Advantech Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2006 and 2005 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Advantech Co., Ltd. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, as disclosed in Note 2 to the financial statements, we did not audit the financial statements of these subsidiaries as of and for the years ended December 31, 2006 and 2005. The total assets of these subsidiaries were 7.30% (NT$1,223,547 thousand) and 17.97% (NT$2,772,746 thousand) of the Company's consolidated total assets as of December 31, 2006 and 2005, respectively. The operating revenues of these subsidiaries were 10.45% (NT$1,535,444 thousand) and 66.51% (NT$8,238,708 thousand) of the Company's consolidated operating revenues in 2006 and 2005, respectively. Also, as disclosed in Note 8 to the financial statements, we did not audit the financial statements of equity-method investees as of and for the years ended December 31, 2006 and 2005. The carrying values of these investments were 3.51% (NT$588,789 thousand) and 3.31% (NT$510,772 thousand) of the Company's consolidated total assets as of December 31, 2006 and 2005, respectively. The equity in the investees' net gain was 3.69% (NT$125,193 thousand) and 1.39% (NT$37,979 thousand) of the Company's consolidated income before income tax in 2006 and 2005, respectively. The consolidated financial statements of these subsidiaries and investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the subsidiaries and investees' amounts included herein, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Advantech Co., Ltd. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, on January 1, 2006, Advantech Co., Ltd. and subsidiaries adopted the new Statements of Financial Accounting Standards ("Statements") No. 34 - "Accounting for Financial Instruments" and No. 36 - "Disclosure and Presentation of Financial Instruments" and related revisions of previously released Statements.

March 6, 2007

Notice to Readers

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Par Value)

	2006		2005	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 2,526,375	15	$ 2,517,834	16
Available-for-sale financial assets - current (Notes 2, 3, 6 and 23)	1,305,570	8	1,595,165	11
Notes receivable (Note 2)	166,859	1	190,330	1
Accounts receivable, net of allowance for doubtful accounts of $37,627 thousand in 2006 and $29,969 thousand in 2005 (Notes 2 and 21)	2,187,976	13	1,613,836	11
Receivables from related parties (Notes 2 and 20)	48,126	-	52,101	-
Tax refund receivable	37,425	-	132,247	1
Inventories, net (Notes 2 and 7)	2,499,683	15	2,300,817	15
Deferred income tax assets - current (Notes 2 and 17)	87,854	1	32,716	-
Restricted assets - current (Note 21)	50,000	-	-	-
Prepayments and other current assets	162,601	1	150,970	1
Total current assets	9,072,469	54	8,586,016	56
LONG-TERM FUNDS AND INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2, 3, 6 and 23)	3,987,961	24	3,484,906	23
Financial assets carried at cost - noncurrent (Notes 2, 3 and 9)	74,902	-	34,193	-
Equity method investment (Notes 2 and 8)	613,584	4	520,146	3
Prepayments for long-term equity method investments	-	-	9,844	-
Total long-term funds and investments	4,676,447	28	4,049,089	26
PROPERTIES (Notes 2 and 10)				
Cost				
Land	777,103	5	758,963	5
Buildings and equipment	1,433,233	8	1,270,811	8
Machinery and equipment	623,050	4	462,974	3
Furniture and fixtures	270,400	2	256,056	2
Miscellaneous equipment	234,515	1	165,475	1
Total cost	3,338,301	20	2,914,279	19
Accumulated depreciation	738,008	4	616,772	4
	2,600,293	16	2,297,507	15
Advances for equipment acquisition	46,138	-	125,532	1
Net properties	2,646,431	16	2,423,039	16
GOODWILL (Note 3)	94,261	-	62,614	-
OTHER ASSETS				
Properties leased to others, net (Notes 2, 10 and 11)	7,877	-	68,818	1
Refundable deposits	39,439	-	33,584	-
Deferred expenses, net (Note 2)	223,696	2	199,109	1
Restricted assets - noncurrent (Note 21)	1,600	-	4,100	-
Total other assets	272,612	2	305,611	2
TOTAL	$ 16,762,220	100	$ 15,426,369	100

	2006		2005	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Notes 2, 3, 5 and 23)	$ 540	-	$ 489	-
Short-term bank loans (Note 12)	289,639	2	453,390	3
Accounts payable	1,021,330	6	1,179,585	8
Accounts payable to related parties (Note 20)	552	-	463	-
Income tax payable (Notes 2 and 17)	168,317	1	69,087	-
Employee bonus payable (Note 16)	141,771	1	150,025	1
Accrued expenses	501,311	3	492,953	3
Long-term bank loans - current portion (Note 14)	7,516	-	6,627	-
Bonds payable - current portion (Notes 2 and 13)	-	-	8,900	-
Advance receipts and other current liabilities	242,136	1	273,464	2
Total current liabilities	2,373,112	14	2,634,983	17
LONG-TERM LIABILITIES				
Long-term bank loans (Note 14)	69,569	-	71,293	1
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 15)	110,964	1	110,948	1
Deferred income tax liabilities - noncurrent (Notes 2 and 17)	124,351	1	70,180	-
Deferred credits (Note 2)	7,527	-	9,103	-
Miscellaneous	8,550	-	19,292	-
Total other liabilities	251,392	2	209,523	1
Total liabilities	2,694,073	16	2,915,799	19
SHAREHOLDERS' EQUITY				
Capital stock, NT$10.00 par value				
Authorized - 500,000 thousand shares				
Issued and outstanding - 463,630 thousand shares in 2006 and 448,900 thousand shares in 2005	4,636,295	28	4,489,003	29
Capital surplus				
Paid-in capital in excess of par value	4,362,548	26	4,342,204	28
From long-term equity investments	64,098	-	50,365	1
Total capital surplus	4,426,646	26	4,392,569	29
Retained earnings				
Legal reserve	1,086,326	7	843,346	6
Special reserve	-	-	19,661	-
Unappropriated earnings	3,254,770	19	2,688,544	17
Total retained earnings	4,341,096	26	3,551,551	23
Others				
Cumulative translation adjustments	114,993	1	39,481	-
Unrealized valuation gain on financial instruments	514,705	3	-	-
Total others	629,698	4	39,481	-
Total shareholders' equity of parent company	14,033,735	84	12,472,604	81
Minority interest	34,412	-	37,966	-
Total shareholders' equity	14,068,147	84	12,510,570	81
TOTAL	$ 16,762,220	100	$ 15,426,369	100

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

(With Deloitte & Touche audit report dated March 6, 2007)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)

	2006		2005	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 20)				
Sales	$14,644,334	99	$12,400,736	100
Sales returns and allowances	199,359	1	181,642	1
Net sales	14,444,975	98	12,219,094	99
Other operating revenues	257,429	2	169,545	1
Total operating revenues	14,702,404	100	12,388,639	100
OPERATING COSTS (Notes 2, 18 and 20)	8,133,545	55	6,722,485	54
GROSS PROFIT	6,568,859	45	5,666,154	46
REALIZED PROFITS ON INTERCOMPANY SALES (Note 2)	1,576	-	12,613	-
ADJUSTED GROSS PROFIT	6,570,435	45	5,678,767	46
OPERATING EXPENSES (Note 18)				
Marketing	1,365,668	9	1,302,380	11
Administration	1,294,319	9	1,140,675	9
Research and development	816,687	6	619,027	5
Total operating expenses	3,476,674	24	3,062,082	25
OPERATING INCOME	3,093,761	21	2,616,685	21
NONOPERATING INCOME AND GAINS				
Interest	43,083	-	26,410	-
Equity in net income of investees, net (Notes 2 and 8)	126,083	1	37,862	-
Dividends revenue	41,082	-	1,594	-
Gain on disposal of investments	102,547	1	163,263	2
Foreign exchange gain, net (Note 2)	129,637	1	-	-
Other income (Note 3)	124,761	1	135,576	1
Total nonoperating income and gains	567,193	4	364,705	3
NONOPERATING EXPENSES AND LOSSES				
Interest	19,843	-	30,302	-
Loss on disposal of scrap inventories	100,874	1	68,831	1
Foreign exchange loss, net (Note 2)	-	-	68,197	1
Provision for loss on inventories (Note 2)	92,568	1	16,633	-

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)

	2006		2005	
	Amount	**%**	**Amount**	**%**
Revaluation loss on financial instruments (Notes 2, 3 and 5)	$ 3,594	-	$ 744	-
Other expenses (Note 18)	53,673	-	55,173	-
Total nonoperating expenses and losses	270,552	2	239,880	2
INCOME BEFORE INCOME TAX	3,390,402	23	2,741,510	22
INCOME TAX (Notes 2 and 17)	466,703	3	298,383	2
CONSOLIDATED NET INCOME	$ 2,923,699	20	$ 2,443,127	20
ATTRIBUTABLE TO:				
Controlling interest	$ 2,917,891	20	$ 2,429,803	20
Minority interest	5,808	-	13,324	-
	$ 2,923,699	20	$ 2,443,127	20

	2006		2005	
	Pre-tax	**After-tax**	**Pre-tax**	**After-tax**
EARNINGS PER SHARE (Note 19)				
Basic	$ 7.04	$ 6.30	$ 6.18	$ 5.86
Diluted	$ 7.02	$ 6.28	$ 6.13	$ 5.81

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

(With Deloitte & Touche audit report dated March 6, 2007) (Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Capital Stock Issued and Outstanding (Notes 13 and 16)		Capital Surplus (Notes 2 and 16)			Retained Earning (Notes 2 and 16)				Cumulative Translation Adjustments (Note 2)	Unrealized Valuation gains on Financial Instruments (Notes 2, 3 and 23)	Minority Interest in Subsidiaries	Total Shareholders' Equity
	Shares (Thousand)	Amount	Issue of Stock in Excess of Par Value	From Equity-method Investment	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total				
BALANCE, JANUARY 1, 2005	374,296	$ 3,742,962	$ 1,072,211	$14,990	$ 1,087,201	$ 627,331	$ -	$ 2,280,132	$ 2,907,463	$ (19,661)	$ -	$ 362,511	$ 8,080,476
Appropriation of the 2004 earnings													
Legal reserve	-	-	-	-	-	216,015	-	(216,015)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	19,661	(19,661)	-	-	-	-	-
Bonus to employees	5,000	50,000	-	-	-	-	-	(192,448)	(192,448)	-	-	-	(142,448)
Remunerations to directors and supervisors	-	-	-	-	-	-	-	(19,245)	(19,245)	-	-	-	(19,245)
Stock dividends - 5%	18,738	187,383	-	-	-	-	-	(187,383)	(187,383)	-	-	-	-
Cash dividends - NT$3.7 per share	-	-	-	-	-	-	-	(1,386,639)	(1,386,639)	-	-	-	(1,386,639)
Consolidated net income in 2005	-	-	-	-	-	-	-	2,429,803	2,429,803	-	-	13,324	2,443,127
Conversion of bonds into capital stock and capital surplus	5,203	52,025	230,527	-	230,527	-	-	-	-	-	-	-	282,552
Issuance of new shares for a share swap	44,893	448,933	3,016,828	-	3,016,828	-	-	-	-	-	-	-	3,465,761
Employee stock options	770	7,700	22,638	-	22,638	-	-	-	-	-	-	-	30,338
Decrease in capital surplus and cumulative translation adjustments due to disposal of long-term investments	-	-	-	(5,415)	(5,415)	-	-	-	-	(4,319)	-	-	(9,734)
Increase in carrying values of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	40,790	40,790	-	-	-	-	-	-	-	40,790
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	63,461	-	-	63,461
Effect of change in consolidated entities since 2005	-	-	-	-	-	-	-	-	-	-	-	(333,884)	(333,884)
Effect of change due to change in shareholders' equity of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(3,985)	(3,985)
BALANCE, DECEMBER 31, 2005	448,900	4,489,003	4,342,204	50,365	4,392,569	843,346	19,661	2,688,544	3,551,551	39,481	-	37,966	12,510,570
Adjustment due to accounting changes (Note 3)	-	-	-	-	-	-	-	-	-	-	620,449	-	620,449
Appropriation of the 2005 earnings													
Legal reserve	-	-	-	-	-	242,980	-	(242,980)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(19,661)	19,661	-	-	-	-	-
Bonus to employees	5,000	50,000	-	-	-	-	-	(220,648)	(220,648)	-	-	-	(170,648)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(22,065)	(22,065)	-	-	-	(22,065)
Stock dividends - 2%	8,979	89,792	-	-	-	-	-	(89,792)	(89,792)	-	-	-	-
Cash dividends - NT$4.00 per share	-	-	-	-	-	-	-	(1,795,841)	(1,795,841)	-	-	-	(1,795,841)
Consolidated net income in 2006	-	-	-	-	-	-	-	2,917,891	2,917,891	-	-	5,808	2,923,699
Conversion of bonds into capital stock and capital surplus	210	2,100	6,700	-	6,700	-	-	-	-	-	-	-	8,800
Employee stock options	540	5,400	13,644	-	13,644	-	-	-	-	-	-	-	19,044
Increase in cumulative translation adjustments due to disposal of long-term investment	-	-	-	-	-	-	-	-	-	5,993	-	-	5,993
Increase in carrying values of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	13,733	13,733	-	-	-	-	-	-	-	13,733
Changes in unrealized valuation losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(106,113)	-	(106,113)
Equity in the changes in unrealized valuation gains on available-for-sales financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	369	121	490
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	69,519	-	-	69,519
Effect of change due to change in shareholders' equity of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(9,483)	(9,483)
BALANCE, DECEMBER 31, 2006	463,629	$ 4,636,295	$ 4,362,548	$64,098	$ 4,426,646	$ 1,086,326	$ -	$ 3,254,770	$ 4,341,096	$ 114,993	$ 514,705	$ 34,412	$ 14,068,147

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

(With Deloitte & Touche audit report dated March 6, 2007)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 2,923,699	$ 2,443,127
Depreciation and amortization	210,463	202,321
Provision (reversal of allowance) for bad debts	7,658	(23,277)
Provision for losses on inventories	92,568	16,633
Loss on disposal of scrap inventories	100,874	68,831
Gains on disposal of properties, net	(2,075)	(10,921)
Gain on disposal of investments	(89,693)	(163,152)
Equity in net gain of investees, net	(126,083)	(37,862)
Cash dividends from equity-method investees	49,755	50,884
Revaluation loss on financial liabilities	51	8,864
Accrued pension liabilities	16	(14,361)
Deferred income taxes	(967)	18,708
Deferred credits	(1,576)	(12,421)
Net changes in operating assets and liabilities		
Notes receivable	23,471	(84,496)
Accounts receivable	(581,798)	(180,138)
Receivables from related parties	3,975	87,271
Tax refund receivable	94,822	-
Inventories	(392,308)	(851,514)
Prepayment and other current assets	(11,631)	46,663
Accounts payable	(158,255)	593,536
Accounts payable to related parties	89	(13,976)
Income tax payable	99,230	(108,350)
Accrued expenses	8,358	175,546
Advance receipts and other current liabilities	(31,328)	(61,191)
Net cash provided by operating activities	2,219,315	2,150,725
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(10,002,261)	(11,178,536)
Proceeds of sales of available-for-sale financial assets	10,387,243	11,753,710
Acquisition of financial assets carried at cost	(40,709)	-
Proceeds of sale of equity-method investments	18,415	393,403
Proceeds of disposal of properties	4,410	30,921
Acquisition of properties	(334,896)	(234,625)
Acquisition of goodwill	(31,647)	(9,024)
Decrease (increase) in refundable deposits	(5,855)	1,400
Increase in deferred expense	(64,940)	(70,096)
Decrease (increase) in restricted assets	(47,500)	800
Net cash provided by (used in) investing activities	(117,740)	687,953

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in bank loans - short-term	$ (163,751)	$ (53,393)
Decrease in long-term bank loans	(835)	(58,957)
Decrease in bonds payable	(100)	-
Increase (decrease) in other liabilities	(10,742)	6,765
Exercise of employee stock options	19,044	30,338
Cash dividends paid	(1,795,841)	(1,386,639)
Bonus paid to employees and remuneration to directors and supervisors	(200,967)	(67,164)
Decrease in minority equity	(9,483)	(3,985)
Net cash used in financing activities	(2,162,675)	(1,533,035)
EFFECT OF CHANGE IN CONSOLIDATED ENTITIES	9,844	(552,823)
EFFECT OF EXCHANGE RATE CHANGES	59,797	59,142
NET INCREASE (DECREASE) IN CASH	8,541	811,962
CASH, BEGINNING OF YEAR	2,517,834	1,705,872
CASH, END OF YEAR	$ 2,526,375	$ 2,517,834
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	$ 31,515	$ 18,630
Income tax paid	$ 368,440	$ 388,025
NONCASH INVESTING AND FINANCING ACTIVITIES		
Bonus to employees payable	$ 49,573	$ 94,529
Reclassification of properties leased to others into properties	$ 60,941	$ 8,945
Conversion of bonds into capital stock and capital surplus	$ 8,800	$ 282,552
Issuance of new shares for a share swap	$ -	$ 3,465,761

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

(With Deloitte & Touche audit report dated March 6, 2007) (Concluded)

1. ORGANIZATION AND OPERATIONS

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

As of December 31, 2006 and 2005, the Parent Company and the consolidated subsidiaries (collectively, the "Group") had 3,070 and 2,391 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Basis for Consolidation

The Parent Company prepared consolidated financial statements according to full-disclosure purposes. As required by the revised R.O.C. Statement of Financial Accounting Standards No. 7 "Consolidated Financial Statements", starting from 2005, consolidated financial statements should include direct and indirect subsidiaries in which the Parent Company has controlling interest or has voting right over 50%. The consolidated entities include the Parent Company and its all subsidiaries in 2006 and 2005. All significant intercompany accounts and transactions have been eliminated from the consolidated financial statements.

The consolidate financial statements as of and for the year ended December 31, 2006 included a partnership company, Advansus Corp., which was consolidated using the proportionate consolidated method. All significant accounts and transactions between the Parent and this company have been eliminated from the consolidated financial statements.

The organization charts of intercompany relationships and percentages of ownership as of December 31, 2006 and 2005, please see Table 9 attached. The name, locations and other information of investees, please see Table 7 attached.

As shown in the accompanying consolidated financial statements, Advantech Europe Holding B.V., Advantech Europe GmbH (before is Advantech Europe Business Center GmbH), Advantech (UK) Ltd., Advantech Benelux B.V., Advantech Italia S.P.A, Advantech Co., Singapore Pte, Ltd., Advantech Automation (Penang) Sdn. Bhd., Advantech Control (M) Sdn. Bhd., Advantech Australia Pty, Ltd., Advantech Japan Co., Ltd. in 2006 and 2005, Advantech Co., Malaysia Sdn. Bhd., Advantech Poland Sp.z o.o., Advansus Corp. and Viewsys Technology Co., Ltd. in 2006, and Advantech Corp., Advantech Europe B.V., Advantech Europe Design Center GmbH, Advantech France S.A., Axiomtek Co., Ltd., Axiom Technology Inc. U.S.A., Axiom Technology (BVI) Co., Ltd., Axiom Technology Trading (BVI) Co., Ltd., Axiomtek SAS, Axiomtek Technology Deutschland GmbH, Axiomtek (Technology)(Shenzhen) Co., Ltd., Innova Tech & Management Consultant Inc. and Etherwan Systems Inc. in 2005 (Axiomtek Co., Ltd., and subsidiaries only included the net income of these entities before the Parent Company lost controlling interest in April 2005). Their financial statement were audited by other auditor, not the Parent Company's auditors.

The calculation of the investment carrying value and the Parent Company's equity in the net income of Advantech (HK) Technology Co., Ltd. and Advantech Investment & Management Service in 2006 and 2005 was based on unaudited financial statements since each investee's capital stock was less than $30,000 thousand and the investees' individual total operating revenues were less than $50,000 thousand or 10% of the Parent Company's total operating revenues. The Parent Company considers that there were not going to be major adjustments, if the financial statements were audited by CPAs.

Current and Noncurrent Assets and Liabilities

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

Financial Assets/Liabilities at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets or liabilities for trading. These derivatives are initially recognized at fair value, with transaction costs expensed as incurred. After initial recognition, the derivatives are remeasured at fair value, with the changes in fair value recognized in current earnings. Purchase or sale of financial assets under customary transactions is recognized and derecognized using trading date accounting.

Derivatives that do not meet the criteria for hedge accounting are classified as trading financial assets or liabilities. When the fair value is a positive amount, the derivative is recognized as a financial asset; when the fair value is a negative amount, the derivative is recognized as a financial liability.

Fair value is estimated using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

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.

An impairment loss should be recognized on the balance sheet date if there are objective evidences that financial asset is impaired, and this impairment loss should be charged to the net income of the current period. This impairment loss can be reversed to the extent of the original carrying value and recognized as adjustments to shareholders' equity. If the reversible amount of a debt instrument is clearly attributable to an event which occurred after the impairment loss was recognized, then recognized as income.

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

Sales revenues are recognized when titles to products and material risks of ownerships are transferred to clients, primarily upon shipment, when the earnings process is mostly completed and profit is realized or is realizable. The Group does not recognize as sales those transactions involving the delivery of materials to subcontractors since ownership of materials is not transferred upon delivery of materials. Allowances and the related provision for sales returns are accounted for as a deduction from gross sales, and the related costs are deducted from cost of sales as they are incurred.

If customers' payments are due a year after a sales transaction is made, revenue is recognized on the basis of the fair value of the transaction price (which includes commercial and volume discounts negotiated with the buyer by the Group) calculated at interest rates for similar transactions. In these transactions, the fair value and the actual payments approximate the transaction price.

Allowances for doubtful accounts are provided on the basis of a periodic review of the collectibility and aging of receivables and economic circumstances.

Inventories

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

Inventories are stated at the lower of weighted-average cost or market. Market value refers to replacement value of raw materials and supplies and net realizable value of finished goods and work in process.

Estimation of ending inventories includes the evaluation of the possible influences of the changes in manufacturing technologies to recognize losses on disposal of scrap inventories and may include the evaluation of scraps and slow-moving raw materials, depending on future demand for the Company's products, to recognize provision for losses on inventories.

Financial Assets Carried at Cost

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

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

Long-term Equity Investments

Investments in shares of stock of companies in which the Group owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Stock investments accounted for by the equity method are initially carried at cost and subsequently adjusted for the Group's proportionate share in the investees' earnings or losses and changes in capital surplus. Cash dividends received are recognized as a reduction of the carrying value of the investments. Investment income (or loss) is recognized whenever the investees recognize income (or loss). If the equity in losses recognized exceeds the original investment acquisition costs plus any advance given to an equity-method investee, the excess losses should be recognized proportionately and is recorded as part of other liabilities. The difference between the cost of the investment and the Group's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted, is amortized over five years. Effective January 1, 2006, under the revised Statement of Financial Accounting Standards, investment premiums, representing goodwill, are no longer being amortized, but the Group needs to make asset impairment tests regularly. And if there are indications that the goodwill is probably impaired, the Group also needs to make an impairment test. If the net fair value of an asset exceed its investment cost, the difference will be credited to depend on the proportion of noncurrent asset's (not include non-equity-method financial asset, dispose asset waiting for sale, differ tax asset and prepay pension cost or other pension pay) fair value. If the fair value of a noncurrent asset is not enough for crediting purposes, it will recognize as extraordinary gain. If the unamortized long-term investment by the equity method acquired before January 1, 2006 exceeds the Group's equity in the investee's equity in the investee's assets, represent goodwill, are no longer being amortized; the negative goodwill previously acquired should be amortized over the remaining estimated economic life.

If an investee issues additional shares and the Group acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Group's equity in its investee's net assets is credited to capital surplus. Any decrease in the Group's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings.

For equity-method investees over which the Group has controlling influence, if the equity in losses recognized exceeds the original investment acquisition costs, the Group recognizes its investee's total losses unless other investors commit to and have the ability to assume a portion of the losses. However, when the investees return to profitable operations, the profits should be recognized by the Group totally until its previously recognized losses are covered.

All profits derived from sales of products by the Group to its subsidiaries are deferred but only profit in proportion to the Group's equity interest is deferred for other equity-method investees that are not majority owned. Profit from the sales of products by equity-method investees to the Group is deferred in proportion to the Group's equity interests in the investees and credited against the investment. Profits from sales of products between equity-method investees are deferred to the extent of the Group's equity interests in these investees. The deferred profits are included as part of other liabilities. All of these profits are realized through the subsequent sale of the related products to third parties.

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

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

Properties and Properties Leased to Others

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

Depreciation is computed using the straight-line method over service lives initially estimated as follows (plus one year to represent estimated salvage value): buildings and equipment, 15 to 60 years; machinery and equipment, 2 to 10 years; furniture and fixtures 2 to 5 years; and miscellaneous equipment, 2 to 5 years. Properties and properties leased to others still being used by the Group beyond their initially estimated service lives are depreciated over their newly estimated service lives.

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

Deferred Expenses

Deferred expenses, consisting of computer software costs, royalties and the right to the use of the land are amortized over two to fifty years using the straight-line method.

Goodwill

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Goodwill was previously amortized using the straight-line method over the estimated life of 5 years. Effective January 1, 2006, pursuant to the newly revised SFAS No. 25, "Business Combinations - Accounting Treatment under Purchase Method" (SFAS No. 25), goodwill is no longer amortized and is assessed for impairment at least on an annual basis.

Assets Impairment

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

Pension Costs

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

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

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

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

Convertible Bonds

The book value of convertible bonds issued before December 31, 2005 is based on issuance prices. The interest-premium on bonds, which is the call price in excess of par value, is recognized as liability by the interest method from the issue date to the expiry date of the call.

To convert bonds to common shares, the Parent Company uses the book value approach, which involves writing off the recognized interest-premium and par value of the convertible bonds. The common stock exchange certificate (capital stock) should be valued at the net write-offs carrying amount, and the difference of this amount from the par value of the common stock exchange certificate (capital stock) should be recognized as capital surplus - issue of stock in excess of par value.

Income Tax

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

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

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

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

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

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

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

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

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

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2005 have been reclassified to be consistent with the presentation of financial statements as of and for the year ended December 31, 2006.

3. ACCOUNTING CHANGES

On January 1, 2006, the Group adopted the new Statements of Financial Accounting Standards ("Statements") No. 34 - "Accounting for Financial Instruments" (SFAS No. 34) and No. 36 - "Disclosure and Presentation of Financial Instruments" and related revisions of previously released Statements.

a. Effect of accounting changes

The Group properly categorized its financial assets and liabilities upon the adoption of the new Statements. The adjustments made to the carrying amounts of the financial instruments categorized as financial assets or financial liabilities at fair value through profit or loss or hedged financial instruments at fair value were included in the cumulative effect of changes in accounting principles; on the other hand, the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders' equity.

The effect of the accounting changes is summarized as follows:

	Recognized as Cumulative Effect of Changes in Accounting Principles (Note)	Recognized as a Separate Component of Shareholders' Equity
Financial assets or liabilities at fair value through profit or loss	$ 104	$ -
Available-for-sale financial assets - current	-	1,324
Available-for-sale financial assets - noncurrent	-	619,125
	$ 104	$ 620,449

Note: Included in nonoperating income and gains - other.

The accounting changes had no material effect on the net income in the year ended December 31, 2006.

b. Reclassifications

Upon the adoption of SFAS No. 34, certain accounts in the financial statements as of and for the year ended December 31, 2005 were reclassified to be consistent with the financial statements as of and for the year ended December 31, 2006. However, the previously issued financial statements as of and for the year ended December 31, 2005 need not be restated. If the same account with different valuation method, the details will describe in the notes. If there has a difficulty for practical reasons, the Group would not show the pro-forma informations.

Some accounting policies before the adoption of the new Statements are summarized as follows:

1) Short-term investments

Short-term investments that were publicly traded, easily converted to cash, and not acquired for the purpose of controlling the investees or establishing close business relationship with the investees were carried at the lower of cost or market value at the balance sheet date, with any temporary decline in value charged to current income. Market values are based on the net asset values of the open-end mutual funds on the balance sheet date.

2) Long-term equity investments

Investments in shares of stock of companies in which the Company owns less than 20% of their outstanding common stock or does not exercise significant influence over the investees are accounted for by the cost method. An allowance for decline in market value of listed stocks is recognized, with the related amount debited to shareholders' equity, and the market value is based on the average closing price in the last month of the year.

3) Forward contracts

Forward contracts, which are entered into for hedging purposes are recorded in New Taiwan dollars at the spot rates on the starting dates of the contracts. The resulting difference, computed using the foreign-currency amount of the contract multiplied by the difference between the contracted forward rate and the spot rate on the contract starting dates, is amortized and recognized over the terms of the contract. A forward exchange contract used for hedging purposes should be adjusted at the rate prevailing as of the balance sheet date.

The receivables and payables related to the forward contracts are netted out, and the resulting amount is presented as either an asset or liability.

Certain accounts in the financial statements as of and for the nine months ended September 30, 2005 have been reclassified to be consistent with the classifications prescribed under the new and the revised Statements. The reclassifications of the entire or a part of the account balances of certain accounts are summarized as follows:

	Before Reclassification	**After Reclassification**
Balance sheet		
Short-term investments	$ 1,595,165	$ -
Long-term investments accounted for using cost method	3,519,099	-
Other current liabilities (forward contracts)	489	-
Available-for-sale financial assets - current	-	1,595,165
Available-for-sale financial assets - noncurrent	-	3,484,906
Financial assets carried at cost - noncurrent	-	34,193
Financial liabilities at fair value through profit or loss	-	489
Statement of income		
Foreign exchange loss, net	744	-
Financial asset revaluation loss, net	-	744

Effective January 1, 2006, the Group adopted the newly revised SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities" and SFAS No. 25 - "Business Combinations - Accounting Treatment Under Purchase Method", which prescribe that investment premiums, representing goodwill, be assessed for impairment at least annually instead of being amortized. This accounting change had no cumulative effect on the financial statements but resulted in increases of NT$40,180 thousand in net income and of NT$0.09 basic earnings per share after tax for the year ended December 31, 2006.

4. CASH

	December 31	
	2006	2005
Cash on hand	$ 4,701	$ 1,741
Checking and demand deposits	857,551	1,008,455
Time deposits: Interest - 1.40%-5.50% in 2006 and 1.25%-4.20% in 2005	1,664,123	1,507,638
	$ 2,526,375	$ 2,517,834

As of December 31, 2005, deposits overseas were as follows (as of December 31, 2006: None):

	December 31, 2005
Hong Kong (included US$316 and HK$138 in 2005)	$ 11

5. FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

Information about trading assets or liabilities of the Company are shown as follows:

	December 31	
	2006	2005
Financial liabilities resulted from trading		
Forward contracts	$ 540	$ 489

On December 31, 2006 and 2005, information about outstanding forward contracts is shown as follows:

	Currency	Maturity	Amount (Thousand)
December 31, 2006			
Sell	EUR/USD	January 2007	EUR1,000,000/USD1,299,300
		January 2007	EUR1,000,000/USD1,322,700
December 31. 2005			
Sell	EUR/USD	January 2006	EUR1,000,000/USD1,197,200
		February 2006	EUR5,000,000/USD5,927,400

The Parent Company entered into forward contract transactions in the year ended December 31, 2005 is to avoid risks on exchange rate fluctuations. The hedging strategy of the Parent Company is to avoid the major portion of the market and liquidity risks.

Net losses arising from trading financial assets or liabilities for the year ended December 31, 2006 and 2005 were $3,594 thousand and $744 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2006		2005	
	Current	Noncurrent	Current	Noncurrent
Mutual funds	$ 1,293,208	$ -	$ 1,583,805	$ -
Publicly traded stocks				
Chunghwa Telecom Co., Ltd.	12,362	-	11,360	-
ASUSTEK Computer Inc.	-	3,898,166	-	3,465,761
Firich Enterprise Co., Ltd.	-	89,795	-	19,145
	$ 1,305,570	$ 3,987,961	$ 1,595,165	$ 3,484,906

At the meeting of the Parent Company's boards of directors on September 30, 2005, the directors approved a proposal for Advantech and ASUSTek to enter into a strategic alliance through a share swap. Shares were exchanged at 1.13 shares of Advantech for every share of ASUStek. Thus, Advantech issued 44,893 thousand shares in exchange for 39,729 thousand shares of ASUSTek. This issuance of shares was approved by the Financial Supervisory commission, Executive Yuan, R.O.C. Then, the board of directors resolved December 23, 2005 as the date of issuance. The Parent Company had completed the process of a revised license from the MOEA.

7. INVENTORIES, NET

	December 31	
	2006	2005
Finished goods	$ 983,452	$ 950,523
Work in process	545,838	450,829
Materials and supplies	1,058,715	948,492
Inventories in transit	209,546	164,336
	2,797,551	2,514,180
Allowance for losses	297,868	213,363
	$ 2,499,683	$ 2,300,817

8. LONG-TERM EQUITY INVESTMENTS

	December 31			
	2006		2005	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Listed				
Axiomtek Co., Ltd.	$ 412,454	33.92	$ 369,596	37.25
Unlisted				
Advantech Technologies Co., Ltd.	176,335	23.89	128,622	27.47
Advantech Hungary Ltd.	12,591	30.00	12,554	30.00
Timson Tech Co.	7,782	30.00	7,843	30.00
Advantech Corporation (Thailand) Co., Ltd.	4,422	30.00	1,531	30.00
	$ 613,584		$ 520,146	

The calculation of the investment carrying value and the Parent Company's equity in the net income of equity-method investees, Axiomtek Co., Ltd., Advantech Technologies Co., Ltd. in 2006 and 2005; and Advantech Hungary Ltd. in 2005 were audited by other CPAs.

Also, the calculation of the investment carrying value and the Parent Company's equity in the net income of Timson Tech Co. and Advantech Corporation (Thailand) Co., Ltd. in 2006 and 2005, and Advantech Hungary Ltd. in 2006 were based on unaudit financial statements since each of these investees' capital stock was less than $30,000 thousand and the investees' individual total operating revenues were less than $50,000 thousand or 10% of the Parent Company's total operating revenues. The Parent Company considers that there were not going to be major adjustments, if the financial statement were audited by CPA's.

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 December 31, 2006 and 2005 were $1,189,935 thousand and $913,418 thousand, respectively.

9. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2006	**2005**
Non-publicly trade		
Domestic		
Net Star Technology Corp.	$ 7,459	$ -
Foreign		
Superior Technology Co., Ltd.	33,441	33,442
Coban Research and Technologies, Inc.	33,257	-
Visual Systems GmbH	745	751
	67,443	34,193
	$ 74,902	$ 34,193

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

10. PROPERTIES

Accumulated depreciation was as follows:

	December 31	
	2006	**2005**
Buildings and equipment	$ 208,691	$ 153,913
Machinery and equipment	277,442	210,077
Furniture and fixtures	135,769	134,155
Miscellaneous equipment	116,106	118,627
	$ 738,008	$ 616,772

Depreciation expenses for properties and properties leased to others were $170,004 thousand in 2006 and $166,826 thousand in 2005.

11. PROPERTIES LEASED TO OTHERS

	December 31 2006	December 31 2005
Cost		
Land	$ -	$ 15,693
Buildings and equipment	10,234	54,537
	10,234	70,230
Accumulated depreciation	2,357	1,412
	$ 7,877	$ 68,818

12. SHORT-TERM BANK LOANS

	December 31 2006	December 31 2005
Credit loans - interest: 4.86%-6.17% in 2006 and 3.68%-4.89% in 2005	$ 289,639	$ 449,744
Secured loans - interest: 2.70% in 2005	-	3,646
	$ 289,639	$ 453,390

13. CURRENT PORTION OF LONG-TERM BONDS (AS OF DECEMBER 31, 2006: NONE)

	December 31, 2005
Unsecured convertible bonds	$ 8,900
Interest-premium on convertible bonds	-
	$ 8,900

On July 19, 2001, the Parent Company issued domestic unsecured convertible bonds with aggregate face value of $1,000,000 thousand (or $100 thousand face value per unit), which were listed on the Taiwan Stock Exchange on July 31, 2001. These bonds, with maturity on July 18, 2006, were scheduled to be redeemed at 112.4864% of their face value on July 19, 2004 or 119.2519% of their face value on July 19, 2005. The bonds are convertible to capital stock at an agreed conversion price between October 19, 2001 and July 8, 2006 under certain conditions. The bonds with aggregate face value of $999,500 thousand had been converted to 20,910 thousand shares; bonds amounting to $400 thousand had been redeemed at the holders' request; and bonds amounting to $100 thousand were redeemed by the Parent Company on maturity.

14. LONG-TERM BANK LOANS

	Current	Long-term	Total
December 31, 2006			
Credit loans	$ 7,516	$ 69,569	$ 77,085
December 31, 2005			
Credit loans	$ 6,627	$ 71,293	$ 77,920

The credit loans were for acquisition of a building. The interest rates for long-term bank loans were 4.0% in 2006 and 3.9% in 2005. Their maturity is in June 2010.

15. PENSION PLAN

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

Based on the Act, the rate of monthly contributions to employees' individual pension accounts is at 6% of the employees' monthly wages. For these contributions, the Parent Company and subsidiaries Yin Hsin, Advantech IBHA, AIMS, Viewsys and Advansus recognized a pension cost $40,445 thousand and $17,377 thousand in 2006 and 2005, respectively.

Under the Labor Standard Laws, benefits of the Parent Company is based on length of service and average basic pay of the six months before retirement. The Parent Company makes monthly contributions, equal to 2% of salaries, to a pension fund, which is administered by a pension plan committee and deposited in the committee's name in the Central Trust of China.

Some consolidated entities, which are mainly in investments, have either very few or even no staff including domestic subsidiaries, Yin Hsin, Advantech IBHA, AIMS, and Viewsys before the Labor Pension Act is enforced and foreign subsidiaries ATC, AEU and AAC (BVI). These subsidiaries have no pension plans and thus do not contribute to pension funds and do not recognize pension costs.

Except for these companies, the remaining companies all contribute to pension funds and recognize pension costs $27,026 thousand and $24,872 thousand in 2006 and 2005, respectively, based on local government regulations.

The Parent Company has a defined benefit pension plan. Other pension information is summarized as follows:

a. Components of pension cost:

	2006	2005
Service cost	$ 3,481	$ 9,373
Interest cost	4,116	3,781
Projected return on plan assets	(2,483)	(2,281)
Amortization of unrecognized net transition obligation and net pension plan gains or losses	(4,075)	(4,860)
	$ 1,039	$ 6,013

	December 31	
	2006	2005
b. Reconciliation between the funded status of the pension plan and accrued pension liabilities:		
Benefit obligation		
Vested benefit obligation	$ -	$ -
Non-vested benefit obligation	99,855	82,953
Accumulated benefit obligation	99,855	82,953
Additional benefits based on future salaries	38,774	34,645
Projected benefit obligation	138,629	117,598
Fair value of plan assets	(73,464)	(70,952)
Funded status	65,165	46,646
Unrecognized net transition obligation	(16,399)	(18,222)
Unrecognized net gain	62,198	82,524
Accrued pension liabilities	$ 110,964	$ 110,948

c. Actuarial assumptions

	2006	2005
Discount rate used in determining present values	2.75%	3.5%
Future salary increase rate	2.00%	2.0%
Expected rate of return on plan assets	2.75%	3.5%

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

	2006	2005
Balance, beginning of period	$ 110,948	$ 114,569
Accruals base on defined benefit pension plan	1,039	6,013
Contribution	1,023	9,634
Balance, end of period	$ 110,964	$ 110,948

16. SHAREHOLDERS' EQUITY

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

The Parent Company's Articles of Incorporation provide that legal reserve should be set aside at 10% of annual net income after appropriate income, tax and offset cumulative losses. In addition, a special reserve should adjusted according to the debit balance. The remainder of the income should be appropriated in the following order:

a. 3% to 12% as bonus to employees. For stock bonuses, employees may include affiliate companies' employees who meet certain criteria as determined by the Company's board of directors;

b. 1% as remuneration to directors and supervisors.

c. Dividends, as proposed by the board of directors.

These appropriations and other allocations of earnings, together with the distributable unappropriated earnings of prior years, should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

The special reserve should be equivalent to the debit balance of any shareholders' equity account other than the deficit. The balance of the special reserve is adjusted according to the debit balance (except for treasury stocks) of the relevant shareholders' equity account.

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

Under the Integrated Income Tax System, which took effect on January 1, 1998, noncorporate local shareholders are allowed a tax credit for the income tax paid by the Parent Company on earnings generated since 1998. An imputation credit account (ICA) is maintained by the Parent Company for such income tax and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the ICA balance on the dividend distribution date.

The Parent Company operates in an industry related to computers, and its business related to network servers is new but with significant potential for growth. Thus, in formulating its dividend policy, the Parent Company takes into account the overall business and industry conditions and trends, its objective of enhancing the shareholders' long-term interest, and the sustainability of the Parent Company's growth. The policy also requires that stock dividends be less than 75% of total dividends to retain internally generated cash within the Parent Company to finance future capital expenditures and working capital requirements.

The appropriations of earnings for 2005 and 2004 were proposed in the Parent Company's Board of Directors' meeting and approved in the shareholders' meeting held on June 16, 2006 and May 24, 2005, respectively. The appropriations and dividends per share were as follows:

	Appropriation Earnings		Dividend per Share (Dollars)	
	2005	**2004**	**2005**	**2004**
Legal reserve	$ 242,980	$ 216,015	$ -	$ -
Special reserve (reversal)	(19,661)	19,661	-	-
Cash dividends	1,795,841	1,386,639	4.0	3.70
Stock dividends	89,792	187,383	0.2	0.50
Remuneration to directors and supervisors	22,065	19,245	-	-
Bonus to employees - stock	50,000	50,000	-	-
Bonus to employees - cash	170,648	142,448	-	-

The appropriation of earnings for 2005 were approved by the Financial Supervisory Commission, Executive Yuan, R.O.C. and then the Parent Company's board of directors resolved the date of distributing stock dividends and cash dividends on August 8, 2006. The Parent Company had completed the process of a revised license from the MOEA.

Had the above bonus to employees and remuneration to directors and supervisors been paid entirely in cash and charged to the earnings of 2005 and 2004, the basic earnings per share (after income tax) would have decreased from NT$6.05 to NT$5.44 in 2005 and from NT$5.91 to NT$5.33 in 2004.

The 5,000 thousand shares distributed as bonus to employees were 1.11% and 1.34% of the total outstanding common shares as of December 31, 2005 and 2004, respectively.

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

Because of bond conversion, the Parent Company's capital stock and capital surplus due to issue of stock in excess of par value increased 2,100 thousand and 6,700 thousand for the year ended December 31, 2006, respectively. Also, they increased 52,025 thousand and 230,527 thousand for the year ended December 31, 2005, respectively.

On April 1, 2003, the SFB approved the Parent Company's stock option plan. There were 3,000 thousand units authorized to be issued, which may be converted to 3,000 thousand common shares. Employees may exercise a certain percentage of the option within two and four years of the grant date, and options will expire six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT$34.44 as of December 31, 2006. As of December 31, 2006, there were 1,310 thousand units of stock options exercised, which were converted to 1,310 thousand common shares; thus, the unexercised stock options consisted of 1,350 thousand units.

17. INCOME TAX

The Basic Income Tax Act (the "BIT Act"), which took effect on January 1, 2006, requires that the basic income tax should be 10% of the sum of the taxable income as calculated in accordance with the Income Tax Law plus the tax-exempt income under the Income Tax Law or other laws. The tax payable of the current year would be the higher of the basic income tax or the income tax payable calculated in accordance with the Income Tax Act. The Parent Company has considered the impact of the BIT Act in determining the current year's income tax expense.

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

	2006	2005
Tax on pretax income at statutory rate	$ 979,908	$ 772,510
Add (deduct) tax effects of:		
Permanent differences		
Tax-exempt income	(264,543)	(448,957)
Other	(23,160)	20,295
Temporary differences	(81,781)	74,364
Income tax (10%) on undistributed earnings	10,805	679
Investment tax credit	(153,559)	(142,592)
Income tax currently payable	$ 467,670	$ 276,299

b. Income tax expense consisted of the following:

	2006	2005
Income tax currently payable	$ 467,670	$ 276,299
Income tax expense - deferred	(967)	18,708
Adjustment of prior year's income tax	-	3,376
	$ 466,703	$ 298,383

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

	December 31 2006	December 31 2005
Balance, beginning of period	$ 69,087	$ 177,437
Income tax currently payable	467,670	276,299
Payment	(368,440)	(388,025)
Adjustment of prior year's income tax	-	3,376
Balance, end of period	$ 168,317	$ 69,087

d. Net deferred income taxes as of December 31, 2006 and 2005 consisted of the following:

	December 31 2006	December 31 2005
Current		
Deferred income tax assets:		
Loss carryforward	$ 92,798	$ -
Allowance for loss on inventories	54,645	28,003
Investment tax credit	29,478	-
Unrealized product warranty reserve	10,929	6,207
Excess provisions for doubtful accounts	9,652	6,958
Unrealized foreign exchange loss	-	8,042
Others	17,358	6,523
	214,860	55,733
Valuation allowance	(122,454)	(23,017)
	92,406	32,716
Deferred income tax liabilities:		
Unrealized foreign exchange gain	(4,552)	-
Net deferred income tax assets	$ 87,854	$ 32,716
Noncurrent		
Deferred income tax assets:		
Loss of investees by equity method	$ 104,374	$ 136,324
Deferred credits	79,841	49,734
Excess of pension cost	27,737	27,737
Loss carryforward	-	13,140
Interest premium on convertible bonds	-	428
Others	4,327	6,053
	216,279	233,416
Valuation allowance	(104,374)	(151,963)
	111,905	81,453
Deferred income tax liabilities:		
Gain of foreign investees by equity method	(236,043)	(135,641)
Allowance for tax-deductible equity in net loss of foreign investees	-	(15,992)
Others	(213)	-
	(236,256)	(151,633)
Net deferred income tax liabilities	$ (124,351)	$ (70,180)

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

e. As of December 31, 2006 investment tax credits consisted of the following:

Law	Item	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	$ 183,037	$ 29,478	2010

f. Information on the domestic subsidiary - Advansus's loss carryforward as of December 31, 2006 is as follows:

Loss Year	Loss Carryforward Amount	Expiry Year
Advansus Corp.		
2006	$ 42,625	2011

g. As of December 31, 2006, the Parent Company's five years exemption on the income was as follows:

Investment Plan	Exemption Period
The industry network server production	From 2003 to 2007
The industry 500 MHz thin client production	From 2006 to 2010

h. The Group's ICA balances as of December 31, 2006 and 2005 were as follows:

	December 31	
	2006	2005
Parent Company	$ 188,460	$ 133,891
Yin Hsin	$ 3,602	$ 2,888

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

	December 31	
	2006	2005
Parent Company	$ 81,329	$ 81,329

The ratio of the ICA to the earnings generated starting January 1, 1998 (creditable tax ratio) as of December 31, 2006 and the actual creditable tax ratio for earnings as of December 31, 2005, which were distributed in 2006, were as follows:

	2006	2005
Parent Company	7.97%	7.01%

The creditable tax ratio should be based on the balance in the ICA on the date of dividend distribution. Thus, the expected creditable ratio for the 2006 earnings may differ from the actual ratio depending on the ICA balance on the dividend distribution date.

i. Income tax returns through 2002 had been examined and cleared by the tax authorities. However, the tax authorities made an assessment on the Parent Company's 2003 return, but the Parent Company disagreed with this assessment. Thus, the Parent Company requested for a reexamination of its return. As of March 6, 2007, the date of the accompanying auditors' report, the reexamination was in progress; nevertheless, the Parent Company recognized the payable on this case.

18. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	2006			2005		
	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	$ 354,354	$ 1,573,711	$ 1,928,065	$ 245,397	$ 1,307,370	$ 1,552,767
Insurance	40,573	155,466	196,039	19,056	99,180	118,236
Pension	9,657	58,853	68,510	8,219	40,043	48,262
Others	33,617	141,465	175,082	24,158	134,257	158,415
Depreciation	61,354	108,521	169,875	64,866	100,330	165,196
Amortization	3,232	37,121	40,353	3,768	31,727	35,495
	$ 502,787	$ 2,075,137	$ 2,577,924	$ 365,464	$ 1,712,907	$ 2,078,371

For properties leased to others, expenses of $235 thousand and $1,630 thousand as of December 31, 2006 and 2005, respectively (included in nonoperating expenses - other expenses), were not included in the above depreciation expenses.

19. EARNINGS PER SHARE

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

	Amount (Numerator)		Shares (Denominator)	Earnings Per Share	
	Pretax	After-tax	(Thousand)	Pretax	After-tax
2006					
Basic EPS	$ 3,258,683	$ 2,917,891	463,130	$ 7.04	$ 6.30
The impact of dilutive potential					
Employees' stock options	-	-	1,175		
Convertible bonds	-	-	111		
Diluted EPS	$ 3,258,683	$ 2,917,891	464,416	$ 7.02	$ 6.28
2005					
Basic EPS	$ 2,562,148	$ 2,429,803	414,370	$ 6.18	$ 5.86
The impact of dilutive potential					
Employees' stock options	-	-	1,230		
Convertible bonds	-	-	2,643		
Diluted EPS	$ 2,562,148	$ 2,429,803	418,243	$ 6.13	$ 5.81

The EPS was retroactively adjusted for the stock dividends declared. Thus, pretax and after-tax primary EPS decreased from NT$6.38 to NT$6.18 and from NT$6.05 to $5.86 in 2005, respectively; and pretax and after-tax diluted EPS decreased from NT$6.32 to NT$6.13 and from $5.99 to $5.81 in 2005, respectively.

20. RELATED-PARTY TRANSACTIONS

a. Related parties

	Relationship with the Group
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Technologies Co., Ltd. (AKR)	Equity-method investee
Innova Tech & Management Consultant Inc. (Innova)	Equity-method investee of Yin Hsin (has been sold in March 2005)
Broadwed Automation Co., Ltd. (Broadwed Automation)	Equity-method investee of Yin Hsin (has been sold in March 2005)
Timson Tech Co. (TTC)	Equity-method investee of Yin Hsin
Advantech Corporation (Thailand) Co., Ltd. (ATH)	Equity-method investee of ASG
Advan Automation Co., Ltd. (AAJP)	Equity-method investee of AACB
Axiomtek Co., Ltd. (Axiomtek)	Equity-method investee
Advantech International Co., Ltd.	The person in charge of Advantech International Co., Ltd. is a brother-in-law of the Parent Company's chairman
Firich Enterprise Co., Ltd.	The Parent Company's chairman is the Firich Enterprise Co., Ltd.'s director
Advantech Investment Fund - C Co., Ltd. (Advantech IFC)	The person in charge of Advantech IFC is the spouse of the Parent Company's chairman
Mr. Andrea Zolli	Manager of AIT
Immoibiliare Verdi Srl	Manager of AIT

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

	2006		2005	
	Amount	% of Total	Amount	% of Total
For the year				
1) Sales				
AKR	$ 333,467	2	$ 256,619	2
Axiomtek	34,359	-	71,359	1
ATH	19,387	-	-	-
Others	7,107	-	7,576	-
	$ 394,320	2	$ 335,554	3
2) Purchase of materials and supplies				
Axiomtek	$ 3,051	-	$ 4,099	-
AKR	-	-	862	-
	$ 3,051	-	$ 4,961	-

	2006 Amount	2006 % of Total	2005 Amount	2005 % of Total
At end of year				
3) Receivables				
AKR	$ 46,417	97	$ 44,786	86
Axiomtek	825	2	5,849	11
Others	488	-	1,466	3
	47,730	99	52,101	100
Other receivables - financing provided				
Axiomtek	396	1	-	-
	$ 48,126	100	$ 52,101	100
4) Payables				
Accounts				
Axiomtek	$ 552	100	-	-
AKR	-	-	463	100
	$ 552	100	$ 463	100

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

c. Securities transactions

The Parent Company sold to Advantech International Co., Ltd. all its common shareholdings in ABR in March 2006. This transaction is summarized as follows:

Marketable Securities Issuer	Shares	Transaction Price	Carrying Value	Disposal Gain
ABR	971,055	$ -	$ (13,574)	$ 13,574

The Parent Company bought all of the shares issued by Viewsys Technology Co., Ltd. from Advantech Investment Fund-C Co., Ltd. in June 2006. The related transaction is summarized as follows:

Common Stock Issuer	Shares	Cost
Viewsys Technology Co., Ltd.	1,100,000	$ 22,000

The Parent Company bought in AEU shares from Mr. Andrea Zolli and Immoibiliare Verdi Srl in May 2006 and 2005, respectively. The related transaction is summarized as follows:

	Common Stock Issuer	Shares	Cost
May 2005	AEU	61,292	$ 10,302
May 2006	AEU	162,364	$ 25,507

To continue consolidating its European operations and reorganize and integrate its subsidiaries in Europe, the Parent Company sold to AEU its common shareholdings in AIT in January 2005. This sale is summarized as follows:

Marketable Securities Issuer	Shares	Transaction Price	Carrying Value	Disposal Gain
AIT	45,000	$ 22,274	$ 21,975	$ 299

The Parent Company deferred the gain on the sale of long-term equity investments to AEU because AEU is an equity-method investee.

21. ASSETS PLEDGED OR MORTGAGED

The Parent Company's certificates of deposits that had been pledged or mortgaged as part of court requirements for confiscating assets to settle uncollectible accounts amounted to $1,600 thousand and $4,100 thousand in the year ended December 31, 2006 and 2005, respectively.

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

The subsidiary-Advantech Brazil S/A certificate of accounts receivable that had been pledged or mortgaged as collaterals for bank loans amounted to $1,898 thousand in the year ended December 31,2005.

22. COMMITMENTS

As of December 31, 2006, the Parent Company had the following guarantees for affiliates' loans:

Guarantees for affiliates' loans:

	Amount
AKMC	US$ 10,000 thousand

23. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivative financial instruments				
Assets				
Available-for-sale financial assets - current	$ 1,305,570	$ 1,305,570	$ 1,595,165	$ 1,597,163
Available-for-sale financial assets - noncurrent	3,987,961	3,987,961	3,484,906	3,985,370

(Continued)

	December 31			
	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities				
Bonds payable - current portion	$ -	$ -	$ 8,900	$ 17,711
Derivative financial instruments location				
Financial liabilities at fair value through profit or loss - current				
Domestic	540	540	-	-
Foreign (foreign corporation operating in domestic district included)	-	-	489	489

(Concluded)

On January 1, 2006, the Group adopted the new Statement of Financial Accounting Standards No. 34 - "Accounting for Financial Instruments" and the related accounting treatments on derivative financial instruments were not adopted in 2005, about the changes as a separate component of shareholders' equity, please see Note 3.

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

1) For financial instruments such as cash, notes and accounts receivables, receivables from related parties, restricted assets, Refundable deposits, short-term bank loans, notes and accounts payables and payables to related parties, the carrying amounts of these financial instruments approximate their fair values.

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

3) Fair value of the current portion of bonds payable was based on their quoted market prices.

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

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

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

	December 31			
	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	2006	2005	2006	2005
Asset				
Available-for-sale financial assets - current	$ 1,305,570	$ 1,597,163	$ -	$ -
Available-for-sale financial assets - noncurrent	3,987,961	3,985,370	-	-

(Continued)

	December 31			
	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	2006	2005	2006	2005
Liabilities				
Financial liabilities at fair value through profit or loss - current	$ -	$ -	$ 540	$ 489
Bonds payable - current portion	-	17,711	-	-

(Concluded)

d. As of December 31, 2006 and 2005, financial assets exposed to fair value risk from interest rate fluctuation amounted to $1,715,723 thousand and $1,511,738 thousand, respectively. As of December 31, 2006 and 2005, financial liabilities exposed to fair value risk from interest rate fluctuation amounted to $366,724 thousand and $531,310 thousand, respectively.

e. The Parent Company recognized an unrealized gain of $514,705 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the year ended December 31, 2006.

f. Financial risks

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

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

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

24. ADDITIONAL DISCLOSURES

a. Except for those mentioned in Note 20 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Parent Company and its investees and on investment in Mainland China.

b. Investments in mainland China

1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of December 31, 2006, accumulated inward remittance of earnings as of December 31, 2006 and upper limit on investment: Please see Table 8 attached.

2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 20, 22 and Tables 1, 2, 5, 6 and 8.

c. Intercompany relationships and significant intercompany transactions: Please see Table 10 attached.

25. SEGMENT INFORMATION

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

b. Foreign operations: Please see Table 11 attached.

c. Export sales

Geographic Area	2006	2005
America	$ 5,021,277	$ 4,574,551
Asia	4,791,162	3,858,020
Europe	3,235,581	2,885,334
	$ 13,048,020	$ 11,317,905

d. Major customers

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2006
(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 (Note A)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing that Can Be Provided by the Financier
											Item	Value		
1	AEU	ADL (former name: AEBC)	Receivables from related parties	$ 32,213 (EUR 750 thousand)	$ 32,213 (EUR 750 thousand)	2.5%	1	$ -	Financing need	$ -	-	$ -	$ 43,488 (Note B)	$ 86,977 (Note C)
		AEDC (Note H)	Receivables from related parties	4,295 (EUR 100 thousand)	-	2.5%	1	-	Financing need	-	-	-	"	"
2	AESC	AEU	Receivables from related parties	11,167 (EUR 260 thousand)	11,167 (EUR 260 thousand)	2.5%	1	-	Financing need	-	-	-	13,283 (Note D)	26,567 (Note E)
		ADL (former name: AEBC)	Receivables from related parties	10,738 (EUR 250 thousand)	-	2.5%	1	-	Financing need	-	-	-	"	"
3	AAC (BVI)	ACN	Receivables from related parties	32,595 (US$ 1,000 thousand)	-	2.5%	1	-	Financing need	-	-	-	120,307 (Note F)	240,614 (Note G)

Notes: A. Nature of Financing:

There is a need for short-term financing.

B. 15% of net asset value of AEU.

C. 30% of net asset value of AEU.

D. 15% of net asset value of AESC.

E. 30% of net asset value of AESC.

F. 15% of AAC (BVI)'s issued capital stock.

G. 30% of AAC (BVI)'s issued capital stock.

H. AEDC was merged with ADL (former name: AEBC) in 2006.

I. The exchange rate in 2006 were US$1=NT$32.595, EUR1=NT$42.95.

TABLE 2

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note)
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	AKMC	Indirect subsidiary	$ 695,444 (Note A)	$ 325,950 (US$10,000 thousand)	$ 325,950 (US$10,000 thousand)	$ -	2.32%	$ 1,390,889 (Note C)
		AC	Indirect subsidiary	"	228,165 (US$ 7,000 thousand)	-	-	-	"
		ACN	Indirect subsidiary	"	130,380 (US$ 4,000 thousand)	-	-	-	"
		AAC (BVI)	Subsidiary	"	65,190 (US$ 2,000 thousand)	-	-	-	"
1	AEU	AEDC (Note F)	Subsidiary	43,784 (Note B)	11,811 (EUR 275 thousand)	-	-	-	87,568 (Note D)

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

B. 15% of AEU's issued capital stock.

C. 30% of the Parent Company's issued capital stock.

D. 30% of AEU's issued capital stock.

E. The exchange rate in 2006 were US$1=NT$32.595, EUR1=NT$42.95.

F. AEDC was merged with ADL (former name: AEBC) in 2006.

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS
DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Holding Company	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech Co., Ltd.	Stock							
(the "Company")	AAC (BVI)	Investee	Long-term equity investments	24,606,500	$ 1,264,763	100.00	$ 1,264,763	Note A
	ATC	"	"	13,450,000	632,386	100.00	632,386	Note A
	Advansus Corp.	"	"	50,000,000	477,963	50.00	477,963	Note A
	Axiomtek	"	"	22,665,430	412,454	33.92	412,454	Note C
	AEU	"	"	9,415,695	315,168	98.37	315,168	Note A
	Yin Hsin Co., Ltd.	"	"	29,999,994	265,146	100.00	265,146	Note A
	AKR	"	"	3,112,131	176,335	23.89	176,335	Note A
	ASG	"	"	1,450,000	109,311	100.00	109,311	Note A
	AJP	"	"	1,200	91,914	100.00	91,914	Note A
	AAU	"	"	500,204	84,512	100.00	84,512	Note A
	AMY	"	"	2,000,000	35,842	100.00	35,842	Note A
	Viewsys	"	"	1,100,000	24,572	100.00	24,572	Note A
	AHG	"	"	30	12,591	30.00	12,591	Note A
	Advantech IBHA Inc.	"	"	1,994,000	12,208	13.29	12,208	Note A
	Advantech Investment & Management Service	"	"	500,000	5,438	100.00	5,438	Note A
	AHK	"	"	999,999	(1,060)	100.00	(1,060)	Notes A
	ASUSTek Computer Inc.	-	Available-for-sale financial assets - noncurrent	43,701,412	3,898,166	1.28	3,898,166	Note C
	Firich Enterprise Co., Ltd.	Note D	"	195,207	89,795	0.36	89,795	Note C
	Fund							
	Capital income fund	-	Available-for-sale financial assets - current	20,160,102.10	300,214	-	300,214	Note B
	ABN AMRO Income Fund	-	"	18,915,931.26	299,492	-	299,492	Note B
	NITC Bond Fund	-	"	837,579.16	137,827	-	137,827	Note B
	ALLIANZ Bond Dam Fund	-	"	8,928,435.04	103,465	-	103,465	Note B
	Capital High Yield Fund	-	"	4,893,961.20	66,834	-	66,834	Note B
	Fubon Chi-Hsiang Fund	-	"	3,904,902.90	56,837	-	56,837	Note B
	Wanpao Securities Investment Trust Fund	-	"	3,161,820.19	47,996	-	47,996	Note B
	ABN AMRO Bond Fund	-	"	2,285,187.59	34,439	-	34,439	Note B
	Capital Cash Reserves Fund	-	"	1,928,910.70	22,609	-	22,609	Note B
	Fuh-hwa Bond Fund	-	"	902,173.80	12,027	-	12,027	Note B
Yin Hsin Co., Ltd.	Stock							
	Advantech IBHA Inc.	Investee	Long-term equity investments	10,000,000	61,243	66.67	61,243	Note A
	Timson Tech Co. (TTC)	"	"	270,000	7,782	30.00	7,782	Note A
	Superior Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	913,470	33,441	12.93	33,441	-

(Continued)

Holding Company	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2006 Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	Note
	COBAN Research and Technologies, Inc.	-	”	600,000	$ 33,257	7.00	$ 33,257	-
	Netstar	-	”	621,622	7,459	3.45	7,459	-
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	204,000	12,362	-	12,362	Note C
	Fund							
	ABN AMRO Bond Fund	-	”	869,082.72	13,098	-	13,098	Note B
	Capital Cash Reserves Fund	-	”	1,923,973.70	22,552	-	22,552	Note B
	Capital Income Fund	-	”	4,980,146.70	74,162	-	74,162	Note B
Advantech IBHA Inc.	Fund							
	ABN AMRO Bond Fund	-	”	4,715,360.85	71,062	-	71,062	Note B
	ABN AMRO Select Bond Fund	-	”	1,638,154.13	17,932	-	17,932	Note B
Viewsys Technology Co., Ltd.	Fund							
	JIH SUN Bond Fund	-	”	258,884.13	3,532	-	3,532	Note B
Advansus Corp.	Fund							
	NITC Bond Fund	-	”	48,279	7,944	-	7,944	Note B
	Capital Income Fund	-	”	353,868	5,270	-	5,270	Note B
AIMS	Fund							
	JIH SUN Bond Fund	-	”	184,917.22	2,523	-	2,523	Note B
TTC	Shares							
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	25,940	100.00	25,940	Note A
ATC	Shares							
	AKMC	”	”	-	567,969	100.00	567,969	Note A
	ADMC	”	”	-	43,773	100.00	43,773	Note A
AAC (BVI)	Stock							
	AC	”	”	10,952,606	805,357	100.00	805,357	Note A
	Shares							
	Visual Systems GmbH	-	Financial assets carried at cost noncurrent	-	745	20.00	745	-
	ACN	Investee	Long-term equity investments	-	361,750	100.00	361,750	Note A
	SHHQ	”	”	-	97,785	100.00	97,785	Note A
AEU	Stock							
	AESC	Investee	Long-term equity investments	8,314,280	88,556	100.00	88,556	Note A
	AUK	”	”	600,000	27,842	100.00	27,842	Note A
	ABB	”	”	295,378	52,279	100.00	52,279	Note A
	ADL (former name: AEBC)	”	”	1,142,000	16,511	100.00	16,511	Note A
	AIT	”	”	45,000	3,469	100.00	3,469	Note A
	APL	”	”	2,000	6,500	80.00	6,500	Note A

(Continued)

Holding Company	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
ASG	Stock							
	ATH	Investee	Long-term equity investments	30,000	$ 4,422	30.00	$ 4,422	Note A
	APN	”	”	570,570	7,601	55.00	7,601	Note A
	AKL	”	”	418,000	4,383	55.00	4,383	Note A

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

Note B: Market values were based on the net asset values of the-open-end mutual funds on December 31, 2006.

Note C: Market value was based on the closing price on December 31, 2006.

Note D: The Parent Company’s chairman is the Firich Enterprise Co., Ltd.’s director.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Holding Company	Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Other (Note A)	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal		Shares	Amount
Advantech Co., Ltd. (the “Company”)	Fund														
	ABN AMRO Bond Fund	Available-for-sale financial assets - current	-	-	19,198,556.89	$ 298,000	56,874,612.86	$ 895,779	57,157,238.49	$ 900,218	$ 894,314	$ 5,904	$ 27	18,915,931.26	$ 299,492
	Capital Income Fund	“			-	-	99,212,941.70	1,466,700	79,052,839.60	1,170,340	1,166,526	3,814	40	20,160,102.10	300,214
	CITC Cash Reserves Fund	“	-	-	-	-	79,874,375.70	929,204	77,945,465.00	908,717	906,597	2,120	2	1,928,910.70	22,609
	NITC Bond Fund	“	-	-	2,226,456.07	361,290	10,980,067.98	1,793,792	12,368,944.89	2,020,592	2,017,271	3,321	16	837,579.16	137,827
	Fuh-Hwa Bond Fund	“	-	-	-	-	41,085,973.20	543,965	40,183,799.40	532,699	531,939	760	1	902,173.80	12,027
	ABN AMRO Select Bond Fund	“	-	-	8,289,805.60	92,668	59,688,447.22	671,068	67,978,252.82	764,982	763,736	1,246	-	-	-
	ABN AMRO Income Fund	“	-	-	12,151,168.46	180,568	74,865,841.62	1,121,084	84,731,822.49	1,269,013	1,267,216	1,797	3	2,285,187.59	34,439
	Fuh-Hwa Albatross Fund	“	-	-	4,497,974.70	50,081	26,019,227.90	291,565	30,517,202.60	342,235	341,646	589	-	-	-
	AIG Taiwan Bond Fund	“	-	-	6,339,161.68	79,725	13,233,812.51	167,274	19,572,974.19	247,833	246,999	834	-	-	-
	Dresdner Bond Dam Fund	“	-	-	6,149,013.35	70,272	55,595,285.74	640,971	52,815,864.05	608,995	607,790	1,205	12	8,928,435.04	103,465
	The IIT Wan Pao Fund	“	-	-	-	-	30,443,759.28	460,392	27,281,939.09	412,992	412,400	592	4	3,161,820.19	47,996
	Fubon Chi-Hsiang I Fund	“	-	-	3,572,061.96	46,132	7,989,442.24	103,734	11,561,504.20	150,286	149,866	420	-	-	-
	Capital High Yield Fund	“	-	-	-	-	9,787,922.40	133,628	4,893,961.20	66,828	66,800	28	6	4,893,961.20	66,834
	Fibpm Chi-Hsiang Fund	“	-	-	-	-	11,785,365.60	171,036	7,880,462.70	114,485	114,203	282	4	3,904,902.90	56,837
	Common stock														
	Advansus Corp.	Long-term equity investments	-	Long-term equity investments	-	-	50,000,000.00 (Note B)	500,000 (Note B)	-	-	-	-	(22,037) (Note C)	50,000,000.00	477,963

Note A: The effect of adopting the newly released Statements of Financial Accounting Standards No. 34 “Accounting for Financial Instrument” (SFAS No. 34).

Note B: A joint venture of the Parent Company and ASUSTEK.

Note C: Investment loss (net) recognized under equity method.

TABLE 5

ADVANTECH CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Advantech Co., Ltd.	ATC	Subsidiary	Purchase	$ 2,805,612	40	Depending on its operating conditions	$ -	-	$ (246,576)	94	
	Advansus Corp.	Subsidiary	Purchase	152,755	2	60-90 days	-	-	(4,961)	2	
	AC	Indirect subsidiary	Sale	(2,889,757)	27	60-90 days	-	-	592,182	29	
	AESC	Indirect subsidiary	Sale	(1,846,414)	18	Depending on its operating conditions	-	-	733,976	37	
	ACN	Indirect subsidiary	Sale	(1,614,439)	15	Depending on its operating conditions	-	-	301,238	15	
	AJP	Subsidiary	Sale	(377,474)	4	60-90 days	-	-	78,969	3	
	AKR	Investee	Sale	(333,467)	4	60-90 days	-	-	46,417	2	
	ASG	Subsidiary	Sale	(143,128)	1	60-90 days	-	-	1,890	-	
	AAU	Subsidiary	Sale	(138,183)	1	60-90 days	-	-	32,208	2	
	AKMC	Indirect subsidiary	Sale	(107,812)	1	Depending on its operating conditions	-	-	136,920	7	
ATC	Advantech Co., Ltd.	Parent company	Sale	(2,805,612)	99	Depending on its operating conditions	-	-	246,576	83	
Advansus Corp.	Advantech Co., Ltd.	Parent Company	Sale	(152,755)	76	60-90 days	-	-	4,961	25	
AC	Advantech Co., Ltd.	Ultimate parent company	Purchase	2,889,757	82	60-90 days	-	-	(592,182)	99	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,846,414	66	Depending on its operating conditions	-	-	(733,976)	85	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,614,439	72	Depending on its operating conditions	-	-	(301,238)	95	
AJP	Advantech Co., Ltd.	Parent company	Purchase	377,474	98	60-90 days	-	-	(78,969)	100	
AKR	Advantech Co., Ltd.	Parent company	Purchase	333,467	24	60-90 days	-	-	(46,417)	29	
ASG	Advantech Co., Ltd.	Parent company	Purchase	142,128	74	60-90 days	-	-	(1,890)	100	
AAU	Advantech Co. Ltd.	Parent company	Purchase	138,183	88	60-90 days	-	-	(32,208)	100	
AKMC	Advantech Co. Ltd.	Ultimate parent company	Purchase	107,812	6	Depending on its operating conditions	-	-	(136,920)	33	

ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Advantech Co., Ltd.	AESC	Indirect subsidiary	$ 733,976	2.85	$ -	-	$ 342,735	$ -
	ACN	Indirect subsidiary	301,238	5.63	-	-	328,352	-
	AC	Indirect subsidiary	592,182	5.89	-	-	548,957	-
	AKMC	Indirect subsidiary	136,920	1.44	-	-	-	-
ATC	Advantech Co., Ltd.	Parent company	246,576	8.30	-	-	391,446	-

ADVANTECH CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				December 31, 2006	December 31, 2005	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	AAC (BVI)	BVI	Investment holding company	$ 821,894	$ 725,144	24,606,500	100.00	$ 1,264,763	$ 230,244	$ 230,244	Subsidiary
	ATC	BVI	Sale of industrial automation products	427,781	427,781	13,450,000	100.00	632,386	554,738	554,738	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	500,000	-	50,000,000	50.00	477,963	(44,074)	(22,037)	Equity-method investee
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	303,334	308,586	22,665,430	33.92	412,454	335,751	101,932	Equity-method investee
	AEU	Helmond, the Netherlands	Investment holding company	377,298	351,791	9,415,695	98.37	315,168	40,649	39,538	Subsidiary
	Yin Hsin Co., Ltd.	Taipei, Taiwan	General investment	300,000	300,000	29,999,994	100.00	265,146	8,810	8,810	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	32,989	32,989	3,112,131	23.89	176,335	94,782	23,261	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	109,311	13,990	13,990	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	91,914	19,426	19,426	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	84,512	5,135	5,135	Subsidiary
	Viewsys	Taipei, Taiwan	Sale of industrial automation products	22,000	-	1,100,000	100.00	24,572	2,572	2,572	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	12,591	(1,113)	(334)	Equity-method investee
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	19,940	19,940	1,994,000	13.29	12,208	3,619	481	Subsidiary
	AIMS	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,438	(4)	78	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(1,060)	(177)	(177)	Subsidiary (Note A)
	AMY	Malaysia		35,140	-	2,000,000	100.00	35,842	4	4	
Yin Hsin Co., Ltd.	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	100,000	100,000	10,000,000	66.67	61,243	3,619	2,528	Indirect subsidiary
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,782	-	-	Equity-method investee of a subsidiary
ATC	AKMC	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	567,969	28,538	28,538	Indirect subsidiary
	ADMC	Guangzhou, China	Production and sale of industrial automation products	44,511	38,165	-	100.00	43,773	(4,658)	(4,658)	Indirect subsidiary
Timson Tech Co. (TTC)	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processes and sale of peripherals	30,222	30,222	-	100.00	25,940	-	-	Equity-method investee of a subsidiary
AAC (BVI)	AC	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	805,357	136,202	136,202	Indirect subsidiary
	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	361,750	93,291	93,291	Indirect subsidiary
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	-	-	100.00	97,785	-	-	Indirect subsidiary
AEU	AESC	Eindhoven, the Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	88,556	21,821	21,821	Indirect subsidiary
	AUK	Milton Keynes, England	Sale of industrial automation products	13,373	13,373	600,000	100.00	27,842	(5,654)	(5,654)	Indirect subsidiary
	ABB	Roosendaal, The Netherlands	Sale of industrial automation products	39,565	39,565	295,378	100.00	52,279	7,776	7,776	Indirect subsidiary
	ADL (former name: AEBC)	Duesseldorf, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	16,511	33,880	33,880	Indirect subsidiary
	AIT	Milano, Italy	Sale of industrial automation products	22,275	22,275	45,000	100.00	3,469	(7,684)	(7,684)	Indirect subsidiary
	AEDC	Amberg, Germany	Sale of industrial automation products	-	46,446	-	-	-	-	-	Indirect subsidiary (Notes C)
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	2,000	80.00	6,500	(5,747)	(4,598)	Indirect subsidiary
ADL (former name: AEBC)	AFR	Paris, France	Sale of industrial automation products	-	26,506	-	-	-	-	-	Indirect subsidiary (Notes C)
ASG	ATH	Thailand	Production of computers	2,495	1,199	30,000	30.00	4,422	4,085	1,225	Indirect subsidiary
	APN	Penang, Malaysia	Sale of industrial automation products	8,181	8,181	570,570	55.00	7,601	2,728	1,500	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	4,383	(355)	(195)	Indirect subsidiary

Note A: The carrying value is shown as part of other liabilities.
Note B: The calculation of investment gain (loss) was based on the audited financial statements.
Note C: AFR became ADL (former name: AEBC)'s subsidiary after reorganization.

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2006
(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, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2006	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2006	Accumulated Inward Remittance of Earnings as of December 31, 2006
					Outflow	Inflow					
Advantech Technology (China) Company Ltd.	Production and sale of components of industrial automation products	US$12,000 thousand	Indirect	$ 391,140 (US$ 12,000 thousand)	$ -	$ -	$ 391,140 (US$ 12,000 thousand)	100%	$ 28,538	$ 567,969	$ -
Yan Hua Xng Ye Electronic	Sale of industrial automation products	US$3,000 thousand	Indirect	-	97,785 (US$ 3,000 Thousand)	-	97,785 (US$ 3,000 Thousand)	100%	-	97,785	-
Kunshan Timson Tech Co., Ltd.	Processes and sale of peripherals	US$900 thousand	Indirect	8,801 (US$ 270 thousand)	-	-	8,801 (US$ 270 thousand)	30%	-	7,782	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Sale of industrial automation products	US$4,230 thousand	Indirect	173,797 (US$ 5,332 thousand)	-	-	173,707 (US$ 5,332 thousand)	100%	93,291	361,750	-
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US$1,400 thousand	Indirect	(Note C)	-	-	(Note C)	100%	(4,658)	43,773	-

Accumulated Investment in Mainland China as of December 31, 2006	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$678,041 (US$20,802 thousand) (Note D)	$1,303,800 (US$40,000 thousand)	$4,306,747

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

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. and its investees in Mainland China are described in Notes 17 and 19 to the financial statements and Tables 1, 2, 5 and 6.

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

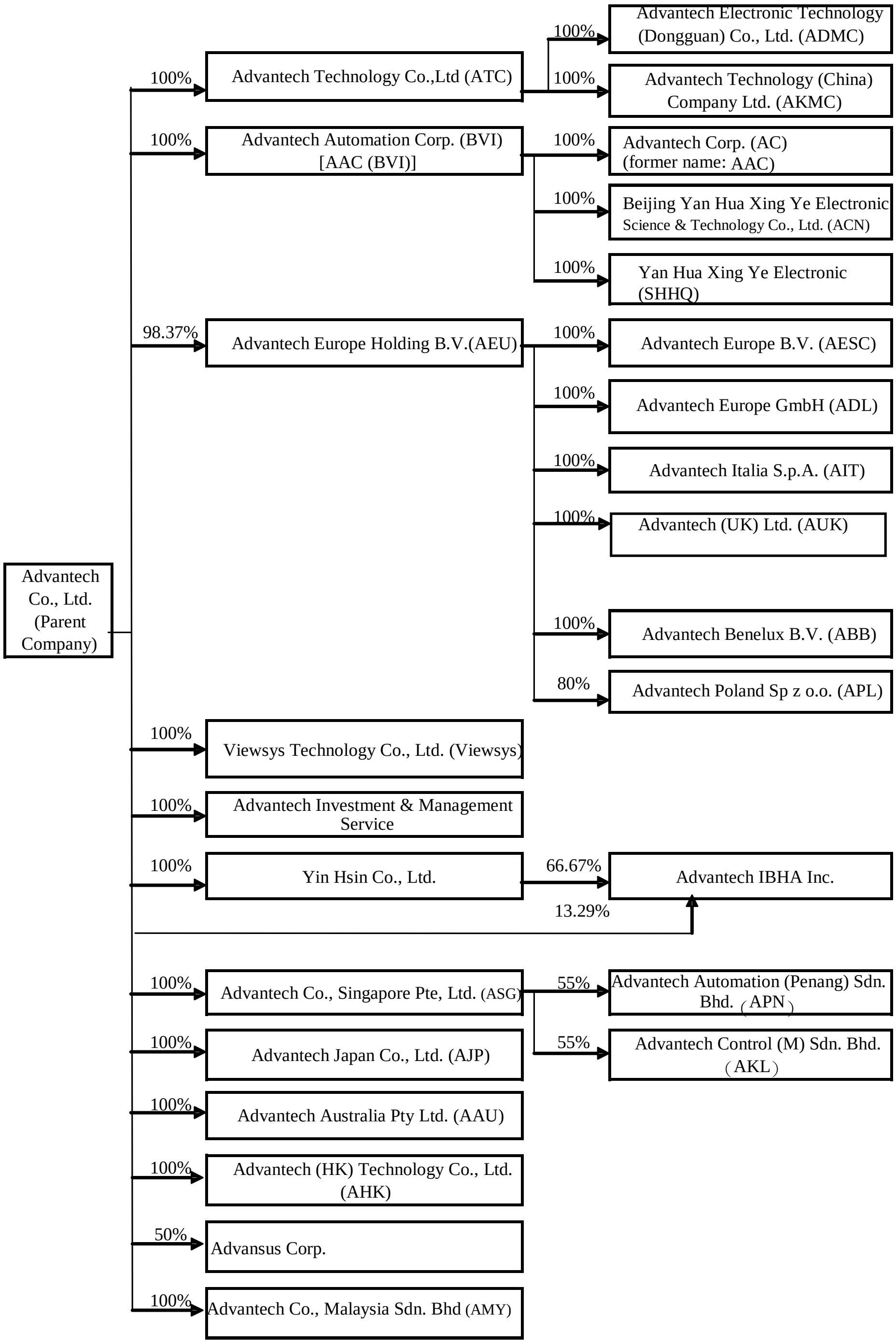
Note D: Included the outflow of original investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. (AGZ) of US$200 thousand; this company had been closed and the amount of investment was retired; and this had been approved by MOEA. If there has capitals inflow back, the Company will submit this incident to MOEA for approving and terminating this case under the regulation.

Note E: The exchange rate was US$1.00=NT$32.595.

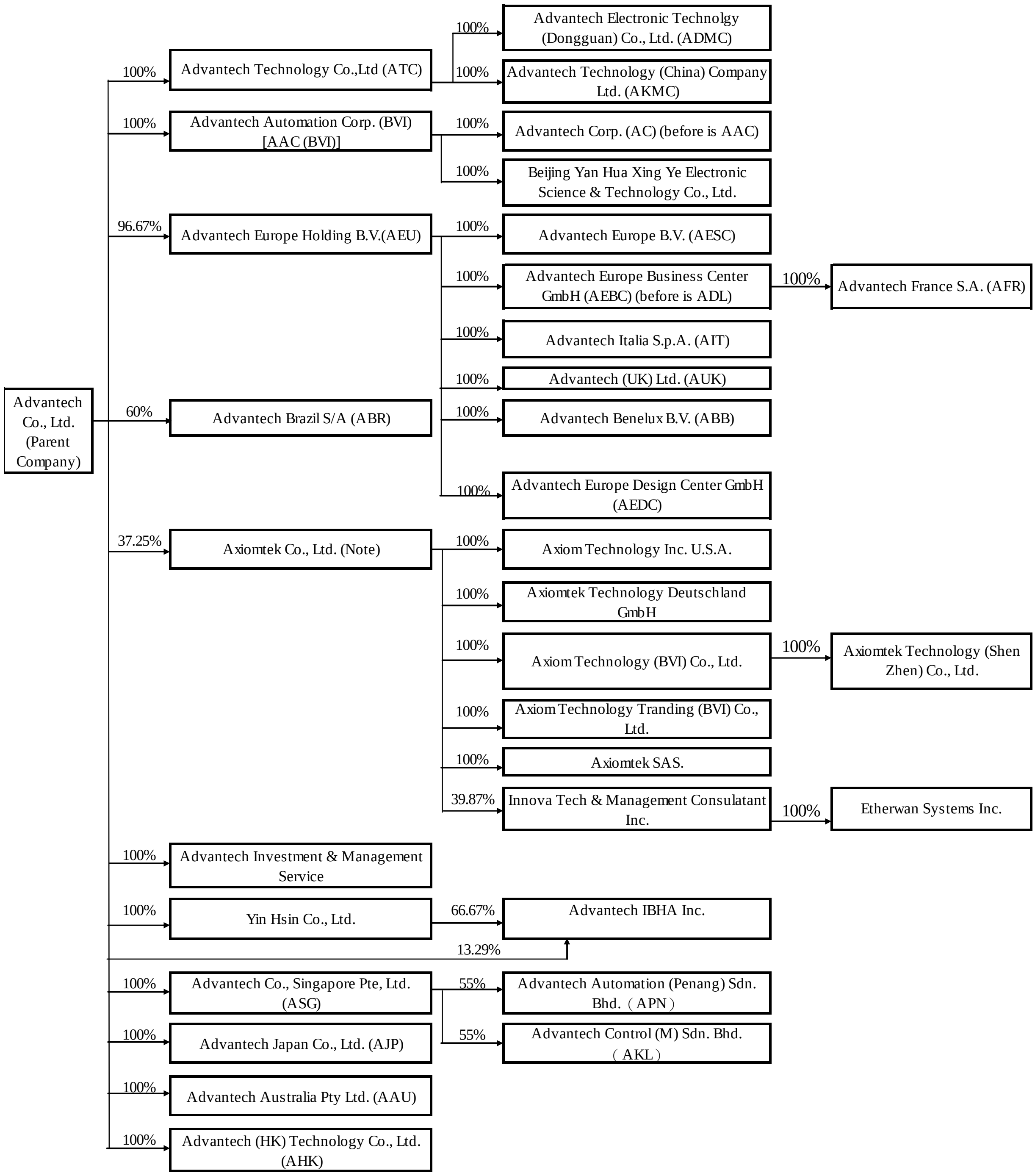
ADVANTECH CO., LTD. AND SUBSIDIARIES

ORGANIZATION CHART
DECEMBER 31, 2006 AND 2005

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



Intercompany relationships and percentages of ownership as of December 31, 2005 are shown below:



Note: The Parent Company had lost controlling interest in Axiomtek and its investees at the end of April 2005. For the purpose of fair presentation, the consolidated financial statements still include Axiomtek's and its investees' revenues and expenses generated before April 2005.

TABLE 11

ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD AND SUBSIDIARIES
YEAR ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

2006

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

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
1	AC	Advantech Co., Ltd.	2	Payables to related parties	$ 592,598	Note F	4
		Advantech Co., Ltd.	2	Purchase	2,889,757	Note E	20
		Advantech Co., Ltd.	2	Sales	14,628	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	2,105	Note G	-
		ASG	3	Sales	1,211	Note E	-
		APN	3	Sales	691	Note E	-
		AESC	3	Purchase	71	Note E	-
		ATC	3	Sales	680	Note E	-
		AMY	3	Receivables from related parties	233	Note F	-
		AMY	3	Sales	232	Note E	-
2	AESC	Advantech Co., Ltd.	2	Purchase	1,846,414	Note E	13
		Advantech Co., Ltd.	2	Payables to related parties	733,977	Note F	4
		Advantech Co., Ltd.	2	Sales	4,611	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	4,137	Note F	-
		AEU	2	Receivables from related parties - financing	11,167	Note F	-
		AUK	3	Commission expense	58,514	Note E	-
		AUK	3	Sales	3,883	Note E	-
		AUK	3	Payables to related parties	7,651	Note F	-
		ABB	3	Payables to related parties	26,831	Note F	-
		ABB	3	Sales	2,809	Note E	-
		ABB	3	Commission expense	89,637	Note E	-
		AKMC	3	Payables to related parties	319	Note E	-
		ADL (former name AEBC)	3	Sales	55,558	Note E	-
		ADL (former name AEBC)	3	Commission expense	322,276	Note E	1
		ADL (former name AEBC)	3	Payables to related parties	59,838	Note F	-
		APL	3	Other operating expense	14,547	Note E	-
		AC	3	Sales	71	Note E	-
		ASG	3	Sales	23	Note E	-
3	ACN	Advantech Co., Ltd.	2	Purchase	1,614,439	Note E	11
		Advantech Co., Ltd.	2	Payables to related parties	301,238	Note F	2
		AKMC	3	Purchase	254,849	Note E	-
		AKMC	3	Receivables from related parties	4,927	Note F	-
		AKMC	3	Payables to related parties	3,674	Note F	-
		AKMC	3	Sales	86,201	Note E	-
		AHK	3	Receivables form related parties	4,941	Note E	-
4	ATC	Advantech Co., Ltd.	2	Sales	2,805,612	Note E	19
		Advantech Co., Ltd.	2	Royalty revenue	141,100	Note E	1
		Advantech Co., Ltd.	2	Receivables from related parties	246,576	Note F	2
		AKMC	3	Sales	10,339	Note E	2
		AKMC	3	Purchase	1,648,721	Note E	11
		AKMC	3	Payables to related parties	148,640	Note F	1
		AKMC	3	Receivables from related parties	7,800	Note F	-

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		ADMC	3	Purchase	$ 465,096	Note E	3
		ADMC	3	Payables to related parties	102,576	Note E	1
		AC	3	Purchase	680	Note E	-
5	AKMC	Advantech Co., Ltd.	2	Purchase	107,812	Note E	1
		Advantech Co., Ltd.	2	Payables to related parties	151,115	Note F	1
		ACN	3	Purchase	82,201	Note E	2
		ACN	3	Sales	254,849	Note E	2
		ACN	3	Receivables from related parties	3,674	Note F	-
		ACN	3	Payables to related parties	4,927	Note F	-
		ATC	3	Purchase	10,339	Note E	2
		ATC	3	Sales	1,648,721	Note E	11
		ATC	3	Receivables from related parties	148,640	Note F	1
		ATC	3	Payables to related parties	7,800	Note F	-
		ADMC	3	Sales	57,122	Note E	-
		ADMC	3	Purchase	720	Note E	-
		ADMC	3	Receivables from related parties	27,434	Note F	-
		AESC	3	Receivables from related parties	319	Note F	-
		APN	3	Payables to related parties	171	Note F	-
6	ADMC	ATC	3	Sales	465,096	Note E	3
		ATC	3	Receivables from related parties	102,576	Note F	1
		AKMC	3	Sales	720	Note E	-
		AKMC	3	Purchase	57,122	Note E	-
		AKMC	3	Payables to related parties	27,434	Note F	-
7	APL	AESC	3	Other operating revenue	14,547	Note E	-
8	APN	Advantech Co., Ltd.	2	Purchase	51,474	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	15,272	Note G	-
		AMY	3	Sales	7,126	Note E	-
		AMY	3	Purchase	15,336	Note E	-
		ASG	3	Purchase	37	Note E	-
		AKL	3	Purchase	6	Note E	-
		AC	3	Purchase	691	Note E	-
		AKMC	3	Receivables from related parties	171	Note F	-
9	ASG	Advantech Co., Ltd.	2	Purchase	143,128	Note E	1
		Advantech Co., Ltd.	2	Payables to related parties	1,890	Note G	-
		AMY	3	Sales	371	Note E	-
		AMY	3	Receivables from related parties	120	Note F	-
		AMY	3	Purchase	4	Note E	-
		APN	3	Sales	37	Note E	-
		AESC	3	Purchase	23	Note E	-
		AC	3	Purchase	1,211	Note E	-
		AAU	3	Sales	33	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
10	AJP	Advantech Co., Ltd.	2	Purchase	$ 377,474	Note E	3
		Advantech Co., Ltd.	2	Payables to related parties	79,593	Note G	1
11	AAU	Advantech Co., Ltd.	2	Purchase	138,183	Note E	1
		Advantech Co., Ltd.	2	Payables to related parties	32,208	Note G	-
		ASG	3	Purchase	33	Note E	-
12	ABR	Advantech Co., Ltd.	2	Purchase	11,797	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	18,236	Note G	-
13	ADL (former name AEBC)	Advantech Co., Ltd.	2	Payables to related parties	47	Note G	-
		AEU	2	Payables to related parties - financing	32,213	Note E	-
		AESC	3	Commission revenue	322,276	Note E	1
		AESC	3	Purchase	55,558	Note E	-
		AESC	3	Receivables from related parties	59,838	Note F	-
14	Advantech IBHA Inc.	Advantech Co., Ltd.	2	Receivables from related parties	25	Note F	-
15	AUK	Advantech Co., Ltd.	2	Purchase	61	Note E	
		AESC	3	Purchase	3,883	Note E	-
		AESC	3	Commission revenue	58,514	Note E	-
		AESC	3	Receivables form related parties	7,651	Note F	-
16	ABB	AESC	3	Purchase	2,809	Note E	-
		AESC	3	Commission revenue	89,637	Note E	-
		AESC	3	Receivables form related parties	26,831	Note F	-
17	Advansus Corp.	Advantech Co., Ltd.	2	Sales	152,755	Note E	1
		Advantech Co., Ltd.	2	Rental expense	1,020	Note G	-
		Advantech Co., Ltd.	2	Receivables from related parties	4,961	Note G	-
18	AKL	Advantech Co., Ltd.	2	Purchase	23,104	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	10,829	Note F	-
		APN	3	Sales	6	Note E	-
		AMY	3	Sales	810	Note E	-
		AMY	3	Purchase	1,145	Note E	-
19	Viewsys Technology Co., Ltd.	Advantech Co., Ltd.	2	Purchase	5,415	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	3,044	Note G	-
20	Advantech Investment & Management Service	Advantech Co., Ltd.	2	Rental expense	60	Note G	-
21	Yin Hsin Co., Ltd.	Advantech Co., Ltd.	2	Rental expense	36	Note G	-

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details: Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
22	AMY	ASG	3	Purchase	$ 371	Note E	-
		ASG	3	Payables to related parties	120	Note F	-
		ASG	3	Sales	4	Note E	-
		APN	3	Purchase	7,126	Note E	-
		APN	3	Sales	15,336	Note E	-
		AKL	3	Purchase	810	Note E	-
		AKL	3	Sales	1,145	Note E	-
		AC	3	Payables to related parties	233	Note F	-
		AC	3	Purchase	232	Note E	-
		ASG	3	Purchase	19	Note E	-
		ASG	3	Payables to related parties	47	Note F	-
23	AEU	ADL (former name AEBC)	1	Receivables from related parties - financing	32,213	Note F	-
		AESC	1	Payables to related parties - financing	11,167	Note F	-
24	AHK	ACN	3	Payables to related parties	4,941	Note F	-

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Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details: Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
0	Advantech Co., Ltd.	ATC	1	Sales	$ 22,928	Note E	0.18
		ATC	1	Purchase	2,269,559	Note E	18.20
		ATC	1	Royalty revenue	115,794	Note E	0.93
		ATC	1	Receivables from related parties - stock dividends	390,142	Note F	2.51
		ATC	1	Receivables from related parties- royalty	9,527	Note F	0.06
		ATC	1	Receivables from related parties	3,102	Note F	0.02
		ATC	1	Payables to related parties	429,928	Note F	2.76
		AKMC	1	Sales	65,044	Note E	0.52
		AKMC	1	Receivables from related parties	13,036	Note F	0.08
		ADMC	1	Sales	425	Note E	-
		ADMC	1	Receivables from related parties	6,363	Note F	0.04
		AAC (BVI)	1	Payables to related parties	33,295	Note G	0.21
		ACN	1	Sales	1,353,883	Note E	10.86
		ACN	1	Receivables from related parties	271,997	Note F	1.75
		AC	1	Sales	2,057,529	Note E	16.50
		AC	1	Purchase	23,417	Note E	0.19
		AC	1	Receivables from related parties	391,537	Note G	2.52
		AC	1	Payables to related parties	7,671	Note G	0.05

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details: Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		ABB	1	Sales	$ 188	Note E	-
		ABB	1	Receivables from related parties	39	Note G	-
		AUK	1	Sales	7,287	Note E	0.06
		AUK	1	Receivables from related parties	336	Note F	-
		AFR	1	Receivables from related parties	564	Note G	-
		ADL (former name: AEBC)	1	Receivables from related parties	376	Note G	-
		ADL (former name: AEBC)	1	Payables to related parties	372	Note G	-
		AESC	1	Sales	1,759,774	Note E	14.12
		AESC	1	Receivables from related parties	563,117	Note F	3.62
		AESC	1	Payables to related parties	866	Note F	0.01
		AIT	1	Receivables from related parties	132	Note G	-
		Advantech IBHA Inc.	1	Purchase	424	Note E	-
		Advantech IBHA Inc.	1	Payables to related parties	14,563	Note F	0.09
		Advantech Investment & Management Service	1	Rental revenues	60	Note E	-
		Advantech Investment & Management Service	1	Receivables from related parties	20	Note G	-
		Yin Hsin Co., Ltd.	1	Rental revenues	36	Note E	-
		Yin Hsin Co., Ltd.	1	Receivables from related parties	9	Note G	-
		AAU	1	Sales	104,078	Note E	0.83
		AAU	1	Receivables from related parties	16,395	Note G	0.11
		AJP	1	Sales	300,096	Note E	2.41
		AJP	1	Purchase	78	Note E	-
		AJP	1	Receivables from related parties	67,000	Note G	0.43
		AJP	1	Payables to related parties	31	Note G	-
		ASG	1	Sales	147,337	Note E	1.18
		ASG	1	Receivables from related parties	22,925	Note G	0.15
		APN	1	Sales	35,392	Note E	0.28
		APN	1	Receivables from related parties	3,822	Note G	0.02
		AKL	1	Sales	20,865	Note E	0.17
		AKL	1	Receivables from related parties	3,579	Note F	0.02
1	ATC	Advantech Co., Ltd.	2	Purchase	22,928	Note E	0.18
		Advantech Co., Ltd.	2	Sales	2,269,559	Note E	18.20
		Advantech Co., Ltd.	2	Royalty expense	115,794	Note E	0.93
		Advantech Co., Ltd.	2	Payables to related parties stock dividends	390,142	Note F	2.51
		Advantech Co., Ltd.	2	Payables to related parties royalty	9,527	Note F	0.06
		Advantech Co., Ltd.	2	Payables to related parties	3,102	Note F	0.02
		Advantech Co., Ltd.	2	Receivables from related parties	429,928	Note F	2.76
		AKMC	1	Receivables from related parties	3,010	Note F	0.02
		AKMC	1	Sales	24,845	Note E	0.20
		AKMC	1	Payables to related parties	186,811	Note F	1.20
		AKMC	1	Purchase	1,230,653	Note E	9.87
		ADMC	1	Sales	94	Note E	-
		ADMC	1	Payables to related parties	97,733	Note F	0.63
		ADMC	1	Purchase	107,989	Note E	0.87

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
2	AKMC	Advantech Co., Ltd.	2	Purchase	$ 65,044	Note E	0.52
		Advantech Co., Ltd.	2	Payables to related parties	13,036	Note F	0.08
		ACN	3	Receivables from related parties	54,185	Note F	0.35
		ACN	3	Sales	492,517	Note E	3.95
		ACN	3	Payables to related parties	69,713	Note F	0.45
		ACN	3	Purchase	232,518	Note E	1.87
		ADMC	3	Receivables from related parties	22,151	Note F	0.14
		ADMC	3	Sales	21,846	Note E	0.13
		ADMC	3	Payable to related parties	41	Note F	-
		ADMC	3	Purchase	664	Note E	0.01
		ATC	2	Receivables from related parties	186,811	Note F	1.20
		ATC	2	Sales	1,230,653	Note E	9.87
		ATC	2	Payables to related parties	3,010	Note F	0.02
		ATC	2	Purchase	24,845	Note E	0.20
3	ADMC	Advantech Co., Ltd.	2	Purchase	425	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	6,363	Note F	0.04
		ATC	2	Receivables from related parties	97,733	Note F	0.63
		ATC	2	Sales	107,989	Note E	0.87
		ATC	2	Purchase	94	Note E	-
		AKMC	3	Receivables from related parties	41	Note F	-
		AKMC	3	Sales	664	Note E	0.01
		AKMC	3	Payables to related parties	22,151	Note F	0.14
		AKMC	3	Purchase	21,846	Note F	0.13
		ACN	3	Sales	122	Note E	-
		AC	3	Purchase	40	Note F	-
4	AAC(BVI)	Advantech Co., Ltd.	2	Receivables from related parties	33,295	Note G	0.21
		ACN	1	Receivables from related parties - financing	32,850	Note F	0.21
5	ACN	Advantech Co., Ltd.	2	Purchase	1,353,883	Note E	10.86
		Advantech Co., Ltd.	2	Payables to related parties	271,997	Note F	1.75
		AKMC	3	Receivables from related parties	69,713	Note F	0.45
		AKMC	3	Sales	232,518	Note E	1.87
		AKMC	3	Payables to related parties	54,185	Note F	0.35
		AKMC	3	Purchase	492,517	Note E	3.95
		ADMC	3	Purchase	122	Note E	-
		AAC (BVI)	2	Payables to related parties - financing	32,850	Note F	0.21
6	AC	Advantech Co., Ltd.	2	Purchase	2,057,529	Note E	16.50
		Advantech Co., Ltd.	2	Sales	23,417	Note E	0.19
		Advantech Co., Ltd.	2	Payables to related parties	391,537	Note G	2.52
		Advantech Co., Ltd.	2	Receivables from related parties	7,671	Note G	0.05
		AJP	3	Sales	41	Note E	-
		APN	3	Sales	379	Note E	-
		ASG	3	Sales	830	Note E	0.01

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AESC	3	Sales	$ 1,142	Note E	0.01
		ADMC	3	Sales	40	Note E	-
		ABR	3	Sales	294	Note E	-
7	AEU	ADL (former name: AEBC)	1	Receivables from related parties	682	Note G	-
		ADL (former name: AEBC)	1	Interest revenue	651	Note E	0.01
		AEDC	1	Receivables from related parties	8	Note G	-
		AEDC	1	Interest revenue	25	Note E	-
		ADL (former name: AEBC)	1	Receivables from related parties - financing	25,337	Note F	0.16
		AEDC	1	Receivables from related parties - financing	3,898	Note F	0.03
		AUK	1	Interest revenue	11	Note E	-
		ABB	1	Interest revenue	166	Note E	-
		AIT	1	Interest revenue	46	Note E	-
		AESC	1	Payables to related parties	1,702	Note F	0.01
		AESC	1	Payables to related parties - financing	9,745	Note F	0.06
8	ABB	Advantech Co., Ltd.	2	Purchase	188	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	39	Note G	-
		AESC	3	Receivables from related parties	14,161	Note F	0.09
		AESC	3	Commission revenue	87,647	Note E	0.70
		AESC	3	Purchase	28,422	Note E	0.23
		ADL (former name: AEBC)	3	Payables to related parties	16	Note G	-
		AEDC	3	Payables to related parties	447	Note G	-
		AEU	2	Interest expense	166	Note E	-
9	AUK	Advantech Co., Ltd.	2	Purchase	7,287	Note E	0.06
		Advantech Co., Ltd.	2	Payables to related parties	336	Note F	-
		AESC	3	Receivables from related parties	1,467	Note F	0.01
		AESC	3	Commission revenue	43,018	Note E	0.35
		AESC	3	Payables to related parties	2,083	Note F	0.01
		AESC	3	Purchase	20,069	Note E	0.16
		ADL (former name: AEBC)	3	Payables to related parties	13	Note F	-
		AEU	2	Interest expense	11	Note E	-
10	AEBC (before is ADL)	Advantech Co., Ltd.	2	Payables to related parties	376	Note G	-
		Advantech Co., Ltd.	2	Receivables from related parties	372	Note G	-
		AESC	3	Commission revenue	133,326	Note E	1.07
		AESC	3	Payables to related parties	1,542	Note F	0.01
		AESC	3	Purchase	5,362	Note E	0.04
		AESC	3	Payables to related parties - financing	9,745	Note F	0.06
		ABB	3	Receivables from related parties	16	Note G	-
		AUK	3	Receivables from related parties	13	Note F	-
		AFR	3	Receivables from related parties	27	Note G	-
		AEDC	3	Receivables from related parties	5	Note G	-
		AEDC	3	Payables to related parties	964	Note G	0.01

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AEU	2	Payables to related parties	$ 682	Note G	-
		AEU	2	Interest expense	651	Note E	0.01
		AEU	2	Payables to related parties - financing	25,337	Note F	0.17
11	AFR	Advantech Co., Ltd.	2	Payables to related parties	564	Note G	-
		AESC	3	Commission revenue	45,233	Note E	0.36
		AESC	3	Payables to related parties	196	Note F	-
		AESC	3	Purchase	933	Note E	0.01
		ADL (former name: AEBC)	3	Payables to related parties	27	Note G	-
12	AESC	Advantech Co., Ltd.	2	Purchase	1,759,774	Note E	14.12
		Advantech Co., Ltd.	2	Payables to related parties	563,117	Note F	3.62
		Advantech Co., Ltd.	2	Receivables from related parties	866	Note F	0.01
		ADL (former name: AEBC)	3	Receivables from related parties	1,542	Note F	0.01
		ADL (former name: AEBC)	3	Sales	5,362	Note E	0.04
		ADL (former name: AEBC)	3	Commission expense	133,326	Note E	1.07
		AFR	3	Receivables from related parties	196	Note F	-
		AFR	3	Sales	933	Note E	0.01
		AFR	3	Commission expense	45,233	Note E	0.36
		AIT	3	Receivables from related parties	365	Note F	-
		AIT	3	Sales	17,796	Note E	0.14
		AIT	3	Commission expense	44,141	Note E	0.35
		AUK	3	Receivables from related parties	2,083	Note F	0.01
		AUK	3	Sales	20,069	Note E	0.16
		AUK	3	Payables to related parties	1,467	Note F	0.01
		AUK	3	Commission expense	43,018	Note E	0.35
		ABB	3	Sales	28,422	Note E	0.23
		ABB	3	Payables to related parties	14,161	Note F	0.09
		ABB	3	Commission expense	87,647	Note E	0.70
		AEU	2	Receivables from related parties	1,702	Note F	0.01
		AEU	2	Receivables from related parties - financing	9,745	Note F	0.06
		AEDC	3	Receivables from related parties	439	Note F	-
		AC	3	Purchase	1,142	Note E	0.01
		AEBC	3	Receivables from related parties - financing	9,745	Note F	0.06
13	AIT	Advantech Co., Ltd.	2	Payables to related parties	132	Note G	-
		AESC	3	Commission revenue	44,141	Note E	0.35
		AESC	3	Payables to related parties	365	Note F	-
		AESC	3	Purchase	17,796	Note E	0.14
		AEU	2	Interest expense	46	Note E	-
14	AEDC	ABB	3	Receivables from related parties	447	Note G	-
		ADL (former name: AEBC)	3	Receivables from related parties	964	Note G	0.01
		ADL (former name: AEBC)	3	Payables to related parties	5	Note G	-

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AEU	2	Payables to related parties	$ 8	Note G	-
		AEU	2	Interest expense	25	Note E	-
		AEU	2	Payables to related parties - financing	3,898	Note F	0.03
		AESC	3	Payables to related parties	439	Note F	-
15	Advantech IBHA Inc.	Advantech Co., Ltd.	2	Sales	424	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	14,563	Note F	0.09
16	AIMS	Advantech Co., Ltd.	2	Rental expense	60	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	20	Note G	-
17	Yin Hsin Co., Ltd.	Advantech Co., Ltd.	2	Rental expense	36	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	9	Note G	-
18	AAU	Advantech Co., Ltd.	2	Purchase	104,078	Note E	0.83
		Advantech Co., Ltd.	2	Payables to related parties	16,395	Note G	0.11
19	AJP	Advantech Co., Ltd.	2	Purchase	300,096	Note E	2.41
		Advantech Co., Ltd.	2	Sales	78	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	67,000	Note G	0.43
		Advantech Co., Ltd.	2	Receivables from related parties	31	Note G	-
		AC	3	Purchase	41	Note E	-
20	ASG	Advantech Co., Ltd.	2	Purchase	147,337	Note E	1.18
		Advantech Co., Ltd.	2	Payables to related parties	22,925	Note G	0.15
		APN	1	Receivables from related parties	19	Note G	-
		AKL	1	Receivables from related parties	15	Note F	-
		AC	3	Purchase	830	Note G	0.01
21	APN	Advantech Co., Ltd.	2	Purchase	35,392	Note E	0.28
		Advantech Co., Ltd.	2	Payables to related parties	3,822	Note G	0.02
		AC	3	Purchase	379	Note E	-
		ASG	2	Payables to related parties	19	Note G	-
		AKL	3	Purchase	48	Note E	-
22	AKL	Advantech Co., Ltd.	2	Purchase	20,865	Note E	0.17
		Advantech Co., Ltd.	2	Payables to related parties	3,579	Note F	0.02
		APN	3	Sales	48	Note E	-
		ASG	2	Payables to related parties	15	Note F	-
23	ABR	AC	3	Purchase	294	Note E	-

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

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

(Continued)

Note B: Related party transactions are divided into three categories as follows:

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

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2006 and 2005, respectively; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2006 and 2005, respectively.

Note D: All intercompany transactions have been write-off.

Note E: Normal.

Note F. Depending on its operating condition.

Note G: 60-90 days.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

GEOGRAPHIC INFORMATION
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

	2006							2005						
	Taiwan	Asia	Europe	America	Oceania	Adjustments and Elimination	Consolidated	Taiwan	Asia	Europe	America	Oceania	Adjustments and Elimination	Consolidated
Sales to other than consolidated entities	$ 3,431,767	$ 3,556,887	$ 2,981,469	$ 4,512,528	$ 219,753	$ -	$ 14,702,404	$ 2,151,629	$ 3,300,504	$ 2,542,151	$ 4,201,487	$ 192,868	$ -	$ 12,388,639
Sales among consolidated entities	7,330,837	3,171,493	4,736	19,090	-	(10,526,156)	-	5,822,905	3,058,461	336,712	23,417	-	(9,241,495)	-
Total sales	$ 10,762,604	$ 6,728,380	$ 2,986,205	$ 4,531,618	$ 219,753	$ (10,526,156)	$ 14,702,404	$ 7,974,534	$ 6,358,965	$ 2,878,863	$ 4,224,904	$ 192,868	$ (9,241,495)	$ 12,388,639
Operating income	$ 1,979,269	$ 736,971	$ 25,177	$ 188,675	$ 7,720	$ 155,949	$ 3,093,761	$ 1,476064	$ 730,574	$ (50,405)	$ 266,340	$ 8,920	$ 185,192	$ 2,616,685
Interest revenue							43,083							26,410
Equity in net income (loss) of investees, net							126,083							37,862
Other non-operating income and gains							398,027							300,433
Interest expense							(19,843)							(30,302)
Other non-operating expenses and losses							(250,709)							(209,578)
Income before income tax							$ 3,390,402							$ 2,741,510
Identifiable assets	$ 16,270,714	$ 2,908,067	$ 1,276,239	$ 1,507,545	$ 125,570	$ (5,939,499)	$ 16,148,636	$ 14,494,403	$ 2,909,573	$ 1,030,176	$ 1,324,017	$ 105,185	$ (4,966,975)	$ 14,896,379
Long-term investments							613,584							529,990
Total assets							$ 16,762,220							$ 15,426,369

Notes:

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

B. Revenues from inter-division goods and services.

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

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

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