

Advantech Co., Ltd.

**Financial Statements for the
Six Months Ended June 30, 2009 and 2008 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Advantech Co., Ltd. as of June 30, 2009 and 2008, and the related statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As stated in Note 8 to the financial statements, Advantech Co., Ltd. had investments accounted for by the equity method. As of June 30, 2009 and 2008, these investments had carrying values of NT\$3,034,086 thousand and NT\$2,980,719 thousand, respectively. As of June 30, 2009 and 2008, the credit balances on the carrying values of the equity-method investments were NT\$6,568 thousand and NT\$1,688 thousand, respectively. These investment amounts and the net investment loss of NT\$48,149 thousand and gain of NT\$74,980 thousand in the six months ended June 30, 2009 and 2008, respectively, as well as additional disclosures in Note 19 required by the Securities and Futures Bureau for the Company and its investees, were based on the investees' unaudited financial statements for the same reporting periods as those of the Company.

In our opinion, except for any adjustments that might have been determined to be necessary had the financial statements of the equity-method investees mentioned in the preceding paragraph been audited, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Advantech Co., Ltd. as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the six-months then ended, in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the accompanying financial statements, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) 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 reviewed the consolidated financial statements of Advantech Co., Ltd. and its subsidiaries as of and for the year ended June 30, 2009 and 2008 and have issued an qualified accountants' review report thereon dated August 3, 2009 (not presented herewith) with an explanatory paragraph.

August 3, 2009

Notice to Readers

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
JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2009		2008		LIABILITIES AND SHAREHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 4)	\$ 2,321,181	15	\$ 613,433	4	Financial liabilities at fair value through profit or loss (Notes 2, 5 and 18)	\$ 11,459	-	\$ 1,545	-
Financial assets at fair value through profit or loss (Notes 2, 5 and 18)	1,234	-	116	-	Accounts payable	284,045	2	498,435	3
Available-for-sale financial assets - current (Notes 2, 6 and 18)	-	-	1,463,015	9	Accounts payable - related parties (Note 16)	826,395	6	864,945	5
Notes receivable (Note 2)	39,080	-	60,127	-	Income tax payable (Notes 2 and 13)	216,909	1	302,749	2
Accounts receivable, net of allowance for doubtful accounts of \$19,677 thousand in 2009 and \$13,942 thousand in 2008 (Note 2)	471,594	3	621,058	4	Accrued expenses (Note 11)	634,474	4	835,721	5
Accounts receivable - related parties, net (Notes 2 and 16)	1,209,209	8	1,820,067	11	Dividend payable (Note 11)	1,490,598	10	1,869,508	11
Other receivable	75,348	1	19,879	-	Advance receipts and other current liabilities (Note 16)	56,820	-	110,736	-
Other receivable - related parties (Note 16)	95,828	1	405,914	2	Total current liabilities	3,520,700	23	4,483,639	26
Inventories, net (Notes 2 and 7)	780,010	5	1,202,078	7	OTHER LIABILITIES				
Deferred income tax assets - current (Notes 2 and 13)	24,385	-	38,982	-	Accrued pension liabilities (Notes 2 and 10)	104,540	1	107,549	1
Prepayments and other current assets	119,549	1	48,868	-	Deferred income tax liabilities - noncurrent (Notes 2 and 13)	234,056	2	252,228	1
Total current assets	5,137,418	34	6,293,537	37	Deferred credits (Note 2)	182,842	1	277,696	2
LONG-TERM FUNDS AND INVESTMENTS					Others (Notes 2 and 8)	6,568	-	1,688	-
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 18)	1,997,119	13	3,432,473	20	Total other liabilities	528,006	4	639,161	4
Equity-method investments (Notes 2 and 8)	5,542,591	36	4,726,993	28	Total liabilities	4,048,706	27	5,122,800	30
Total long-term funds and investments	7,539,710	49	8,159,466	48	SHAREHOLDERS' EQUITY				
PROPERTIES (Notes 2 and 9)					Capital stock, NT\$10.00 par value				
Cost					Authorized - 600,000 thousand shares				
Land	1,113,352	7	640,472	4	Issued - 511,386 thousand shares in 2009 and 481,962 thousand shares in 2008	5,113,858	34	4,819,620	28
Buildings	1,140,040	8	844,911	5	For issuance	46,229	-	293,688	2
Machinery and equipment	398,112	3	382,321	2	Total capital stock	5,160,087	34	5,113,308	30
Furniture and fixtures	118,959	1	104,300	1	Capital surplus				
Miscellaneous equipment	178,419	1	171,797	1	Additional paid-in capital from share issuance in excess of par	4,374,743	29	4,295,306	25
Total cost	2,948,882	20	2,143,801	13	From treasury stock	13,612	-	18,620	-
Accumulated depreciation	603,222	4	531,791	3	From long-term equity investments	60,230	-	63,408	1
	2,345,660	16	1,612,010	10	Total capital surplus	4,448,585	29	4,377,334	26
Construction in progress and prepayment for equipment	49,631	-	728,923	4	Retained earnings				
Net properties	2,395,291	16	2,340,933	14	Legal reserve	1,927,458	13	1,673,104	10
OTHER ASSETS					Special reserve	1,135,596	7	-	-
Refundable deposits	4,240	-	7,288	-	Unappropriated earnings	736,573	5	1,621,829	10
Deferred expenses, net (Note 2)	123,201	1	135,748	1	Total retained earnings	3,799,627	25	3,294,933	20
Total other assets	127,441	1	143,036	1	Others				
TOTAL	\$ 15,199,860	100	\$ 16,936,972	100	Cumulative translation adjustments	317,990	2	117,636	-
					Unrealized valuation gain (loss) on financial instruments	(1,189,437)	(8)	296,659	2
					Total other equity	(871,447)	(6)	414,295	2
					Treasury stock - 14,500 thousand shares	(1,385,698)	(9)	(1,385,698)	(8)
					Total shareholders' equity	11,151,154	73	11,814,172	70
					TOTAL	\$ 15,199,860	100	\$ 16,936,972	100

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

(With Deloitte & Touche audit report dated August 3, 2009)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 16)				
Sales	\$ 4,920,708	100	\$ 6,226,203	99
Sales returns and allowances	<u>59,679</u>	<u>1</u>	<u>37,704</u>	<u>-</u>
Net sales	4,861,029	99	6,188,499	99
Other operating revenues	<u>54,425</u>	<u>1</u>	<u>84,105</u>	<u>1</u>
Total operating revenue	4,915,454	100	6,272,604	100
OPERATING COSTS (Notes 3, 14 and 16)	<u>3,647,578</u>	<u>74</u>	<u>4,504,896</u>	<u>72</u>
GROSS PROFIT	1,267,876	26	1,767,708	28
REALIZED (UNREALIZED) INTERCOMPANY GAINS (Note 2)	<u>68,186</u>	<u>1</u>	<u>(34,541)</u>	<u>-</u>
ADJUSTED GROSS PROFIT	<u>1,336,062</u>	<u>27</u>	<u>1,733,167</u>	<u>28</u>
OPERATING EXPENSES (Note 14)				
Marketing	132,438	3	140,667	2
Administrative	196,455	4	216,090	4
Research and development	<u>508,914</u>	<u>10</u>	<u>493,201</u>	<u>8</u>
Total operating expenses	<u>837,807</u>	<u>17</u>	<u>849,958</u>	<u>14</u>
OPERATING INCOME	<u>498,255</u>	<u>10</u>	<u>883,209</u>	<u>14</u>
NONOPERATING INCOME AND GAINS				
Interest	2,636	-	7,803	-
Equity in net income of investees, net (Notes 2 and 8)	205,061	4	468,330	7
Gain on disposal of investments, net	-	-	13,089	-
Foreign exchange gain, net (Note 2)	16,384	1	-	-
Royalty revenue (Note 16)	84,394	2	92,087	2
Other income (Note 16)	<u>12,544</u>	<u>-</u>	<u>9,845</u>	<u>-</u>
Total nonoperating income and gains	<u>321,019</u>	<u>7</u>	<u>591,154</u>	<u>9</u>

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Foreign exchange loss, net (Note 2)	\$ -	-	\$ 16,183	-
Financial instrument revaluation loss, net (Notes 2 and 5)	6,258	-	472	-
Other expenses	<u>1,518</u>	<u>-</u>	<u>2,069</u>	<u>-</u>
Total nonoperating expenses and losses	<u>7,776</u>	<u>-</u>	<u>18,724</u>	<u>-</u>
INCOME BEFORE INCOME TAX	811,498	17	1,455,639	23
INCOME TAX (Notes 2 and 13)	<u>77,705</u>	<u>2</u>	<u>185,343</u>	<u>3</u>
NET INCOME	<u>\$ 733,793</u>	<u>15</u>	<u>\$ 1,270,296</u>	<u>20</u>
	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 15)				
Basic	<u>\$ 1.63</u>	<u>\$ 1.48</u>	<u>\$ 2.91</u>	<u>\$ 2.54</u>
Diluted	<u>\$ 1.62</u>	<u>\$ 1.46</u>	<u>\$ 2.90</u>	<u>\$ 2.53</u>

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

(With Deloitte & Touche audit report dated August 3, 2009)

(Concluded)

ADVANTECH CO., LTD.
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)**

	Capital Stock - Issued and Outstanding (Note 11)		For Issuance (Note 11)	Capital Surplus (Notes 2 and 11)			Retained Earnings (Notes 2 and 11)				Cumulative Translation Adjustments (Note 2)	Unrealized Valuation Gain (Loss) on Financial Instruments (Notes 2 and 18)	Treasury Stock (Notes 2 and 12)	Total Shareholders' Equity	
	Shares (Thousands)	Amount		Share Issuance in Excess of Par Value	From Treasury Stock	From Long-term Investments	Total	Legal Reserve	Special Reserve	Unappropriated Earnings					
										Earnings					Total
BALANCE, JANUARY 1, 2009	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)	-	-	-	-	-	-	-	254,354	-	(254,354)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	(1,135,596)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	1,135,596	(1,135,596)	-	-	-	-	-
Stock dividends - 0.5%	-	-	24,843	-	-	-	-	-	-	(24,843)	(24,843)	-	-	-	-
Cash dividends - NTS3 per share	-	-	-	-	-	-	-	-	-	(1,490,598)	(1,490,598)	-	-	-	(1,490,598)
Issuance of stock bonus to employees	-	-	21,386	78,614	-	-	78,614	-	-	-	-	-	-	-	100,000
Net income for the six months ended June 30, 2009	-	-	-	-	-	-	-	-	-	733,793	733,793	-	-	-	733,793
Employee stock options	40	400	-	540	-	-	540	-	-	-	-	-	-	-	940
Increase in carrying value of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	-	459	459	-	-	-	-	-	-	-	459
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	265,504	-	265,504
Equity in the changes in unrealized valuation gain (loss) on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	706	-	706
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	(2,061)	-	-	(2,061)
BALANCE, JUNE 30, 2009	<u>511,386</u>	<u>\$ 5,113,858</u>	<u>\$ 46,229</u>	<u>\$ 4,374,743</u>	<u>\$ 13,612</u>	<u>\$ 60,230</u>	<u>\$ 4,448,585</u>	<u>\$ 1,927,458</u>	<u>\$ 1,135,596</u>	<u>\$ 736,573</u>	<u>\$ 3,799,627</u>	<u>\$ 317,990</u>	<u>\$ (1,189,437)</u>	<u>\$ (1,385,698)</u>	<u>\$ 11,151,154</u>
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	-	-	-	-	-	-	-	294,989	-	(294,989)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	(265,490)	(265,490)	-	-	-	(205,490)
Bonus to employees	-	-	60,000	-	-	-	-	-	-	(26,549)	(26,549)	-	-	-	(26,549)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(233,688)	(233,688)	-	-	-	-
Stock dividends - 5%	-	-	233,688	-	-	-	-	-	-	(1,869,508)	(1,869,508)	-	-	-	(1,869,508)
Cash dividends - NTS4.00 per share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the six months ended June 30, 2008	-	-	-	-	-	-	-	-	-	1,270,296	1,270,296	-	-	-	1,270,296
Employee stock options	385	3,850	-	7,253	-	-	7,253	-	-	-	-	-	-	-	11,103
Change in shareholders' equity on long-term equity-method investments	-	-	-	-	18,620	-	18,620	-	-	(13,091)	(13,091)	-	-	-	5,529
Increase in carrying value of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	-	(2,227)	(2,227)	-	-	-	-	-	-	-	(2,227)
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	(615,099)	-	(615,099)
Equity in the changes in unrealized valuation gain (loss) on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	2,058	-	2,058
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	(671,826)	(671,826)
Retirement of treasury stock	(10,000)	(100,000)	-	(89,104)	-	-	(89,104)	-	-	(482,722)	(482,722)	-	-	671,826	-
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	(125,907)	-	-	(125,907)
BALANCE, JUNE 30, 2008	<u>481,962</u>	<u>\$ 4,819,620</u>	<u>\$ 293,688</u>	<u>\$ 4,295,306</u>	<u>\$ 18,620</u>	<u>\$ 63,408</u>	<u>\$ 4,377,334</u>	<u>\$ 1,673,104</u>	<u>\$ -</u>	<u>\$ 1,621,829</u>	<u>\$ 3,294,933</u>	<u>\$ 117,636</u>	<u>\$ 296,659</u>	<u>\$ (1,385,698)</u>	<u>\$ 11,814,172</u>

Note: Bonus to employees of NTS190,000 thousand for 2008 has been recorded as expense in Income Statement.

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

(With Deloitte & Touche audit report dated August 3, 2009)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 733,793	\$ 1,270,296
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	85,488	77,872
Provision for bad debts	5,745	4,073
Provision (reversal of provision) for loss on inventories	4,525	(11,394)
Gain on disposal of long-term equity investments, net	-	(3,648)
Gain on the sale of available-for-sale financial assets, net	-	(9,441)
Loss on disposal of properties, net	73	1,974
Equity in net income of investees, net	(205,061)	(468,330)
Cash dividends from equity-method investees	-	160,000
Accrued pension liabilities	(1,825)	(1,384)
Deferred income taxes	26,827	4,809
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(11,461)	1,516
Notes receivable	(8,175)	(10,638)
Accounts receivable	89,505	(28,796)
Accounts receivable - related parties	193,238	56,348
Other receivables	(41,510)	56,030
Inventories	214,000	(75,871)
Other receivable - related parties	(46,970)	(12,957)
Prepayments and other current assets	(87,246)	(22,896)
Accounts payable	(13,135)	26,476
Accounts and other payable to related parties	132,174	(109,618)
Income tax payable	(59,302)	114,612
Accrued expenses	123,705	141,233
Advance receipts and other current liabilities	(13,576)	18,648
Deferred credits	<u>(68,186)</u>	<u>34,541</u>
Net cash provided by operating activities	<u>1,052,626</u>	<u>1,213,455</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(5,153,082)
Proceeds of the sale of available-for-sale financial assets	-	4,670,364
Acquisition of long-term equity investments	-	(419,752)
Proceeds of the sale of equity-method investments	120,000	205,489
Acquisition of properties	(44,126)	(383,542)
Proceeds of the disposal of properties	85	18
Increase in deferred expenses	(6,900)	(35,473)
Decrease in refundable deposits	<u>2,398</u>	<u>410</u>
Net cash provided by (used in) investing activities	<u>71,457</u>	<u>(1,115,568)</u>

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ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
Employee stock options	\$ 940	\$ 11,103
Cash bonus to employees and remuneration to directors and supervisors	(26,940)	(4,531)
Cash paid for acquisition of treasury stock	<u>-</u>	<u>(671,826)</u>
Net cash used in financing activities	<u>(26,000)</u>	<u>(665,254)</u>
NET INCREASE (DECREASE) IN CASH	1,098,083	(567,367)
CASH, BEGINNING OF PERIOD	<u>1,223,098</u>	<u>1,180,800</u>
CASH, END OF PERIOD	<u>\$ 2,321,181</u>	<u>\$ 613,433</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Income tax paid	<u>\$ 111,658</u>	<u>\$ 64,096</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends payable	<u>\$ 1,490,598</u>	<u>\$ 1,869,508</u>
Cash dividends receivable on equity-method investments	<u>\$ 37,782</u>	<u>\$ 364,415</u>

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

(With Deloitte & Touche audit report dated August 3, 2009)

(Concluded)

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

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

1. ORGANIZATION AND OPERATIONS

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

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

As of June 30, 2009 and 2008, the Company had 1,297 and 1,314 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Long-term Equity Investments

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

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.

Properties

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

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

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

Assets Impairment

An impairment loss should be recognized if the carrying amount of properties, 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 (CGUs) 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 on which the Company has significant influence but over which it has no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Pension Costs

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

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

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

Treasury Stock

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

Income Tax

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

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

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

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

Foreign-currency Transactions

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

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

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

Reclassifications

Certain accounts in the financial statements as of and for the six months ended June 30, 2008 have been reclassified to be consistent with the presentation of the financial statements as of and for the six months ended June 30, 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 \$6,972 thousand in net income and of NT\$0.01 in earnings per share (after income tax), respectively, for the six months ended June 30, 2009. The Company also reclassified the nonoperating loss of \$46,996 thousand to the cost of goods sold for the six months ended June 30, 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 \$117,243 thousand in net income and of NT\$0.25 in earnings per share (after income tax and before unretroactively adjusted) for the six months ended June 30, 2008.

4. CASH

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Cash on hand	\$ 1,534	\$ 1,525
Checking and demand deposits	506,448	92,764
Time deposits: Interest - 0.05%-0.65% in 2009 and 1.89%-2.37% in 2008	<u>1,813,199</u>	<u>519,144</u>
	<u>\$ 2,321,181</u>	<u>\$ 613,433</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company's trading-purpose financial instruments were as follows:

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
<u>Financial assets resulting from trading</u>		
Forward contracts	<u>\$ 1,234</u>	<u>\$ 116</u>
<u>Financial liabilities resulting from trading</u>		
Forward contracts	<u>\$ 11,459</u>	<u>\$ 1,545</u>

As of June 30, 2009 and 2008, the outstanding forward contracts were as follows:

	Currency	Maturity	Amount (Thousands)
<u>June 30, 2009</u>			
Sell	EUR/NTD	2009.7-2009.9	EUR3,500/NTD158,891
	EUR/USD	2009.7-2009.9	EUR2,000/USD2,732
	USD/NTD	2009.7-2009.9	USD25,228/NTD822,986
	JPY/NTD	2009.7-2009.8	JPY40,000/NTD13,764
<u>June 30, 2008</u>			
Sell	USD/NTD	2008.7	USD7,500/NTD226,368
	EUR/USD	2008.7	EUR2,400/USD3,779

The Company entered into forward contract transactions for the six months ended June 30, 2009 and 2008 to avoid risks on exchange rate fluctuations. The hedging strategy of the Company is to avoid the major portion of the fair value risks.

Net gain and loss arising from trading financial assets or liabilities for the six months ended June 30, 2009 and 2008 were net loss \$6,258 thousand and \$472 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>June 30</u>		
	<u>2009</u>	<u>2008</u>	
	Noncurrent	Current	Noncurrent
Mutual funds	\$ -	\$ 1,463,015	\$ -
Quoted domestic stocks			
ASUSTEK Computer Inc.	1,946,749	-	3,432,473
Quoted overseas stocks			
SG Advantech Co., Ltd.	<u>50,370</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,997,119</u>	<u>\$ 1,463,015</u>	<u>\$ 3,432,473</u>

7. INVENTORIES, NET

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Finished goods	\$ 250,246	\$ 389,716
Work in process	201,258	351,655
Materials and supplies	320,420	444,199
Inventories in transit	<u>8,086</u>	<u>16,508</u>
	<u>\$ 780,010</u>	<u>\$ 1,202,078</u>

As of June 30, 2009 and 2008, the allowance for loss were \$86,651 thousand and \$97,752 thousand, respectively.

As of June 30, 2009 and 2008, the costs of goods sold related to inventories were \$3,647,578 thousand and \$4,504,896 thousand, respectively, which included allowance for loss of \$4,525 thousand and inventory scraps for loss of \$42,606 thousand for the six months ended June 30, 2009, and reversal of loss of \$11,394 thousand and inventory scraps for loss of \$57,767 thousand for the six months ended June 30, 2008.

8. LONG-TERM EQUITY INVESTMENTS

	June 30			
	2009		2008	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
<u>Listed</u>				
Axiomtek Co., Ltd.	\$ 331,037	27.96	\$ 319,873	28.73
<u>Unlisted</u>				
Advantech Automation Corp. (BVI)	1,885,222	100.00	1,566,570	100.00
Advantech Technology Co., Ltd.	1,728,867	100.00	913,069	100.00
Advantech Investment Fund-A Co., Ltd.	627,209	100.00	615,649	100.00
Advantech Europe Holding B.V.	363,480	100.00	373,037	100.00
Advansus Corp.	190,960	50.00	291,641	50.00
Advantech Japan Co., Ltd.	111,996	100.00	113,222	100.00
Advantech Australia Pty Ltd.	87,377	100.00	118,807	100.00
Advantech (Yan Shun) Holding Co., Ltd.	86,632	100.00	115,318	100.00
Advantech Co. Singapore Pte, Ltd.	66,159	100.00	112,773	100.00
Advantech Co., Malaysia Sdn. Bhd	40,196	100.00	39,609	100.00
Advantech Hungary Ltd.	17,544	30.00	15,142	30.00
Advantech Investment & Management Service	5,912	100.00	5,937	100.00
Advantech Technologies Co., Ltd.	-	-	126,346	23.89
Advantech (H.K.) Technology Co., Ltd.	-	100.00	-	100.00
	<u>\$ 5,542,591</u>		<u>\$ 4,726,993</u>	

One of the Company's equity-method investees, Advantech Technologies Co., Ltd. (former 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 equity-method investees' financial statements of the same reporting periods as those of the Company, which were used to calculate the equity-method investments and the equity in the investees' net gain or loss, were all unaudited, except those of (a) Advantech Technology Co., Ltd., and (b) Advantech Automation Corp. (BVI)'s subsidiaries, Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN) and Shanghai Advantech Intelligent Services Co., Ltd. (AiSC) as of and for the six months ended June 30, 2009 and 2008 and (c) Advantech Investment Fund-A Co., Ltd.'s subsidiary, Netstar Technology Co., Ltd., as of and for the six months ended June 30, 2008.

The Company intended to support the operations of Advantech (H.K.) Technology Co., Ltd. in the six months ended June 30, 2009 and 2008. Under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities" of the Republic of China, if the equity in losses recognized exceeds the original investment acquisition costs plus any advances given to the investee, the Company recognizes its investee's total losses unless other investors commit to assume, and can assume, a portion of the losses. As of June 30, 2009 and 2008, there were credit balances on this investment of \$6,568 thousand and \$1,688 thousand, respectively, included in other liability - others.

Movements of the aforementioned difference allocated to goodwill for the six months ended June 30, 2009 and 2008 were as follows:

	<u>Six Months Ended June 30</u>	
	2009	2008
Cost		
Balance, beginning of period	\$ 106,724	\$ 76,944
Amount recognized on business combinations	-	33,301
Amount derecognized on disposal of a subsidiary	-	(54)
Translation adjustment	68	(313)
Negative goodwill amortized	-	41
	<u> </u>	<u> </u>
Balance, end of period	<u>\$ 106,792</u>	<u>\$ 109,919</u>

The market value of the listed stock of the equity investment's market values, which was calculated on the basis of the closing price of June 30, 2009 and 2008 were \$481,518 thousand and \$738,849 thousand, respectively.

The Company has included all of its direct and indirect subsidiaries in the consolidated financial statements as of and for the six months ended June 30, 2009 and 2008.

9. PROPERTIES

The changes in properties were as follows:

	<u>Six Months Ended June 30, 2009</u>				
	<u>Beginning Balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Reclassifi- cation</u>	<u>Ending Balance</u>
Properties					
Cost					
Land	\$ 1,113,352	\$ -	\$ -	\$ -	\$ 1,113,352
Buildings	1,090,516	-	-	49,524	1,140,040
Machinery and equipment	394,790	5,220	12,812	10,914	398,112
Furniture and fixtures	116,295	4,756	2,092	-	118,959
Other equipment	166,690	9,367	315	2,677	178,419
	<u>2,881,643</u>	<u>\$ 19,343</u>	<u>\$ 15,219</u>	<u>\$ 63,115</u>	<u>2,948,882</u>
Accumulated depreciation					
Buildings	136,218	\$ 10,839	\$ -	\$ -	147,057
Machinery and equipment	260,615	25,580	12,805	-	273,390
Furniture and fixtures	74,192	8,704	1,985	-	80,911
Other equipment	87,198	14,937	271	-	101,864
	<u>558,223</u>	<u>\$ 60,060</u>	<u>\$ 15,061</u>	<u>\$ -</u>	<u>603,222</u>
	2,323,420				2,345,660
Prepayments for equipment	91,263	<u>\$ 24,783</u>	<u>\$ -</u>	<u>\$ (66,415)</u>	<u>49,631</u>
	<u>\$ 2,414,683</u>				<u>\$ 2,395,291</u>

Six Months Ended June 30, 2008					
	Beginning Balance	Acquisition	Disposal	Reclassifi- cation	Ending Balance
Properties					
Cost					
Land	\$ 640,472	\$ -	\$ -	\$ -	\$ 640,472
Buildings	844,911	-	-	-	844,911
Machinery and equipment	353,918	13,776	61	14,688	382,321
Furniture and fixtures	103,173	3,586	2,459	-	104,300
Other equipment	<u>161,675</u>	<u>15,882</u>	<u>5,760</u>	<u>-</u>	<u>171,797</u>
	<u>2,104,149</u>	<u>\$ 33,244</u>	<u>\$ 8,280</u>	<u>\$ 14,688</u>	<u>2,143,801</u>
Accumulated depreciation					
Buildings	118,896	\$ 8,265	\$ -	\$ -	127,161
Machinery and equipment	217,569	23,102	61	-	240,610
Furniture and fixtures	60,220	9,961	2,376	-	67,805
Other equipment	<u>87,050</u>	<u>13,162</u>	<u>3,997</u>	<u>-</u>	<u>96,215</u>
	<u>483,735</u>	<u>\$ 54,490</u>	<u>\$ 6,434</u>	<u>\$ -</u>	<u>531,791</u>
	1,620,414				1,612,010
Construction in progress and prepayments for equipment	<u>398,794</u>	<u>\$ 350,298</u>	<u>\$ -</u>	<u>\$ (20,169)</u>	<u>728,923</u>
	<u>\$ 2,019,208</u>				<u>\$ 2,340,933</u>

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 plan were \$25,286 thousand and \$22,533 thousand for the six months ended June 30, 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. The pension costs under the defined benefit pension plan were \$2,086 thousand and \$2,979 thousand for the six months ended June 30, 2009 and 2008, respectively. As of June 30, 2009 and 2008, the balance of the pension fund were \$98,092 thousand and \$87,952 thousand, respectively.

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 \$120,000 thousand and \$180,000 thousand for the six months ended June 30, 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 and cumulative transaction adjustments) should be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

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

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (Dollars)</u>	
	2008	2007	2008	2007
Legal reserve	\$ 254,354	\$ 294,989	\$ -	\$ -
Special reserve	1,135,596	-	-	-
Cash dividends	1,490,598	1,869,508	3.0	4.0
Stock dividends	24,843	233,688	0.05	0.5
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 were 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. The Company is applying for the revised license from the MOEA.

On April 1, 2003, the Securities and Futures Bureau approved the Company's stock option plan. There were 3,000 thousand units authorized to be issued, which may be converted to 3,000 thousand common shares. Employees may exercise a certain percentage of the option within two and four years of the grant date, and will expire six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT\$23.49 as of June 30, 2009.

As of June 30, 2009, there were 2,515 thousand units of stock options exercised, which were converted to 2,515 thousand common shares; thus, the unexercised stock options consisted of 125 thousand units.

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

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
<u>Six months ended June 30, 2009</u>				
For transfer to employees	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>14,500</u>
<u>Six months ended June 30, 2008</u>				
For transfer to employees	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>14,500</u>
To maintain the Company's credibility and shareholders' interest	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>

Under the Securities and Exchange Act, the 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. Reconciliation of income tax expense based on income tax at 25% statutory income tax rates to income tax expense, and current income tax payable were as follows:

	<u>Six Months Ended June 30</u>	
	2009	2008
Tax on pretax income at statutory rate	\$ 202,865	\$ 363,900
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(21,728)	(142,381)
Other	(6,301)	(13,357)
Temporary differences	(64,557)	25,743
Income tax (10%) on undistributed earnings	-	25,966
Investment tax credit	<u>(57,923)</u>	<u>(81,163)</u>
Income tax currently payable	<u>\$ 52,356</u>	<u>\$ 178,708</u>

- b. Income tax expense consisted of the following:

Income tax currently payable	\$ 52,356	\$ 178,708
Income tax expense		
Temporary differences	78,614	4,809
Effect of tax law changes on deferred income tax	(37,501)	-
Adjustment in valuation allowance due to changes in tax laws	(14,286)	-
Adjustments for prior years' tax	(1,478)	-
Withholding tax of dividends	<u>-</u>	<u>1,826</u>
	<u>\$ 77,705</u>	<u>\$ 185,343</u>

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Company recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a deferred income tax benefit or expense.

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

	<u>Six Months Ended June 30</u>	
	2009	2008
Balance, beginning of period	\$ 276,211	\$ 188,137
Income tax currently payable	52,356	178,708
Payment	<u>(111,568)</u>	<u>(64,096)</u>
Balance, end of period	<u>\$ 216,909</u>	<u>\$ 302,749</u>

- d. Net deferred income taxes as of June 30, 2009 and 2008 were as follows:

	<u>June 30</u>	
	2009	2008
Current		
Deferred income tax assets		
Allowance for loss on inventories	\$ 17,330	\$ 24,438
Unrealized product warranty reserve	5,068	8,109
Unrealized foreign exchange loss	227	1,435
Others	<u>1,760</u>	<u>5,000</u>
Deferred income tax assets, net	<u>\$ 24,385</u>	<u>\$ 38,982</u>
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of foreign investees	\$ 31,693	\$ 40,444
Investment tax credits	25,452	-
Deferred income	23,691	53,327
Pension cost	<u>20,965</u>	<u>26,879</u>
	101,801	120,650
Valuation allowance	<u>(57,145)</u>	<u>(40,444)</u>
	<u>44,656</u>	<u>80,206</u>
Deferred income tax liabilities:		
Accumulated equity in the net gain of foreign investees	<u>(278,712)</u>	<u>(332,434)</u>
Deferred income tax liabilities, net	<u>\$ (234,056)</u>	<u>\$ (252,228)</u>

- e. The investment tax credits unused by the Company as of June 30, 2009 were as follows:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount
Statute for Upgrading Industries	Research and development expenditures	<u>\$ 25,452</u>

- f. As of June 30, 2009, the Company's five-year exemption status was as follows:

<u>Exemption Item: Investment Plan</u>	<u>Exemption Period</u>
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 is as follows:

	June 30	
	2009	2008
Balance of the imputation credit account (ICA)	\$ 346,064	\$ 333,260
The balances of unappropriated retained earnings generated before 1997	\$ 2,779	\$ 81,329

The expected and actual creditable tax ratios for earnings were 12.24% and 9.64%, as of December 31, 2008 and 2007, 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

	Six Months Ended June 30					
	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	\$ 121,643	\$ 449,529	\$ 571,172	\$ 119,154	\$ 449,495	\$ 568,649
Insurance	12,170	28,310	40,480	10,329	22,353	32,682
Pension	7,283	20,089	27,372	7,920	17,592	25,512
Others	9,651	20,973	30,624	10,505	22,258	32,763
	<u>\$ 150,747</u>	<u>\$ 518,901</u>	<u>\$ 669,648</u>	<u>\$ 147,908</u>	<u>\$ 511,698</u>	<u>\$ 659,606</u>
Depreciation	\$ 19,251	\$ 40,809	\$ 60,060	\$ 19,365	\$ 35,125	\$ 54,490
Amortization	\$ 53	\$ 25,375	\$ 25,428	\$ 333	\$ 23,049	\$ 23,382

15. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>		<u>Pretax</u>	<u>After-tax</u>
<u>Six months ended June 30, 2009</u>					
Basic EPS	\$ 811,498	\$ 733,793	497,401	<u>\$ 1.63</u>	<u>\$ 1.48</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	71		
Bonuses to employees	-	-	<u>4,377</u>		
Diluted EPS	<u>\$ 811,498</u>	<u>\$ 733,793</u>	<u>501,849</u>	<u>\$ 1.62</u>	<u>\$ 1.46</u>
<u>Six months ended June 30, 2008</u>					
Basic EPS	\$ 1,455,639	\$ 1,270,296	500,024	<u>\$ 2.91</u>	<u>\$ 2.54</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	209		
Bonuses to employees	-	-	<u>2,531</u>		
Diluted EPS	<u>\$ 1,455,639</u>	<u>\$ 1,270,296</u>	<u>502,764</u>	<u>\$ 2.90</u>	<u>\$ 2.53</u>

The ARDF issued Interpretation 2007-052 that 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 may settle the bonus to employees by cash or shares, the Company should presume 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. Such dilutive effect of the potential shares should 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, for the six months ended June 30, 2008, pretax and after-tax basic EPS decreased from NT\$3.09 to NT\$2.91 and from NT\$2.70 to NT\$2.54, respectively, and pretax and after-tax diluted EPS decreased from NT\$3.07 to NT\$2.90 and from NT\$2.68 to NT\$2.53, respectively.

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

	<u>Amount (Numerator)</u>		<u>Shares</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>(Denominator)</u> <u>(Thousands)</u>	<u>Pretax</u>	<u>After-tax</u>
<u>Six months ended June 30, 2009</u>					
Basic EPS	\$ 811,498	\$ 733,793	499,888	\$ 1.62	\$ 1.47
Impact of dilutive potential common stock					
Employees' stock options	-	-	72		
Bonuses to employees	-	-	2,773		
Diluted EPS	\$ 811,498	\$ 733,793	502,733	\$ 1.61	\$ 1.46
<u>Six months ended June 30, 2008</u>					
Basic EPS	\$ 1,455,639	\$ 1,270,296	502,524	\$ 2.90	\$ 2.53
Impact of dilutive potential common stock					
Employees' stock options	-	-	210		
Bonuses to employees	-	-	2,544		
Diluted EPS	\$ 1,455,639	\$ 1,270,296	505,278	\$ 2.88	\$ 2.51

16. RELATED-PARTY TRANSACTIONS

a. Related parties

	<u>Relationship with the Company</u>
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
Advansus Corp.	Equity-method investee
Advantech Europe Holding B.V. (AEU)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
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 Europe GmbH (ADL)	Equity-method investee of AEU

(Continued)

Relationship with the Company

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
Advantech Brazil S/A (ABR)	Related party in substance
Avalue Technology Inc.	The Company’s chairman is the Avalue Technology Inc.’s director
Mr. Peter Marek	Manager of ADL
Mr. Stavros 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)

(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, are summarized as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<u>For the six months ended June 30</u>				
1) Sales				
ANA	\$ 1,125,791	23	\$ 1,468,927	24
ACN	954,330	19	1,311,344	21
AESC	675,585	14	1,083,417	18
AiSC	413,272	8	-	-
AKR	124,362	3	-	-
AJP	97,502	2	141,946	2
AAU	56,022	1	70,993	1
AKMC	42,601	1	15,227	-
ABR	42,320	1	45,407	1
ASG	30,469	1	55,785	1
AMY	9,904	-	16,905	-
ATH	8,538	-	14,306	-
APL	5,166	-	4,991	-
Axiomtek	4,923	-	6,023	-
Avalue Technology Inc.	4,823	-	-	-
Advansus Corp.	4,121	-	3,938	-
Broadwin	2,119	-	2,637	-
SGA	-	-	134,927	2
Others	179	-	46	-
	<u>\$ 3,602,027</u>	<u>73</u>	<u>\$ 4,376,819</u>	<u>70</u>
2) Purchase of materials and supplies				
ATC	\$ 1,687,206	46	\$ 1,834,303	41
Advansus Corp.	483,918	13	283,129	6
AYS	114,948	3	265,229	6
ANA	27,766	1	14,873	-
Netstar	19,100	-	10,393	-
Jan Hsiang	7,322	-	11,353	-
ACN	1,532	-	3,058	-
AESC	934	-	897	-
AHK	373	-	-	-
Broadwin	222	-	-	-
BCM	201	-	-	-
ASG	11	-	3,643	-
Others	230	-	1,717	-
	<u>\$ 2,343,763</u>	<u>62</u>	<u>\$ 2,428,595</u>	<u>53</u>
3) Rental cost (part of operating expense)				
Advansus Corp.	<u>\$ 6,312</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
4) Royalty revenue for patent (part of nonoperating income)				
ATC	\$ 84,394	100	\$ 92,087	100
5) Rental revenues (part of nonoperating income)				
Advansus Corp.	\$ 3,510	28	\$ 1,810	18
BCM	390	3	205	2
AIMS	150	1	150	2
Advantech Fund-A	18	-	18	-
	<u>\$ 4,068</u>	<u>32</u>	<u>\$ 2,183</u>	<u>22</u>
6) Other revenue (part of nonoperating income)				
Advansus Corp.	\$ 4,173	33	\$ -	-
AKR	672	5	-	-
	<u>\$ 4,845</u>	<u>38</u>	<u>\$ -</u>	<u>-</u>
<u>As of June 30</u>				
7) Accounts receivable - related parties				
ACN	\$ 420,315	35	\$ 605,867	33
AESC	351,813	29	714,817	39
AiSC	223,900	19	-	-
AKR	83,580	7	-	-
ANA	31,708	3	247,905	14
AJP	28,745	2	49,059	3
ABR	24,136	2	20,772	1
AAU	12,365	1	25,290	1
AKMC	10,814	1	65,584	4
ASG	5,987	1	11,642	1
APL	5,079	-	28,848	2
ATH	3,278	-	1,357	-
Avalue Technology Inc.	2,117	-	-	-
AMY	2,116	-	7,460	-
Broadwin	1,500	-	2,690	-
Axiomtek	868	-	2,252	-
Advansus Corp.	789	-	1,007	-
SHHQ	-	-	4,484	-
ADMC	-	-	755	-
SGA	-	-	30,234	2
Others	99	-	44	-
	<u>\$ 1,209,209</u>	<u>100</u>	<u>\$ 1,820,067</u>	<u>100</u>

	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
8) Other receivable - related parties				
Dividends				
Axiomtek	\$ 37,782	40	\$ 64,415	16
ATC	-	-	300,000	74
	<u>37,782</u>	<u>40</u>	<u>364,415</u>	<u>90</u>
Financial provided				
AKR	<u>48,643</u>	<u>51</u>	-	-
Other receivables				
AESC	3,711	4	7,020	2
Advansus Corp.	3,532	4	662	-
ADL	1,297	1	484	-
ANA	81	-	6,763	2
AKMC	20	-	44	-
ATC	-	-	25,965	6
Others	<u>762</u>	<u>-</u>	<u>561</u>	<u>-</u>
	<u>9,403</u>	<u>60</u>	<u>41,499</u>	<u>10</u>
	<u>\$ 95,828</u>	<u>100</u>	<u>\$ 405,914</u>	<u>100</u>
9) Accounts payable - related parties				
ATC	\$ 675,040	82	\$ 653,206	76
Advansus Corp.	89,032	11	55,045	6
AYS	38,972	5	144,032	17
Netstar	7,551	1	2,683	-
ANA	6,794	1	3,026	-
Broadwin	3,718	-	-	-
Jan Hsiang	1,728	-	1,981	-
APL	1,117	-	-	-
AESC	717	-	248	-
AMY	682	-	-	-
ACN	355	-	-	-
ADL	256	-	61	-
ASG	114	-	3,584	1
Others	<u>319</u>	<u>-</u>	<u>1,079</u>	<u>-</u>
	<u>\$ 826,395</u>	<u>100</u>	<u>\$ 864,945</u>	<u>100</u>
10) Other payables (part of other current liabilities)				
AMY	\$ 4,407	99	\$ -	-
ABR	27	1	-	-
ANA	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,440</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>

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

	<u>Six Months Ended June 30, 2009</u>			
	<u>Maximum Balance</u>	<u>Ending Balance</u>	<u>Interest Rate</u>	<u>Interest Income</u>
AKR	<u>\$ 48,643</u>	<u>\$ 48,643</u>	5%	<u>\$ 672</u>

c. Securities transactions

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

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

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

17. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of June 30, 2009, the Company had the following guarantees for affiliates' loans:

	<u>Amount</u>
AKMC	<u>US\$ 18,600 thousand</u>
Netstar	<u>NT\$ 220,000 thousand</u>
Advansus Corp.	<u>NT\$ 100,000 thousand</u>

18. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	<u>June 30</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets - current	\$ -	\$ -	\$ 1,463,015	\$ 1,463,015
Available-for-sale financial assets - noncurrent	1,997,119	1,997,119	3,432,473	3,432,473

(Continued)

	June 30			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Derivative financial instruments location</u>				
Financial assets at fair value through profit or loss - current				
Foreign (foreign corporation operating in domestic district included)	\$ 1,234	\$ 1,234	\$ 116	\$ 116
Financial liabilities at fair value through profit or loss - current				
Domestic	4,930	4,930	112	112
Foreign (foreign corporation operating in domestic district included)	6,529	6,529	1,433	1,433
				(Concluded)

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

<u>Asset</u>	<u>Based on the Quoted Market Price</u>		<u>Determined Using Valuation Techniques</u>	
	<u>June 30</u>		<u>June 30</u>	
	2009	2008	2009	2008
Financial assets at fair value through profit or loss - current	\$ -	\$ -	\$ 1,234	\$ 116
Available-for-sale financial assets - current	-	1,463,015	-	-
Available-for-sale financial assets - noncurrent	1,997,119	3,432,473	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current	-	-	11,459	1,545

- d. As of June 30, 2009 and 2008, financial assets exposed to fair value interest rate risk amounted to \$1,813,199 thousand and \$519,144 thousand, respectively, and financial assets exposed to cash flow interest rate risk amounted to \$505,974 thousand and \$92,421 thousand, respectively.

- e. The Company recognized unrealized gain of \$265,504 thousand and loss of \$615,099 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 2009 and 2008, respectively. The Company also recognized unrealized gains of \$706 thousand and \$2,058 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees for the six months ended June 30, 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 investees.
- b. Investments in mainland China
 - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of June 30, 2009, accumulated inward remittance of earnings as of June 30, 2008 and upper limit on investment: Table 8 (attached)
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 16 and 17 and Tables 1, 2, 5 and 6.

TABLE 1

ADVANTECH CO., LTD. AND INVESTEEES

FINANCING PROVIDED

SIX MONTHS ENDED JUNE 30, 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 1)	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	\$ 48,100 (KRW1,850,000 thousand)	\$ 48,100 (KRW1,850,000 thousand)	5%	Service intercourse	Sale \$124,349	Financing need	\$ -	-	-	\$ 98,430 (Note B)	\$ 98,430 (Note B)
0	ACL	Feng Sang Enterprise Co., Ltd.	Other receivables	50,000	50,000	2.5%	Service intercourse	Sale 200,000	Financing need	-	-	-	200,000 (Note E)	200,000 (Note E)
1	AEU	ADL	Other receivable - related parties	32,403 (EUR 700 thousand)	32,403 (EUR 700 thousand)	4%	Short-term financing	-	Financing need	-	-	-	1,115,115 (Note C)	2,230,231 (Note C)
2	SHHQ	ACN	Other receivable - related parties	56,902 (RMB 11,847 thousand)	56,902 (RMB 11,847 thousand)	2%	Short-term financing	-	Financing need	-	-	-	144,093 (Note D)	2,230,231 (Note D)
3	ACN	AKMC	Other receivable - related parties	100,250 (RMB 20,872 thousand)	96,806 (RMB 20,155 thousand)	2%	Short-term financing	-	Financing need	-	-	-	144,093 (Note D)	2,230,231 (Note D)
4	ANA	AESC	Other receivable - related parties	98,430 (USD 3,000 thousand)	98,430 (USD 3,000 thousand)	2%	Short-term financing	-	Financing need	-	-	-	1,115,115 (Note C)	2,230,231 (Note C)
4	ANA	AKMC	Other receivable - related parties	98,430 (USD 3,000 thousand)	98,430 (USD 3,000 thousand)	2%	Short-term financing	-	Financing need	-	-	-	1,115,115 (Note C)	2,230,231 (Note C)
5	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Other receivable - related parties	93,507	52,574	-	Service intercourse	Purchase 323,661	Service intercourse	-	-	-	323,661 (Note E)	323,661 (Note E)
5	Netstar Technology Co., Ltd.	LANSONIC (BVI)	Other receivable - related parties	3,618	3,618	-	Short-term financing	-	Financing need	-	-	-	1,115,115 (Note C)	2,230,231 (Note C)
6	Broadwin Technology, Inc.	Netstar Technology Co., Ltd.	Other receivable - related parties	40,000	40,000	2%	Short-term financing	-	Financing need	-	-	-	1,115,115 (Note C)	2,230,231 (Note C)
7	Advantech Fund-A	Netstar Technology Co., Ltd.	Other receivable - related parties	60,000	60,000	2%	Short-term financing	-	Financing need	-	-	-	1,115,115 (Note C)	2,230,231 (Note C)

Notes: A. The exchange rate was EUR1=NT\$46.29; US\$1=NT\$32.81; RMB1= NT\$4.8031; KRW1=NT\$0.026.

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.

ADVANTECH CO., LTD. AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED

SIX MONTHS ENDED JUNE 30, 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	\$ 1,115,115 (Note A)	\$ 610,266 (US\$ 18,600 thousand)	\$ 610,266 (US\$ 18,600 thousand)	\$ -	5.47	\$ 3,345,346 (Note B)
		Netstar Technology Co., Ltd.	Indirect subsidiary	1,115,115 (Note A)	220,000	220,000	-	1.97	3,345,346 (Note B)
		Advansus Corp.	Equity-method investee	1,115,115 (Note A)	100,000	100,000	-	0.90	3,345,346 (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\$32.81.

TABLE 3

ADVANTECH CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

JUNE 30, 2009

(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2009				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech Co., Ltd. (the "Company")	<u>Stock</u>							
	AAC (BVI)	Investee	Long-term equity investments	32,606,500	\$ 1,885,222	100.00	\$ 1,885,222	Note A
	ATC	"	"	32,750,000	1,728,867	100.00	1,728,867	Note A
	Advansus Corp.	"	"	18,000,000	190,960	50.00	190,960	Note A
	Advantech Fund-A	"	"	70,000,000	627,209	100.00	627,209	Note A
	Axiomtek	"	"	21,353,345	331,037	27.96	331,037	Note A
	AEU	"	"	9,572,024	363,480	100.00	363,480	Note A
	ASG	"	"	1,450,000	66,159	100.00	66,159	Note A
	AAU	"	"	500,204	87,377	100.00	87,377	Note A
	AJP	"	"	1,200	111,996	100.00	111,996	Note A
	AYS	"	"	12,300,000	86,632	100.00	86,632	Note A
	AMY	"	"	2,000,000	40,196	100.00	40,196	Note A
	AHG	"	"	30	17,544	30.00	17,544	Note A
	AIMS	"	"	500,000	5,912	100.00	5,912	Note A
	AHK	"	Other liability - others	999,999	(6,568)	100.00	(6,568)	Notes A and C
ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	45,698,339	1,946,749	1.08	1,946,749	Note B	
SGA	"	"	1,556,064	50,370	7.19	50,370	Note B	
Advantech Fund-A	<u>Stock</u>							
	Netstar Technology Co., Ltd.	Investee	Long-term equity investments	19,829,222	204,577	79.32	204,577	Note A
	BCM Embedded Computer Inc.	"	"	4,500,000	20,942	100.00	20,942	Note A
	Broadwin Technology, Inc.	"	"	6,851,782	110,284	70.08	110,284	Note A
	Avalue Technology Inc.	-	Financial assets carried at cost - noncurrent	3,165,000	88,637	8.71	88,637	-
	Superior Technology Co., Ltd.	-	"	1,095,910	33,441	13.22	33,441	-
	COBAN Research and Technologies, Inc.	-	"	600,000	33,257	7.00	33,257	-
Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - current	206,192	13,506	-	13,506	Note B	
ATC	<u>Stock</u>							
	ATC (HK)	Investee	Long-term equity investments	35,650,001	1,237,932	100.00	1,237,932	Note A
ATC (HK)	<u>Shares</u>	"	"	-	1,238,127	100.00	1,238,127	Note A
AKMC								
AYS	<u>Shares</u>							
	ADMC	"	"	-	63,130	100.00	63,130	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2009				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
AAC (BVI)	<u>Stock</u> ANA	Investee	Long-term equity investments	10,952,606	\$ 995,937	100.00	\$ 995,937	Note A
	AAC (HK)	"	"	15,230,001	890,266	100.00	890,266	Note A
ANA	<u>Stock</u> ABR	-	Financial assets carried at cost - noncurrent	375,192	6,310	16.72	6,310	-
AAC (HK)	<u>Shares</u> ACN	Investee	Long-term equity investments	-	508,593	100.00	508,593	Note A
	SHHQ	"	"	-	87,807	100.00	87,807	Note A
	AiSC	"	"	-	271,045	100.00	271,045	Note A
	AXA	"	"	-	21,867	100.00	21,867	Note A
ACN	<u>Shares</u> Hangzhou Advantofine Automation Co., Ltd.	"	"	-	4,632	50.00	4,632	Note A
AEU	<u>Stock</u> AESC	"	"	8,314,280	122,639	100.00	122,639	Note A
	ADL	"	"	1,142,000	(29,073)	100.00	(29,073)	Note A
	APL	"	"	6,530	29,755	92.89	29,755	Note A
ASG	<u>Stock</u> ATH	"	"	30,000	5,960	30.00	5,960	Note A
	APN	"	"	570,570	5,417	55.00	5,417	Note A
	AKL	"	"	418,000	3,570	55.00	3,570	Note A
	Netstar Technology Co., Ltd.	<u>Stock</u> LANSONIC (BVI)	Investee	Other liability - others	3,527,529	(25,520)	94.83	(25,520)
	Jan Hsiang Electronics Co., Ltd.	"	Long-term equity investments	1,520,000	14,423	76.00	14,423	Note A
	Lantech Communications Inc.	"	Other liability - others	1,159,500	-	77.30	-	Note A
Broadwin Technology, Inc.	<u>Stock</u> Broadwin Technology Inc.	Investee	Long-term equity investments	5,643,650	19,873	100.00	19,873	Note A
LANSONIC (BVI)	<u>Shares</u> Netstar Electronics Corporation	"	Other liability - others	-	HK\$ (25,729)	100.00	HK\$ (25,729)	Notes A and C

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

Note B: Market value was based on the closing price on June 30, 2009.

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 SIX MONTHS ENDED JUNE 30, 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 A)	\$ 120,000 (Note A)	\$ -	18,000,000	\$ 190,960

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

ADVANTECH CO., LTD. AND INVESTEEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2009
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Advantech Co., Ltd.	ANA	Indirect subsidiary	Sale	\$ (1,125,791)	(23)	Set for 45 days a month	\$ -	-	\$ 31,708	2	
	AESC	Indirect subsidiary	Sale	(675,585)	(14)	Set for 45 days a month	-	-	351,813	21	
	ACN	Indirect subsidiary	Sale	(954,330)	(19)	Set for 45 days a month	-	-	420,315	25	
	AiSC	Indirect subsidiary	Sale	(413,272)	(8)	Set for 45 days a month	-	-	223,900	13	
	AKR	The Company is the AKR's director	Sale	(124,362)	(3)	Set for 45 days a month	-	-	83,580	5	
	ATC	Subsidiary	Purchase	1,687,206	52	Set for 60 days a month	-	-	(675,040)	(61)	
	Advansus Corp.	Subsidiary	Purchase	483,918	15	Set for 30 days a month	-	-	(89,032)	(8)	
	AYS	Subsidiary	Purchase	114,948	4	Set for 90 days a month	-	-	(38,972)	(4)	
ATC	Advantech Co., Ltd.	Parent company	Sale	(1,687,206)	(100)	Set for 60 days a month	-	-	675,040	97	
Advansus Corp.	Advantech Co., Ltd.	Parent company	Sale	(483,918)	(34)	Set for 30 days a month	-	-	89,032	26	
AYS	Advantech Co., Ltd.	Parent company	Sale	(114,948)	(100)	Set for 45 days a month	-	-	38,972	100	
ANA	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,125,791	77	Set for 45 days a month	-	-	(31,708)	(91)	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	675,585	67	Set for 45 days a month	-	-	(351,813)	(75)	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	954,330	82	Set for 45 days a month	-	-	(420,315)	(76)	
AiSC	Advantech Co., Ltd.	Ultimate parent company	Purchase	413,272	65	Set for 45 days a month	-	-	(223,900)	(55)	
AKR	Advantech Co., Ltd.	The Company is the AKR's director	Purchase	124,362	65	Set for 45 days a month	-	-	(83,580)	(54)	
Advansus Corp.	AKMC	Related enterprise	Sale	(615,255)	(44)	Set for 30 days after a month	-	-	161,943	46	
AKMC	Advansus Corp.	Related enterprise	Purchase	615,255	45	Set for 30 days after a month	-	-	(161,943)	(34)	
ACN	AiSC	Related enterprise	Sale	(130,323)	(9)	Set for 90 days a month	-	-	134,746	18	
AiSC	ACN	Related enterprise	Purchase	130,323	21	Set for 90 days a month	-	-	(134,746)	(33)	
AKMC	ATC	Related enterprise	Sale	(1,361,089)	(96)	Set for 30 days after a month	-	-	204,401	86	
ATC	AKMC	Related enterprise	Purchase	1,361,089	100	Set for 30 days after a month	-	-	(204,401)	(100)	

ADVANTECH CO., LTD. AND INVESTEEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

JUNE 30, 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.	ACN	Indirect subsidiary	\$ 420,315	4.34	\$ -	-	\$ 180,949	\$ -
	AESC	Indirect subsidiary	351,813	3.21	-	-	94,271	-
	AiSC	Indirect subsidiary	223,900	7.38	-	-	90,548	-
ATC	Advantech Co., Ltd.	Parent company	675,040	5.49	-	-	267,842	-
AKMC	ATC	Subsidiary	204,401	11.67	-	-	204,255	-
ACN	AiSC	Indirect subsidiary	134,746	3.80	-	-	24,216	-

TABLE 7

ADVANTECH CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SIX MONTHS ENDED JUNE 30, 2009
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2009			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 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	\$ 1,885,222	\$ 101,230	\$ 99,896	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,044,818	1,044,818	32,750,000	100.00	1,728,867	152,675	156,548	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	180,000	300,000	18,000,000	50.00	190,960	13,456	6,962	Equity-method investee
	AEU	Helmond, the Netherlands	Investment holding company	426,930	426,930	9,572,024	100.00	363,480	(53,843)	(53,843)	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	General investment	700,000	700,000	70,000,000	100.00	627,209	1,330	1,330	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	269,222	269,222	21,353,345	27.96	331,037	59,847	16,812	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	66,159	(4,555)	(4,555)	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	87,377	6,059	6,059	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	111,996	(18,033)	(18,033)	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	51,662	51,662	12,300,000	100.00	86,632	(4,910)	(4,080)	Subsidiary
	AMY	Kuala Lumpur, Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	40,196	248	248	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	17,544	-	-	Equity-method investee
	AIMS	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,912	101	101	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(6,568)	(2,384)	(2,384)	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	204,577	7,224	5,389	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	45,500	30,500	4,500,000	100.00	20,942	(9,344)	(9,344)	Indirect subsidiary
	Broadwin Technology, Inc.	Taipei, Taiwan	Assembly and production of computers	99,783	99,783	6,851,782	70.08	110,284	5,027	3,526	Indirect subsidiary
ATC	ATC (HK)	Hong Kong	Investment holding company	1,026,430	1,026,430	35,650,001	100.00	1,237,932	(34,385)	(34,385)	Indirect subsidiary
ATC (HK)	AKMC	Kunshan, China	Production and sale of components of industrial automation products	1,026,430	1,026,430	-	100.00	1,238,127	(34,385)	(34,385)	Indirect subsidiary
AYS	ADMC	Guangzhou, China	Production and sale of components of industrial automation products	51,662	51,662	-	100.00	63,130	(9,455)	(9,455)	Indirect subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	995,937	13,989	13,989	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment holding company	539,146	539,146	15,230,001	100.00	890,266	87,322	87,322	Indirect subsidiary
AAC (HK)	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	508,593	91,428	91,428	Indirect subsidiary
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	96,750	-	100.00	87,807	(3,481)	(3,481)	Indirect subsidiary
	AISC	Shanghai, China	Sale of industrial automation products	257,040	257,040	-	100.00	271,045	5,234	5,234	Indirect subsidiary
	AXA	Xi'an, China	Development and production of software products	32,960	32,960	-	100.00	21,867	(5,693)	(5,693)	Indirect subsidiary
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processes and sale of peripherals	6,660	6,660	-	50.00	4,632	696	348	Equity-method investee
AEU	AESC	Eindhoven, the Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	122,639	(12,755)	(12,755)	Indirect subsidiary
	ADL	Munich, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	(29,073)	(46,018)	(46,018)	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	65,300	92.89	29,755	3,671	3,410	Indirect subsidiary
ASG	APN	Penang, Malaysia	Sale of industrial automation products	8,181	8,181	570,570	55.00	5,453	-	-	Indirect subsidiary
	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	5,960	(2,066)	(620)	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	3,594	-	-	Indirect subsidiary
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd.	Taipei, Taiwan	Electronic parts and components manufacturing	11,500	11,500	1,520,000	76.00	14,423	844	642	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	(25,520)	HK\$ 2,157	HK\$ 2,157	Indirect subsidiary (Note A)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2009			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 2009	December 31, 2008	Shares	Percentage of Ownership	Carrying Value			
LANSONIC (BVI)	Netstar Electronics Corporation (Dongguan)	Guangzhou, China	Network and UPS product manufacture business	HK\$ 2,935	HK\$ 2,935	-	100.00	HK\$ (25,729)	HK\$ 2,160	HK\$ 2,160	Indirect subsidiary (Note A)
Broadwin Technology, Inc.	Broadwin Technology Inc.	San Ramon, USA	Sale of webaccess software	22,491	22,491	5,643,650	100.00	19,873	(102)	(102)	Indirect subsidiary

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

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

(Concluded)

TABLE 8

ADVANTECH CO., LTD. AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 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 June 30, 2009	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2009	Accumulated Inward Remittance of Earnings as of June 30, 2009
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$35,650 thousand	Indirect	\$ 1,026,953 (US\$ 31,300 thousand)	\$ -	\$ -	\$ 1,206,953 (US\$ 31,300 thousand)	100%	\$ (34,385)	\$ 1,238,127	\$ -
Yan Hua Xing Ye Electronic (SHHQ)	Sale of industrial automation products	US\$3,000 thousand	Indirect	98,430 (US\$ 3,000 thousand)	-	-	98,430 (US\$ 3,000 thousand)	100%	(3,481)	87,807	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$4,230 thousand	Indirect	174,943 (US\$ 5,332 thousand)	-	-	174,943 (US\$ 5,332 thousand)	100%	91,428	508,593	368,620 (US\$11,235 thousand)
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US\$1,400 thousand	Indirect	(Note C)	-	-	(Note C)	100%	(9,455)	63,130	-
Shanghai Advantech Intelligent Services Co., Ltd.	Production and sale of industrial automation products	US\$8,000 thousand	Indirect	262,480 (US\$ 8,000 thousand)	-	-	262,480 (US\$ 8,000 thousand)	100%	5,234	271,045	-
Xi'an Advantech Software Ltd.	Development and production of software products	US\$1,000 thousand	Indirect	(Note D)	-	-	-	100%	(5,693)	21,867	-

Accumulated Investment in Mainland China as of June 30, 2009	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,569,368 (US\$47,832 thousand) (Note E)	\$2,378,725 (US\$72,500 thousand)	\$6,737,287 (Note G)

(Continued)

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

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\$32.81.

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)