000/NTD32,837
	EUR/USD	July 2007	EUR3,000/USD4,060

The Parent Company entered into forward contract transactions for the six months ended June 30, 2008 and 2007 to avoid risks on exchange rate fluctuations. The hedging strategy of the Parent Company is to avoid the major portion of the fair value risks.

Net gains and losses arising from trading financial assets or liabilities for the six months ended June 30, 2008 and 2007 were net losses \$472 thousand and net gains \$7,764 thousand, respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>June 30</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Current</b>	<b>Noncurrent</b>	<b>Current</b>	<b>Noncurrent</b>
Mutual funds	\$ 1,703,774	\$ -	\$ 1,935,507	\$ -
Publicly traded stocks				
Chunghwa Telecom Co., Ltd.	16,014	-	12,791	-
ASUSTek Computer Inc.	<u>-</u>	<u>3,432,473</u>	<u>-</u>	<u>3,950,608</u>
	<u>\$ 1,719,788</u>	<u>\$ 3,432,473</u>	<u>\$ 1,948,298</u>	<u>\$ 3,950,608</u>

## 7. INVENTORIES, NET

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Finished goods	\$ 1,080,196	\$ 835,878
Work in process	669,072	545,457
Materials and supplies	1,040,408	946,491
Inventories in transit	<u>160,684</u>	<u>108,538</u>
	2,950,360	2,436,364
Allowance for losses	<u>305,028</u>	<u>213,308</u>
	<u>\$ 2,645,332</u>	<u>\$ 2,223,056</u>

## 8. FINANCIAL ASSETS CARRIED AT COST

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Foreign non-listed common traded stocks		
Avalue Technology Inc.	\$ 96,137	\$ -
Superior Technology Co., Ltd. (US\$1,068 thousand as of June 30, 2008 and 2007)	33,441	33,441
Coban Research and Technologies, Inc. (US\$1,020 thousand as of June 30, 2008 and 2007)	33,257	33,257
Visual Systems GmbH (US\$23 thousand as of June 30, 2007)	<u>-</u>	<u>752</u>
	<u>\$ 162,835</u>	<u>\$ 67,450</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

	<b>June 30</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Carrying Value</b>	<b>% of Ownership</b>	<b>Carrying Value</b>	<b>% of Ownership</b>
Listed				
Axiomtek Co., Ltd.	\$ 319,873	28.73	\$ 365,846	32.38
Unlisted				
Advantech Technologies Co., Ltd.	126,346	23.89	176,859	23.89
Advantech Hungary Ltd.	15,142	30.00	14,630	30.00
Timson Tech Co.,	7,244	30.00	7,782	30.00
Advantech Corporation (Thailand) Co., Ltd.	5,511	30.00	5,134	30.00
Supercom Technology Corporation	-	-	9,057	33.33
	<u>\$ 474,116</u>		<u>\$ 579,308</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 current period.

Movements of goodwill(i.e., the acquisition cost in excess of the Company's proportionate share in the investee's net assets) for the six months ended June 30, 2008 and 2007 were as follows:

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Cost		
Balance, beginning balance	\$ 10,571	\$ 11,849
Amount derecognized on disposal of a subsidiary	<u>(54)</u>	<u>(527)</u>
Balance, end of period	<u>\$ 10,517</u>	<u>\$ 11,322</u>

The market values of investments in listed stocks, which were calculated on the basis of the closing prices as of June 30, 2008 and 2007, were \$738,849 thousand and \$1,269,125 thousand, respectively.

## 10. PROPERTIES

Accumulated depreciation was as follows:

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Buildings	\$ 301,679	\$ 232,056
Machinery and equipment	424,671	350,671
Furniture and fixtures	222,337	159,546
Miscellaneous equipment	<u>236,268</u>	<u>218,761</u>
	<u>\$ 1,184,955</u>	<u>\$ 961,034</u>

Depreciation expenses for properties and properties leased to others were \$125,922 thousand and \$84,646 thousand for the six months ended June 30, 2008 and 2007, respectively.

## 11. PROPERTIES LEASED TO OTHERS

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
Cost		
Buildings	\$ 37,223	\$ 27,200
Accumulated depreciation	<u>10,087</u>	<u>6,672</u>
	<u>\$ 27,136</u>	<u>\$ 20,528</u>

## 12. SHORT-TERM BANK LOANS

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
Credit loans - interest: 3.00%-9.22% in 2008 and 2.70%-6.50% in 2007	\$ 397,932	\$ 403,121
Secured loans - interest: 3.30% in 2008 and 2.70%-6.50% in 2007	8,000	76,512
Materials purchase loans - interest 3.00%-3.30%	<u>44,787</u>	<u>-</u>
	<u>\$ 450,719</u>	<u>\$ 479,633</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 June 30, 2008 and 2007, the carrying values were \$347,932 thousand and \$293,121 thousand, respectively.

Netstar Technology Co., Ltd., an indirect subsidiary of the Parent Company, obtained credit, materials purchase and mortgage loans from banks to meet its financing need. As of June 30, 2008 and 2007, the carrying values were \$102,787 thousand and \$186,512 thousand, respectively.

## 13. LONG-TERM BANK LOANS

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
<u>June 30, 2008</u>			
Secured loans	<u>\$ 13,353</u>	<u>\$ 98,197</u>	<u>\$ 111,550</u>
<u>June 30, 2007</u>			
Secured loans	<u>\$ 12,537</u>	<u>\$ 105,693</u>	<u>\$ 118,230</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 June 30, 2008 and 2007, the carrying values were \$73,300 thousand and \$75,480 thousand, respectively, and the implicit interest rates were 6.42% and 4.0%, respectively.

Netstar Technology Co., Ltd., an indirect subsidiary of the Parent Company, obtained a mortgage loan from a bank for its operation need. This loan is repayable from October 2006 to October 2016 in 40 quarterly installments from January 2007. As of June 30, 2008 and 2007, the carrying values were \$38,250 thousand and \$42,750 thousand, respectively, and the interest rates were 3.25% and 4.25%, respectively.

## 14. PENSION PLANS

Based on the Labor Pension Act, the rate of monthly contributions to the individual pension accounts of the employees of the Parent Company and its domestic subsidiaries is at 6% of monthly wages. For these contributions, the Parent Company and domestic subsidiaries recognized pension costs of \$24,798 thousand and \$23,457 thousand for the six months ended June 30, 2008 and 2007, respectively.

The Parent Company and its subsidiaries, Netstar Technology Co., Ltd. and Broadwin Technology, Inc., have a defined benefit pension plan under the Labor Standards Law (the "Law"). Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can accumulated up to 45 based points, and the benefits based on employee's average monthly salary for the six-month period prior to retirement. Under the Law, the Company accrues pension costs individually on the basis of actuarial calculations and make monthly contributions at 2% of salaries and wages to each company's pension fund, which is administered by each company's pension plan committee and deposited in the respective committees' names in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity).

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

Except for the foregoing companies, the overseas consolidated entities all contribute to defined benefit pension funds and recognize pension costs based on local government regulations.

For the six months ended June 30, 2008 and 2007, the pension expenses of these overseas consolidated entities were \$19,394 thousand and \$18,813 thousand, respectively.

## 15. SHAREHOLDERS' EQUITY

### **Appropriation of Earnings and Dividend Policy**

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. 8% to 20% as bonus to employees;
- b. 1% or less as remuneration to directors and supervisors;
- c. Dividends, as proposed by the board of directors.

For stock bonuses, employees may include subsidiaries' employees who meet certain criteria as determined by the Company's board of directors.

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

For the six months ended June 30, 2008, the bonus to employees and remunerations to directors and supervisors, representing 13% and 1%, respectively, of net income (net of the bonus to employees and remunerations to directors and supervisors), 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. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the eve of the shareholders' meeting.

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

Under the Company Law, legal reserve should be appropriated until the accumulated reserve equals the Company's paid-in capital. This reserve may be used only to offset a deficit. When the balance of the reserve reaches 50% of the 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 Company on earnings generated since 1998. An imputation credit account (ICA) is maintained by the Company for such income tax and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the ICA balance on the dividend distribution date.

The 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 and 2006 were proposed in the Board of Directors' meeting and approved in the shareholders' meeting held on June 12, 2008 and June 15, 2007, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (Dollars)</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Legal reserve	\$ 294,989	\$ 291,789	\$ -	\$ -
Cash dividends	1,869,508	1,854,598	4.0	4.0
Stock dividends	233,688	231,825	0.5	0.5
Remuneration to directors and supervisors	26,549	26,261	-	-
Bonus to employees - stock	60,000	40,000	-	-
Bonus to employees - cash	205,490	222,610	-	-

At their meeting on June 12, 2008, the shareholders approved the board of directors' proposal to distribute stock dividends of \$233,688 thousand and stock bonus to employees amounting to \$60,000 thousand. The appropriation of earnings for 2007 were approved by the Financial Supervisory Commission under the Executive Yuan of the ROC. The board of directors resolved August 8, 2008 as the date of distributing stock and cash dividends. The Parent Company is applying for the revised license from the MOEA.

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

On April 1, 2003, the 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 June 30, 2008.

As of June 30, 2008, there were 2,460 thousand units of stock options exercised, which were converted to 2,460 thousand common shares; thus, the unexercised stock options consisted of 180 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.

## 16. 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>Six months ended June 30, 2008</u>				
For transfer to employees	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>14,500</u>
To maintain the Company's credibility and shareholders' interest	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</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.

## 17. INCOME TAX

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

	<u>Six Months Ended June 30</u>	
	2008	2007
Tax on pretax income at 25% statutory rate	\$ 464,778	\$ 423,429
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(142,381)	(125,649)
Other	(12,429)	(15,294)
Temporary differences	23,931	(99,257)
Income tax (10%) on undistributed earnings	25,966	25,081
Investment tax credit	<u>(81,409)</u>	<u>(65,582)</u>
Income tax currently payable	<u>\$ 278,456</u>	<u>\$ 142,728</u>

b. Income tax expense consisted of the following:

	<b><u>Six Months Ended June 30</u></b>	
	<b>2008</b>	<b>2007</b>
Income tax currently payable	\$ 278,456	\$ 142,728
Income tax expense - deferred	14,430	105,884
Withholding tax of dividends	<u>1,826</u>	<u>-</u>
	<b><u>\$ 294,712</u></b>	<b><u>\$ 248,612</u></b>

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

Balance, beginning of period	\$ 213,572	\$ 168,317
Income tax currently payable	278,456	142,728
Payment	<u>(135,790)</u>	<u>(119,501)</u>
Balance, end of period	<b><u>\$ 356,238</u></b>	<b><u>\$ 191,544</u></b>

d. Net deferred income tax assets (liabilities) as of June 30, 2008 and 2007 were as follows:

Current

Deferred income tax assets		
Allowance for loss on inventories	\$ 29,944	\$ 39,595
Loss carryforward	15,425	43,528
Investment tax credits	9,200	10,200
Unrealized product warranty reserve	8,109	12,498
Unrealized foreign exchange loss	1,435	546
Others	<u>25,945</u>	<u>17,815</u>
	90,058	124,182
Valuation allowance	<u>(16,031)</u>	<u>(25,000)</u>
	<u>74,027</u>	<u>99,182</u>
Deferred income tax liabilities		
Others	<u>(7,300)</u>	<u>(171)</u>
Deferred income tax assets, net	<b><u>\$ 66,727</u></b>	<b><u>\$ 99,011</u></b>

Noncurrent

Deferred income tax assets:		
Deferred income	\$ 53,327	\$ 34,050
Accumulated equity in the net loss of investees	40,444	32,612
Investment tax credits	44,183	29,000
Pension cost	27,277	27,987
Loss carryforward	13,200	18,750
Others	<u>4,035</u>	<u>4,362</u>
	182,466	146,761
Valuation allowance	<u>(75,325)</u>	<u>(50,612)</u>
	<u>107,141</u>	<u>96,149</u>
Deferred income tax liabilities:		
Accumulated equity in the net gains of foreign investees	(332,434)	(275,998)
Others	<u>(223)</u>	<u>(215)</u>
	<u>(332,657)</u>	<u>(276,213)</u>
Deferred income tax liabilities, net	<b><u>\$ (225,516)</u></b>	<b><u>\$ (180,064)</u></b>



The income tax rate of the Parent Company and domestic subsidiaries used to recognize deferred income tax was 25%.

- e. As of June 30, 2008 investment tax credits consisted of the following:

Law	Item	Total Creditable Amounts	Creditable Amount	Remaining Creditable Amounts	Expiry Year
<u>Netstar Technology Co., Ltd.</u>					
Statute for Upgrading Industries	Research and development expenditures	\$ 46,200	\$ -	\$ 46,200	2012
<u>Advansus Corp.</u>					
Statute for Upgrading Industries	Research and development expenditures	\$ 7,183	\$ -	\$ 7,183	2011

- f. Information on the domestic subsidiary - loss carryforward of Netstar Technology Co., Ltd. and Advansus as of June 30, 2008 is as follows:

Loss Year	Loss Carryforward Amount	Remaining Loss Carryforward Amount	Expiry Year
<u>Netstar Technology Co., Ltd.</u>			
2003	\$ 31,525	\$ 31,525	2008
2004	17,954	17,954	2009
2005	2,877	2,877	2010
2006	16,292	16,292	2011
2007	2,670	2,670	2012
2008	<u>13,062</u>	<u>13,062</u>	2013
	\$ 84,380	\$ 84,380	
<u>Advansus Corp.</u>			
2006	\$ 41,960	\$ 30,102	2011

- g. As of June 30, 2008, the Group's five years exemption on the income was as follows:

<u>Investment Plan</u>	<u>Exemption Period</u>
<u>The Parent Company</u>	
The industry 500 MHz thin client production	From 2006 to 2010
<u>Jan Hsiang</u>	
Company expansion through capital increase	From 2004 to 2008

- h. Based on Article 70-1 of the Statute for Upgrading Industries, companies will be exempt from the profit-seeking enterprise tax on the following incomes if they use worldwide resources and set up an international operating network or if they establish operating headquarters within the territory of the Republic of China that is of a specific size and will bring about significant economic benefits:
- 1) Income from providing management services or R&D services to its affiliates abroad;
  - 2) Royalty payment received from its affiliates abroad; and/or
  - 3) Returns on investments and gains on asset disposal by overseas affiliates.
- i. The Group's ICA balances as of June 30, 2008 and 2007 were as follows:

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
Parent Company	\$ 333,260	\$ 259,071
Advantech Fund - A	\$ 4,521	\$ 4,440
Netstar	\$ 6,174	\$ 6,174
Jan Hsiang	\$ 162	\$ 162
BCM	\$ 10	\$ -

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

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
Parent Company	\$ 81,329	\$ 81,329

The estimated creditable ratio for the earnings of 2007 and the actual creditable tax ratio for the earnings of 2006, which were distributed in 2007, were as follows:

	<u>2007</u>	<u>2006</u>
Parent Company	9.64%	8.18%

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

## 18. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	<u>Six Months Ended June 30</u>					
	<u>2008</u>			<u>2007</u>		
	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>
Personnel expenses						
Payroll	\$ 230,368	\$ 910,419	\$ 1,140,787	\$ 203,562	\$ 903,240	\$ 1,106,802
Insurance	20,633	82,763	103,396	17,314	85,332	102,646
Pension	9,264	34,928	44,192	7,476	34,794	42,270
Others	19,976	69,695	89,671	16,422	67,919	84,341
Depreciation	41,315	65,475	106,790	37,983	70,631	108,614
Amortization	4,506	39,130	43,636	2,782	25,239	28,021
	<u>\$ 326,062</u>	<u>\$ 1,202,410</u>	<u>\$ 1,528,472</u>	<u>\$ 285,539</u>	<u>\$ 1,187,155</u>	<u>\$ 1,472,694</u>

Expenses for properties leased to others, expenses of \$473 thousand and \$350 thousand as of June 30, 2008 and 2007, respectively (included in nonoperating expenses and losses - other expenses), were not included in the above depreciation expenses.

## 19. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>		<u>Pretax</u>	<u>After-tax</u>
<u>Six months ended June 30, 2008</u>					
Basic EPS	\$ 1,455,639	\$ 1,270,296	471,050	<u>\$ 3.09</u>	<u>\$ 2.70</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	197		
Bonuses to employees	-	-	2,384		
Diluted EPS	<u>\$ 1,455,639</u>	<u>\$ 1,270,296</u>	<u>473,631</u>	<u>\$ 3.07</u>	<u>\$ 2.68</u>
<u>Six months ended June 30, 2007</u>					
Basic EPS	\$ 1,608,918	\$ 1,413,289	490,832	<u>\$ 3.28</u>	<u>\$ 2.88</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	947		
Diluted EPS	<u>\$ 1,608,918</u>	<u>\$ 1,413,289</u>	<u>491,779</u>	<u>\$ 3.27</u>	<u>\$ 2.87</u>

The Parent Company presumes that the bonus to employees will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus by the closing price of the shares as of the balance sheet date. The dilutive effect of the shares needs to be considered until the shareholders resolve the number of shares to be distributed to employees in their meeting in the following year.

The EPS was retroactively adjusted for the stock dividends declared. Thus, for the six months ended June 30, 2007, pretax and after-tax basic EPS decreased from NT\$3.47 to NT\$3.28 and from NT\$3.05 to NT\$2.88, respectively, and pretax and after-tax diluted EPS decreased from NT\$3.46 to NT\$3.27 and from NT\$3.04 to NT\$2.87, respectively.

The numerators and denominators used in calculating pro forma EPS, which were adjusted for stock dividends with an ex-dividend date after the issuance date of financial statements, were as follows:

	<u>Amount (Numerator)</u>		<u>Shares</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>(Denominator)</u> <u>(Thousands)</u>	<u>Pretax</u>	<u>After-tax</u>
<u>Six months ended June 30, 2008</u>					
Basic EPS	\$ 1,455,639	\$ 1,270,296	500,024	\$ 2.91	\$ 2.54
Impact of dilutive potential common stock					
Employees' stock options	-	-	209		
Bonuses to employees	-	-	2,531		
Diluted EPS	\$ 1,455,639	\$ 1,270,296	502,764	\$ 2.90	\$ 2.53
<u>Six months ended June 30, 2007</u>					
Basic EPS	\$ 1,608,918	\$ 1,413,289	521,023	\$ 3.09	\$ 2.71
Impact of dilutive potential common stock					
Employees' stock options	-	-	1,005		
Diluted EPS	\$ 1,608,918	\$ 1,413,289	522,028	\$ 3.08	\$ 2.71

## 20. 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
Supercom Technology Corporation ("Supercom")	Equity-method investee of Netstar (Netstar sold all of its holding in Supercom in the six months ended June 30, 2008)
Avalue Technology Inc. ("Avalue")	The Parent Company's chairman is the Avalue's director
Advantech Brazil S/A (ABR)	Related party in substance
Mr. Peter Marek	Manager of ADL
Mr. Stavors Kostelidis	Manager of ADL

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

	2008		2007	
	Amount	% of Total	Amount	% of Total
<u>For the six months ended June 30</u>				
1) Sales				
AKR	\$ 159,479	2	\$ 164,655	2
ABR	45,407	1	-	-
Avalue	32,292	-	-	-
ATH	14,306	-	12,442	-
Axiomtek Co., Ltd.	7,395	-	3,562	-
AHG	21	-	1,521	-
Others	-	-	177	-
	<u>\$ 258,900</u>	<u>3</u>	<u>\$ 182,357</u>	<u>2</u>
2) Purchase of materials and supplies				
Axiomtek Co., Ltd.	\$ 802	-	\$ 2,078	-
Others	-	-	1,750	-
	<u>\$ 802</u>	<u>-</u>	<u>\$ 3,828</u>	<u>-</u>
<u>As of June 30</u>				
3) Receivables				
Accounts				
AKR	\$ 43,409	31	\$ 39,795	33
ABR	20,772	15	-	-
Avalue	5,673	4	-	-
Axiomtek Co., Ltd.	2,998	2	1,994	2
ATH	1,357	1	998	1
AHG	-	-	682	-
Others	-	-	62	-
	<u>74,209</u>	<u>53</u>	<u>43,531</u>	<u>36</u>
Dividends				
Axiomtek Co., Ltd.	64,415	47	77,542	64
	<u>\$ 138,624</u>	<u>100</u>	<u>\$ 121,073</u>	<u>100</u>
4) Payables				
Accounts				
Axiomtek Co., Ltd.	\$ 116	100	\$ 250	14
Other payables				
Supercom	-	-	1,530	86
	<u>\$ 116</u>	<u>100</u>	<u>\$ 1,780</u>	<u>100</u>

c. Securities transactions

The Parent Company bought AEU shares from managers of ADL, Mr. Peter Marek and Mr. Stavros Kostelidis, in June 2008. The related transaction is summarized as follows:

	Common Stock Issuer	Shares	Cost
June 2008	AEU	50,000	\$ <u>23,141</u>
June 2008	AEU	25,000	\$ <u>11,571</u>

Product contracts with related parties were based on market prices and made under normal terms. The payment terms for third parties were 30 to 60 days and those for related parties were 30 to 90 days, and these terms were all normal terms.

## 21. ASSETS PLEDGED OR MORTGAGED

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

As of June 30, 2008, the subsidiary - Netstar Technology Co., Ltd. offered assets for certificates of short-term, and long-term bank loans as follows:

	<b>June 30, 2008</b>
Properties - land	\$ 35,506
Properties - buildings - cost	<u>22,645</u>
	<u>\$ 58,151</u>

The certificates of deposits used by Advansus Corp. as collaterals for its credit limit amounted to \$100,000 thousand as of June 30, 2008 and 2007. As stated in Note 2, this company was consolidated by the Parent Company using the proportionate consolidation method.

## 22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

- a. As of June 30, 2008, the Parent Company had a guarantee of the following amount for an indirect subsidiary's loan:

	<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 June 30, 2008, the Parent Company had paid \$720,584 thousand (tax included).
- c. As of June 30, 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 \$2,787 thousand.
- d. As of June 30, 2008, the guarantee notes issued by Netstar Technology Co., Ltd. for the bank loan amounted to \$123,250 thousand.

## 23. FINANCIAL INSTRUMENTS

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

	June 30			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets - current	\$ 1,719,788	\$ 1,719,788	\$ 1,948,298	\$ 1,948,298
Available-for-sale financial assets - noncurrent	3,432,473	3,432,473	3,950,608	3,950,608
<u>Liabilities</u>				
Long-term bank loans (current portion included)	111,550	111,550	118,230	118,230
<u>Derivative financial instruments location</u>				
Financial assets at fair value through profit or loss - current				
Foreign (foreign corporation operating in domestic district included)	116	116	911	911
Financial liabilities at fair value through profit or loss - current				
Domestic	112	112	-	-
Foreign (foreign corporation operating in domestic district included)	1,433	1,433	81	81

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

- 1) For financial instruments such as cash and cash equivalents, 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 financial assets and liabilities were based on the quoted market prices or determined using certain valuation techniques, as follows:

	<b>Based on the Quoted Market Price</b>		<b>Determined Using Valuation Techniques</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<u>Asset</u>				
Financial assets at fair value through profit or loss - current	\$ -	\$ -	\$ 116	\$ 911
Available-for-sale financial assets - current	1,719,788	1,948,298	-	-
Available-for-sale financial assets - noncurrent	3,432,473	3,950,608	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current	-	-	1,545	81

- d. As of June 30, 2008 and 2007, financial assets exposed to fair value risk from interest rate fluctuation amounted to \$944,487 thousand and \$2,199,129 thousand, respectively. As of June 30, 2008 and 2007, financial liabilities exposed to fair value risk from interest rate fluctuation amounted to \$562,269 thousand and \$597,863 thousand, respectively.
- e. The Group recognized unrealized losses of \$613,041 thousand and \$31,561 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 2008 and 2007, respectively.
- f. Financial risks
- 1) Market risk. The derivative financial instruments categorized as financial assets at fair value through profit or loss are mainly used to hedge exchange rate fluctuations of foreign currency-denominated assets and liabilities. Thus, the market risk of derivatives will be offset by the gain or loss on the exchange rate fluctuations of hedged assets and liabilities. Available-for-sale financial assets held by the Group are mainly mutual funds and publicly traded stocks. Thus, price fluctuations in the open market would result in changes in fair values of these financial instruments.
  - 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Parent Company if the counter-parties breach the contracts. Contracts with positive fair values on the balance sheet date are evaluated for credit risk. Since the counter-parties to the foregoing derivative financial instruments are reputable financial institutions, management believes its exposure to default by counter-parties is low.
  - 3) Liquidity risk. The Group has sufficient operating capital to meet cash needs upon settlements of derivative financial instruments. Therefore, the cash flow risk is low. In addition, for long-term equity-method investments (mutual funds and publicly traded stocks), the Group keeps liquidity reserves, which are available on a short-term basis. Additionally, the contracted forward rate is decided on the contract starting dates. Thus, the cash flow risk on forward contracts is low.



## 24. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 22 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 June 30, 2008, accumulated inward remittance of earnings as of June 30, 2008 and upper limit on investment: Table 8 attached.
  - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 22 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

SIX MONTHS ENDED JUNE 30, 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 (former name: AEBC)	Receivables from related parties	\$ 11,988 (EUR 250 thousand)	\$ 11,988 (EUR 250 thousand)	2.50%	Short-term financing	\$ -	Financing need	\$ -	-	\$ -	\$ 43,996 (Note B)	\$ 87,992 (Note C)
2	AESC	AEU	Receivables from related parties	12,467 (EUR 260 thousand)	12,467 (EUR 260 thousand)	2.50%	Short-term financing	-	Financing need	-	-	-	15,242 (Note D)	30,484 (Note E)
3	AKMC	ACN	Receivables from related parties	208 (RMB 47 thousand)	49 (RMB 11 thousand)	3.00%	Short-term financing	-	Financing need	-	-	-	132,900 (Note I)	132,900 (Note I)
4	SHHQ	ACN	Receivables from related parties	48,681 (RMB 10,989 thousand)	48,681 (RMB 10,989 thousand)	3.00%	Short-term financing	-	Financing need	-	-	-	132,900 (Note I)	132,900 (Note I)
5	ACN	AKMC	Receivables from related parties	66,450 (RMB 15,000 thousand)	-	3.50%	Short-term financing	-	Financing need	-	-	-	132,900 (Note I)	132,900 (Note I)
6	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Receivables from related parties	132,029	98,599	-	Service intercourse	Purchase 160,155	Service intercourse	-	-	-	160,155 (Note F)	160,155 (Note F)
7	Netstar Technology Co., Ltd.	LANSONIC (BVI)	Receivables from related parties	3,533	-	-	Short-term financing	-	Financing need	-	-	-	24,297 (Note G)	48,594 (Note H)

Notes: A. The exchange rate was EUR1.00=NT\$47.95; RMB1.00=4.43.

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

C. 30% of the net asset value of AEU.

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

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

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

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

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

I. For more efficient use of capital among subsidiaries in Mainland China, the maximum amount of financing that can be provided by the financier is RMB3,000 thousand and ACN do the overall planning on the capital by Citibank account.

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## ENDORSEMENT/GUARANTEE PROVIDED

SIX MONTHS ENDED JUNE 30, 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	\$ 722,943 (Note A)	\$ 303,400 ( US\$10,000 thousand )	\$ 303,400 ( US\$10,000 thousand )	\$ -	2.57%	\$ 1,445,886 (Note B)
1	SHHQ	AKMC	Indirect subsidiary	722,943 (Note A)	23,847 ( US\$ 786 thousand )	23,847 ( US\$ 786 thousand )	-	0.20%	1,445,886 (Note B)

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

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

C. The exchange rate was US\$1.00=NT\$30.34.

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

JUNE 30, 2008

(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 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	\$ 1,566,570	100.00	\$ 1,566,570	Note A	
	ATC	"	"	19,450,000	913,069	100.00	913,069	Note A	
	Advantech Fund - A	"	"	70,000,000	615,649	100.00	615,649	Note A	
	AEU	"	"	9,572,024	373,037	100.00	373,037	Note A	
	Axiomtek	"	"	20,926,963	319,873	28.73	319,873	Note A	
	Advansus Corp.	"	"	30,000,000	291,641	50.00	291,641	Note A	
	AKR	"	"	3,112,131	126,346	23.89	126,346	Note A	
	AAU	"	"	500,204	118,807	100.00	118,807	Note A	
	AYS	"	"	12,300,000	115,318	100.00	115,318	Note A	
	AJP	"	"	1,200	113,222	100.00	113,222	Note A	
	ASG	"	"	1,450,000	112,773	100.00	112,773	Note A	
	AMY	"	"	2,000,000	39,609	100.00	39,609	Note A	
	AHG	"	"	30	15,142	30.00	15,142	Note A	
	AIMS	"	"	500,000	5,937	100.00	5,937	Note A	
	AHK	"	"	999,999	(1,688)	100.00	(1,688)	Notes A and D	
	ASUSTek Computer Inc.	-	-	Available for sale financial assets - noncurrent	41,555,357	3,432,473	1.11	3,432,473	Note C
		<u>Fund</u>							
		Capital Income Fund	-	Available for sale financial assets - current	7,089,420.30	108,128	-	108,128	Note B
		Fuh-Hwa Bond Fund	-	"	21,999,386.50	300,529	-	300,529	Note B
		James Bond Fund	-	"	17,345,382.20	274,127	-	274,127	Note B
		Prudential Bond Fund	-	"	23,233,465.10	298,136	-	298,136	Note B
	NITC Taiwan Bond Fund	-	"	21,583,459.30	311,555	-	311,555	Note B	
	ING Taiwan Income Fund	-	"	10,512,563.05	170,540	-	170,540	Note B	
Advantech Fund - A	<u>Stock</u>								
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	7,244	30.00	7,244	Note A	
	Netstar Technology Co., Ltd.	"	"	16,897,511	159,690	67.59	159,690	Note A	
	BCM Embedded Computer Inc.	"	"	2,000,000	14,721	100.00	14,721	Note A	
	Broadwin Technology, Inc.	"	"	6,652,210	101,190	70.28	101,190	Note A	
	Superior Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	1,009,940	33,441	13.22	33,441	-	
	COBAN Research and Technologies, Inc.	-	"	600,000	33,257	7.00	33,257	-	
Avalue Technology Inc.	-	"	3,000,000	96,137	9.29	96,137	-		
Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - current	204,000	16,014	-	16,014	Note C		

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2008				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advansus Corp.	<u>Fund</u> Capital Income Fund	-	Available for sale financial assets - current	327,825.80	\$ 5,000	-	\$ 5,000	Note B
	NITC Taiwan Bond Fund	-	"	10,283,296.30	148,400	-	148,400	Note B
	<u>Fund</u> NITC Taiwan Bond Fund	-	"	5,402,003.40	77,977	-	77,977	Note B
	Capital Income Fund	-	"	4,994,538.10	76,177	-	76,177	Note B
AIMS	<u>Fund</u> JIH SUN Bond Fund	-	"	144,413.16	2,014	-	2,014	Note B
TTC	<u>Shares</u> Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	25,940	30.00	25,940	Note A
ATC	<u>Shares</u> ATC (HK)	"	"	16,350,000	793,080	100.00	793,080	Note A
ATC (HK)	<u>Shares</u> AKMC	"	"	-	793,080	100.00	793,080	Note A
AYS	<u>Shares</u> ADMC	"	"	-	59,913	100.00	59,913	Note A
AAC (BVI)	<u>Stock</u> AC	"	"	10,952,606	891,769	100.00	891,769	Note A
	AAC (HK)	"	"	7,230,000	673,515	100.00	673,515	Note A
AAC (HK)	<u>Shares</u> ACN	"	"	-	575,552	100.00	575,552	Note A
	SHHQ	"	"	-	97,963	100.00	97,963	Note A
ACN	<u>Shares</u> Hangzhou Advantofine Automation Co., Ltd.	"	"	-	4,840	50.00	4,840	Note A
AEU	<u>Stock</u> AESC	"	"	8,314,280	101,631	100.00	101,631	Note A
	ADL	"	Other liability - others	1,142,000	(1,510)	100.00	(1,510)	Notes A and D
	APL	"	Long-term equity investments	6,350	28,847	92.88	28,847	Note A
ASG	<u>Stock</u> ATH	"	"	30,000	5,511	30.00	5,511	Note A
	APN	"	"	570,570	7,903	55.00	7,903	Note A
	AKL	"	"	418,000	3,690	55.00	3,690	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2008				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Netstar Technology Co., Ltd.	<u>Stock</u> LANSONIC (BVI)	Investee	Other liability-others	3,527,529	\$ (61,366)	94.83	\$ (61,366)	Notes A and D
	Jan Hsiang Electronics Co., Ltd.	”	Long-term equity investments	1,520,000	13,166	76.00	13,166	Note A
	Lantech Communications Inc.	”	Other liability-others	1,159,500	-	77.30	-	Notes A and D
BCM Embedded Computer Inc.	<u>Fund</u> Capital Income Fund	-	Available for sale financial assets - current	539,560.30	8,229	-	8,229	Note B
Broadwin Technology, Inc.	<u>Fund</u> Capital Income Fund	-	”	3,341,112.70	50,617	-	50,617	Note A
	<u>Stock</u> Broadwin Technology Inc.	Investee	Long-term equity investments	5,424,300	18,221	100.00	18,221	Note A
LANSONIC (BVI)	<u>Shares</u> Netstar Electronics Corporation	”	Other liability-others	-	(HK\$35,059)	100.00	(HK\$35,059)	Notes A and D

Note A: The financial statements used as basis of net asset values were all unreviewed, except those of ATC, ACN, AKMC, SHHQ, and Netstar Technology Co., Ltd. and its subsidiaries.

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

Note C: Market value was based on the closing price in June 30, 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  
SIX MONTHS ENDED JUNE 30, 2008  
(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name/Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount	
Advantech Co., Ltd. (the "Company")	<u>Fund</u>														
	Capital Income Fund	Available for sale financial assets - current	-	-	16,373,844.40	\$ 247,671	25,836,269.60	\$ 393,508	35,120,693.70	\$ 534,050	\$ 533,071	\$ 979	7,089,420.30	\$ 108,128	
	Fuh-Hwa Bond Fund	"	-	-	-	-	68,781,210.10	937,089	46,781,823.60	637,789	636,560	1,229	21,999,386.50	300,529	
	James Bond Fund	"	-	-	-	-	78,333,375.90	1,233,870	60,987,993.70	961,620	959,743	1,877	17,345,382.20	274,127	
	Prudential Bond Fund	"	-	-	22,055,731.70	280,602	55,508,624.30	710,646	54,330,890.90	695,487	693,112	2,375	23,233,465.10	298,136	
	Mega Diamond Bond Fund	"	-	-	16,743,993.45	195,746	7,939,859.76	92,880	24,683,853.21	289,165	288,626	539	-	-	
	NITC Taiwan Bond Fund	"	-	-	8,357,665.30	119,628	75,993,857.70	1,094,354	62,768,063.70	903,760	902,485	1,275	21,583,459.30	311,555	
	ING Taiwan Income Fund	"	-	-	7,903,346.71	127,120	42,694,333.97	690,735	40,085,117.63	648,493	647,326	1,167	10,512,563.05	170,540	
	<u>Stock</u>														
	Advantech Fund - A	Long-term equity investments	-	Subsidiary	50,000,000.00	414,083	20,000,000.00	200,000	-	-	-	-	-	70,000,000.00	615,649
	ATC	"	-	"	13,450,000.00	981,854	6,000,000.00	185,040	-	-	-	-	-	19,450,000.00	913,069
	Advansus Corp.	"	-	Investee	50,000,000.00	981,854	-	-	20,000,000.00	200,000	200,000	-	-	30,000,000.00	291,641
							(Note A)		(Note B)	(Note B)					
Advantech Fund - A	<u>Fund</u>														
	Capital Income Fund	Available for sale financial assets - current	-	-	7,320,151.50	110,449	327,825.80	5,000	7,320,151.50	110,886	110,449	437	327,825.80	5,000	
	NITC Taiwan Bond Fund	"	-	-	-	17,955,912.70	258,400	7,672,616.40	110,340	110,000	340	10,283,296.30	148,400		
Advansus Corp.	<u>Fund</u>														
	Capital Income Fund	"	-	-	24,940,897.50	377,241	33,594,317.40	510,711	53,540,676.80	813,802	811,775	2,027	4,994,538.10	76,177	
	NITC Taiwan Bond Fund	"	-	-	1,217,909.60	17,436	20,723,900.50	298,408	16,539,806.70	238,208	237,867	341	5,402,003.40	77,977	

Note A: Issuance of common stock for cash to investees.

Note B: Proceeds of the investees' return of capital in cash.

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SIX MONTHS ENDED JUNE 30, 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	\$ 1,834,303	41	Set for 60 days a month	\$ -	-	\$ (653,206)	50	
	AC	Indirect subsidiary	Sale	(1,468,927)	(24)	Set for 45 days a month	-	-	247,905	9	
	AESC	Indirect subsidiary	Sale	(1,083,417)	(18)	Set for 45 days a month	-	-	714,817	25	
	ACN	Indirect subsidiary	Sale	(1,311,344)	(21)	Set for 45 days a month	-	-	605,867	21	
	Advansus Corp.	Subsidiary	Purchase	283,129	6	Set for 30 days a month	-	-	(55,045)	4	
	AYS	Subsidiary	Purchase	265,229	6	Set for 30 days a month	-	-	(144,032)	11	
	AKR	Investee	Sale	(134,927)	(2)	Set for 45 days a month	-	-	30,234	1	
	AJP	Subsidiary	Sale	(141,946)	(2)	Set for 45 days a month	-	-	49,059	2	
ATC	Advantech Co., Ltd.	Parent company	Sale	(1,834,303)	(100)	Set for 60 days a month	-	-	653,206	97	
AC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,468,927	83	Set for 45 days a month	-	-	(247,905)	(78)	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,083,417	77	Set for 45 days a month	-	-	(714,817)	(96)	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,311,344	83	Set for 45 days a month	-	-	(605,867)	(92)	
Advansus Corp.	Advantech Co., Ltd.	Parent company	Sale	(283,129)	(30)	Set for 30 days a month	-	-	55,045	20	
AYS	Advantech Co., Ltd.	Parent company	Sale	(265,229)	(100)	Set for 30 days a month	-	-	144,032	100	
AKR	Advantech Co., Ltd.	Parent company	Purchase	134,927	31	Set for 45 days a month	-	-	(30,234)	(30)	
AJP	Advantech Co., Ltd.	Parent company	Purchase	141,946	87	Set for 45 days a month	-	-	(49,059)	(100)	
SHHQ	ACN	Related enterprise	Purchase	248,206	92	Set for 30 days a month	-	-	(55,504)	(94)	
ATC	AKMC	Subsidiary	Purchase	1,483,191	100	Set for 30 days a month	-	-	(237,880)	(44)	
AYS	ADMC	Subsidiary	Purchase	233,277	100	Set for 30 days after a month	-	-	(89,556)	(100)	
ACN	SHHQ	Related enterprise	Sale	(248,206)	(13)	Set for 30 days a month	-	-	55,504	10	
AKMC	ATC	Parent company	Sale	(1,483,191)	(97)	Set for 30 days a month	-	-	237,880	93	
ADMC	AYS	Parent company	Sale	(233,277)	(100)	Set for 30 days after a month	-	-	89,556	83	
Netstar Technology Co., Ltd.	Netstar Electronics Corporation	Subsidiary	Purchase	160,155	98	Set for 30 days a month	-	-	-	-	

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



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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
JUNE 30, 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	\$ 714,817	3.16	\$ -	-	\$ -	\$ -
	AC	Indirect subsidiary	247,905	7.72	-	-	244,984	-
	ACN	Indirect subsidiary	605,867	5.07	-	-	132,853	-
ATC	Advantech Co., Ltd.	Parent company	653,206	5.38	-	-	351,103	-
AYS	Advantech Co., Ltd.	Parent company	144,032	4.16	-	-	42,082	-
AKMC	ATC	Indirect subsidiary	237,880	15.35	-	-	703,420	-

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  
SIX MONTHS ENDED JUNE 30, 2008  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2008			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 2008	Dec. 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	\$ 1,566,570	\$ 202,143	\$ 202,143	Subsidiary
	ATC	BVI	Sale of industrial automation products	612,821	427,781	19,450,000	100.00	913,069	237,955	237,955	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	300,000	500,000	30,000,000	50.00	291,641	21,619	14,880	Equity-method investee
	AEU	Helmond, the Netherlands	Investment holding company	426,930	392,218	9,572,024	100.00	373,037	(69,311)	(69,311)	Subsidiary
	Advantech Fund - A	Taipei, Taiwan	General investment	700,000	500,000	70,000,000	100.00	615,649	515	515	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	269,222	270,611	20,926,963	28.73	319,873	101,131	37,735	Equity-method investee
	AKR	Seoul, Korea	Sale of industrial automation products	32,989	32,989	3,112,131	23.89	126,346	(84,360)	(20,938)	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	112,773	283	283	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	118,807	6,574	6,574	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	113,222	11,272	11,272	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	51,662	51,662	12,300,000	100.00	115,318	40,337	40,337	Subsidiary
	AMY	Kuala Lumpur, Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	39,609	(830)	(830)	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	15,142	1,881	564	Equity-method investee
	AIMS	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,937	298	298	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(1,688)	6,853	6,853	Subsidiary (Note A)
Advantech Fund - A	Netstar Technology Co., Ltd.	Taipei	Production and sale of industrial automation products	212,272	206,860	16,897,511	67.59	159,690	1,188	803	Indirect subsidiary
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,244	-	-	Equity-method investee
	BCM Embedded Computer Inc.	Taipei	Telecommunications equipment and electronic parts manufacturing	20,500	10,000	2,000,000	100.00	14,721	(6,994)	(3,497)	Indirect subsidiary
	Broadwin Technology, Inc.	Taipei, Taiwan	Assembly and production of computers	99,783	-	6,652,210	70.28	101,190	2,001	1,407	Indirect subsidiary
ATC	ATC (HK)	Hong Kong	Investment holding company	409,393	-	16,350,000	100.00	793,080	2,926	2,926	Indirect subsidiary (Note C)
	AKMC	Kunshan, China	Production and sale of components of industrial automation products	-	409,393	-	100.00	-	10,390	10,390	Indirect subsidiary (Note C)
ATC (HK)	AKMC	Kunshan, China	Production and sale of components of industrial automation products	409,393	-	-	100.00	793,080	2,926	2,926	Indirect subsidiary (Note C)
AYS	ADMC	Guangzhou, China	Production and sale of components of industrial automation products	51,662	51,662	-	100.00	59,913	8,078	8,078	Indirect subsidiary
Timson Tech Co. (TTC)	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processes and sale of peripherals	30,222	30,222	-	30.00	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	891,769	43,825	43,825	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment holding company	282,106	-	7,230,000	100.00	673,515	-	-	Indirect subsidiary (Note D)
	ACN	Beijing, China	Sale of industrial automation products	-	185,356	-	100.00	-	161,065	161,065	Indirect subsidiary (Note D)
	SHHQ	Shanghai, China	Sale of industrial automation products	-	96,750	-	100.00	-	(6,473)	(6,473)	Indirect subsidiary (Note D)
AAC (HK)	ACN	Beijing, China	Sale of industrial automation products	185,356	-	-	100.00	575,552	-	-	Indirect subsidiary (Note D)
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	-	-	100.00	97,963	-	-	Indirect subsidiary (Note D)
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processes and sale of peripherals	6,660	6,660	-	50.00	4,840	(3,107)	(1,553)	Equity-method investee

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2008			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 2008	Dec. 31, 2007	Shares	Percentage of Ownership	Carrying Value			
AEU	AESC	Eindhoven, the Netherlands	Sale of industrial automation products	\$ 90,450	\$ 90,450	8,314,280	100.00	\$ 101,631	\$ (27,807)	\$ (27,807)	Indirect subsidiary
	ADL	Munich, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	(1,510)	(34,402)	(34,402)	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	6,350	92.88	28,847	(7,472)	(6,627)	Indirect subsidiary
ASG	APN	Penang, Malaysia	Sale of industrial automation products	8,181	8,181	570,570	55.00	7,903	-	-	Indirect subsidiary
	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	5,511	1,657	497	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	3,690	35	19	Indirect subsidiary
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd.	Taipei	Electronic parts and components manufacturing	11,500	14,950	1,520,000	76.00	13,166	1,347	1,347	Indirect subsidiary
	Supercom Technology Corporation	Taipei	Telecommunication equipment and electronic parts manufacturing	-	16,250	-	-	-	(5,944)	(1,981)	Equity-method investee
	Lantech Communications Inc. LANSONIC (BVI)	Taipei Akara Building 24DeCastro Street, Wickhams Cay I, Road fown Tortola, British Virgin Islands	Retail sale of electronic materials General investment	11,595 101,188	11,595 101,188	1,159,500 3,527,529	77.30 94.83	- (61,366)	- 8,939	- 8,939	Indirect subsidiary Indirect subsidiary
LANSONIC (BVI)	Netstar Electronics Corporation (Dongguan)	Guangzhou, China	Network and UPS product manufacture business	HK\$ 2,935	HK\$ 2,935	-	100.00	HK\$ (35,059)	HK\$ 3,037	HK\$ 2,228	Indirect subsidiary
Broadwin Technology, Inc.	Broadwin Technology Inc.	San Ramon, USA	Sale of webaccess software	22,491	22,491	5,424,300	100.00	18,221	(975)	(975)	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, except those of ATC, ACN, AKMC, SHHQ, and Netstar Technology Co., Ltd. and its subsidiaries.

Note C: AKMC was restructured and became a subsidiary of ATC (HK) in June 2008.

Note D: ACN and SHHQ were restructured and became subsidiaries of AAC (HK) in June 2008.

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

(Concluded)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## INVESTMENTS IN MAINLAND CHINA

SIX MONTHS ENDED JUNE 30, 2008

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

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2008	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2008	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2008	Accumulated Inward Remittance of Earnings as of June 30, 2008
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$16,350 thousand	Indirect	\$ 364,080 (US\$ 12,000 thousand)	\$ 182,040 (US\$ 6,000 thousand)	\$ -	\$ 546,120 (US\$ 18,000 thousand)	100%	\$ 13,316	\$ 793,080	\$ -
Yan Hua Xing Ye Electronic (SHHQ)	Sale of industrial automation products	US\$3,000 thousand	Indirect	91,020 (US\$ 3,000 thousand)	-	-	91,020 (US\$ 3,000 thousand)	100%	(6,473)	97,963	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$4,230 thousand	Indirect	161,773 (US\$ 5,332 thousand)	-	-	161,773 (US\$ 5,332 thousand)	100%	161,065	575,552	-
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US\$1,400 thousand	Indirect	(Note C)	-	-	(Note C)	100%	8,078	59,913	-

Accumulated Investment in Mainland China as of June 30, 2008	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$804,981 (US\$26,532 thousand) (Note D)	\$1,714,210 (US\$56,500 thousand)	\$3,862,834

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

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. and its investees in Mainland China are described in Note 22 to the financial statements and Tables 1, 2, 5 and 6.

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

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

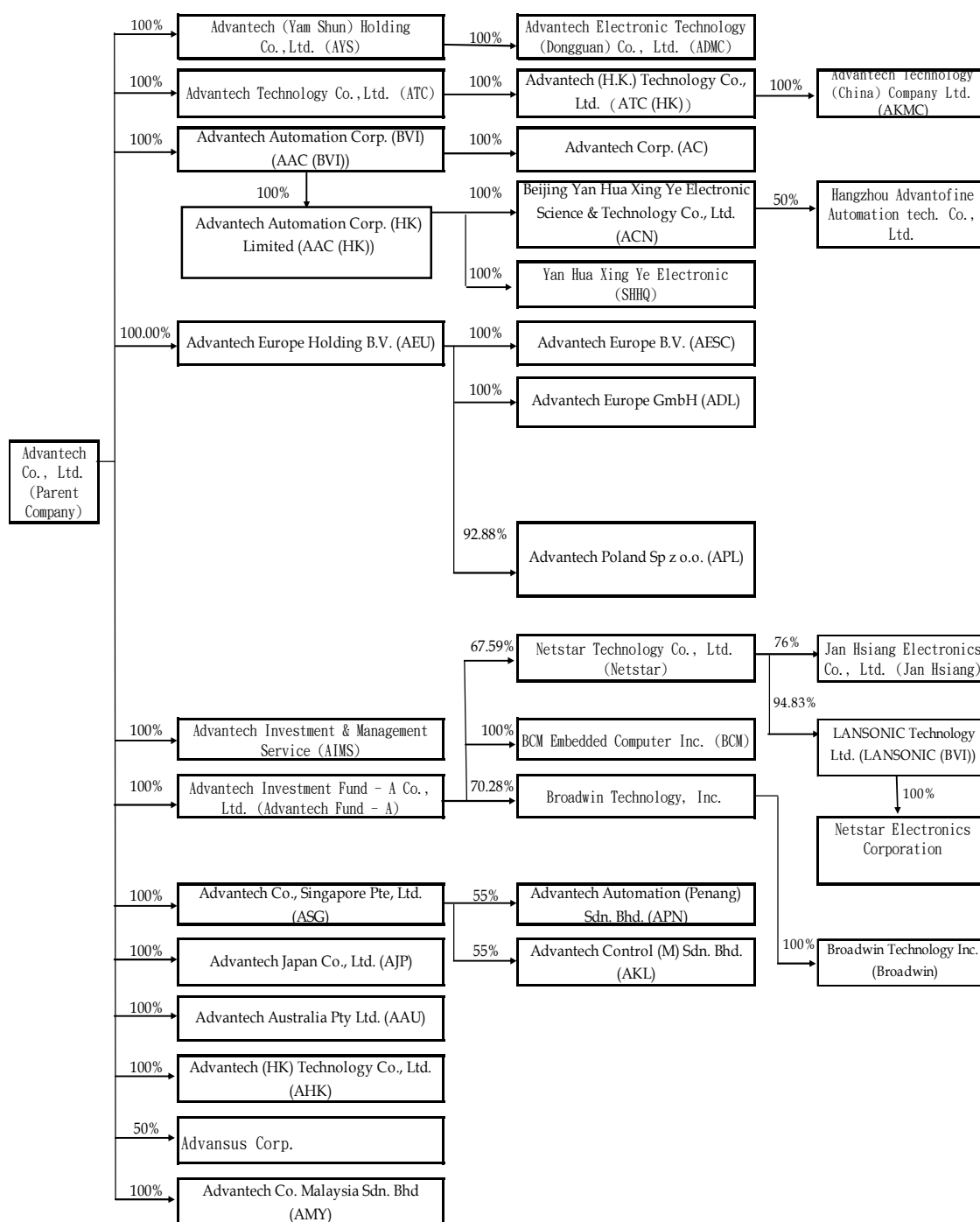
Note E: The exchange rate was US\$1.00=NT\$30.34.

**TABLE 9**

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

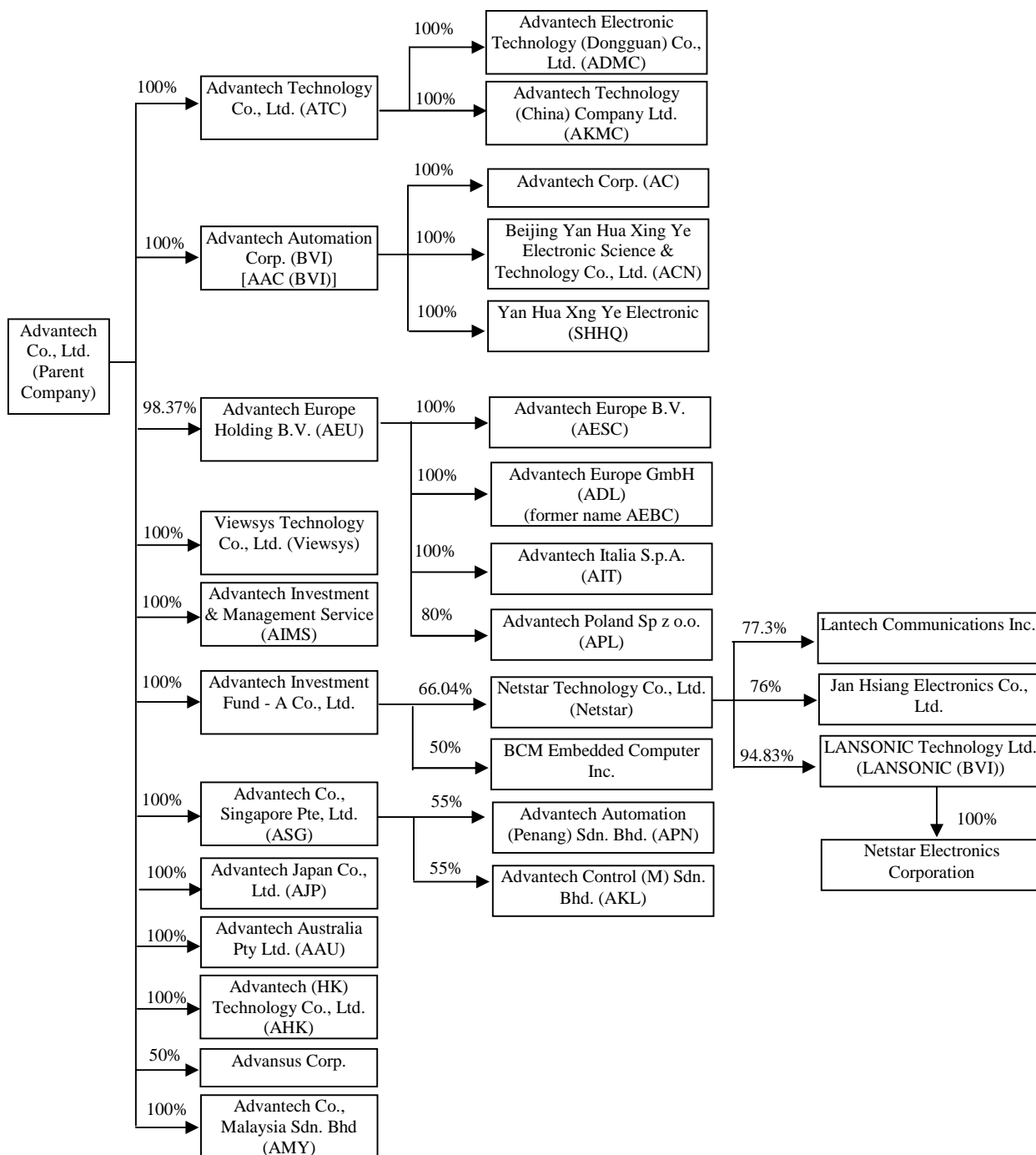
**ORGANIZATION CHART  
JUNE 30, 2008**

Intercompany relationships and percentages of ownership as of June 30, 2008 are shown below:



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

Intercompany relationships and percentages of ownership as of June 30, 2007 are shown below:



Note A: ABB and AUK merged with ADL in January 2007.

Note B: Advansus Corp. and BCM Embedded Computer Inc. were consolidated using the proportionate consolidated method.

## ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES  
SIX MONTHS ENDED JUNE 30, 2008  
(In Thousands of New Taiwan Dollars)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
	<u>June 30, 2008</u>						
0	Advantech Co., Ltd.	AC	1	Sales	\$ 1,468,927	Normal.	17
		AC	1	Receivables from related parties	254,668	45 days.	1
		AC	1	Purchase	14,873	Normal.	-
		AC	1	Payables to related parties	3,026	45 days.	-
		AESC	1	Sales	1,083,417	Normal.	12
		AESC	1	Receivables from related parties	721,837	30 days.	4
		AESC	1	Purchase	897	Normal.	-
		AESC	1	Payables to related parties	248	30 days.	-
		ACN	1	Sales	1,311,344	Normal.	15
		ACN	1	Receivables from related parties	605,867	45 days.	3
		ACN	1	Purchase	3,058	Normal.	-
		ACN	1	Payables to related parties	542	30 days.	-
		ATC	1	Dividend receivable	300,000	Prompt collection.	2
		ATC	1	Receivables from related parties	25,965	Prompt collection.	-
		ATC	1	Purchase	1,834,303	Normal.	21
		ATC	1	Payables to related parties	653,206	60 days.	4
		ATC	1	Royalty income	92,087	Normal.	1
		AKMC	1	Sales	15,227	Normal.	-
		AKMC	1	Receivables from related parties	65,628	45 days.	-
		AAU	1	Sales	70,993	Normal.	1
		AAU	1	Receivables from related parties	25,346	60-90 days.	-
		ASG	1	Sales	55,785	Normal.	1
		ASG	1	Receivables from related parties	11,696	60-90 days.	-
		ASG	1	Purchase	3,643	Normal.	-
		ASG	1	Payables to related parties	3,584	60-90 days.	-
		AJP	1	Sales	141,946	Normal.	2
		AJP	1	Receivables from related parties	49,197	60-90 days.	-
		AJP	1	Purchase	59	Normal.	-
		AJP	1	Payables to related parties	38	60-90 days.	-
		Advansus Corp.	1	Sales	3,938	Normal.	-
		Advansus Corp.	1	Receivables from related parties	1,669	60-90 days.	-
		Advansus Corp.	1	Purchase	283,129	Normal.	3
		Advansus Corp.	1	Payables to related parties	55,045	60-90 days.	-
		Advansus Corp.	1	Rental revenue	1,810	Normal.	-
		AIMS	1	Rental revenue	150	Normal.	-
		AIMS	1	Receivables from related parties	52	60-90 days.	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		BCM Embedded Computer Inc.	1	Rental revenue	\$ 205	Normal.	-
		BCM Embedded Computer Inc.	1	Receivables from related parties	47	30 days.	-
		Advantech Fund - A	1	Rental revenue	18	Normal.	-
		Broadwin Technology, Inc.	1	Sales	2,637	Normal.	-
		Broadwin Technology, Inc.	1	Receivables from related parties	2,690	60 days.	-
		Broadwin Technology, Inc.	1	Purchase	670	Normal.	-
		Broadwin Technology, Inc.	1	Payables to related parties	338	60 days.	-
		ADL	1	Receivables from related parties	528	30 days.	-
		ADL	1	Purchase	146	Normal.	-
		ADL	1	Payables to related parties	61	30 days.	-
		SHHQ	1	Receivables from related parties	4,484	45 days.	-
		AMY	1	Sales	16,905	Normal.	-
		AMY	1	Receivables from related parties	7,460	45 days.	-
		AMY	1	Purchase	40	Normal.	-
		AMY	1	Payables to related parties	38	60 days.	-
		APL	1	Sales	4,991	Normal.	-
		APL	1	Receivables from related parties	28,850	45 days.	-
		APL	1	Payables to related parties	7	30 days after invoice date.	-
		Netstar Technology Co., Ltd.	1	Purchase	10,393	Normal.	-
		Netstar Technology Co., Ltd.	1	Payables to related parties	2,683	60 days.	-
		Jan Hsiang	1	Sales	12	Normal.	-
		Jan Hsiang	1	Purchase	11,353	Normal.	-
		Jan Hsiang	1	Payables to related parties	1,981	60 days.	-
		AYS	1	Receivables from related parties	212	30 days.	-
		AYS	1	Purchase	265,229	Normal.	3
		AYS	1	Payables to related parties	144,032	90 days.	1
		ADMC	1	Sales	13	Normal.	-
		ADMC	1	Receivables from related parties	755	45 days.	-
1	AC	Advantech Co., Ltd.	2	Sales	14,873	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	3,026	45 days.	-
		Advantech Co., Ltd.	2	Purchase	1,468,927	Normal.	17
		Advantech Co., Ltd.	2	Payables to related parties	254,668	45 days.	1
		ASG	3	Sales	644	Normal.	-
		ASG	3	Receivables from related parties	211	15 days after invoice date.	-
		AESC	3	Sales	1,584	Normal.	-
		AESC	3	Receivables from related parties	893	60-90 days.	-
		AESC	3	Purchase	69	Normal.	-
		ATC	3	Sales	1,370	Normal.	-
		ATC	3	Receivables from related parties	161	60-90 days.	-
		AMY	3	Sales	8	Normal.	-
		AAU	3	Sales	81	Normal.	-
		AAU	3	Receivables from related parties	11	60-90 days.	-
		AJP	3	Sales	4	Normal.	-
		ACN	3	Purchase	202	Normal.	-
		ACN	3	Sales	378	Normal.	-

(Continued)



Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
2	AESC	Advantech Co., Ltd.	2	Sales	\$ 897	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	248	30 days.	-
		Advantech Co., Ltd.	2	Purchase	1,083,417	Normal.	12
		Advantech Co., Ltd.	2	Payables to related parties	721,837	30 days.	4
		ADL	3	Commission expense	230,072	Normal.	3
		ADL	3	Sales	1,609	Normal.	-
		ADL	3	Receivables from related parties	265	30 days after invoice date.	-
		ADL	3	Payables to related parties	76,496	30 days after invoice date.	-
		AIT	3	Sales	4,799	Normal.	-
		AIT	3	Commission expense	36,649	Normal.	-
		AIT	3	Receivables from related parties	21,142	30 days after invoice date.	-
		AIT	3	Payables to related parties	2,647	45 days after invoice date.	-
		AEU	3	Receivables from related parties	42	30 days after invoice date.	-
		AEU	3	Payables to related parties	120	30 days after invoice date.	-
		APL	3	Sales	502	Normal.	-
		APL	3	Payables to related parties	9,724	30 days after invoice date.	-
		APL	3	Receivables from related parties	1,273	30 days after invoice date.	-
		AC	3	Sales	69	Normal.	-
		AC	3	Purchase	1,584	Normal.	-
		AC	3	Payables to related parties	893	60-90 days.	-
		AAU	3	Sales	35	Normal.	-
		ACN	3	Sales	160	Normal.	-
		AKMC	3	Sales	52	Normal.	-
		ASG	3	Sales	6	Normal.	-
ASG	3	Payables to related parties	5	30 days.	-		
3	ACN	Advantech Co., Ltd.	2	Sales	3,058	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	542	30 days.	-
		Advantech Co., Ltd.	2	Purchase	1,311,344	Normal.	15
		Advantech Co., Ltd.	2	Payables to related parties	605,867	45 days.	3
		AEU	3	Receivables from related parties	157	60-90 days.	-
		AEU	3	Sales	228	Normal.	-
		AESC	3	Purchase	160	Normal.	-
		ADMC	3	Receivables from related parties	23	60-90 days.	-
		AC	3	Purchase	378	Normal.	-
		AC	3	Sales	202	Normal.	-
		AJP	3	Sales	17	Normal.	-
		AKMC	3	Receivables from related parties	2,684	60-90 days.	-
		AKMC	3	Purchase	12,296	Normal.	-
		AKMC	3	Payables to related parties	5,888	60-90 days.	-
		AKMC	3	Sales	6,858	Normal.	-
		AKMC	3	Rental expense	1,799	Normal.	-
		Hangzhou Advantofine Automation tech. Co., Ltd.	3	Receivables from related parties	17,707	60-90 days.	-
		Hangzhou Advantofine Automation tech. Co., Ltd.	3	Sales	32,469	Normal.	-
ASG	3	Purchase	21	Normal.	-		

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		SHHQ	3	Purchase	\$ 514	Normal.	-
		SHHQ	3	Payables to related parties	48,880	60-90 days.	-
		SHHQ	3	Sales	256,021	Normal.	3
		SHHQ	3	Receivables from related parties	55,635	60-90 days.	-
		AHK	3	Sales	6	Normal.	-
		AHK	3	Receivables from related parties	5,474	60-90 days.	-
4	ATC	Advantech Co., Ltd.	2	Sales	1,834,303	Normal.	21
		Advantech Co., Ltd.	2	Receivables from related parties	653,206	60 days.	4
		Advantech Co., Ltd.	2	Payables to related parties	25,965	Prompt collection.	-
		Advantech Co., Ltd.	2	Royalty expense	92,087	Normal.	1
		Advantech Co., Ltd.	2	Dividend payable	300,000	Prompt payment.	2
		AKMC	3	Purchase	1,482,766	Normal.	17
		AKMC	3	Sales	2,441	Normal.	-
		AKMC	3	Payables to related parties	237,698	60-90 days.	1
		AKMC	3	Receivables from related parties	4,804	60-90 days.	-
		AC	3	Purchase	1,370	Normal.	-
		AC	3	Payables to related parties	161	60-90 days.	-
5	AKMC	Advantech Co., Ltd.	2	Purchase	15,227	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	65,628	45 days.	-
		ACN	3	Purchase	6,858	Normal.	-
		ACN	3	Rental revenue	1,799	Normal.	-
		ACN	3	Sales	12,296	Normal.	-
		ACN	3	Receivables from related parties	5,888	60-90 days.	-
		ACN	3	Payables to related parties	2,684	60-90 days.	-
		AAU	3	Receivables from related parties	135	Prompt collection.	-
		AAU	3	Sales	352	Normal.	-
		AKL	3	Receivables from related parties	61	Prompt collection.	-
		AKL	3	Sales	80	Normal.	-
		APN	3	Receivables from related parties	40	Prompt collection.	-
		APN	3	Sales	41	Normal.	-
		ASG	3	Receivables from related parties	79	45 days after invoice date.	-
		ASG	3	Sales	173	Normal.	-
		ADMC	3	Receivables from related parties	15,326	60-90 days.	-
		ADMC	3	Sales	22,509	Normal.	-
		AESC	3	Purchase	52	Normal.	-
		ATC	3	Purchase	2,441	Normal.	-
		ATC	3	Payables to related parties	4,804	60-90 days.	-
		ATC	3	Sales	1,482,766	Normal.	17
		ATC	3	Receivables from related parties	237,698	60-90 days.	1
		SHHQ	3	Receivables from related parties	27	60-90 days.	-
		Advansus Corp.	3	Payables to related parties	184,469	60-90 days.	1
		Advansus Corp.	3	Purchase	527,836	Normal.	6

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
6	ADMC	Advantech Co., Ltd.	2	Purchase	\$ 13	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	755	45 days.	-
		ACN	3	Payables to related parties	23	60-90 days.	-
		AKMC	3	Purchase	22,509	Normal.	-
		AKMC	3	Payables to related parties	15,326	60-90 days.	-
		AYS	3	Sales	232,716	Normal.	3
		AYS	3	Receivables from related parties	88,353	60-90 days.	-
7	APL	Advantech Co., Ltd.	2	Purchase	4,991	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	28,850	45 days.	-
		Advantech Co., Ltd.	2	Receivables from related parties	7	30 days after invoice date.	-
		ADL	3	Receivables from related parties	8	30 days after invoice date.	-
		ADL	3	Maintenance revenue	23,288	Normal.	-
		AESC	3	Receivables from related parties	9,724	30 days after invoice date.	-
		AESC	3	Payables to related parties	1,273	30 days after invoice date.	-
		AESC	3	Purchase	502	Normal.	-
8	ASG	Advantech Co., Ltd.	2	Sales	3,643	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	3,584	60-90 days.	-
		Advantech Co., Ltd.	2	Purchase	55,785	Normal.	1
		Advantech Co., Ltd.	2	Payables to related parties	11,696	60-90 days.	-
		ACN	3	Sales	21	Normal.	-
		AMY	3	Other revenue	56	Normal.	-
		AMY	3	Sales	40	Normal.	-
		AESC	3	Purchase	6	Normal.	-
		AESC	3	Receivables from related parties	5	30 days.	-
		AC	3	Purchase	644	Normal.	-
		AC	3	Payables to related parties	211	15 days after invoice date.	-
		AAU	3	Sales	81	Normal.	-
		AKMC	3	Payables to related parties	79	45 days after invoice date.	-
		AKMC	3	Purchase	173	Normal.	-
9	AJP	Advantech Co., Ltd.	2	Sales	59	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	38	60-90 days.	-
		Advantech Co., Ltd.	2	Purchase	141,946	Normal.	2
		Advantech Co., Ltd.	2	Payables to related parties	49,197	60-90 days.	-
		ACN	3	Purchase	17	Normal.	-
		AC	3	Purchase	4	Normal.	-
10	AAU	Advantech Co., Ltd.	2	Purchase	70,993	Normal.	1
		Advantech Co., Ltd.	2	Payables to related parties	25,346	60-90 days.	-
		AKMC	3	Payables to related parties	135	Prompt payment.	-
		AKMC	3	Purchase	352	Normal.	-
		ASG	3	Purchase	81	Normal.	-
		AESC	3	Purchase	35	Normal.	-
		AC	3	Purchase	81	Normal.	-
		AC	3	Payables to related parties	11	60-90 days.	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
11	ADL	Advantech Co., Ltd.	2	Sales	\$ 146	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	61	30 days.	-
		Advantech Co., Ltd.	2	Payables to related parties	528	30 days.	-
		APL	3	Payables to related parties	8	30 days after invoice date.	-
		APL	3	Maintenance expense	23,288	Normal.	-
		AESC	3	Receivables from related parties	76,496	30 days after invoice date.	-
		AESC	3	Payables to related parties	265	30 days after invoice date.	-
		AESC	3	Purchase	1,609	Normal.	-
		AESC	3	Commission revenue	230,072	Normal.	3
12	Advansus Corp.	Advantech Co., Ltd.	2	Sales	283,129	Normal.	3
		Advantech Co., Ltd.	2	Receivables from related parties	55,045	60-90 days.	-
		Advantech Co., Ltd.	2	Purchase	3,938	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	1,669	60-90 days.	-
		Advantech Co., Ltd.	2	Rental expense	1,810	Normal.	-
		AKMC	3	Receivables from related parties	184,469	60-90 days.	1
		AKMC	3	Sales	527,836	Normal.	6
		BCM Embedded Computer Inc.	3	Receivables from related parties	322	60-90 days.	-
		BCM Embedded Computer Inc.	3	Sales	4,990	Normal.	-
13	AIMS	Advantech Co., Ltd.	2	Rental expense	150	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	52	60-90 days.	-
14	Advantech Fund - A	Advantech Co., Ltd.	2	Rental expense	18	Normal.	-
15	AMY	Advantech Co., Ltd.	2	Sales	40	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	38	60 days.	-
		Advantech Co., Ltd.	2	Purchase	16,905	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	7,460	45 days.	-
		AC	3	Purchase	8	Normal.	-
		ASG	3	Purchase	40	Normal.	-
		ASG	3	Other expense	56	Normal.	-
16	AEU	ACN	3	Payables to related parties	157	60-90 days.	-
		ACN	3	Purchase	228	Normal.	-
		AESC	3	Payables to related parties	42	30 days after invoice date.	-
		AESC	3	Receivables from related parties	120	30 days after invoice date.	-
17	SHHQ	Advantech Co., Ltd.	2	Payables to related parties	4,484	45 days.	-
		AKMC	3	Payables to related parties	27	60-90 days.	-
		ACN	3	Sales	514	Normal.	-
		ACN	3	Receivables from related parties	48,880	60-90 days.	-
		ACN	3	Purchase	256,021	Normal.	3
		ACN	3	Payables to related parties	55,635	60-90 days.	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
18	AIT	AESC	3	Commission revenue	\$ 36,649	Normal.	-
		AESC	3	Purchase	4,799	Normal.	-
		AESC	3	Payables to related parties	21,142	30 days after invoice date.	-
		AESC	3	Receivables from related parties	2,647	45 days after invoice date.	-
19	Netstar Technology Co., Ltd.	Advantech Co., Ltd.	2	Sales	10,393	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	2,683	60 days.	-
20	Jan Hsiang	Advantech Co., Ltd.	2	Sales	11,353	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,981	60 days.	-
		Advantech Co., Ltd.	2	Purchase	12	Normal.	-
21	APN	AKMC	3	Payables to related parties	40	Prompt payment.	-
		AKMC	3	Purchase	41	Normal.	-
22	AKL	AKMC	3	Payables to related parties	61	Prompt payment.	-
		AKMC	3	Purchase	80	Normal.	-
23	AYS	Advantech Co., Ltd.	2	Sales	265,229	Normal.	3
		Advantech Co., Ltd.	2	Receivables from related parties	144,032	90 days.	1
		Advantech Co., Ltd.	2	Payables to related parties	212	30 days.	-
		ADMC	3	Purchase	232,716	Normal.	3
		ADMC	3	Payables to related parties	88,353	60-90 days.	-
24	BCM Embedded Computer Inc.	Advantech Co., Ltd.	2	Rental expense	205	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	47	30 days.	-
		Advansus Corp.	3	Payables to related parties	322	60-90 days.	-
		Advansus Corp.	3	Purchase	4,990	Normal.	-
25	Broadwin Technology, Inc.	Advantech Co., Ltd.	2	Sales	670	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	338	60 days.	-
		Advantech Co., Ltd.	2	Purchase	2,637	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	2,690	60 days.	-
26	AHK	ACN	3	Payables to related parties	5,474	60-90 days.	-
		ACN	3	Purchase	6	Normal.	-
27	Hangzhou Advantofine Automation tech. Co., Ltd.	ACN	3	Payables to related parties	17,707	60-90 days.	-
		ACN	3	Purchase	32,469	Normal.	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
	<u>June 30, 2007</u>						
0	Advantech Co., Ltd.	AC	1	Sales	\$ 1,195,242	Note E	16
		AC	1	Receivables from related parties	438,572	Note G	2
		AC	1	Purchase	10,118	Note E	-
		AC	1	Payables to related parties	7,923	Note G	-
		AESC	1	Sales	914,234	Note E	12
		AESC	1	Receivables from related parties	652,714	Note F	3
		AESC	1	Purchase	13,836	Note E	-
		AESC	1	Payables to related parties	1,000	Note F	-
		ACN	1	Sales	819,452	Note E	11
		ACN	1	Receivables from related parties	355,635	Note F	2
		ATC	1	Purchase	1,509,978	Note E	20
		ATC	1	Payables to related parties	477,888	Note F	3
		ATC	1	Royalty revenue	75,906	Note F	1
		AKMC	1	Sales	16,358	Note E	-
		AKMC	1	Receivables from related parties	115,416	Note F	1
		AAU	1	Sales	61,587	Note E	1
		AAU	1	Receivables from related parties	11,895	Note G	-
		ASG	1	Sales	53,502	Note E	1
		ASG	1	Payables to related parties	1,426	Note G	-
		ASG	1	Receivables from related parties	17,966	Note G	-
		AJP	1	Sales	124,400	Note E	2
		AJP	1	Receivables from related parties	76,955	Note G	-
		Viewsys	1	Purchase	113	Note E	-
		Viewsys	1	Payables to related parties	113	Note G	-
		Advansus Corp.	1	Sales	6,104	Note E	-
		Advansus Corp.	1	Purchase	192,144	Note E	2
		Advansus Corp.	1	Rental revenue	1,410	Note G	-
		Advansus Corp.	1	Payables to related parties	10,248	Note G	-
		AIMS	1	Rental revenue	130	Note G	-
		Advantech Fund - A	1	Rental revenue	18	Note G	-
		ADL (former name: AEBC)	1	Receivables from related parties	3,036	Note F	-
		ADL (former name: AEBC)	1	Payables to related parties	884	Note F	-
		SHHQ	1	Sales	217,990	Note E	3
		SHHQ	1	Receivables from related parties	67,106	Note F	-
		AMY	1	Sales	36,075	Note E	-
		AMY	1	Receivables from related parties	22,769	Note F	-
		AHG	1	Sales	1,521	Note E	-
		AHG	1	Receivables from related parties	682	Note F	-
		APL	1	Receivables from related parties	15,512	Note F	-
		AIT	1	Receivables from related parties	429	Note F	-
		Netstar Technology Co., Ltd.	1	Purchase	702	Note E	-
		Netstar Technology Co., Ltd.	1	Payables to related parties	1,959	Note F	-
		Jan Hsiang Electronics Co., Ltd.	1	Purchase	1,046	Note E	-
		Jan Hsiang Electronics Co., Ltd.	1	Payables to related parties	2,466	Note F	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
1	AC	Advantech Co., Ltd.	2	Payables to related parties	\$ 438,572	Note G	2
		Advantech Co., Ltd.	2	Purchase	1,195,242	Note E	16
		Advantech Co., Ltd.	2	Sales	10,118	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	7,923	Note G	-
		ASG	3	Purchase	37	Note E	-
		ASG	3	Sales	550	Note E	-
		AESC	3	Receivables from related parties	2,213	Note E	-
		AESC	3	Sales	2,284	Note E	-
		ATC	3	Receivables from related parties	443	Note F	-
		ATC	3	Sales	720	Note E	-
		AMY	3	Receivables from related parties	431	Note F	-
		AMY	3	Sales	482	Note E	-
		ASG	3	Receivables from related parties	36	Note E	-
		AAU	3	Sales	53	Note E	-
		2	AESC	Advantech Co., Ltd.	2	Purchase	914,234
Advantech Co., Ltd.	2			Payables to related parties	652,714	Note F	3
Advantech Co., Ltd.	2			Sales	13,836	Note E	-
Advantech Co., Ltd.	2			Receivables from related parties	1,000	Note F	-
ADL	3			Receivables from related parties	39,281	Note F	-
ADL	3			Payables to related parties	158,155	Note E	1
ADL	3			Commission expense	274,144	Note E	4
ADL	3			Sales	23,094	Note E	-
AEU	3			Receivables from related parties	38	Note E	-
AEU	3			Receivables from related parties - financing need	11,492	Note E	-
AEU	3			Payables to related parties - financing need	10,973	Note E	-
AIT	3			Receivables from related parties	31,681	Note F	-
AMY	3			Receivables from related parties	77	Note E	-
APL	3			Receivables from related parties	11,795	Note E	-
APL	3			Maintenance cost	17,245	Note E	-
APL	3			Payables to related parties	3,924	Note E	-
APL	3			Sales	2,317	Note E	-
AC	3			Purchase	2,284	Note E	-
AC	3			Payables to related parties	2,213	Note E	-
ACN	3			Payables to related parties	144	Note E	-
ACN	3			Purchase	143	Note E	-
AKMC	3			Payables to related parties	784	Note E	-
ASG	3			Purchase	450	Note E	-
ASG	3			Payables to related parties	388	Note F	-
ASG	3			Receivables from related parties	28	Note F	-
Advansus Corp.	3			Payables to related parties	29	Note G	-
Advansus Corp.	3			Purchase	27	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
3	ACN	Advantech Co., Ltd.	2	Purchase	\$ 819,452	Note E	11
		Advantech Co., Ltd.	2	Payables to related parties	355,635	Note F	2
		AESC	3	Receivables from related parties	144	Note E	-
		AESC	3	Sales	143	Note E	-
		ADMC	3	Receivables from related parties	23	Note F	-
		ADMC	3	Sales	19	Note E	-
		AJP	3	Receivables from related parties	24	Note F	-
		AJP	3	Sales	24	Note E	-
		AKMC	3	Receivables from related parties	7,606	Note F	-
		AKMC	3	Purchase	11,436	Note E	-
		AKMC	3	Payables to related parties	18,291	Note E	-
		AKMC	3	Sales	8,771	Note E	-
		ASG	3	Payables to related parties	120	Note E	-
		ASG	3	Purchase	119	Note E	-
		SHHQ	3	Purchase	68,222	Note E	1
		SHHQ	3	Payables to related parties	80,468	Note E	-
		SHHQ	3	Sales	144,828	Note E	2
SHHQ	3	Receivables from related parties	70,636	Note E	-		
4	ATC	Advantech Co., Ltd.	2	Sales	1,509,978	Note E	20
		Advantech Co., Ltd.	2	Royalty expense	75,906	Note E	1
		Advantech Co., Ltd.	2	Receivables from related parties	477,888	Note F	3
		AKMC	3	Purchase	942,629	Note E	12
		AKMC	3	Sales	1,964	Note E	-
		AKMC	3	Payables to related parties	212,510	Note F	1
		AKMC	3	Receivables from related parties	4,158	Note E	-
		ADMC	3	Purchase	242,434	Note E	3
		ADMC	3	Payables to related parties	113,882	Note F	1
		ADMC	3	Receivables from related parties	22,828	Note F	-
		AC	3	Purchase	720	Note E	-
		AC	3	Payables to related parties	443	Note E	-
		5	AKMC	Advantech Co., Ltd.	2	Purchase	16,358
Advantech Co., Ltd.	2			Payables to related parties	115,416	Note F	1
ACN	3			Sales	11,436	Note E	-
ACN	3			Receivables from related parties	18,291	Note E	-
ACN	3			Purchase	8,771	Note E	-
ACN	3			Payables to related parties	7,606	Note F	-
AAU	3			Sales	200	Note F	-
AMY	3			Sales	132	Note E	-
ASG	3			Sales	150	Note E	-
ADMC	3			Receivables from related parties	24,099	Note E	-
ADMC	3			Sales	28,996	Note E	-
AESC	3			Receivables from related parties	784	Note E	-
ATC	3			Purchase	1,964	Note E	-
ATC	3			Payables to related parties	4,158	Note E	-

(Continued)



Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		ATC	3	Sales	\$ 942,629	Note E	12
		ATC	3	Receivables from related parties	212,510	Note F	1
		SHHQ	3	Purchase	2,287	Note E	-
		SHHQ	3	Payables to related parties	559	Note G	-
		Advansus Corp.	3	Payables to related parties	53,736	Note H	-
		Advansus Corp.	3	Purchase	121,104	Note E	2
6	ADMC	ATC	3	Sales	242,434	Note E	3
		ATC	3	Receivables from related parties	113,882	Note F	1
		ATC	3	Payables to related parties	22,828	Note F	-
		ACN	3	Payables to related parties	23	Note F	-
		ACN	3	Purchase	19	Note E	-
		AKMC	3	Purchase	28,996	Note E	-
		AKMC	3	Payables to related parties	24,099	Note E	-
7	APL	Advantech Co., Ltd.	2	Payables to related parties	15,512	Note F	-
		AESC	3	Maintenance revenue	17,245	Note E	-
		AESC	3	Receivables from related parties	3,924	Note E	-
		AESC	3	Purchase	2,317	Note E	-
		AESC	3	Payables to related parties	11,795	Note E	-
8	ASG	Advantech Co., Ltd.	2	Purchase	53,502	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	17,966	Note G	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,426	Note G	-
		AMY	3	Receivables from related parties	662	Note E	-
		AESC	3	Payables to related parties	28	Note F	-
		AESC	3	Receivables from related parties	388	Note F	-
		AESC	3	Sales	450	Note E	-
		ACN	3	Receivables from related parties	120	Note E	-
		ACN	3	Sales	119	Note E	-
		AC	3	Sales	37	Note E	-
		AC	3	Purchase	550	Note E	-
		AC	3	Payables to related parties	36	Note E	-
		AKMC	3	Purchase	150	Note E	-
9	AJP	Advantech Co., Ltd.	2	Purchase	124,400	Note E	2
		Advantech Co., Ltd.	2	Payables to related parties	76,955	Note G	-
		ACN	3	Payables to related parties	24	Note F	-
		ACN	3	Purchase	24	Note E	-
10	AAU	Advantech Co., Ltd.	2	Purchase	61,587	Note E	1
		Advantech Co., Ltd.	2	Payables to related parties	11,895	Note G	-
		AKMC	3	Purchase	200	Note E	-
		AC	3	Purchase	53	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
11	ADL (former name: AEBC)	Advantech Co., Ltd.	2	Payables to related parties	\$ 3,036	Note F	-
		Advantech Co., Ltd.	2	Receivables from related parties	884	Note F	-
		AESC	3	Payables to related parties	39,281	Note F	-
		AESC	3	Commission revenue	274,144	Note E	4
		AESC	3	Receivables from related parties	158,155	Note E	1
		AESC	3	Purchase	23,094	Note E	-
		AEU	3	Payables to related parties	97,737	Note E	1
12	Advansus Corp.	Advantech Co., Ltd.	2	Sales	192,144	Note E	2
		Advantech Co., Ltd.	2	Rental expense	1,410	Note G	-
		Advantech Co., Ltd.	2	Receivables from related parties	10,248	Note G	-
		Advantech Co., Ltd.	2	Purchase	6,104	Note E	-
		AESC	3	Receivables from related parties	29	Note G	-
		AESC	3	Sales	27	Note E	-
		AKMC	3	Receivables from related parties	53,736	Note H	-
		AKMC	3	Sales	121,104	Note E	2
13	Viewsys	Advantech Co., Ltd.	2	Sales	113	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	113	Note G	-
14	AIMS	Advantech Co., Ltd.	2	Rental expense	130	Note G	-
15	Advantech Fund - A	Advantech Co., Ltd.	2	Rental expense	18	Note G	-
16	AMY	Advantech Co., Ltd.	2	Purchase	36,075	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	22,769	Note F	-
		AKMC	3	Purchase	132	Note E	-
		AC	3	Purchase	482	Note E	-
		AC	3	Payables to related parties	431	Note F	-
		ASG	3	Payables to related parties	662	Note E	-
		AESC	3	Payables to related parties	77	Note E	-
17	AEU	AESC	3	Receivables from related parties - financing need	10,973	Note E	-
		AESC	3	Payables to related parties - financing need	11,492	Note E	-
		AESC	3	Payables to related parties	38	Note E	-
		ADL	3	Receivables from related parties	97,737	Note E	1
18	SHHQ	Advantech Co., Ltd.	2	Purchase	217,990	Note E	3
		Advantech Co., Ltd.	2	Payables to related parties	67,106	Note F	-
		AKMC	3	Receivables from related parties	559	Note G	-
		AKMC	3	Sales	2,287	Note E	-
		ACN	3	Sales	68,222	Note E	1
		ACN	3	Receivables from related parties	80,468	Note E	-
		ACN	3	Purchase	144,828	Note E	2
		ACN	3	Payables to related parties	70,636	Note E	-
		AHK	3	Receivables from related parties	1,554	Note G	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
19	AHG	Advantech Co., Ltd.	2	Purchase	\$ 1,521	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	682	Note F	-
20	AIT	Advantech Co., Ltd.	2	Payables to related parties	429	Note F	-
		AESC	3	Payables to related parties	31,681	Note F	-
21	Netstar Technology Co., Ltd.	Advantech Co., Ltd.	2	Sales	702	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,959	Note F	-
		Netstar Electronics Co., Ltd.	3	Purchase	136,542	Note I	2
		Netstar Electronics Co., Ltd.	3	Receivables from related parties	117,419	Note F	1
		Lantech Communications Inc.	3	Purchase	15,407	Note I	-
		Lantech Communications Inc.	3	Receivables from related parties	23,877	Note F	-
22	Jan Hsiang Electronics Co., Ltd.	Advantech Co., Ltd.	2	Sales	1,046	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	2,466	Note F	-
23	Netstar Electronics Co., Ltd.	Netstar Technology Co., Ltd.	3	Sales	136,542	Note I	2
		Netstar Technology Co., Ltd.	3	Payables to related parties	117,419	Note F	1
24	Lantech Communications Inc.	Netstar Technology Co., Ltd.	3	Sales	15,407	Note I	-
		Netstar Technology Co., Ltd.	3	Payables to related parties	23,877	Note F	-
25	AHK	SHHQ	3	Payables to related parties	1,554	Note G	-

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

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

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

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

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of June 30, 2008 and 2007, respectively; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended June 30, 2008 and 2007, respectively.

Note D: All intercompany transactions have been written off.

Note E: Normal.

Note F: Depending on its operating condition.

Note G: 60-90 days.

Note H: 30 days.

Note I: Purchase settlement was based on certain agreements.

(Concluded)