Advantech Co., Ltd.

Financial Statements for the
Years Ended December 31, 2009 and 2008 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Advantech Co., Ltd. as of December 31, 2009 and 2008, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, as stated in Note 8 to the financial statements, we did not audit the financial statements as of and for the years ended December 31, 2009 and 2008 of some companies in which the Company had investments accounted for by the equity method. The financial statements of these investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the investees' amounts included herein, is based solely on the reports of other auditors. The carrying values of these investments were 5.03% (NT$807,459 thousand) and 10.06% (NT$1,420,812 thousand) of the Company's total assets as of December 31, 2009 and 2008, respectively. Also, the equity in the investees' net losses was (6.57%) (NT$127,427 thousand) and net gains was 0.91% (NT$25,972 thousand) of the Company's income before income tax in 2009 and 2008, respectively.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Advantech Co., Ltd. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the accompanying financial statements, the Company adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories" on January 1, 2009. In addition, the Accounting Research and Development Foundation issued Interpretation 2007-052, which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings.

We have also audited the consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2009 and 2008, and have expressed a modified unqualified opinion on those consolidated financial statements in our report (not presented herewith) dated March 15, 2010.

March 15, 2010

<u>Notice to Readers</u>

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

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

ADVANTECH CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)

	2009		2008	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 1,706,903	11	$ 1,223,098	9
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 18)	11,074	-	1,601	-
Notes receivable (Note 2)	21,154	-	30,905	-
Accounts receivable, net of allowance for doubtful accounts of $16,218 thousand in 2009 and $13,932 thousand in 2008 (Note 2)	598,536	4	566,844	4
Accounts receivable - related parties, net (Notes 2 and 16)	1,478,520	9	1,402,447	10
Other receivable	39,159	-	33,838	1
Other receivable - related parties (Note 16)	31,402	-	11,076	-
Inventories, net (Notes 2 and 7)	829,539	5	998,535	7
Deferred income tax assets - current (Notes 2 and 13)	22,936	-	32,572	-
Prepayments and other current assets	110,918	1	32,303	-
Total current assets	4,850,141	30	4,333,219	31
LONG-TERM FUNDS AND INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 18)	2,990,806	19	1,731,615	12
Investments accounted for by the equity method (Notes 2 and 8)	5,692,704	35	5,493,874	39
Total long-term funds and investments	8,683,510	54	7,225,489	51
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 9)				
Cost				
Land	1,113,352	7	1,113,352	8
Buildings	1,182,812	7	1,090,516	7
Machinery and equipment	404,105	3	394,790	3
Furniture and fixtures	102,026	1	116,295	1
Other equipment	196,481	1	166,690	1
Total cost	2,998,776	19	2,881,643	20
Less: Accumulated depreciation	628,161	4	558,223	4
	2,370,615	15	2,323,420	16
Construction in progress and prepayments for equipment	9,390	-	91,263	1
Property, plant and equipment, net	2,380,005	15	2,414,683	17
OTHER ASSETS				
Refundable deposits (Note 16)	6,690	-	6,638	-
Deferred expenses, net (Note 2)	121,689	1	138,429	1
Total other assets	128,379	1	145,067	1
TOTAL	$ 16,042,035	100	$ 14,118,458	100

	2009		2008	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 18)	$ -	-	$ 23,287	-
Accounts payable	432,788	3	297,180	2
Accounts payable to related parties (Note 16)	1,113,993	7	694,221	5
Income tax payable (Notes 2 and 13)	144,401	1	276,211	2
Accrued expenses (Note 11)	707,694	4	637,709	5
Receipts in advance and other current liabilities (Note 16)	86,176	-	70,396	-
Total current liabilities	2,485,052	15	1,999,004	14
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 10)	102,965	1	106,365	1
Deferred income tax liabilities - noncurrent (Notes 2 and 13)	284,704	2	215,416	1
Deferred credits (Note 2)	184,653	1	251,028	2
Others (Notes 2 and 8)	7,171	-	4,234	-
Total other liabilities	579,493	4	577,043	4
Total liabilities	3,064,545	19	2,576,047	18
SHAREHOLDERS' EQUITY				
Capital stock, NT$10.00 par value				
Authorized - 600,000 thousand shares			-	-
Issued and outstanding - 516,134 thousand shares in 2009 and 511,346 thousand shares in 2008	5,161,337	32	5,113,458	36
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	4,376,041	27	4,295,589	31
From treasury stock	13,612	-	13,612	-
From long-term equity investments	59,911	1	59,771	-
Employee stock options	5,257	-	-	-
Total capital surplus	4,454,821	28	4,368,972	31
Retained earnings				
Legal reserve	1,927,459	12	1,673,104	12
Special reserve	1,135,596	7	-	-
Unappropriated earnings	1,754,111	11	2,908,171	21
Total retained earnings	4,817,166	30	4,581,275	33
Other equity				
Cumulative translation adjustments	227,050	2	320,051	2
Net loss not recognized as pension cost	(2,353)	-	-	-
Unrealized loss on financial instruments	(294,833)	(2)	(1,455,647)	(10)
Treasury stock - 14,500 thousand shares	(1,385,698)	(9)	(1,385,698)	(10)
Total other equity	(1,455,834)	(9)	(2,521,294)	(18)
Total shareholders' equity	12,977,490	81	11,542,411	82
TOTAL	$ 16,042,035	100	$ 14,118,458	100

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

(With Deloitte & Touche audit report dated March 15, 2010)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 2 and 16)				
Sales	$ 10,712,139	100	$ 12,318,767	100
Sales returns and allowances	109,398	1	201,054	1
Net sales	10,602,741	99	12,117,713	99
Other operating revenue	155,183	1	157,953	1
Total operating revenue	10,757,924	100	12,275,666	100
OPERATING COSTS (Notes 14 and 16)	7,931,769	74	8,824,260	72
GROSS PROFIT	2,826,155	26	3,451,406	28
REALIZED (UNREALIZED) INTERCOMPANY GAINS (Note 2)	66,375	1	(7,874)	-
ADJUSTED GROSS PROFIT	2,892,530	27	3,443,532	28
OPERATING EXPENSES (Notes 14 and 16)				
Marketing	287,251	3	281,295	2
Administration	351,949	3	385,939	3
Research and development	1,072,444	10	968,409	8
Total operating expenses	1,711,644	16	1,635,643	13
OPERATING INCOME	1,180,886	11	1,807,889	15
NONOPERATING INCOME AND GAINS				
Interest income (Note 16)	5,379	-	13,316	-
Investment income recognized under the equity method, net (Notes 2 and 8)	404,711	4	713,421	6
Gain on sale of investments, net	-	-	20,496	-
Exchange gain, net (Note 2)	20,944	-	26,984	-
Royalty revenue (Note 16)	189,840	2	185,533	2
Valuation gain on financial instruments, net (Notes 2 and 5)	12,435	-	-	-
Dividend income	91,397	1	103,575	1
Other income (Note 16)	37,911	-	26,453	-
Total nonoperating income and gains	762,617	7	1,089,778	9

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ADVANTECH CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Valuation loss on financial instruments, net (Notes 2 and 5)	$ -	-	$ 31,554	1
Other expenses	3,106	-	3,152	-
Total nonoperating expenses and losses	3,106	-	34,706	1
INCOME BEFORE INCOME TAX	1,940,397	18	2,862,961	23
INCOME TAX EXPENSE (Notes 2 and 13)	189,065	2	306,323	2
NET INCOME	$ 1,751,332	16	$ 2,556,638	21

	2009		2008	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 15)				
Basic	$ 3.88	$ 3.50	$ 5.71	$ 5.10
Diluted	$ 3.85	$ 3.47	$ 5.66	$ 5.06

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

(With Deloitte & Touche audit report dated March 15, 2010) (Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Capital Stock - Issued and Outstanding (Note 11)		Capital Surplus (Notes 2 and 11)					Retained Earnings (Notes 2 and 11)								
	Shares (Thousands)	Amount	Additional Paid-in Capital in Excess of Par Value	From Treasury Stock	From Long-term Equity Investments	Stock Option	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized As Pension Cost	Unrealized Valuation Gains on Financial Instruments (Notes 2 and 18)	Treasury Stock (Notes 2 and 12)	Total Shareholders' Equity
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)	$ 14,041,792
Appropriation of the 2007 earnings																
Legal reserve	-	-	-	-	-	-	-	294,989	-	(294,989)	-	-	-	-	-	-
Bonus to employees	6,000	60,000	-	-	-	-	-	-	-	(265,490)	(265,490)	-	-	-	-	(205,490)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(26,549)	(26,549)	-	-	-	-	(26,549)
Stock dividends - 5%	23,369	233,688	-	-	-	-	-	-	-	(233,688)	(233,688)	-	-	-	-	-
Cash dividends - NT$4.00 per share	-	-	-	-	-	-	-	-	-	(1,869,508)	(1,869,508)	-	-	-	-	(1,869,508)
Net income in 2008	-	-	-	-	-	-	-	-	-	2,556,638	2,556,638	-	-	-	-	2,556,638
Employee stock options	400	4,000	7,536	-	-	-	7,536	-	-	-	-	-	-	-	-	11,536
Increase in carrying values of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	(5,864)	-	(5,864)	-	-	-	-	-	-	-	-	(5,864)
Increase (decrease) in carrying values of equity-method investments due to the acquisition of treasury stock by the investees	-	-	-	13,612	-	-	13,612	-	-	(13,091)	(13,091)	-	-	-	-	521
Changes in unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,365,962)	-	(2,365,962)
Equity in the changes in unrealized valuation gain on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	-	615	-	615
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	-
Changes in translation adjustments.	-	-	-	-	-	-	-	-	-	-	-	76,508	-	-	-	76,508
BALANCE, DECEMBER 31, 2008	511,346	5,113,458	4,295,589	13,612	59,771	-	4,368,972	1,673,104	-	2,908,171	4,581,275	320,051	-	(1,455,647)	(1,385,698)	11,542,411
Appropriation of the 2008 earnings (Note 3)																
Legal reserve	-	-	-	-	-	-	-	254,355	-	(254,355)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	1,135,596	(1,135,596)	-	-	-	-	-	-
Stock dividends - 0.5%	2,484	24,843	-	-	-	-	-	-	-	(24,843)	(24,843)	-	-	-	-	-
Cash dividends - NT$3.00 per share	-	-	-	-	-	-	-	-	-	(1,490,598)	(1,490,598)	-	-	-	-	(1,490,598)
Issuance of common stock from employee bonus	2,139	21,386	78,614	-	-	-	78,614	-	-	-	-	-	-	-	-	100,000
Net income in 2009	-	-	-	-	-	-	-	-	-	1,751,332	1,751,332	-	-	-	-	1,751,332
Employee stock options	165	1,650	1,838	-	-	-	1,838	-	-	-	-	-	-	-	-	3,488
Issuance of stock options	-	-	-	-	-	5,257	5,257	-	-	-	-	-	-	-	-	5,257
Increase in carrying values of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	140	-	140	-	-	-	-	-	-	-	-	140
Changes in unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	1,160,118	-	1,160,118
Equity in the changes in unrealized valuation gain on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	-	696	-	696
Changes in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	(93,001)	-	-	-	(93,001)
Change in net loss not recognized as pension cost of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	(2,353)	-	-	(2,353)
BALANCE, DECEMBER 31, 2009	516,134	$ 5,161,337	$ 4,376,041	$ 13,612	$ 59,911	$ 5,257	$ 4,454,821	$ 1,927,459	$ 1,135,596	$ 1,754,111	$ 4,817,166	$ 227,050	$ (2,353)	$ (294,833)	$ (1,385,698)	$ 12,977,490

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

(With Deloitte & Touche audit report dated March 15, 2010)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,751,332	$ 2,556,638
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	171,897	167,601
Provision for doubtful accounts	8,824	4,063
Provision for (recovery of) loss on inventories	8,634	(27,021)
Loss on disposal of scrap inventories	70,831	98,524
Gain on disposal of long-term equity investments, net	-	(3,647)
Gain on the sale of available-for-sale financial assets, net	-	(16,849)
Loss on disposal of property, plant and equipment, net	408	2,994
Investment income recognized under the equity method, net	(404,711)	(713,421)
Cash dividends received from equity method investees	38,398	836,618
Compensation cost of employee stock options	5,257	-
Accrued pension cost	(3,423)	(2,568)
Deferred income tax	78,924	(25,593)
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(32,760)	21,773
Notes receivable	9,751	18,584
Accounts receivable	(40,516)	25,428
Accounts receivable - related parties	(76,073)	473,968
Other receivables	(5,321)	42,071
Other receivables - related parties	(6,326)	17,466
Inventories	89,531	44,775
Prepayments and other current assets	(78,615)	(6,331)
Accounts payable	135,608	(174,779)
Accounts payable - related parties	419,772	(280,342)
Income tax payable	(131,841)	88,074
Accrued expenses	412,535	167,226
Receipts in advance and other current liabilities	15,780	(21,692)
Deferred credits	(66,375)	7,873
Net cash provided by operating activities	2,371,521	3,301,433
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(99,073)	(7,120,548)
Proceeds from disposal of available-for-sale financial assets	-	8,108,164
Acquisition of investments accounted for by the equity method	(50,000)	(1,108,789)
Proceeds from disposal of equity-method investments	120,000	205,489
Cash acquired through merger	6,176	-
Increase in other receivable - financing to related parties	(14,000)	-
Proceeds from disposal of property, plant and equipment	354	764
Acquisition of property, plant and equipment	(91,133)	(518,923)

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ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
Increase in deferred charges	$ (30,108)	$ (68,018)
Decrease (increase) in refundable deposits	(52)	1,060
Net cash used in investing activities	(157,836)	(500,801)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	(1,490,598)	(1,869,508)
Cash bonus to employees and remuneration to directors and supervisors	(242,770)	(228,536)
Employee stock options	3,488	11,536
Cash paid for acquisition of treasury stock	-	(671,826)
Net cash used in financing activities	(1,729,880)	(2,758,334)
NET INCREASE IN CASH	483,805	42,298
CASH, BEGINNING OF YEAR	1,223,098	1,180,800
CASH, END OF YEAR	$ 1,706,903	$ 1,223,098
SUPPLEMENTAL CASH FLOW INFORMATION		
Income tax paid	$ 243,424	$ 242,016

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

(With Deloitte & Touche audit report dated March 15, 2010) (Concluded)

1. ORGANIZATION AND OPERATIONS

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

In order to improve the Group's entire operating efficiency of the group, the Company's board of directors had resolved to merge with Advantech Investment and Management Service (AIMS) through short-form merger. The merger date was July 30, 2009. In this merger, the Company was the survivor company and the Company assumed all the assets and liabilities of AIMS.

As of December 31, 2009 and 2008, the Company had 1,346 and 1,354 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Current and Noncurrent Assets and Liabilities

Current assets include cash and 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.

Financial Assets/Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss ("FVTPL") include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to issue of initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

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

Available-for-sale Financial Assets

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

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

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

An impairment loss 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 Company does not recognize as sales those transactions involving the delivery of materials to subcontractors since ownership of materials is not transferred upon delivery of materials. Allowances and the related provision for sales returns are accounted for as a deduction from gross sales, and the related costs are deducted from cost of sales as they are incurred.

Sales are measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company 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. Before January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on a total-inventory basis. Market value represented replacement costs of raw materials, supplies and spare parts and net realizable values of work in process and finished goods. As stated in Note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Inventory costs are determined using the weighted-average method.

Investments Accounted for by the Equity Method

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

The difference between the cost of the investment and the Company's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted is amortized over five years. Effective January 1, 2006, under the revised Statement of Financial Accounting Standards, investment premiums, representing goodwill, are no longer being amortized. If the net fair value of an asset exceed its investment cost, the difference will be credited to depend on the proportion of noncurrent asset's (not include non-equity-method financial asset, dispose asset waiting for sale, 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 Company'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 Company acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Company's equity in its investee's net assets is credited to capital surplus. Any decrease in the Company's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings.

For equity-method investees over which the Company has controlling influence, if the equity in losses recognized exceeds the original investment acquisition costs, the Company recognizes its investee's total losses unless other investors commit to and have the ability to assume a portion of the losses. However, when the investees return to profitable operations, the profits should be recognized by the Company totally until its previously recognized losses are covered. 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 Company to its subsidiaries are deferred but only profit in proportion to the Company's equity interest is deferred for other equity-method investees that are not majority owned. Profit from the sales of products by equity-method investees to the Company is deferred in proportion to the Company's equity interests in the investees and credited against the investment. Profits from sales of products between equity-method investees are deferred to the extent of the Company's equity interests in these investees. The deferred profits are included as part of other liabilities. All of these profits are realized through the subsequent sale of the related products to third parties.

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

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

Property, Plant and Equipment

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

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

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

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 property, plant and equipment, 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 Company 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.

Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under SFAS No. 39, "Accounting for Share-based Payment." Under the statement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Pension Cost

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Curtailment or settlement gains or losses on the defined benefit plan are recognized as part of the net periodic pension cost for the year.

Treasury Stock

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

Income Tax

The Company applies inter-year allocations for its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized in the current year.

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

An additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Foreign-currency Transactions

Non-derivative foreign currency transactions are recorded in New Taiwan dollars at the spot rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

At the balance sheet date, foreign-currency nonmonetary assets and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;

b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2008 have been reclassified to be consistent with the presentation of the financial statements as of and for the year ended December 31, 2009.

3. ACCOUNTING CHANGES

a. Accounting for Inventories

Effective January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards No. 10 - “Inventories.” The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item by item, except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of sales for the period. This accounting change resulted in decreases of $7,676 thousand in net income and of NT$0.02 in earnings per share (after income tax) for the year ended December 31, 2009. The Company also reclassified the nonoperating loss of $73,426 thousand to the cost of goods sold for the year ended December 31, 2008.

b. Accounting for Bonuses to Employees, Directors and Supervisors

The Accounting Research and Development Foundation of the R.O.C. issued Interpretation 2007-052 which requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. This accounting change resulted in decreases of $135,859 thousand in net income and of NT$0.27 in earnings per share (after income tax and before retroactive adjustment) for the year ended December 31, 2008.

4. CASH

	December 31	
	2009	2008
Cash on hand	$ 1,531	$ 1,530
Checking accounts and demand deposits	490,081	204,157
Time deposits: Interest - 0.2%-0.705% in 2009 and 0.2%-2.04% in 2008	1,215,291	1,017,411
	$ 1,706,903	$ 1,223,098

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments classified as held for trading were as follows:

	December 31	
	2009	2008
Financial assets held from trading		
Forward exchange contracts	$ 11,074	$ 1,601
Financial liabilities held from trading		
Forward exchange contracts	$ -	$ 23,287

Outstanding forward exchange contracts as of December 31, 2009 and 2008 were as follows:

	Currency	Maturity	Amount (Thousand)
December 31, 2009			
Sell	EUR/USD	January - February 2010	EUR960/USD1,445
	USD/NTD	January - June 2010	USD25,945/TWD838,536
	JPY/USD	January - February 2010	JPY30,000/TWD10,837
December 31, 2008			
Sell	EUR/USD	February - March 2009	EUR8,000/USD10,594

The Company entered into forward exchange contracts transactions the years ended December 31, 2009 and 2008 to manage exchange due to exchange rate and interest rate fluctuations. The financial risk management objective of the Company is to minimize risks due to changes in fair value or cash flows.

Net gains and losses arising from trading financial assets or liabilities for the years ended December 31, 2009 and 2008 were gains $12,435 thousand and losses $31,554 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2009	2008
Quoted domestic stocks		
ASUSTeK Computer Inc.	$ 2,829,806	$ 1,681,699
Chunghwa Telecom Co., Ltd.	101,745	-
Quoted overseas stocks		
SG Advantech Co., Ltd.	59,255	49,916
	$ 2,990,806	$ 1,731,615

7. INVENTORIES, NET

	December 31	
	2009	2008
Finished goods	$ 296,836	$ 354,241
Work in process	186,562	282,633
Materials and supplies	336,309	358,019
Goods in transit	9,832	3,642
	$ 829,539	$ 998,535

As of December 31, 2009 and 2008, the allowance for inventory devaluation were $90,759 thousand and $82,125 thousand, respectively.

As of December 31, 2009 and 2008, the costs of goods sold related to inventories were $7,931,769 thousand and $8,824,260 thousand, respectively, which included allowance for loss of $8,634 thousand and inventory scraps for loss of $70,831 thousand for the year ended December 31, 2009, and reversal of provision for loss of $27,021 thousand and inventory scraps for loss of $98,524 thousand for the year ended December 31, 2008.

8. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2009		2008	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Listed				
Axiomtek Co., Ltd.	$ 341,868	27.63	$ 349,915	27.96
Unlisted				
Advantech Technology Co., Ltd.	1,932,670	100.00	1,576,784	100.00
Advantech Automation Corp. (BVI)	1,864,436	100.00	1,787,540	100.00
Advantech Investment Fund-A Co., Ltd.	633,160	100.00	624,712	100.00
Advantech Europe Holding B.V.	241,551	100.00	420,184	100.00
Advansus Corp.	212,966	50.00	303,998	50.00
Advantech Japan Co., Ltd.	119,051	100.00	137,516	100.00
Advantech Australia Pty Ltd.	94,343	100.00	68,755	100.00
Advantech (YanShun) Holding Co., Ltd.	77,693	100.00	90,703	100.00
Advantech Co. Singapore Pte, Ltd.	62,342	100.00	71,404	100.00
Advantech Intelligent Service	50,000	100.00	-	-
Advantech Co. Malaysia Sdn. Bhd.	41,823	100.00	40,183	100.00
Advantech Hungary Ltd.	15,170	30.00	16,369	30.00
Advantech Brazil S/A	5,631	43.28	-	-
Advantech Investment & Management Service	-	-	5,811	100.00
Advantech (HK) Technology Co., Ltd.	-	100.00	-	100.00
	5,350,836		5,143,959	
Long-term equity-method investments	$ 5,692,704		$ 5,493,874	

One of the Company's equity-method investees, Advantech Technologies Co., Ltd. (formerly named AKR), consolidated with Scanny Global Co., Ltd. in December 2008, and the company resulting from this consolidation was named SG Advantech Co., Ltd. (SGA). After this consolidation, the Company's percentage of ownership of SGA decreased to 10.63%. With this decrease, the Company ceased to have significant influence over SGA, and the investment in SG was thus reclassified to an available-for-sale financial asset - noncurrent.

The financial statements of the following investees had been audited by other auditors, i.e., not the Company's auditors: In 2009 and 2008, Axiomteck Co., Ltd.; Advantech Europe Holding B.V. (excluding Advantech Europe B.V., a subsidiary of Advantech Europe Holding B.V., was audited by the Parent Company's auditors); Advantech Japan Co., Ltd.; Advantech Australia Pty Ltd.; Advantech Co. Singapore Pte, Ltd.; Advantech Co. Malaysia Sdn. Bhd.; Advantech (HK) Technology Co., Ltd.; in 2009, Advantech Brazil S/A; in 2008, Advansus Corp.; Advantech Technologies Co., Ltd. and Netstar Technology Co., Ltd., a subsidiary of Advantech Investment Fund-A Co., Ltd.

The equity-method investees' financial statements, which had been used to determine the carrying amount of the Company's investments, had been audited, except Advantech Hungary Ltd. The Company believes that, had Company Advantech Hungary Ltd.'s financial statements been audited, any adjustments arising would have had no material effect on the Company's financial statements.

Movements of the aforementioned difference allocated to goodwill for the years ended December 31, 2009 and 2008 were as follows:

	Years Ended December 31	
	2009	2008
Cost		
Balance, beginning of year	$ 106,724	$ 76,944
Amount recognized on acquisition of investments	9,188	32,113
Amount derecognized on disposal of investments	-	(54)
Translation adjustment	(200)	(2,334)
Negative goodwill amortized	-	55
Balance, end of year	$ 115,712	$ 106,724

The Company intended to support the operations of Advantech (HK) Technology Co., Ltd. Under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments under the Equity Method" of the Republic of China, if the equity in losses recognized exceeds the original investment acquisition costs plus any advances given to the investee, the Company recognizes its investee's total losses unless other investors commit to assume, and can assume, a portion of the losses. As of December 31, 2009 and 2008, there were credit balances on the carrying value of this investment of $7,171 thousand and $4,234 thousand, respectively, included in other liability - others.

The market values of the listed stock of the equity investment's market values, which was calculated on the basis of the closing prices of December 31, 2009 and 2008 were $647,955 thousand and $352,330 thousand, respectively.

The Company has included all of its direct and indirect subsidiaries in the consolidated financial statements as of and for the years ended December 31, 2009 and 2008.

9. PROPERTY, PLANT AND EQUIPMENT

Statement of changes in property, plant and equipment were as follows:

	Year Ended December 31, 2009				
	Beginning Balance	Acquisition	Disposal	Re-classification	Ending Balance
Property, plant and equipment					
Cost					
Land	$ 1,113,352	$ -	$ -	$ -	$ 1,113,352
Buildings	1,090,516	7,293	-	85,003	1,182,812
Machinery and equipment	394,790	8,447	18,857	19,725	404,105
Furniture and fixtures	116,295	12,160	26,429	-	102,026
Other equipment	166,690	17,897	5,594	17,488	196,481
	2,881,643	$ 45,797	$ 50,880	$ 122,216	2,998,776
Accumulated depreciation					
Buildings	136,218	$ 22,188	$ -	$ -	158,406
Machinery and equipment	260,615	49,742	18,814	-	291,543
Furniture and fixtures	74,192	17,326	26,062	-	65,456
Other equipment	87,198	30,855	5,297	-	112,756
	558,223	$ 120,111	$ 50,173	$ -	628,161
	2,323,420				2,370,615
Construction in progress and prepayments for equipment	91,263	$ 45,336	$ -	$ (127,209)	9,390
	$ 2,414,683				$ 2,380,005

	Year Ended December 31, 2008				
	Beginning Balance	**Acquisition**	**Disposal**	**Re-classification**	**Ending Balance**
Property, plant and equipment					
Cost					
Land	$ 640,472	$ -	$ -	$ 472,880	$ 1,113,352
Buildings	844,911	-	-	245,605	1,090,516
Machinery and equipment	353,918	24,892	4,792	20,772	394,790
Furniture and fixtures	103,173	16,228	6,906	3,800	116,295
Other equipment	161,675	29,528	29,831	5,318	166,690
	2,104,149	$ 70,648	$ 41,529	$ 748,375	2,881,643
Accumulated depreciation					
Buildings	118,896	$ 17,322	$ -	$ -	136,218
Machinery and equipment	217,569	47,494	4,448	-	260,615
Furniture and fixtures	60,220	20,262	6,290	-	74,192
Other equipment	87,050	27,471	27,323	-	87,198
	483,735	$ 112,549	$ 38,061	$ -	558,223
	1,620,414				2,323,420
Construction in progress and prepayments for equipment	398,794	$ 448,275	$ -	$ (755,806)	91,263
	$ 2,019,208				$ 2,414,683

10. PENSION PLAN

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

Under the Act, the Company has a defined contribution pension plan. Since July 1, 2005, the Company has made monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries and wages. The pension cost under the defined contribution loan was $50,585 thousand and $47,665 thousand for the years ended December 31, 2009 and 2008, respectively.

The Company has a defined benefit pension plan under the Labor Standards Law (the "Law"). Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can accumulate up to 45 base 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.

Other information on the defined benefit pension plan were summarized as follows:

a. Components of pension cost:

	2009	2008
Service cost	$ 3,007	$ 3,634
Interest cost	3,974	4,843
Projected return on plan assets	(2,302)	(2,426)
Amortization of unrecognized net transition obligation and net pension plan gains or losses	(317)	(93)
	$ 4,362	$ 5,958

b. Reconciliation between the funded status of the pension plan and accrued pension liabilities:

	December 31	
	2009	2008
Benefit obligation		
Vested benefit obligation	$ 4,687	$ 4,397
Non-vested benefit obligation	121,392	102,135
Accumulated benefit obligation	126,079	106,532
Additional benefits based on future salaries	101,382	52,412
Projected benefit obligation	227,461	158,944
Fair value of plan assets	(101,848)	(92,083)
Funded status	125,613	66,861
Unrecognized net transition obligation	(10,933)	(12,755)
Unrecognized net gain	(11,715)	52,259
Accrued pension liabilities	$ 102,965	$ 106,365
Vested benefit	$ 5,840	$ 5,752

c. Actuarial assumptions

	2009	2008
Discount rate used in determining present values of plan assets	2.25%	2.50%
Future salary increase rate	3.00%	2.00%
Expected rate of return on plan assets	2.25%	2.50%

d. Changes in the accrued pension liability:

	Years Ended December 31	
	2009	2008
Balance, beginning of year	$ 106,365	$ 108,933
Accruals based on the defined benefit pension plan	4,362	5,958
Contribution	(7,762)	(8,526)
Balance, end of year	$ 102,965	$ 106,365

11. SHAREHOLDERS' EQUITY

Capital Surplus

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.

Appropriation of Earnings and Dividend Policy

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

a. 8% to 20% as bonus to employees;
b. 1% or less as remuneration to directors and supervisors; and
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.

The bonus to employees and remunerations to directors and supervisors of $178,000 thousand and $190,000 thousand for the years ended December 31, 2009 and 2008, respectively (classified under accrued expenses) were estimated and accrued on the basis of past experience. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are 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, cumulative transaction adjustments and net loss not recognized as pension cost) 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 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 Company operates in an industry related to computers, and its business related to network servers is new but with significant potential for growth. Thus, in formulating its dividend policy, the Company takes into account the overall business and industry conditions and trends, its objective of enhancing the shareholders' long-term interest, and the sustainability of the Company's growth. The policy also requires that stock dividends be less than 75% of total dividends to retain internally generated cash within the Company to finance future capital expenditures and working capital requirements.

The appropriations of earnings for 2008 and 2007 were proposed in the Board of Directors' meeting and approved in the shareholders' meeting held on May 15, 2009 and June 12, 2008, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (Dollars)**	
	2008	**2007**	**2008**	**2007**
Legal reserve	$ 254,355	$ 294,989	$ -	$ -
Special reserve	1,135,596	-	-	-
Cash dividends	1,490,598	1,869,508	3.00	4.00
Stock dividends	24,843	233,688	0.05	0.50
Remuneration to directors and supervisors	-	26,549	-	-
Bonus to employees - stock	-	60,000	-	-
Bonus to employees - cash	-	205,490	-	-

The bonus to employees of $190,000 thousand for 2008 was approved in the shareholders' meeting on May 15, 2009. The bonus to employees included a cash bonus of $90,000 thousand and a share bonus of $100,000. The number of shares of 2,139 thousand was determined by dividing the amount of share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the eve of the shareholders' meeting. The approved amounts of the bonus to employees were not different from the actual amounts reflected in the financial statements for the year ended December 31, 2008.

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.

At their meeting on May 15, 2009, the shareholders approved the board of directors' proposal to distribute stock dividends of $24,843 thousand and stock bonus to employees amounting to $100,000 thousand. The appropriation of earnings for 2008 were approved by the Financial Supervisory Commission under the Executive Yuan of the ROC. The board of directors resolved August 4, 2009 as the date of distributing stock and cash dividends, and the Company had completed its revised registration from the MOEA.

Qualified employees of the Company and its subsidiaries were granted stock options at 10,000 units in December 2009 and 3,000 units in August 2003. Each option entitles the holder to subscribe for one thousand common shares of the Company. The options granted are valid for 5 years and exercisable at certain percentages after the second anniversary year from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the grant date. For any subsequent changes in the Company's paid-in capital, the exercise price and the number of options are adjusted accordingly.

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

Information on employee stock options were as follows:

	Year Ended December 31			
	2009		2008	
	Number of Options (In Thousands)	Weighted -average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted -average Exercise Price (NT$)
Balance, beginning of year	165	$ 23.49	565	$ 28.84
Options granted	10,000	61.90	-	-
Options exercised	(165)	21.14	(400)	28.84
Balance, end of year	10,000		165	
Options exercisable, end of year	-		165	
Weighted-average fair value of options granted (NT$)	$16.45-$18.13		$ -	

The weighted-average stock price at the date of exercise for stock options exercised during the years ended December 31, 2009 and 2008 was NT$52.98 and NT$64.73, respectively.

Information on outstanding options as of December 31, 2009 and 2008 were as follows:

December 31			
2009		2008	
Range of Exercise Price (NT$)	Weighted- average Remaining Contractual Life (Years)	Range of Exercise Price (NT$)	Weighted- average Remaining Contractual Life (Years)
$61.9	4.92	$23.49	0.67

Options granted during the year ended December 31, 2009 were priced using Black-Scholes pricing model, and the inputs to the model were as follows:

Grant-date share price (NT$)	61.9
Exercise price (NT$)	61.9
Expected volatility	33.78%-35.22%
Expected life (years)	3.5-4.5
Expected dividend yield	0%
Risk-free interest rate	0.58%-0.79%

Expected volatility is based on the historical stock price volatility over the past 5 years.

Compensation cost recognized was NT$5,257 thousand for the year ended December 31, 2009.

12. 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
Year ended December 31, 2009				
For transfer to employees	14,500	-	-	14,500
Year ended December 31, 2008				
For transfer to employees	14,500	-	-	14,500
To maintain the Company's credibility and shareholders' interest	-	10,000	10,000	-

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

13. INCOME TAX

a. A reconciliation of income tax expense based on income before income tax at the 25% statutory rate and income tax expense were as follows:

	December 31 2009	December 31 2008
Tax on pretax income at 25% statutory rate	$ 485,089	$ 715,730
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(49,031)	(246,868)
Other	(73,877)	(51,284)
Temporary differences	(105,253)	33,760
Income tax (10%) on undistributed earnings	-	26,639
Investment tax credit	(145,314)	(147,887)
Income tax currently payable	$ 111,614	$ 330,090

b. Income tax expense consisted of the following:

	December 31 2009	December 31 2008
Income tax currently payable	$ 111,614	$ 330,090
Income tax expense		
Temporary differences	144,366	(25,593)
Effect of tax law changes on deferred income tax	(52,634)	-
Adjustment in valuation allowance due to changes in tax laws	(12,808)	-
Withholding tax of dividends	-	1,826
Adjustments for prior years' tax	(1,473)	-
	$ 189,065	$ 306,323

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

	December 31	
	2009	**2008**
Balance, beginning of year	$ 276,211	$ 188,137
Income tax currently payable	111,614	330,090
Payment	(243,424)	(242,016)
Balance, end of year	$ 144,401	$ 276,211

d. Net deferred income tax assets (liabilities) as of December 31, 2009 and 2008 were as follows:

	December 31	
	2009	**2008**
Current		
Deferred income tax assets		
Investment tax credit	$ 45,196	$ -
Allowance for loss on inventories	18,152	20,531
Unrealized product warranty reserve	4,713	7,572
Others	71	5,000
	68,132	33,103
Valuation allowance	(45,196)	-
	22,936	33,103
Deferred income tax liabilities		
Unrealized foreign exchange gain	-	(531)
Deferred income tax assets, net	$ 22,936	$ 32,572
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of foreign investees	$ 51,233	$ 25,560
Deferred credits	24,053	46,660
Pension cost	20,604	26,663
	95,890	98,883
Valuation allowance	(51,233)	(25,560)
	44,657	73,323
Deferred income tax liabilities:		
Accumulated equity in the net gains of foreign investees	(329,361)	(288,739)
Deferred income tax liabilities, net	$ (284,704)	$ (215,416)

e. The investment tax credits unused by the Company as of December 31, 2009 were as follows:

Laws and Statutes	**Tax Credit Source**	**Remaining Creditable Amount**
Statute for Upgrading Industries	Research and development expenditures	$ 45,196

f. As of December 31, 2009, the Company's five years' exemption from income tax was as follows:

Investment Plan	Exemption Period
The industry 500 MHz thin client production	From 2006 to 2010

g. 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.

h. The information on the Company's integrated income tax were as follows:

	December 31	
	2009	2008
Balance of the imputation credit account (ICA)	$ 155,863	$ 236,042
The balances of unappropriated retained earnings generated before 1997	$ 2,779	$ 81,329

The expected and actual creditable tax ratios for earnings were 10.64% and 14.25%, as of December 31, 2009 and 2008, respectively. The imputation credit allocated to the shareholders is based on its balance as of the date of dividend distribution. The expected creditable ratio may change when the actual allocation of the imputation credits is made.

i. Income tax returns through 2005 had been examined and cleared by the tax authorities.

14. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	2009			2008		
	Included in Cost of Goods Sold	Included in Operating Expenses	Total	Included in Cost of Goods Sold	Included in Operating Expenses	Total
Personnel expenses						
Payroll	$ 248,115	$ 946,816	$ 1,194,931	$ 262,098	$ 771,728	$ 1,033,826
Insurance	22,770	33,520	56,290	20,457	45,736	66,193
Pension	13,591	41,356	54,947	16,412	37,211	53,623
Others	18,074	34,729	52,803	26,063	44,571	70,634
	$ 302,550	$ 1,056,421	$ 1,358,971	$ 325,030	$ 899,246	$ 1,224,276
Depreciation	$ 36,347	$ 83,764	$ 120,111	$ 39,080	$ 73,469	$ 112,549
Amortization	102	51,684	51,786	561	54,491	55,052

15. EARNINGS PER SHARE

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

	Amount (Numerator) Pretax	After-tax	Shares (Denominator) (Thousand)	Earnings Per Share Pretax	Earnings Per Share After-tax
2009					
Basic EPS	$ 1,940,397	$ 1,751,332	500,115	$ 3.88	$ 3.50
The impact of dilutive potential common stock					
Employee stock options	-	-	94		
Bonuses to employees	-	-	3,944		
Diluted EPS	$ 1,940,397	$ 1,751,332	504,153	$ 3.85	$ 3.47
2008					
Basic EPS	$ 2,862,961	$ 2,556,638	501,124	$ 5.71	$ 5.10
The impact of dilutive potential					
Employee stock options	-	-	147		
Bonuses to employees	-	-	4,312		
Diluted EPS	$ 2,862,961	$ 2,556,638	505,583	$ 5.66	$ 5.06

The Accounting Research and Development Foundation issued Interpretation 2007-052 which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company decides to grant bonuses to employees by cash or shares, the Company should assume that the entire amount of the bonus will be settled in shares, and the resulting potential shares should 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 entire amount of the bonus by the closing price of the shares at the balance sheet date. The dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The EPS was retroactively adjusted for the stock dividends declared. Thus, in 2008, pretax and after-tax basic EPS decreased from NT$5.74 to NT$5.71 and from NT$5.13 to NT$5.10, respectively, and pretax and after-tax diluted EPS decreased from NT$5.69 to NT$5.66 and from NT$5.08 to NT$5.06, respectively.

16. RELATED-PARTY TRANSACTIONS

a. Related parties

Related Party	Relationship with the Company
Advantech Investment Fund-A Co., Ltd. (“Advantech Fund-A”)	Equity-method investee
Axiomtek Co., Ltd. (“Axiomtek”)	Equity-method investee
Advantech Investment & Management Service (AIMS)	Equity-method investee (AIMS merged with the Company on July 30, 2009)
Advansus Corp.	Equity-method investee

(Continued)

Related Party	Relationship with the Company
Advantech Europe Holding B.V. (AEU)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
SG Advantech Co., Ltd. (former name: Advantech Technologies Co., Ltd.) (SGA)	The Company was SGA's director (SGA was an equity-method investee until December 2008)
Advantech KR Co., Ltd. (AKR)	The Company's chairman is an AKR director
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech (Yanshun) Holding Co., Ltd. (AYS)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC (BVI))	Equity-method investee
Advantech Co., Malaysia Sdn. Bhd (AMY)	Equity-method investee
Advantech Brazil S/A (ABR)	Equity-method investee
Advantech Europe GmbH (ADL)	Equity-method investee of AEU
Advantech Europe B.V. (AESC)	Equity-method investee of AEU
Advantech Poland Sp. z o.o. (APL)	Equity-method investee of AEU
Advantech Automation Corp. (H.K.) Limited (AAC (HK))	Equity-method investee of AAC (BVI)
HK Advantech Technology Co., Ltd. (ATC (HK))	Equity-method investee of ATC
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC (HK)
Advantech Electronic Technology (Dongguan) Co., Ltd. (ADMC)	Equity-method investee of AYS
Advantech Corp. (ANA)	Equity-method investee of AAC (BVI)
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AAC (HK)
Yan Hua Xing Ye Electronic (SHHQ)	Equity-method investee of AAC (HK)
Advantech Control (M) Sdn. Bhd. (AKL)	Equity-method investee of ASG
Advantech Automation (Penang) Sdn. Bhd. (APN)	Equity-method investee of ASG
Advantech Corporation (Thailand) Co. (ATH)	Equity-method investee of ASG
Netstar Technology Co., Ltd. ("Netstar")	Equity-method investee of Advantech Fund-A
BCM Embedded Computer Inc. (BCM)	Equity-method investee of Advantech Fund-A
Broadwin Technology, Inc. ("Broadwin")	Equity-method investee of Advantech Fund-A
Jan Hsiang Electronics Co., Ltd. ("Jan Hsiang")	Equity-method investee of Netstar
Avalue Technology Inc. ("Avalue")	The Company's chairman is the Avalue Technology Inc.'s director
Mr. Peter Marek	Manager of ADL
Mr. Stavors Kostelidis	Manager of ADL
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Equity-method investee of AAC (HK)
Xi'an Advantech Software Ltd. (AXA)	Equity-method investee of AAC (HK)
Advantech International Co., Ltd.	The Advantech International Co., Ltd.'s owner is the second-degree relative of the Company's chairman
Advantech Intelligent Service	Equity-method investee

(Concluded)

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

b. The significant transactions with the above related parties, in addition to those disclosed in Note 17 and Table 2, were summarized as follows:

	2009		2008	
	Amount	**% to Total**	**Amount**	**% to Total**
For the year				
Sales				
ANA	$ 2,404,789	22	$ 2,960,193	24
ACN	1,849,560	17	2,634,032	22
AESC	1,367,858	13	1,845,950	15
AiSC	1,128,714	11	137,159	1
AKR	239,621	2	280,348	2
AJP	204,675	2	262,408	2
AKMC	137,095	1	50,671	1
AAU	117,048	1	160,167	1
ABR	90,008	1	95,918	1
ASG	75,206	1	109,994	1
ATH	22,401	1	34,258	-
AMY	20,588	-	24,724	-
Avalue	13,347	-	2,863	-
Advansus Corp.	10,786	-	4,921	-
APL	10,334	-	8,505	-
Axiomtek	9,539	-	9,300	-
Netstar	4,800	-	-	-
Broadwin	4,244	-	6,532	-
AHG	-	-	22	-
Others	1,322	-	158	-
	$ 7,711,935	72	$ 8,628,123	70
Purchase of materials and supplies				
ATC	$ 3,793,419	48	$ 3,695,260	42
Advansus Corp.	1,119,079	14	632,143	8
AYS	114,948	1	528,184	6
Netstar	46,629	1	22,958	-
ANA	37,029	1	22,583	-
Jan Hsiang	17,475	-	19,067	-
ACN	4,615	-	5,464	-
AESC	1,420	-	1,586	-
ASG	777	-	3,643	-
BCM	617	-	-	-
Broadwin	566	-	956	
AHK	373	-	319	
Axiomtek	276	-	838	-
Others	476	-	1,267	-
	$ 5,137,699	65	$ 4,934,268	56

	2009		2008	
	Amount	% to Total	Amount	% to Total
Rental cost (part of operating expense; related contract less than five years)				
Advansus Corp.	$ 13,607	1	$ -	-
Royalty revenue for patent (part of nonoperating income)				
ATC	$ 189,840	100	$ 185,533	100
Interest income (part of nonoperating income)				
AKR	1,187	22	-	-
Commission revenues (part of nonoperating income)				
AJP	-	-	5,727	22
Administrative revenues (part of nonoperating income)				
Advansus Corp.	-	-	3,000	11
Rental revenues (part of nonoperating income; revenues were from the rental of office spaces under renewable one-year operating leases)				
Advansus Corp.	7,020	19	4,225	16
BCM	780	2	460	2
AIMS	150	-	300	1
Advantech Fund-A	36	-	36	-
	7,986	21	5,021	19
Other revenues (part of nonoperating income)				
Advansus Corp.	10,784	28	-	-
AIMS	11	-	-	-
	10,795	28	-	-
	$ 209,808	27	$ 199,281	18

The company provided management service and technical support for Advansus Corp.

	2009 Amount	2009 % to Total	2008 Amount	2008 % to Total
At year-end				
Accounts receivable - related parties				
AESC	$ 398,374	27	$ 491,107	35
AiSC	337,713	23	-	-
ACN	314,867	21	458,564	33
ANA	178,700	12	231,874	17
AKMC	64,843	5	17,513	1
AKR	64,646	5	87,749	7
AJP	42,766	3	31,290	2
AAU	30,406	2	28,789	2
ABR	14,497	1	16,517	1
ASG	11,897	1	18,864	1
Netstar	5,022	-	-	-
AMY	2,995	-	2,143	-
Axiomtek	2,814	-	1,590	-
APL	2,591	-	8,615	1
Broadwin	1,849	-	539	-
Advansus Corp.	1,623	-	11	-
Avalue	1,088	-	2,955	-
ATH	931	-	3,356	-
Others	898	-	971	-
	$ 1,478,520	100	$ 1,402,447	100
Other receivables - related parties				
Financing provided				
AKR	$ 14,000	45	$ -	-
Other receivables				
ANA	8,070	26	-	-
Advansus Corp.	4,440	14	788	7
AESC	3,499	11	7,131	64
ADL	396	1	2,815	26
Netstar	288	1	-	-
AAU	182	1	-	-
BCM	137	1	72	1
ASG	91	-	92	1
ABR	77	-	130	1
AKR	67	-	-	-
AKMC	57	-	-	-
AJP	50		-	-
Others	48		48	-
	17,402	55	11,076	100
	$ 31,402	100	$ 11,076	100
Refundable deposits				
Advansus Corp.	$ 1,483	22	$ -	-

	2009		2008	
	Amount	% to Total	Amount	% to Total
Accounts payable - related parties				
ATC	$ 937,165	84	$ 554,721	80
Advansus Corp.	122,555	11	50,999	7
AYS	22,983	2	73,887	11
Netstar	10,715	1	5,590	2
AiSC	8,020	1	-	-
ANA	3,491	1	2,158	-
Jan Hsiang	2,222	-	446	-
ACN	1,934	-	391	-
APL	1,129	-	725	-
Brodwin	953	-	1,105	-
AMY	829	-	140	-
AJP	806	-	561	-
ADL	551	-	1,585	-
AESC	-	-	777	-
Others	640	-	1,136	-
	$ 1,113,993	100	$ 694,221	100
Other payables (part of other current liabilities)				
ABR	$ 27	96	$ -	-
Advansus Corp.	1	4	-	-
	$ 28	100	$ -	-

Financing to related parties was as follows (part of other receivable - related parties):

	Year Ended December 31, 2009			
	Maximum Balance	Ending Balance	Interest Rate	Interest Income
AKR	$ 51,800 (KRW 1,850,000 thousand)	$ 14,000 (KRW 500,000 thousand)	3%	$ 1,187

The exchange rate for the above financing was KRW1.00=NT$0.028

c. Securities transactions

In July 2009, the Company acquired from Advantech International Co., Ltd. (AICL) 60% of ABR shares with 0 dollar, resulting in a goodwill amounting to $9,188 thousand.

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

	Common Stock Issuer	Shares	Cost
June 2008	AEU	50,000	$ 23,141
June 2008	AEU	25,000	$ 11,571

Rental contracts with related parties were based on market prices and made under normal terms. Product sales were conducted under normal terms. The payment terms for related parties were 30 to 90 days. Terms for third parties were 30 to 60 days.

d. Compensation of directors, supervisors and management personnel:

	December 31	
	2009	2008
Salaries	$ 36,910	$ 37,463
Bonus	30,469	17,247
	$ 67,379	$ 54,710

17. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2009, the Company had the following guarantees for related parties' loans:

	Amount
AKMC	NT$339,094 thousand
Netstar	NT$120,000 thousand
Advansus Corp.	NT$100,000 thousand

18. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivative financial instruments				
Assets				
Available-for-sale financial assets - noncurrent	$ 2,990,806	$ 2,990,806	$ 1,731,615	$ 1,731,615
Derivative financial instruments location				
Financial assets at fair value through profit or loss - current				
Domestic	3,165	3,165	737	737
Foreign (foreign corporation operating in domestic district included)	7,909	7,909	864	864
Financial liabilities at fair value through profit or loss - current				
Domestic	-	-	12,357	12,357
Foreign (foreign corporation operating in domestic district included)	-	-	10,930	10,930

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

1) For financial instruments such as cash, notes and accounts receivable, receivables from related parties, other receivable, accounts payable, 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 prices.

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

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

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	December 31		December 31	
	2009	2008	2009	2008
Assets				
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 11,074	$ 1,601
Available-for-sale financial assets - noncurrent	2,990,806	1,731,615	-	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	-	23,287

d. As of December 31, 2009 and 2008, financial assets exposed to fair value risk from interest rate fluctuation amounted to $1,215,291 thousand and $1,017,411 thousand, respectively, and financial assets exposed to cash flow interest risk amounted to $486,597 thousand and $203,508 thousand, respectively.

e. The Company recognized unrealized gains of $1,160,118 thousand and unrealized losses of $2,365,962 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the years ended December 31, 2009 and 2008, respectively. The Company also recognized an unrealized gains of $696 thousand and $615 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees for the years ended December 31, 2009 and 2008, respectively.

f. Financial risks

1) Market risk. The derivative financial instruments categorized as financial assets at fair value through profit or loss are mainly used to hedge exchange rate fluctuations of foreign currency-denominated assets and liabilities. Thus, the market risk of derivatives will be offset by the gain or loss on the exchange rate fluctuations of hedged assets and liabilities. Available-for-sale financial assets held by the Company are mainly mutual funds and publicly traded stocks. Thus, price fluctuations in the open market would result in changes in fair values of these financial instruments.

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

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

19. ADDITIONAL DISCLOSURES

a. Except for those mentioned in Note 16 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Company and its investees and on investment in Mainland China.

b. Investments in mainland China

1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of December 31, 2009, accumulated inward remittance of earnings as of December 31, 2009 and upper limit on investment: Table 8 (attached)

2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 16 and 17 and Tables 1, 2, 5 and 6.

20. SEGMENT INFORMATION

a. Industry: The Company belongs only to one industry: the manufacture and sale of embedded computing boards, applied panel computers, automated industrial equipment, and industrial and network computers.

b. Foreign operations: The Company had no foreign operating unit as of December 31, 2009.

c. Export sales

Geographic Area	2009	2008
America	$ 2,471,246	$ 3,890,484
Asia	5,659,877	4,281,476
Europe	1,507,261	2,959,850
	$ 9,638,384	$ 11,131,810

d. Major customers

	2009		2008	
Customer	Amount	% to Total	Amount	% to Total
ANA	$ 2,404,789	22	$ 2,960,193	24
ACN	1,849,560	17	2,634,032	22
AESC	1,367,858	13	1,845,950	15
	$ 5,622,207	52	$ 7,440,175	61

TABLE 1

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2009
(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 (Note I)	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		
0	ACL	AKR	Other receivable - related parties	$ 51,800 (KRW 1,850,000 thousand)	$ 14,000 (KRW 500,000 thousand)	3%	Service intercourse	Sale $239,621	Financing need	$ -	-	-	$ 95,970 (Note B)	$ 95,970 (Note B)
		Feng Sang Enterprise Co., Ltd.	Other receivables	50,000	-	2.5%	Service intercourse	Bid content 200,000	Financing need	-	-	-	200,000 (Note E)	200,000 (Note E)
1	AEU	ADL	Other receivable - related parties	32,270 (EUR 700 thousand)	32,270 (EUR 700 thousand)	4%	Short-term financing	-	Financing need	-	-	-	1,297,749 (Note C)	2,595,498 (Note C)
2	SHHQ	ACN	Other receivable - related parties	68,291 (RMB 14,574 thousand)	68,291 (RMB 14,574 thousand)	2%	Short-term financing	-	Financing need	-	-	-	140,574 (Note D)	140,574 (Note D)
3	ACN	AKMC	Other receivable - related parties	95,440 (RMB 20,368 thousand)	95,440 (RMB 20,368 thousand)	2%	Short-term financing	-	Financing need	-	-	-	140,574 (Note D)	140,574 (Note D)
4	ANA	AESC	Other receivable - related parties	95,970 (US$ 3,000 thousand)	62,381 (US$ 1,950 thousand)	2%	Short-term financing	-	Financing need	-	-	-	1,297,749 (Note C)	2,595,498 (Note C)
		AKMC	Other receivable - related parties	95,970 (US$ 3,000 thousand)	92,771 (US$ 2,900 thousand)	2%	Short-term financing	-	Financing need	-	-	-	1,297,749 (Note C)	2,595,498 (Note C)
5	AiSC	ACN	Other receivable - related parties	99,287 (RMB 21,189 thousand)	57,064 (RMB 12,178 thousand)	2%	Short-term financing	-	Financing need	-	-	-	140,574 (Note D)	140,574 (Note D)
6	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Other receivable - related parties	93,507	43,459	-	Service intercourse	Purchase 323,661	Financing need	-	-	-	323,661 (Note E)	323,661 (Note E)
		LANSONIC (BVI)	Other receivable - related parties	3,676	3,676	-	Short-term financing	-	Financing need	-	-	-	53,442 (Note F)	53,442 (Note F)
7	Broadwin Technology, Inc.	Netstar Technology Co., Ltd.	Other receivable - related parties	40,000	40,000	2%	Short-term financing	-	Financing need	-	-	-	43,222 (Note F)	43,222 (Note F)
8	Advantech Fund-A	Netstar Technology Co., Ltd.	Other receivable - related parties	60,000	60,000	2%	Short-term financing	-	Financing need	-	-	-	253,264 (Note F)	253,264 (Note F)

Notes: A. The exchange rate was EUR1=NT$46.1; US$1=NT$31.99; KRW1=NT$0.028; RMB1= NT$4.6858.

B. Based on the resolution of the board of directors of Advantech Co., Ltd. (ACL), the maximum amount of financing provided by ACL was US$3,000 thousand.

C. The maximum amount of financing and the maximum amount of financing to individual counter-party that can be provided by the financier are 20% and 10% of the parent company's net asset value, respectively.

D. For more efficient use of capital among subsidiaries in Mainland China, the maximum amount of financing that can be provided by the financier is RMB30,000 thousand and will be handled over the Citibank account of ACN.

E. The maximum amount of financing for service transactions is equal to the amount provided in the recent year and the confirmed service intercourse to be in the future.

F. 40% of the net asset value of the financier.

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2009
(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, and 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	$ 1,297,749 (Note A)	$ 595,014 (US$ 18,600 thousand)	$ 339,094 (US$ 10,600 thousand)	$ -	2.61	$ 3,893,247 (Note B)
		Netstar Technology Co., Ltd.	Indirect subsidiary	1,297,749 (Note A)	220,000	120,000	-	0.92	3,893,247 (Note B)
		Advansus Corp.	Equity-method investee	1,297,749 (Note A)	100,000	100,000	-	0.77	3,893,247 (Note B)

Note: A. 10% of the Company's net asset value.

B. 30% of the Company's net asset value.

C. The exchange rate was US$1.00 = NT$31.99.

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars/ Foreign Currency)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	DECEMBER 31, 2009 Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	Note
Advantech Co., Ltd. (the "Company")	Stock							
	AAC (BVI)	Investee	Long-term equity investments	32,606,500	$ 1,864,436	100.00	$ 1,864,436	Note A
	ATC	"	"	32,750,000	1,932,670	100.00	1,932,670	Note A
	Advansus Corp.	"	"	18,000,000	212,966	50.00	212,966	Note A
	Advantech Fund-A	"	"	70,000,000	633,160	100.00	633,160	Note A
	Axiomtek	"	"	21,779,984	341,868	27.63	341,868	Note A
	AEU	"	"	9,572,024	241,551	100.00	241,551	Note A
	ASG	"	"	1,450,000	62,342	100.00	62,342	Note A
	AAU	"	"	500,204	94,343	100.00	94,343	Note A
	AJP	"	"	1,200	119,051	100.00	119,051	Note A
	AYS	"	"	12,300,000	77,693	100.00	77,693	Note A
	AMY	"	"	2,000,000	41,823	100.00	41,823	Note A
	AHG	"	"	30	15,170	30.00	15,170	Note A
	ABR	"	"	971,055	5,631	43.28	5,631	Note A
	AiST	"	"	5,000,000	50,000	100.00	50,000	-
	AHK	"	Other liability - others	999,999	(7,171)	100.00	(7,171)	Notes A and C
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	45,789,735	2,829,806	1.08	2,829,806	Note B
	SGA	-	"	1,556,064	59,255	7.19	59,255	Note B
	Chunghwa Telecom Co., Ltd.	-	"	1,710,000	101,745	-	101,745	Note B
Advantech Fund-A	Stock							
	Netstar Technology Co., Ltd.	Investee	Long-term equity investments	19,829,222	197,778	79.32	197,778	Note A
	BCM Embedded Computer Inc.	"	"	4,500,000	14,681	100.00	14,681	Note A
	Broadwin Technology, Inc.	"	"	6,851,782	112,403	70.08	112,403	Note A
	Avalue Technology Inc.	-	Financial assets carried at cost - noncurrent	2,949,250	78,128	8.22	78,128	-
	COBAN Research and Technologies, Inc.	-	"	600,000	33,257	6.86	33,257	-
	Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - current	226,811	13,495	-	13,495	Note B
ATC	Stock							
	ATC (HK)	Investee	Long-term equity investments	35,650,001	1,235,787	100.00	1,235,787	Note A
ATC (HK)	Shares							
	AKMC	"	"	-	1,236,005	100.00	1,236,005	Note A
AYS	Shares							
	ADMC	"	"	-	54,804	100.00	54,804	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	DECEMBER 31, 2009				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
AAC (BVI)	Stock							
	ANA	Investee	Long-term equity investments	10,952,606	$ 982,048	100.00	$ 982,048	Note A
	AAC (HK)	”	”	15,230,001	884,448	100.00	884,448	Note A
ANA	Stock							
	ABR	-	Financial assets carried at cost - noncurrent	375,192	6,276	16.72	6,276	-
AAC (HK)	Shares							
	ACN	Investee	Long-term equity investments	-	487,151	100.00	487,151	Note A
	SHHQ	”	”	-	90,547	100.00	90,547	Note A
	AiSC	”	”	-	281,102	100.00	281,102	Note A
	AXA	”	”	-	24,744	100.00	24,744	Note A
ACN	Shares							
	Hangzhou Advantofine Automation Co., Ltd.	”	”	-	13,062	60.00	13,062	Note A
AEU	Stock							
	AESC	”	”	8,314,280	107,149	100.00	107,149	Note A
	ADL	”	”	1,142,000	(141,307)	100.00	(141,307)	Note A and C
	APL	”	”	6,530	35,523	92.89	35,523	Note A
ASG	Stock							
	ATH	”	”	30,000	6,848	30.00	6,848	Note A
	APN	”	”	570,570	5,414	55.00	5,414	Note A
	AKL	”	”	418,000	3,569	55.00	3,569	Note A
Netstar Technology Co., Ltd.	Stock							
	LANSONIC (BVI)	”	Other liability - others	3,527,529	(37,214)	94.83	(37,214)	Notes A and C
	Jan Hsiang Electronics Co., Ltd.	”	Long-term equity investments	950,000	9,091	47.50	9,091	Note A
	Lantech Communications Inc.	”	Other liability - others	1,159,500	-	77.30	-	Note A
Broadwin Technology, Inc.	Stock							
	Broadwin Technology Inc.	”	Long-term equity investments	5,643,650	19,190	100.00	19,160	Note A
LANSONIC (BVI)	Shares							
	Netstar Electronics Corporation	”	Other liability - others	-	HK$(27,241)	100.00	HK$(27,241)	Notes A and C

Note A: The financial statements used as basis of net asset values were all audited, except AHG.

Note B: Market value was based on the closing price on December 31, 2009.

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

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2009
(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")	Stock Advansus Corp.	Long-term equity investments	-	Subsidiary	30,000,000	$ 303,998	-	$ -	12,000,000	$ 120,000 (Note)	$ 120,000 (Note)	$ -	18,000,000	$ 212,966

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

ADVANTECH CO., LTD. AND INVESTEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars/ Foreign Currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Advantech Co., Ltd.	ANA	Indirect subsidiary	Sale	$ (2,404,789)	(22)	Set for 45 days a month	$ -	-	$ 178,700	9	
	ACN	Indirect subsidiary	Sale	(1,849,560)	(17)	Set for 45 days a month	-	-	314,867	15	
	AESC	Indirect subsidiary	Sale	(1,367,858)	(13)	Set for 45 days a month	-	-	398,374	19	
	AiSC	Indirect subsidiary	Sale	(1,128,714)	(11)	Set for 45 days a month	-	-	337,713	16	
	AKR	The Company is the AKR's director	Sale	(239,621)	(2)	Set for 45 days a month	-	-	64,646	3	
	AJP	Subsidiary	Sale	(204,675)	(2)	Set for 45 days a month	-	-	42,766	2	
	AKMC	Indirect subsidiary	Sale	(137,095)	(1)	Set for 30 days after a month	-	-	64,843	3	
	AAU	Subsidiary	Sale	(117,048)	(1)	Set for 45 days a month	-	-	30,406	1	
	ATC	Subsidiary	Purchase	3,793,419	48	Set for 60 days a month	-	-	(937,165)	(61)	
	Advansus Corp.	Subsidiary	Purchase	1,119,079	14	Set for 30 days a month	-	-	(122,555)	(8)	
	AYS	Subsidiary	Purchase	114,948	1	Set for 90 days after receiving	-	-	(22,983)	(1)	
ATC	Advantech Co., Ltd.	Parent company	Sale	(3,793,419)	(99)	Set for 60 days a month	-	-	937,165	96	
	AKMC	Subsidiary	Purchase	3,144,546	100	Set for 30 days after a month	-	-	(311,241)	(99)	
AYS	Advantech Co., Ltd.	Parent company	Sale	(114,948)	(100)	Set for 45 days after receiving	-	-	22,983	100	
	ADMC	Subsidiary	Purchase	111,254	100	Set for 30 days after a month	-	-	-	-	
ANA	Advantech Co., Ltd.	Ultimate parent company	Purchase	2,404,789	80	Set for 45 days a month	-	-	(178,700)	(88)	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,367,858	70	Set for 45 days a month	-	-	(398,374)	(76)	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,849,560	54	Set for 45 days a month	-	-	(314,867)	(39)	
	AiSC	Related enterprise	Sale	(248,685)	(9)	Set for 90 days a month	-	-	95,644	30	
AiSC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,128,714	46	Set for 45 days a month	-	-	(337,713)	(48)	
	ACN	Related enterprise	Purchase	248,685	14	Set for 90 days a month	-	-	(95,644)	(20)	
	AKMC	Related enterprise	Purchase	156,145	9	Set for 30 days a month	-	-	(34,028)	(7)	
AKR	Advantech Co., Ltd.	The Company is the AKR's director	Purchase	239,621	59	Set for 45 days a month	-	-	(64,646)	(77)	
AJP	Advantech Co., Ltd.	Ultimate parent company	Purchase	204,675	96	Set for 45 days a month	-	-	(42,766)	(99)	
Advansus Corp.	AKMC	Related enterprise	Sale	(1,199,369)	(41)	Set for 30 days after a month	-	-	151,207	44	
	Advantech Co., Ltd.	Parent company	Sale	(1,119,079)	(38)	Set for 30 days a month	-	-	122,555	26	
AKMC	Advansus Corp.	Related enterprise	Purchase	1,199,369	38	Set for 30 days after a month	-	-	(151,207)	(21)	
	ATC	Related enterprise	Sale	(3,144,546)	(94)	Set for 30 days after a month	-	-	311,241	87	
	Advantech Co., Ltd.	Indirect subsidiary	Purchase	137,095	4	Set for 30 days after a month	-	-	(64,843)	(9)	
	AiSC	Related enterprise	Sale	(156,145)	5	Set for 30 days a month	-	-	34,028	9	
AAU	Advantech Co., Ltd.	Subsidiary	Purchase	117,048	60	Set for 45 days a month	-	-	(30,406)	(71)	
ADMC	AYS	Parent company	Sale	(111,254)	100	Set for 30 days after a month	-	-	-	-	

TABLE 6

ADVANTECH CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2009
(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	$ 398,374	3.08	$ -	-	$ 210,539	$ -
	AiSC	Indirect subsidiary	337,713	6.68	-	-	257,646	-
	ACN	Indirect subsidiary	314,867	4.78	-	-	258,121	-
	ANA	Indirect subsidiary	178,700	11.71	-	-	178,700	-
ATC	Advantech Co., Ltd.	Parent company	937,165	5.09	-	-	697,577	-
Advansus Corp.	Advantech Co., Ltd.	Parent company	122,555	12.90	-	-	122,555	-
	AKMC	Related enterprise	149,902	12.05	-	-	149,902	-
AKMC	ATC	Related enterprise	311,241	17.51	-	-	311,241	-

ADVANTECH CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2009			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				December 31, 2009	December 31, 2008	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	AAC (BVI)	BVI	Investment holding company	$ 1,078,934	$ 1,078,934	32,606,500	100.00	$ 1,864,436	$ 128,300	$ 125,997	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,044,818	1,044,818	32,750,000	100.00	1,932,670	404,104	408,725	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	180,000	300,000	18,000,000	50.00	212,966	62,341	28,968	Equity-method investee
	AEU	Helmond, the Netherlands	Investment holding company	426,930	426,930	9,572,024	100.00	241,551	(177,944)	(177,944)	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	General investment	700,000	700,000	70,000,000	100.00	633,160	7,485	7,485	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	269,222	269,222	21,779,984	27.63	341,868	116,801	32,767	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	62,342	(8,712)	(8,712)	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	94,343	6,582	6,582	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	119,051	(12,286)	(12,286)	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	51,662	51,662	12,300,000	100.00	77,693	(11,888)	(11,042)	Subsidiary
	AMY	Kuala Lumpur, Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	41,823	1,495	1,495	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	15,170	677	203	Equity-method investee
	ABR	Sao Paulo, BRAZIL	Sale of industrial automation products	-	-	971,055	43.28	5,631	18,421	5,526	Subsidiary
	AiST	Taipei, Taiwan	Sale of industrial automation products	50,000	-	5,000,000	100.00	50,000	-	-	Subsidiary
	AIMS	Taipei, Taiwan	Investment and management service	-	5,000	-	-	-	91	91	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(7,171)	(3,144)	(3,144)	Subsidiary (Note A)
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	242,668	212,272	19,829,222	79.32	197,778	253	(140)	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	45,500	30,500	4,500,000	100.00	14,681	(15,605)	(15,605)	Indirect subsidiary
	Broadwin Technology, Inc.	Taipei, Taiwan	Assembly and production of computers	99,783	99,783	6,851,782	70.08	112,403	6,516	4,570	Indirect subsidiary
ATC	ATC (HK)	Hong Kong	Investment holding company	1,026,430	1,026,430	35,650,001	100.00	1,235,787	(5,023)	(5,023)	Indirect subsidiary
ATC (HK)	AKMC	Kunshan, China	Production and sale of components of industrial automation products	1,026,430	1,026,430	-	100.00	1,236,005	(4,995)	(4,995)	Indirect subsidiary
AYS	ADMC	Guangzhou, China	Production and sale of components of industrial automation products	51,662	51,662	-	100.00	54,804	(16,326)	(16,326)	Indirect subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	982,048	25,145	25,145	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment holding company	539,146	539,146	15,230,001	100.00	884,448	103,235	103,235	Indirect subsidiary
AAC (HK)	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	487,151	81,591	81,591	Indirect subsidiary
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	96,750	-	100.00	90,547	1,595	1,595	Indirect subsidiary
	AiSC	Shanghai, China	Sale of industrial automation products	257,040	257,040	-	100.00	281,102	22,347	22,347	Indirect subsidiary
	AXA	Xi'an, China	Development and production of software products	32,960	32,960	-	100.00	24,744	(2,107)	(2,107)	Indirect subsidiary
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processes and sale of peripherals	13,727	6,660	-	60.00	13,062	2,502	2,502	Equity-method investee
AEU	AESC	Eindhoven, the Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	107,149	(28,086)	(28,086)	Indirect subsidiary
	ADL	Munich, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	(141,307)	(159,329)	(159,329)	Indirect subsidiary (Note A)
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	6,530	92.89	35,523	6,936	6,443	Indirect subsidiary
ASG	APN	Penang, Malaysia	Sale of industrial automation products	8,181	8,181	570,570	55.00	5,414	-	-	Indirect subsidiary
	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	6,848	244	244	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	3,569	-	-	Indirect subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2009			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				December 31, 2009	December 31, 2008	Shares	Percentage of Ownership	Carrying Value			
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd.	Taipei, Taiwan	Electronic parts and components manufacturing	$ 7,188	$ 11,500	950,000	47.50	$ 9,091	$ 891	$ 3,203	Indirect subsidiary
	Lantech Communications Inc.	Taipei, Taiwan	Retail sale of electronic materials	11,595	11,595	1,159,500	77.30	-	-	-	Indirect subsidiary
	LANSONIC (BVI)	Akara Building 24 DeCastro Street, Wickhams Cay I, Road Fown Tortola, British Virgin Islands	General investment	101,188	101,188	3,527,529	94.83	(37,214)	HK$ 332	HK$ 332	Indirect subsidiary (Note A)
LANSONIC (BVI)	Netstar Electronics Corporation (Dongguan)	Guangzhou, China	Network and UPS product manufacture business	HK$ 2,935	HK$ 2,935	-	100.00	HK$(27,241)	HK$ 478	HK$ 478	Indirect subsidiary (Note A)
Broadwin Technology, Inc.	Broadwin Technology Inc.	San Ramon, USA	Sale of Webaccess software	69,492	69,492	5,643,650	100.00	19,160	(2,351)	(2,351)	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 audited

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2009	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2009	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2009	Accumulated Inward Remittance of Earnings as of December 31, 2009
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US$35,650 thousand	Indirect	$ 1,001,287 (US$ 31,300 thousand)	$ -	$ -	$ 1,001,287 (US$ 31,300 thousand)	100%	$ (4,995)	$ 1,236,005	$ -
Yan Hua Xing Ye Electronic (SHHQ)	Sale of industrial automation products	US$3,000 thousand	Indirect	95,970 (US$ 3,000 thousand)	-	-	95,970 (US$ 3,000 thousand)	100%	1,595	90,547	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US$4,230 thousand	Indirect	170,571 (US$ 5,332 thousand)	-	-	170,571 (US$ 5,332 thousand)	100%	81,591	487,151	359,408 (US$ 11,235 thousand)
Advantech Electronic Technology (Dongguan) Co., Ltd. (ADMC)	Production and sale of industrial automation products	US$1,400 thousand	Indirect	(Note C)	-	-	(Note C)	100%	(16,326)	54,804	-
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Production and sale of industrial automation products	US$8,000 thousand	Indirect	255,920 (US$ 8,000 thousand)	-	-	255,920 (US$ 8,000 thousand)	100%	22,347	281,102	-
Xi'an Advantech Software Ltd. (AXA)	Development and production of software products	US$1,000 thousand	Indirect	(Note D)	-	-	-	100%	(2,107)	24,744	-

Accumulated Investment in Mainland China as of DECEMBER 31, 2009	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,530,146 (US$47,832 thousand) (Note E)	$2,319,275 (US$72,500 thousand)	$7,835,960 (Note G)

(Continued)

Note A: The financial statements used as basis of net asset values were all audited.

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 17 to the financial statements and Tables 1, 2, 5 and 6.

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

Note D: Which remittance by Advantech Automation Corp. (H.K.) Limited.

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

Note F: The exchange rate was US$1.00=NT$31.99.

Note G: The upper limit on investment was based on 60% of the consolidated net asset value of Advantech Co., Ltd. (the “Company”). However, if the Company can get the approval of the Industrial Development Bureau under the Ministry of Economic Affairs to establish operating headquarters in China, there will be no limit on the amount that may be invested in Mainland China.

(Concluded)