Advantech Co., Ltd.

Financial Statements for the
Years Ended December 31, 2007 and 2006 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Advantech Co., Ltd. as of December 31, 2007 and 2006, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, as stated in Note 8 to the financial statements, we did not audit the financial statements as of and for the years ended December 31, 2007 and 2006 of the companies in which the Company had investments accounted for by the equity method. The carrying values of these investments were 11.43% (NT$1,925,421 thousand) and 10.31 % (NT$1,639,515 thousand) of the Company's total assets as of December 31, 2007 and 2006, respectively. Also, the equity in the investees' net gains was 1.97% (NT$67,182 thousand) and 4.97% (NT$162,000 thousand) of the Company's income before income tax in 2007 and 2006, respectively. The financial statements of these investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the investees' amounts included herein, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Advantech Co., Ltd. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, on January 1, 2006, Advantech Co., Ltd. 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.

We have also audited the consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2007 and 2006, and have expressed a modified unqualified opinion on those consolidated financial statements in our report (not presented herewith) dated March 7, 2008.

March 7, 2008

Notice to Readers

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

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

ADVANTECH CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)

	2007		2006	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 1,180,800	7	$ 1,311,568	8
Financial assets at fair value through profit or loss - current (Notes 2, 3, 5 and 19)	87	-	-	-
Available-for-sale financial assets - current (Notes 2, 3, 6 and 19)	970,936	6	1,081,740	7
Notes receivable (Note 2)	49,489	-	50,237	-
Accounts receivable, net of allowance for doubtful accounts of $9,869 thousand in 2007 and $10,392 thousand in 2006 (Note 2)	596,335	4	481,533	3
Receivables from related parties (Notes 2 and 16)	1,904,957	11	2,001,465	13
Other receivable	75,910	-	41,520	-
Inventories, net (Notes 2 and 7)	1,114,813	7	1,178,407	8
Deferred income tax assets - current (Notes 2 and 13)	47,181	-	64,417	-
Prepayments and other current assets	25,972	-	10,248	-
Total current assets	5,966,480	35	6,221,135	39
LONG-TERM FUNDS AND INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2, 3, 6, 8 and 19)	4,047,492	24	3,987,961	25
Investments accounted for by the equity method (Notes 2, 8 and 16)	4,692,997	28	3,920,603	25
Total long-term funds and investments	8,740,489	52	7,908,564	50
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 9 and 18)				
Cost				
Land	640,472	4	640,472	4
Buildings	844,911	5	844,911	5
Machinery and equipment	353,918	2	298,347	2
Furniture and fixtures	103,173	1	90,573	1
Other equipment	161,675	1	135,917	1
Total cost	2,104,149	13	2,010,220	13
Less: Accumulated depreciation	483,735	3	392,957	3
	1,620,414	10	1,617,263	10
Construction in progress and prepayments for equipment	398,794	2	16,387	-
Property, plant and equipment, net	2,019,208	12	1,633,650	10
OTHER ASSETS				
Refundable deposits	7,698	-	12,593	-
Deferred expenses, net (Note 2)	118,322	1	132,264	1
Restricted assets - noncurrent (Note 17)	-	-	1,600	-
Total other assets	126,020	1	146,457	1
TOTAL	$ 16,852,197	100	$ 15,909,806	100

	2007		2006	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 19)	$ -	-	$ 540	-
Accounts payable	471,959	3	535,605	3
Payables to related parties (Note 16)	974,563	6	262,265	2
Income tax payable (Notes 2 and 13)	188,137	1	137,883	1
Accrued expenses	286,874	2	210,567	1
Employee bonus payable (Note 11)	180,106	1	141,771	1
Receipts in advance and other current liabilities	92,088	-	46,438	-
Total current liabilities	2,193,727	13	1,335,069	8
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 10)	108,933	1	110,964	1
Deferred income tax liabilities - noncurrent (Notes 2 and 13)	255,618	2	156,148	1
Deferred credits (Note 2)	243,155	1	272,830	2
Others (Notes 2 and 8)	8,972	-	1,060	-
Total other liabilities	616,678	4	541,002	4
Total liabilities	2,810,405	17	1,876,071	12
SHAREHOLDERS' EQUITY				
Capital stock, NT$10.00 par value				
Authorized - 600,000 thousand shares				
Issued - 491,577 thousand shares in 2007 and 463,629 thousand shares in 2006	4,915,770	29	4,636,295	29
Capital surplus				
Additional paid-in capital	4,377,157	26	4,362,548	28
From long-term equity investments	65,635	-	64,098	-
Total capital surplus	4,442,792	26	4,426,646	28
Retained earnings				
Legal reserve	1,378,115	8	1,086,326	7
Unappropriated earnings	3,537,570	21	3,254,770	20
Total retained earnings	4,915,685	29	4,341,096	27
Other equity				
Cumulative translation adjustments	243,543	2	114,993	1
Unrealized gain on financial instruments	909,700	5	514,705	3
Treasury stock - 14,500 thousand shares	(1,385,698)	(8)	-	-
Total other equity	(232,455)	(1)	629,698	4
Total shareholders' equity	14,041,792	83	14,033,735	88
TOTAL	$ 16,852,197	100	$ 15,909,806	100

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

(With Deloitte & Touche audit report dated March 7, 2008)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 2 and 16)				
Sales	$11,468,391	101	$10,649,884	100
Sales returns and allowances	211,915	2	125,349	1
Net sales	11,256,476	99	10,524,535	99
Other operating revenue	121,151	1	108,876	1
Total operating revenue	11,377,627	100	10,633,411	100
OPERATING COSTS (Notes 2, 14 and 16)	8,025,577	70	7,417,220	70
GROSS PROFIT	3,352,050	30	3,216,191	30
REALIZED (UNREALIZED) PROFITS ON INTERCOMPANY SALES (Note 2)	29,675	-	(9,695)	-
ADJUSTED GROSS PROFIT	3,381,725	30	3,206,496	30
OPERATING EXPENSES (Note 14)				
Marketing	266,964	3	249,939	2
Administration	361,743	3	324,626	3
Research and development	810,522	7	635,244	6
Total operating expenses	1,439,229	13	1,209,809	11
OPERATING INCOME	1,942,496	17	1,996,687	19
NONOPERATING INCOME AND GAINS				
Interest income	25,264	-	22,855	-
Investment income recognized under the equity method, net (Notes 2 and 8)	891,286	8	978,136	9
Gain on sale of investments, net	340,407	3	101,675	1
Exchange gain, net (Note 2)	54,979	1	98,081	1
Reversal of loss on inventories (Note 2)	83,264	1	-	-
Royalty revenue (Note 16)	162,395	1	141,100	1
Dividend income	65,218	1	39,868	-
Valuation gain on financial assets, net (Notes 2 and 5)	18,247	-	8,907	-
Other income (Notes 3 and 16)	13,457	-	54,631	1
Total nonoperating income and gains	1,654,517	15	1,445,253	13

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of scrap inventories	$ 171,760	2	$ 66,496	1
Provision for loss on inventories (Note 2)	-	-	89,380	1
Valuation loss on financial liabilities, net (Notes 2 and 5)	8,287	-	12,501	-
Other expenses	1,060	-	14,880	-
Total nonoperating expenses and losses	181,107	2	183,257	2
INCOME BEFORE INCOME TAX	3,415,906	30	3,258,683	30
INCOME TAX EXPENSE (Notes 2 and 13)	444,857	4	340,792	3
NET INCOME	$ 2,971,049	26	$ 2,917,891	27

	2007		2006	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 15)				
Basic	$ 7.02	$ 6.11	$ 6.65	$ 5.95
Diluted	$ 7.01	$ 6.10	$ 6.63	$ 5.93

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

(With Deloitte & Touche audit report dated March 7, 2008) (Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Capital Stock - Issued and Outstanding (Note 11)		Capital Surplus (Notes 2 and 11)			Retained Earnings (Notes 2 and 11)				Cumulative Translation Adjustments (Note 2)	Unrealized Valuation Gains on Financial Instruments (Notes 2, 3 and 18)	Treasury Stock (Notes 2 and 12)	Total Shareholders' Equity
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	From Long-term Equity Investments	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total				
BALANCE, JANUARY 1, 2006	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	$ -	$ -	$ 12,472,604
Adjustment due to accounting changes	-	-	-	-	-	-	-	-	-	-	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)
Net income in 2006	-	-	-	-	-	-	-	2,917,891	2,917,891	-	-	-	2,917,891
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-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	369	-	369
Changes in translation adjustments.	-	-	-	-	-	-	-	-	-	69,519	-	-	69,519
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	-	14,033,735
Appropriation of the 2006 earnings													
Legal reserve	-	-	-	-	-	291,789	-	(291,789)	-	-	-	-	-
Bonus to employees	4,000	40,000	-	-	-	-	-	(262,610)	(262,610)	-	-	-	(222,610)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(26,261)	(26,261)	-	-	-	(26,261)
Stock dividends - 5%	23,183	231,825	-	-	-	-	-	(231,825)	(231,825)	-	-	-	-
Cash dividends - NT$4.00 per share	-	-	-	-	-	-	-	(1,854,598)	(1,854,598)	-	-	-	(1,854,598)
Net income in 2007	-	-	-	-	-	-	-	2,971,049	2,971,049	-	-	-	2,971,049
Employee stock options	765	7,650	14,609	-	14,609	-	-	-	-	-	-	-	22,259
Increase in carrying values of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	1,537	1,537	-	-	-	-	-	-	-	1,537
Decrease in carrying values of equity-method investments due to the acquisition of treasury stock by the investees	-	-	-	-	-	-	-	(21,166)	(21,166)	-	-	-	(21,166)
Changes in unrealized valuation losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	393,929	-	393,929
Equity in the changes in unrealized valuation gains on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	1,066	-	1,066
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	(1,385,698)	(1,385,698)
Changes in translation adjustments	-	-	-	-	-	-	-	-	-	128,550	-	-	128,550
BALANCE, DECEMBER 31, 2007	491,577	$ 4,915,770	$ 4,377,157	$65,635	$ 4,442,792	$ 1,378,115	$ -	$ 3,537,570	$ 4,915,685	$243,543	$909,700	$(1,385,698)	$ 14,041,792

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

(With Deloitte & Touche audit report dated March 7, 2008)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	**2006**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,971,049	$ 2,917,891
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	137,830	111,442
Provision (reversal of allowance) for bad debts	(523)	878
Provision (reversal of provision) for loss on inventories	(83,264)	89,380
Loss on disposal of scrap inventories	171,760	66,496
Gain on disposal of long-term equity investments, net	(116,310)	(25,250)
Gain on the sale of available-for-sale financial assets, net	(224,097)	(76,425)
Gain on disposal of property, plant and equipment, net	(318)	(3,597)
Investment income recognized under the equity method, net	(891,286)	(978,136)
Cash dividends received from equity-method investees	428,187	924,881
Accrued pension cost	(2,031)	16
Deferred income taxes	116,706	50,285
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(627)	51
Notes receivable	748	48,070
Accounts receivable	(114,279)	(80,576)
Receivables from related parties	103,148	(566,500)
Inventories	(24,902)	(113,459)
Other receivables	(34,390)	90,727
Prepayments and other current assets	(15,724)	1,249
Accounts payable	(63,646)	(164,409)
Payables to related parties	712,298	(258,940)
Income tax payable	50,254	81,012
Accrued expenses	76,307	(55,556)
Receipts in advance and other current liabilities	45,650	19,586
Deferred expenses	(29,675)	9,695
Net cash provided by operating activities	3,212,865	2,088,811
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(10,701,181)	(9,526,778)
Proceeds of the disposal of available-for-sale financial assets	11,370,479	9,899,012
Acquisition of investments accounted for by the equity method	(266,582)	(679,397)
Proceeds of the disposal of equity-method investments	184,857	18,415
Proceeds of disposal of property, plant and equipment	2,144	4,204
Acquisition of property, plant and equipment	(488,564)	(98,401)
Increase in deferred charges	(22,708)	(30,460)
Decrease in restricted assets - noncurrent	1,600	2,500
Decrease (increase) in refundable deposits	4,895	(6,572)
Net cash provided by (used in) investing activities	84,940	(417,477)

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ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	$ (1,854,598)	$ (1,795,841)
Cash paid for acquisition of treasury stock	(1,385,698)	-
Cash bonus to employees and remuneration to directors and supervisors	(210,536)	(200,967)
Employee stock options	22,259	19,044
Decrease in guarantee deposits received	-	(1,227)
Decrease in bonds payable	-	(100)
Net cash used in financing activities	(3,428,573)	(1,979,091)
NET DECREASE IN CASH	(130,768)	(307,757)
CASH, BEGINNING OF YEAR	1,311,568	1,619,325
CASH, END OF YEAR	$ 1,180,800	$ 1,311,568
SUPPLEMENTAL CASH FLOW INFORMATION		
Income tax paid	$ 277,896	$ 209,495
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Cash bonus to employees and remuneration to directors and supervisors	$ 50,371	$ 49,573
Credit balances on carrying values of investments recorded as part of other liabilities	$ 8,972	$ 1,060
Dividends receivable from equity-method investees	$ 6,640	$ -
Reclassification of properties leased to others into properties	$ -	$ 21,344
Conversion of bonds into capital stock and capital surplus	$ -	$ 8,800

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

(With Deloitte & Touche audit report dated March 7, 2008) (Concluded)

1. ORGANIZATION AND OPERATIONS

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

As of December 31, 2007 and 2006, the Company had 1,254 and 1,146 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Current and Noncurrent Assets and Liabilities

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

Financial Assets/Liabilities at Fair Value through Profit or Loss

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

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

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

Available-for-sale Financial Assets

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

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

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

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

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

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

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

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

Inventories

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

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

Long-term Equity Investments

Investments in shares of stock of companies in which the Company owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Stock investments accounted for by the equity method are initially carried at cost and subsequently adjusted for the Company's proportionate share in the investees' earnings or losses and changes in capital surplus. Investment income (or loss) is recognized whenever the investees recognize income (or loss). Cash dividends received are recognized as a reduction of the carrying value of the investments. 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 Company's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted, is amortized over five years. Effective January 1, 2006, under the revised Statement of Financial Accounting Standards No.5, - "Long-term Investments in Equity Securities," investment premiums, representing goodwill, are no longer being amortized, but the Company needs to make asset impairment tests regularly. And if there are indications that the goodwill is probably impaired, the Company 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. The accounting treatment for the investment premiums paid before January 1, 2006 is the same as that for goodwill, which should no longer be amortized, but investment discounts continue to be amortized over the remaining periods.

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

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

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

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

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

Property, Plant and Equipment

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

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

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

Deferred Expenses

Deferred expenses, consisting of computer software costs and royalties, which are amortized over two or eight years using the straight-line method.

Assets Impairment

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

Pension Costs

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

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

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

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

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 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 written-off 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.

Treasury Stock

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

Income Tax

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

Investment tax credits for certain equipment or technology purchases, research expenditure, employee 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 income tax expense in the year when the shareholders resolve to retain the earnings.

Foreign-currency Transactions

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

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

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

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

On January 1, 2006, the Company 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.

Effect of accounting changes

The Company recategorized 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 for the year ended December 31, 2006.

Effective January 1, 2006, the Company 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	
	2007	2006
Cash on hand	$ 1,534	$ 1,749
Checking and demand deposits	431,455	49,997
Time deposits: Interest - 2.02-4.50% in 2007 and 1.40-5.20% in 2006	747,811	1,259,822
	$ 1,180,800	$ 1,311,568

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	
	2007	2006
Financial assets resulting from trading		
Forward contracts	$ 87	$ -
Financial liabilities resulting from trading		
Forward contracts	$ -	$ 540

On December 31, 2007 and 2006, information about outstanding forward contracts is shown as follows:

	Currency	Maturity	Amount (Thousand)
December 31,2007			
Sell	JPY/USD	January 2008	JPY55,615/USD500
December 31,2006			
Sell	EUR/USD	January 2007	EUR1,000/USD1,299
		January 2007	EUR1,000/USD1,323

The Company entered into forward contract transactions for the years ended December 31, 2007 and 2006 is to avoid risks on exchange rate fluctuations. The hedging strategy of the Company is to avoid the major portion of the market and liquidity risks.

Gains or losses arising from trading financial assets or liabilities for the year ended December 31, 2007 and 2006 were net gains $9,960 thousand and net losses $3,594 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2007		2006	
	Current	Noncurrent	Current	Noncurrent
Mutual funds	$ 970,936	$ -	$ 1,081,740	$ -
Publicly traded stocks				
ASUSTEK Computer Inc.	-	4,047,492	-	3,898,166
Firich Enterprise Co., Ltd.	-	-	-	89,795
	$ 970,936	$ 4,047,492	$ 1,081,740	$ 3,987,961

7. INVENTORIES, NET

	December 31	
	2007	2006
Finished goods	$ 377,801	$ 390,205
Work in process	329,101	381,384
Materials and supplies	501,681	590,649
Inventories in transit	15,376	8,579
	1,223,959	1,370,817
Less: Allowance for losses	109,146	192,410
	$ 1,114,813	$ 1,178,407

8. LONG-TERM EQUITY-METHOD INVESTMENTS

	December 31			
	2007		2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Listed				
Axiomtek Co., Ltd.	$ 350,156	28.90	$ 412,454	33.92
Unlisted				
Advantech Automation Corp. (BVI)	1,423,850	100.00	1,264,763	100.00
Advantech Technology Co., Ltd.	981,854	100.00	632,386	100.00
Advansus Corp.	476,793	50.00	477,963	50.00
Advantech Europe Holding B.V.	404,358	99.22	315,168	98.37
Advantech Investment Fund-A Co., Ltd.	414,083	100.00	265,146	100.00
Advantech Technologies Co., Ltd.	174,386	23.89	176,335	23.89
Advantech Co. Singapore Pte, Ltd.	114,565	100.00	109,311	100.00
Advantech Australia Pty Ltd.	109,327	100.00	84,512	100.00
Advantech Japan Co., Ltd.	102,965	100.00	91,914	100.00
Advantech (Yanshun) Holding Co., Ltd.	78,167	100.00	-	-
Advantech Co. Malaysia Sdn. Bhd.	42,416	100.00	35,842	100.00
Advantech Hungary Ltd.	14,438	30.00	12,591	30.00
Advantech Investment & Management Service	5,639	100.00	5,438	100.00
Advantech (H.K.) Technology Co., Ltd.	-	100.00	-	100.00
Viewsys Technology Co., Ltd.	-	-	24,572	100.00
Advantech IBHA Technologies Inc.	-	-	12,208	13.29
	4,342,841		3,508,149	
Long-term equity-method investments	$ 4,692,997		$ 3,920,603	

The financial statements of the following investees had been audited by other auditors, not the Company's auditors: (a) for 2007 and 2006 - Axiomteck Co., Ltd.; Advansus Corp., Advantech Europe Holding B.V. (in 2006, Advantech Europe B.V., a subsidiary of Advantech Europe Holding B.V., was audited by the Parent Company's auditors); Advantech Technologies Co., Ltd., Advantech Japan Co., Ltd., Advantech Australia Pty Ltd., Advantech Co. Singapore Pte, Ltd., Advantech Co. Malaysia Sdn. Bhd.; and Viewsys Technology Co., Ltd.; and (b) for 2007 - Netstar Technology Co., Ltd., a subsidiary of Advantech Investment Fund-A Co., Ltd., and Advantech (H.K.) Technology Co., Ltd.

The calculation of the investment carrying value and the Company's equity in the net income of Advantech Hungary Ltd. in 2007 and 2006 and Advantech (H.K.) Technology Co., Ltd. in 2006 was based on unaudited financial statements since each of these two investees' capital stock was less than $30,000 thousand and their individual total operating revenues were less than $50,000 thousand or 10% of the Company's total operating revenues, making the investment carrying value and equity in the net income of these investees immaterial to the Company's financial position and results of operations.

The combined ownership of the Company and its subsidiaries in Advantech IBHA Technologies Inc. ("Advantech IBHA") exceeds 20% of Advantech IBHA's outstanding common stock in 2007 and 2006. Thus, the investment in Advantech IBHA was accounted for by the equity method. In addition, Advantech IBHA had liquidated in May 2007.

At the meeting on September 30, 2005, the board of directors approved a proposal for Advantech and ASUSTek to enter into a strategic alliance through a share swap. Shares will be exchanged at 1.13 shares of Advantech for every share of ASUSTek. Thus, Advantech will issue 44,893 thousand shares in exchange for 39,729 thousand shares of ASUSTek. In addition, under the proposal, the Company and ASUSTek each invested $500,000 thousand (i.e., 50-50 ownership) to establish a joint venture, Advansus Corp., in January 2006. The investment in Advansus Corp. was accounted for by the equity method included in the consolidated financial statements for the years ended December 31, 2007 and 2006 in a proportionate consolidated method.

The Company intended to support the operations of Advantech (H.K.) Technology Co., Ltd. in 2007 and 2006. Under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities" of the Republic of China, if the equity in losses recognized exceeds the original investment acquisition costs plus any advances given to the investee, the Company recognizes its investee's total losses unless other investors commit to assume, and can assume, a portion of the losses. As of December 31, 2007 and 2006, there were credit balances on this investment of $8,972 thousand and $1,060 thousand, respectively, included in other liability - others.

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, 2007 and 2006 were $968,805 thousand and $1,189,935 thousand, respectively.

The Company has included all of its direct and indirect subsidiaries in the consolidated financial statements as of and for the years ended December 31, 2007 and 2006.

9. PROPERTY, PLANT AND EQUIPMENT

Statement of changes in property, plant and equipment and properties leased to others was as follows:

	Year Ended December 31, 2007				
	Beginning Balance	**Acquisition**	**Disposal**	**Re-classification**	**Ending Balance**
Properties					
Cost					
Land	$ 640,472	$ -	$ -	$ -	$ 640,472
Buildings	844,911	-	-	-	844,911
Machinery and equipment	298,347	45,157	8,591	19,005	353,918
Furniture and fixtures	90,573	13,486	1,086	200	103,173
Other equipment	135,917	22,707	2,551	5,602	161,675
	2,010,220	$ 81,350	$ 12,228	$ 24,807	2,104,149

(Continued)

	Year Ended December 31, 2007				
	Beginning Balance	Acquisition	Disposal	Re-classification	Ending Balance
Accumulated depreciation					
Buildings	$ 102,367	$ 16,529	$ -	$ -	$ 118,897
Machinery and equipment	183,395	40,600	6,426	-	217,569
Furniture and fixtures	42,099	19,083	962	-	60,220
Other equipment	65,096	24,968	3,014	-	87,050
	392,957	$ 101,180	$ 10,402	$ -	483,735
	1,617,263				1,620,414
Construction in progress and prepayments for equipment	16,387	$ 407,214	$ -	$ (24,807)	398,794
	$ 1,633,650				$ 2,019,208

(Concluded)

	Year Ended December 31, 2006				
	Beginning Balance	Acquisition	Disposal	Re-classification	Ending Balance
Properties					
Cost					
Land	$ 624,779	$ -	$ -	$ 15,693	$ 640,472
Buildings	837,848	-	-	7,063	844,911
Machinery and equipment	281,554	25,361	22,955	14,387	298,347
Furniture and fixtures	77,108	29,847	16,382	-	90,573
Other equipment	130,880	21,587	19,198	2,648	135,917
	1,952,169	$ 76,795	$ 58,535	$ 39,791	2,010,220
Accumulated depreciation					
Buildings	84,425	$ 16,530	$ -	$ 1,412	102,367
Machinery and equipment	170,114	35,643	22,362	-	183,395
Furniture and fixtures	43,451	15,007	16,368	9	42,099
Other equipment	67,377	16,926	19,198	(9)	65,096
	365,367	$ 84,106	$ 57,928	$ 1,412	392,957
	1,586,802				1,617,263
Prepayments for equipment	11,816	$ 21,606	$ -	$ (17,035)	16,387
	$ 1,598,618				$ 1,633,650
Properties leased to others					
Cost					
Land	$ 15,693	$ -	$ -	$ (15,693)	$ -
Buildings	7,063	-	-	(7,063)	-
	22,756	$ -	$ -	(22,756)	-
Accumulated depreciation	1,412	$ -	$ -	(1,412)	-
	$ 21,344			$ (21,344)	$ -

10. PENSION PLAN

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

Under the Act, the Company has a defined contribution pension plan. Since July 1, 2005, the Company has made monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries and wages. The pension cost under the defined contribution loan was NT$45,968 thousand and NT$38,875 thousand for the year ended December 31, 2007 and 2006, respectively.

The Company has a defined benefit pension plan under the Labor Standards Law (the "Law"). Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can accumulated up to 45 based points, and the benefits based on employee's average monthly salary for the six-month period prior to retirement.

Under the Law, the Company accrues pension costs individually on the basis of actuarial calculations and make monthly contributions at 2% of salaries and wages to each company's pension fund, which is administered by each company's pension plan committee and deposited in the respective committees' names in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity).

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

a. Components of pension cost:

	2007	2006
Service cost	$ 3,940	$ 3,481
Interest cost	3,812	4,116
Projected return on plan assets	(2,020)	(2,483)
Amortization of unrecognized net transition obligation and net pension plan gains or losses	(2,206)	(4,075)
	$ 3,526	$ 1,039

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

	December 31	
	2007	2006
Benefit obligation		
Vested benefit obligation	$ 1,287	$ -
Non-vested benefit obligation	115,970	99,855
Accumulated benefit obligation	117,257	99,855
Additional benefits based on future salaries	44,182	38,774
Projected benefit obligation	161,439	138,629
Fair value of plan assets	(80,882)	(73,464)
Funded status	80,557	65,165
Unrecognized net transition obligation	(14,577)	(16,399)
Unrecognized net gain	42,953	62,198
Accrued pension liabilities	$ 108,933	$ 110,964

c. Actuarial assumptions

	2007	2006
Discount rate used in determining present values of plan assets	3.00%	2.75%
Future salary increase rate	2.00%	2.00%
Expected rate of return on plan assets	3.00%	2.75%

d. Changes in the accrued pension liability:

	Years Ended December 31	
	2007	2006
Balance, beginning of years	$ 110,964	$ 110,948
Accruals base on defined benefit pension plan	3,526	1,039
Contribution	5,557	1,023
Balance, end of years	$ 108,933	$ 110,964

11. SHAREHOLDERS' EQUITY

Appropriation of Earnings and Dividend Policy

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

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

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

b. 1% as remuneration to directors and supervisors.

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

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

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

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

Under the Integrated Income Tax System, which took effect on January 1, 1998, noncorporate local shareholders are allowed a tax credit for the income tax paid by the 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 Company operates in an industry related to computers, and its business related to network servers is new but with significant potential for growth. Thus, in formulating its dividend policy, the Company takes into account the overall business and industry conditions and trends, its objective of enhancing the shareholders' long-term interest, and the sustainability of the Company's growth. The policy also requires that stock dividends be less than 75% of total dividends to retain internally generated cash within the Company to finance future capital expenditures and working capital requirements.

The appropriations of earnings for 2006 and 2005 were proposed in the Board of Directors' meeting and approved in the shareholders' meeting held on June 15, 2007 and June 16, 2006, respectively. The appropriations and dividends per share were as follows:

	Appropriation Earnings		Dividend per Share (Dollars)	
	2006	2005	2006	2005
Legal reserve	$ 291,789	$ 242,980	$ -	$ -
Reversal of special reserve	-	(19,661)	-	-
Cash dividends	1,854,598	1,795,841	4.0	4.0
Stock dividends	231,825	89,792	0.5	0.2
Remuneration to directors and supervisors	26,261	22,065	-	-
Bonus to employees - stock	40,000	50,000	-	-
Bonus to employees - cash	222,610	170,648	-	-

The appropriation of the earnings for 2006 was approved by the Financial Supervisory Commission, Executive Yuan, R.O.C., and the board of directors resolved that the date of distributing stock and cash dividends would be August 8, 2007. In addition, the Company completed obtained on August 28, 2007 its revised registration from the Ministry of Economic Affairs on the increase in issued shares.

Had the above bonus to employees and remuneration to directors and supervisors been paid entirely in cash and charged to the earnings of 2006 and 2005, the basic earnings per share (after income tax) would have decreased from NT$6.30 to NT$5.68 in 2006 and from NT$6.05 to NT$5.44 in 2005, respectively.

Stock bonuses to employees of 4,000 thousand shares and 5,000 thousand shares, which were 0.86% and 1.11% of the total outstanding shares as of December 31, 2006 and 2005, respectively, were distributed out of the earnings for 2006 and 2005, respectively.

Because of bond conversion, the Company's capital stock and capital surplus due to issue of stock in excess of par value for 2006 increased by 2,100 thousand shares and 6,700 thousand shares, 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.

On April 1, 2003, the Securities and Futures Bureau approved the Company's stock option plan. There were 3,000 thousand units authorized to be issued, which may be converted to 3,000 thousand common shares. Employees may exercise a certain percentage of the option within two and four years of the grant date, and will expire six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT$28.84 as of December 31, 2007.

As of December 31, 2007, there were 2,075 thousand units of stock options exercised, which were converted to 2,075 thousand common shares; thus, the unexercised stock options consisted of 565 thousand units.

12. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
Year ended December 31, 2007				
For transfer to employees	-	14,500	-	14,500

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

13. 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 under 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 under the Income Tax Law. The 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:

	December 31	
	2007	2006
Tax on pretax income at 25% statutory rate	$ 853,967	$ 814,661
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(334,721)	(264,543)
Other	(23,648)	(23,014)
Temporary differences	(45,071)	(93,843)
Income tax (10%) on undistributed earnings	30,238	10,805
Investment tax credit	(152,614)	(153,559)
Income tax currently payable	$ 328,151	$ 290,507

b. Income tax expense consisted of the following:

	December 31	
	2007	2006
Income tax currently payable	$ 328,151	$ 290,507
Income tax expense - deferred	116,706	50,285
	$ 444,857	$ 340,792

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

	December 31 2007	December 31 2006
Balance, beginning of year	$ 137,883	$ 56,871
Income tax currently payable	328,151	290,507
Payment	(277,897)	(209,495)
Balance, end of year	$ 188,137	$ 137,883

d. Net deferred income tax assets (liabilities) as of December 31, 2007 and 2006 were as follows:

	December 31 2007	December 31 2006
Current		
Deferred income tax assets		
Allowance for loss on inventories	$ 27,286	$ 48,102
Investment tax credit	10,022	29,478
Unrealized product warranty reserve	10,292	7,543
Excess provisions for doubtful receivables	6,958	6,958
Others	12,500	4,773
	67,058	96,854
Valuation allowance	(10,022)	(29,478)
	57,036	67,376
Deferred income tax liabilities		
Unrealized foreign exchange gain	(9,855)	(2,959)
Deferred income tax assets, net	$ 47,181	$ 64,417
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of investees	$ 24,829	$ 104,374
Deferred credits	44,739	52,158
Pension cost	27,737	27,737
	97,305	184,269
Valuation allowance	(24,829)	(104,374)
	72,476	79,895
Deferred income tax liabilities:		
Accumulated equity in the net gains of foreign investees	(328,094)	(236,043)
Deferred income tax liabilities, net	$ (255,618)	$ (156,148)

The income tax rate used to recognize deferred income tax was 25%.

e. As of December 31, 2007, the Company’s five years’ exemption from income tax 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

f. Based on Article 70-1 of the Statute for Upgrading Industries, companies will be exempt from the profit-seeking enterprise tax on the following incomes if they use worldwide resources and set up an international operating network or if they establish operating headquarters within the territory of the Republic of China that is of a specific size and will bring about significant economic benefits:

   1) Income from providing management services or R&D services to its affiliates abroad;

   2) Royalty payment received from its affiliates abroad; and/or

   3) Returns on investments and gains on asset disposal by overseas affiliates.

g. The information on the Company's integrated income tax is as follows:

	December 31	
	2007	**2006**
Balance of the imputation credit account (ICA)	$ 269,712	$ 188,475
The balances of unappropriated retained earnings generated before 1997	$ 81,329	$ 81,329

The expected and actual creditable tax ratios for earnings were 8.94% and 8.18%, as of December 31, 2007 and 2006, respectively.

The imputation credit allocated to the shareholders is based on its balance as of the date of dividend distribution. The expected creditable ratio may change when the actual allocation of the imputation credits is made.

h. Income tax returns through 2004 had been examined and cleared by the tax authorities. However, the tax authorities made an assessment on the Company's 2003 return, but Company disagreed with this assessment. Thus, the Company requested for a reexamination of its return. As of March 7, 2008, the date of the accompanying auditors' report, the reexamination was in progress; nevertheless, the Company recognized the payable on this case.

14. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	2007			2006		
	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	$ 239,447	$ 585,317	$ 824,764	$ 171,979	$ 514,352	$ 686,331
Insurance	20,618	48,598	69,216	14,830	43,815	58,645
Pension	12,764	36,730	49,494	9,008	30,906	39,914
Others	21,104	35,518	56,622	16,324	33,395	49,719
Depreciation	37,776	63,404	101,180	35,143	48,963	84,106
Amortization	660	35,990	36,650	1,312	26,024	27,336
	$ 332,369	$ 805,557	$1,137,926	$ 248,596	$ 697,455	$ 946,051

15. 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
2007					
Basic EPS	$ 3,415,906	$ 2,971,049	486,626	$ 7.02	$ 6.11
The impact of dilutive potential					
Stock options	-	-	805		
Diluted EPS	$ 3,415,906	$ 2,971,049	487,431	$ 7.01	$ 6.10
2006					
Basic EPS	$ 3,258,683	$ 2,917,891	490,281	$ 6.65	$ 5.95
The impact of dilutive potential					
Stock options	-	-	1,244		
Convertible bonds	-	-	117		
Diluted EPS	$ 3,258,683	$ 2,917,891	491,642	$ 6.63	$ 5.93

The EPS was retroactively adjusted for the stock dividends declared. Thus, in 2006, pretax and after-tax basic EPS decreased from NT$7.04 to NT$6.65 and from NT$6.30 to $5.95, respectively, and pretax and after-tax diluted EPS decreased from NT$7.02 to NT$6.63 and from $6.28 to $5.93, respectively.

16. RELATED-PARTY TRANSACTIONS

a. Related parties

Related Party	Relationship with the Company
Advantech Investment Fund-A Co., Ltd. (Advantech Fund-A)	Equity-method investee
Advantech IBHA Technologies Inc. (Advantech IBHA)	Equity-method investee (liquidated in May 2007)
Axiomtek Co., Ltd. (Axiomtek)	Equity-method investee
Advantech Investment & Management Service (AIMS)	Equity-method investee
Advansus Corp.	Equity-method investee
Advantech Europe Holding B.V. (AEU)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
Advantech Technologies Co., Ltd. (AKR)	Equity-method investee
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech (YanShun) Holding Co., Ltd. (AYS)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC (BVI))	Equity-method investee
Advantech Co. Malaysia Sdn. Bhd (AMY)	Equity-method investee
Viewsys Technology Co., Ltd. (Viewsys)	Equity-method investee

(Continued)

Related Party	Relationship with the Company
Advantech Italia S.p.A. (AIT)	Equity-method investee of AEU (liquidated in 2006)
Advantech France S.A. (AFR)	Equity-method investee of AEU (merged with ADL in March 2006)
Advantech Europe GmbH (ADL, former name: AEBC)	Equity-method investee of AEU
Advantech Europe B.V. (AESC)	Equity-method investee of AEU
Advantech Europe Design Center GmbH (AEDC)	Equity-method investee of AEU (merged with ADL in 2006)
Advantech Poland Sp. z o.o. (APL)	Equity-method investee of AEU
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC
Advantech Electronic Technology (Dongguan) Co., Ltd. (ADMC)	Equity-method investee of AYS (equity-method investee of ATC, before)
Advantech Corp. (AC)	Equity-method investee of AAC (BVI)
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AAC (BVI)
Yan Huz Xng Ye Electronic (SHHQ)	Equity-method investee of AAC (BVI)
Advantech Control (M) Sdn. Bhd. (AKL)	Equity-method investee of ASG
Advantech Automation (Penang) Sdn. Bhd. (APN)	Equity-method investee of ASG
Advantech Corporation (Thailand) Co. (ATH)	Equity-method investee of ASG
Netstar Technology Co., Ltd. (Netstar)	Equity-method investee of Advantech Fund-A
Jan Hsiang Electronics Co., Ltd. (Jan Hsiang)	Equity-method investee of Netstar
Advantech International Co., Ltd.	The person in charge of Advantech Internation Co., Ltd. is a brother-in-law of the Company’s chairman
Advantech Brazil S/A (ABR)	Substance related party
Firich Enterprise Co., Ltd. (Firich)	The Company’s chairman is the Firich Enterprise Co., Ltd.’s director (retired in May 2007)
Advantech Investment Fund-C Co., Ltd. (Advantech IFC)	The person in charge of Advantech IFC is the mate of the Company’s chairman
Mr. Andrea Zolli	Manager of AEU
Immoibiliare Verdi Srl	Manager of AEU

(Concluded)

b. The significant transactions with the above related parties, in addition to those disclosed in Note 18 and Tables 2, are summarized as follows:

	2007		2006	
	Amount	**% of Total**	**Amount**	**% of Total**
For the year				
1) Sales				
AC	$ 2,858,246	25	$ 2,889,757	27
CAN	1,967,251	17	1,614,439	15
AESC	1,787,884	16	1,846,414	18
SHHQ	371,138	3	-	-
AKR	327,131	3	333,467	4

	2007		2006	
	Amount	**% of Total**	**Amount**	**% of Total**
AJP	$ 266,028	3	$ 377,474	4
AAU	134,001	1	138,183	1
ASG	110,454	1	143,128	1
ABR	73,339	1	11,797	-
AMY	59,908	-	-	-
AKMC	59,861	1	107,812	1
Advansus Corp.	25,573	-	-	-
ATH	22,531	-	19,387	-
APL	12,592	-	-	-
Axiomtek	9,315	-	34,359	-
AHG	1,872	-	-	-
APN	-	-	51,474	1
AKL	-	-	23,104	-
Viewsys	-	-	5,415	-
Others	635	-	12,897	-
	$ 8,087,759	71	$ 7,609,107	72

For the year

2) Purchase of materials and supplies

	2007 Amount	% of Total	2006 Amount	% of Total
ATC	$ 3,222,352	40	$ 2,805,612	38
Advansus Corp.	460,580	6	152,755	2
AYS	212,958	3	25	-
AC	28,688	1	14,628	-
AESC	28,215	-	4,611	-
Jan Hsiang	14,146	-	-	-
Nestar	8,458	-	-	-
Axiomtek	3,228	-	3,051	-
Viewsys	113	-	2,452	-
Others	157	-	8,649	-
	$ 3,978,895	50	$ 2,991,783	40

3) Royalty revenue for patent (part of nonoperating income)

	2007 Amount	% of Total	2006 Amount	% of Total
ATC	$ 162,395	100	$ 141,100	100

4) Administrative revenues (part of nonoperating income)

	2007 Amount	% of Total	2006 Amount	% of Total
Advansus Corp.	$ 2,971	22	$ 1,020	2
Others	-	-	1,208	2
	2,971	22	2,228	4

	2007 Amount	2007 % of Total	2006 Amount	2006 % of Total
5) Rental revenues (part of nonoperating income; revenues were from the rental of office spaces under renewable one-year operating leases)				
Advansus Corp.	$ 2,915	22	$ -	-
AIMS	270	2	60	-
Advantech Fund-A	36	-	36	-
	3,221	24	96	-
	$ 6,192	46	$ 2,324	4

At year-end

	2007 Amount	2007 % of Total	2006 Amount	2006 % of Total
6) Receivables				
Accounts				
AESC	$ 657,938	35	$ 733,976	37
AC	513,394	27	592,182	29
ACN	428,063	23	301,238	15
AJP	91,547	5	78,969	3
AKMC	39,762	2	136,920	7
AKR	39,600	2	46,417	2
APL	23,710	1	-	-
ABR	21,333	1	18,236	1
AAU	21,206	1	32,208	2
SHHQ	21,110	1	-	-
AMY	5,337	-	-	-
ASG	4,411	-	1,890	-
Advansus Corp.	4,344	-	-	-
Axiomtek	1,725	-	825	-
ATH	1,718	-	-	-
APN	-	-	15,272	1
AKL	-	-	10,829	1
Others	1,217	1	13,476	1
	1,876,415	99	1,982,438	99
7) Other receivables				
Dividends				
AKR	6,640	-	-	-
Other receivables				
AKMC	11,060	1	14,195	1
ADL	5,667	-	47	-
AC	4,047	-	416	-
Others	1,128	-	4,369	-
	21,902	1	19,027	1
	$ 1,904,957	100	$ 2,001,465	100

	2007		2006	
	Amount	% of Total	Amount	% of Total
8) Payables				
Accounts				
ATC	$ 709,984	73	$ 246,576	94
Advansus Corp.	129,404	13	4,961	2
AYS	115,712	12	-	-
AC	7,557	1	2,105	1
Nestar	5,032	1	-	-
ADL	2,700	-	-	-
JanHsiang	1,750	-	-	-
AESC	1,710	-	4,137	2
Viewsys	-	-	3,044	1
Others	714	-	1,442	-
	$ 974,563	100	$ 262,265	100

c. Securities transactions

The 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 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 Company bought AEU shares from Mr. Andrea Zolli and Immoibiliare Verdi Srl in July 2007 and May 2006, respectively. The related transaction is summarized as follows:

	Common Stock Issuer	Shares	Cost
May 2006	AEU	162,364	$ 25,507
July 2007	AEU	81,329	$ 14,920

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

17. ASSETS PLEDGED OR MORTGAGED (AS OF DECEMBER 31, 2007: NONE)

The certificates of deposits had been pledged or mortgaged as part of court requirements for confiscating assets to settle uncollectible accounts are $1,600 thousand in 2006.

18. COMMITMENTS

a. As of December 31, 2007, the Company had the following guarantees for affiliates' loans:

	Amount
AKMC	US$10,000 thousand

b. In April, 2007, for the business use, the Company signed an agreement with E.R.C. Group and Venson Chuang for the presale building "No.13 e-Technology Building". The total amount of the contract is $738,880 (tax included), and the Company makes installment payments based on the construction progress. As of December 31, 2007, the Company had paid $415,064 thousand (tax included).

19. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivative financial instruments				
Assets				
Available-for-sale financial assets - current	$ 970,936	$ 970,936	$ 1,081,740	$ 1,081,740
Available-for-sale financial assets - noncurrent	4,047,492	4,047,492	3,987,961	3,987,961
Derivative financial instruments location				
Financial assets at fair value through profit or loss - current				
Foreign (foreign corporation operating in domestic district included)	87	87	-	-
Financial liabilities at fair value through profit or loss - current				
Domestic	-	-	540	540

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

1) For financial instruments such as cash, notes and accounts receivable, receivables from related parties, other receivable, restricted assets - noncurrent, notes and accounts payable, payables to related parties and refundable deposits, the carrying amounts of these financial instruments approximate their fair values.

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

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

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

	Based on the Quoted Market Price December 31		Determined Using Valuation Techniques December 31	
	2007	2006	2007	2006
Asset				
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 87	$ -
Available-for-sale financial assets - current	970,936	1,081,740	-	-
Available-for-sale financial assets - noncurrent	4,047,492	3,987,961	-	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	-	540

d. As of December 31, 2007 and 2006, financial assets exposed to fair value risk from interest rate fluctuation amounted to $747,811 thousand and $1,261,422 thousand, respectively, and financial assets exposed to cash flow interest risk amounted to $430,040 thousand and $49,993 thousand, respectively.

e. The Company recognized unrealized gains of $393,929 thousand and unrealized losses $106,113 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets in the years ended December 31, 2007 and 2006, respectively. The Company also recognized an unrealized gains of $1,066 thousand and of $369 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees in the years ended December 31, 2007 and 2006, respectively.

f. Financial risks

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

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

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

20. ADDITIONAL DISCLOSURES

a. Except for those mentioned in Note 16 and Tables 1 to 8, no additional disclosures are required by the Securities and Futures Bureau for the Company and its investees and on investment in Mainland China.

b. Investments in mainland China

1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of December 31, 2007, accumulated inward remittance of earnings as of December 31, 2007 and upper limit on investment: Table 9 (attached)

2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Note 16, 18 and Tables 1, 2, 6, 7 and 9.

21. SEGMENT INFORMATION

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

b. Foreign operations: The Company had no foreign operating unit as of December 31, 2007.

c. Export sales

Geographic Area	2007	2006
America	$ 4,898,249	$ 3,436,352
Asia	3,149,035	3,170,505
Europe	2,184,907	2,251,820
	$ 10,232,191	$ 8,858,677

d. Major customers

	2007		2006	
Customer	Amount	% of Total	Amount	% of Total
AC	$ 2,858,246	25	$ 2,889,757	27
ACN	1,967,251	17	1,614,439	15
AESC	1,787,884	16	1,846,414	18
	$ 6,613,381	58	$ 6,350,610	60

TABLE 1

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Nature of Financing	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing that Can Be Provided by the Financier
											Item	Value		
1	AEU	ADL (former name: AEBC)	Receivables from related parties	$ 35,865 (EUR 750 thousand)	$ 11,955 (EUR 250 thousand)	2.50%	Short-term financing	$ -	Financing need	$ -	-	$ -	$ 48,749 (Note C)	$ 97,498 (Note G)
2	AESC	AEU	Receivables from related parties	12,433 (EUR 260 thousand)	12,433 (EUR 260 thousand)	2.50%	Short-term financing	-	Financing need	-	-	-	19,410 (Note D)	38,820 (Note H)
3	Netstar Technology Co., Ltd.	Lantech Communications Inc.	Receivables from related parties	37,575	-	6.825%	Service intercourse	Purchase 16,730	Service intercourse	-	-	-	16,730 (Note B)	291,052 (Note B)
4	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Receivables from related parties	148,804	115,096	-	Service intercourse	Purchase274,322	Service intercourse	-	-	-	274,322 (Note B)	291,052 (Note B)
5	Netstar Technology Co., Ltd.	LANSONIC (BVI)	Receivables from related parties	3,523	-	-	Short-term financing	-	Financing need	-	-	-	24,220 (Note E)	48,439 (Note F)

Notes:
A. The exchange rate was EUR1.00=NT$47.82.

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

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

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

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

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

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

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

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statements (%)	Maximum Collateral/ Guarantee Amounts Allowable
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	AKMC	Indirect subsidiary	$ 737,365 (Note A)	$ 324,300 (US$ 10,000 thousand)	$ 324,300 (US$ 10,000 thousand)	$ -	2.31%	$ 1,474,731 (Note B)
1	SHHQ	AKMC	Indirect subsidiary	737,365 (Note A)	26,054 (RMB 5,868 thousand)	26,054 (RMB 5,868 thousand)	-	-	1,474,731 (Note B)

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

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

C. The exchange rate was US$1.00=NT$32.43.

TABLE 3

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Holding Company	Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech Co., Ltd. (the "Company")	Stock							
	AAC (BVI)	Investee	Long-term equity investments	24,606,500	$ 1,423,850	100.00	$ 1,423,850	Note A
	ATC	"	"	13,450,000	981,854	100.00	981,854	Note A
	Advansus Corp.	"	"	50,000,000	476,793	50.00	476,793	Note A
	AEU	"	"	9,497,024	404,358	99.22	404,358	Note A
	Advantech Fund-A	"	"	40,000,000	414,083	100.00	414,083	Note A
	Axiomtek	"	"	20,162,430	350,156	28.90	350,156	Note A
	AKR	"	"	3,112,131	174,386	23.89	174,386	Note A
	ASG	"	"	1,450,000	114,565	100.00	114,565	Note A
	AAU	"	"	500,204	109,327	100.00	109,327	Note A
	AJP	"	"	1,200	102,965	100.00	102,965	Note A
	AYS	"	"	12,300,000	78,167	100.00	78,167	Note A
	AMY	"	"	2,000,000	42,416	100.00	42,416	Note A
	AHG	"	"	30	14,438	30.00	14,438	Note B
	AIMS	"	"	500,000	5,639	100.00	5,639	Note A
	AHK	"	Other liabilities	999,999	(8,972)	100.00	(8,972)	Notes A and E
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	41,555,359	4,047,492	1.18	4,047,492	Note D
	Fund							
	Prudential Well Pool Fund	-	Available for sale financial assets - current	22,055,731.70	280,655	-	280,655	Note C
	Capital Income Fund	-	"	16,373,844.40	247,704	-	247,704	Note C
	Mega Diamond Bond Fund	-	"	16,743,993.45	195,782	-	195,782	Note C
	ING Taiwan Income Fund	-	"	7,903,346.71	127,141	-	127,141	Note C
	NITC Taiwan Bond Fund	-	"	8,357,665.30	119,654	-	119,654	Note C
Advantech Fund-A	Stock							
	Netstar Technology Co., Ltd.	Investee	Long-term equity investments	16,897,511	159,427	67.59	159,427	Note A
	Timson Tech Co. (TTC)	"	"	270,000	7,743	30.00	7,743	Note B
	BCM Embedded Computer Inc.	"	"	1,000,000	7,718	50.00	7,718	Note B
	Superior Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	913,470	33,442	12.93	33,442	-
	COBAN Research and Technologies, Inc.	-	"	600,000	33,257	7.00	33,257	-
	Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - current	204,400	13,442	-	13,442	Note D

(Continued)

Holding Company Securities	Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Fund							
	Capital Income Fund	-	Available for sale financial assets - current	7,320,151.50	$ 110,739	-	$ 110,739	Note C
	ING Taiwan Bond Fund	-	”	3,164,677.35	48,443	-	48,443	Note C
Advansus Corp.	Fund							
	Capital Income Fund	-	”	24,940,897.50	377,306	-	377,306	Note C
	NITC Taiwan Bond Fund	-	”	1,217,909.60	17,436	-	17,436	Note C
TTC	Shares							
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	25,940	100.00	25,940	Note B
ATC	Shares							
	AKMC	”	”	-	596,447	100.00	596,447	Note A
AYS	Shares							
	ADMC	”	”	-	52,658	100.00	52,658	Note A
AAC (BVI)	Stock							
	AC	”	”	10,952,606	907,329	100.00	907,329	Note A
	Shares							
	ACN	”	”	-	413,977	100.00	413,977	Note A
	SHHQ	”	”	-	104,824	100.00	104,824	Note A
	Visual Systems GmbH	-	Financial assets carried at cost - noncurrent	-	741	20.00	741	Note A
ACN	Shares							
	Hangzhou Advantofine Automation tech. Co., Ltd.	Investee	Long-term equity investments	-	6,426	50.00	6,426	Note B
AEU	Stock							
	AESC	”	”	8,314,280	129,403	100.00	129,403	Note A
	ADL (former name: AEBC)	”	”	1,142,000	32,986	100.00	32,986	Note A
	APL	”	”	2,000	5,046	80.00	5,046	Note A
ASG	Stock							
	APN	”	”	570,570	8,071	55.00	8,071	Note A
	ATH	”	”	30,000	5,855	30.00	5,855	Note A
	AKL	”	”	418,000	3,749	55.00	3,749	Note A

(Continued)

Holding Company Securities	Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Netstar Technology Co., Ltd.	<u>Stock</u>							
	Jan Hsiang Electronics Co., Ltd.	Investee	Long-term equity investments	1,900,000	$ 17,900	76.00	$ 17,900	Note A
	Supercom Technology Corporation	”	”	1,250,000	12,485	33.33	12,485	Note A
	Lantech Communications Inc.	”	”	1,159,500	-	77.30	-	-
	LANSONIC (BVI)	”	Other liabilities	3,527,529	(69,537)	94.83	(69,537)	Note A and E
LANSONIC (BVI)	<u>Shares</u>							
	Netstar Electronics Corporation	”	”	-	(149,058)	100.00	(149,058)	Note A and E

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

Note B: The financial statements used as basis of net asset values were all unaudited because relevant regulations did not require this company to have its financial statements audited.

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

Note D: Market value was based on the closing price in December 31, 2007.

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

(Concluded)

TABLE 4

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Holding Company Securities	Securities Type and Name/Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Other (Note1)	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal		Shares	Amount
Advantech Co., Ltd.	Fund														
(the "Company")	ABN AMRO Bond Fund	Available for sale financial assets - current	-	-	2,285,187.59	$ 34,436	6,996,940.23	$ 105,600	9,282,127.82	$ 140,069	$ 140,036	$ 33	$ -	-	$ -
	IIT Wan Pao Bond Fund	"	-	-	3,161,820.19	47,992	2,088,974.59	31,800	5,250,794.78	80,016	79,792	224	-	-	-
	Capital Income Fund	"	-	-	20,160,102.10	300,174	101,559,001.50	1,524,879	105,345,259.20	1,581,001	1,577,382	3,618	33	16,373,844.40	247,704
	Capital Cash Reserves Fund	"	-	-	1,928,910.70	22,607	-	-	1,928,910.70	22,612	22,607	5	-	-	-
	Fuh-Hwa Bond Fund	"	-	-	902,173.80	12,026	35,755,558.60	478,726	36,657,732.40	491,504	490,752	753	-	-	-
	Capital High Yield Fund	"	-	-	4,893,961.20	66,828	78,780,807.80	1,082,702	83,674,769.00	1,152,754	1,149,530	3,224	-	-	-
	James Bond Fund	"	-	-	-	-	11,579,928.00	180,400	11,579,928.00	180,622	180,400	222	-	-	-
	Prudential Bond Fund	"	-	-	-	-	91,550,586.40	1,159,322	69,494,854.70	880,705	878,720	1,985	53	22,055,731.70	280,655
	ABN AMRO Taiwan Fund	"	-	-	18,915,931.26	299,466	-	-	18,915,931.26	299,466	299,466	-	-	-	-
	NITC Bond Fund	"	-	-	837,579.16	137,811	3,194,415.62	527,045	4,031,994.78	665,622	664,856	766	-	-	-
	Mega Diamond Bond Fund	"	-	-	-	-	74,097,895.24	862,946	57,353,901.79	668,701	667,200	1,501	36	16,743,993.45	195,782
	Dresdner Bond Dam Fund	"	-	-	8,928,435.04	103,453	48,123,558.15	560,876	57,051,993.19	666,260	664,329	1,931	-	-	-
	NITC Taiwan Bond Fund	"	-	-	-	-	62,368,438.70	887,579	54,010,773.40	769,353	767,951	1,402	27	8,357,665.30	119,654
	ING Taiwan Bond Fund	"	-	-	-	-	85,405,689.64	1,292,854	85,405,689.64	1,294,640	1,292,854	1,786	-	-	-
	ING Taiwan Income Fund	"	-	-	-	-	80,263,245.65	1,279,091	72,359,898.94	1,155,806	1,151,971	3,835	21	7,903,346.71	127,141
	Fubon Jin-Ju-E Fund	"	-	-	-	-	59,074,896.60	727,360	59,074,896.60	729,069	727,360	1,708	-	-	-
	Fubon Chi-Hsiang Fund	"	-	-	3,904,902.90	56,833	-	-	3,904,902.90	56,994	56,833	161	-	-	-
	Stock														
	Firich Enterprise Co., Ltd. (Firich)	Long-term equity investments	-	-	195,207	89,795	-	-	195,207	113,148	7,980	105,168	(81,815)	-	-
	ASUSTEK Computer Inc.	Available for sale financial assets - noncurrent	-	-	43,701,412	3,898,166	2,173,947	-	4,320,000	422,137	326,364	95,773	475,690	41,555,359	4,047,492
Advansus Corp.	Fund														
	Capital Income Fund	Available for sale financial assets - current	-	-	353,867.70	5,270	79,159,428.10	1,190,850	54,572,398.30	822,017	818,879	3,138	65	24,940,897.50	377,306
	Capital High Yield Fund	"	-	-	-	-	12,759,425.63	175,771	12,759,425.63	176,604	175,771	833	-	-	-
	NITC Taiwan Bond Fund	"	-	-	-	-	17,023,238.00	241,930	15,805,328.40	224,910	224,494	416	-	1,217,909.60	17,436
	Stock														
Advantech Investment Fund-A Co., Ltd.	Netstar Technology Co., Ltd.	Long-term equity investments	-	-	621,622	7,459	16,275,889	204,812	-	-	-	-	(52,844) (Note 2)	16,897,511	159,427

Note 1: The amounts refer to the effect of adopting the newly released Statement of Financial Accounting Standards No. 34 - "Accounting for Financial Instruments," which requires the disclosure of the effect of recognizing investment income and the changes in the shareholders' equity in the investees.

Note 2: The amount refers to the recognized investment losses of $55,696 thousand plus $2,852 thousand, the amount of the change in translation adjustments.

<u>**TABLE 5**</u>

ADVANTECH CO., LTD. AND INVESTEES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction Made by Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Advantech Co., Ltd.	Construction in process - office building	2007.4	$738,880 (tax included)	Payment by installments	Building: E.R.C. Group Land: Venson, Chuang	None	-	-	-	-	The quotation report of Taichu Asset Management Co., Ltd.	For business use	None

ADVANTECH CO., LTD. AND INVESTEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007
(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	$ 3,222,352	40	Set for 60 days a month	$ -	-	$ (709,984)	(73)	
	AC	Indirect subsidiary	Sale	(2,858,246)	(25)	Set for 45 days a month	-	-	513,394	27	
	ACN	Indirect subsidiary	Sale	(1,967,251)	(17)	Set for 45 days a month	-	-	428,063	23	
	AESC	Indirect subsidiary	Sale	(1,787,884)	(16)	Set for 30 days a month	-	-	657,938	35	
	Advansus Corp.	Subsidiary	Purchase	460,580	6	Set for 30 days a month	-	-	(129,404)	(13)	
	SHHQ	Indirect subsidiary	Sale	(371,138)	(3)	Set for 45 days a month	-	-	21,110	1	
	AKR	Investee	Sale	(327,131)	(3)	Set for 45 days a month	-	-	39,600	2	
	AJP	Subsidiary	Sale	(266,028)	(3)	Set for 45 days a month	-	-	91,547	5	
	AYS	Subsidiary	Purchase	212,958	3	Set for 90 days a month	-	-	(115,712)	(12)	
	AAU	Subsidiary	Sale	(134,001)	(1)	Set for 45 days a month	-	-	21,206	1	
	ASG	Subsidiary	Sale	(110,454)	(1)	Set for 60 days a month	-	-	4,411	-	
ATC	Advantech Co., Ltd.	Parent company	Sale	(3,222,352)	(100)	Set for 60 days a month	-	-	709,984	96	
AYS	Advantech Co., Ltd.	Parent company	Sale	(212,958)	(98)	Set for 90 days a month	-	-	115,712	96	
Advansus Corp.	Advantech Co., Ltd.	Parent company	Sale	(460,580)	(40)	Set for 30 days a month	-	-	129,404	50	
AC	Advantech Co., Ltd.	Ultimate parent company	Purchase	2,858,246	80	Set for 45 days a month	-	-	(513,394)	(92)	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,967,251	77	Set for 45 days a month	-	-	(428,063)	(81)	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,787,884	66	Set for 30 days a month	-	-	(657,938)	(83)	
SHHQ	Advantech Co., Ltd.	Ultimate parent company	Purchase	371,138	50	Set for 45 days a month	-	-	(21,110)	(24)	
AKR	Advantech Co., Ltd.	Parent company	Purchase	327,131	28	Set for 45 days a month	-	-	(39,600)	(39)	
AJP	Advantech Co., Ltd.	Parent company	Purchase	266,028	90	Set for 45 days a month	-	-	(91,547)	(100)	
AAU	Advantech Co., Ltd.	Parent company	Purchase	134,001	78	Set for 45 days a month	-	-	(21,206)	(93)	
ASG	Advantech Co., Ltd.	Parent company	Purchase	110,454	67	Set for 60 days a month	-	-	(4,411)	(38)	
Netstar Technology Co., Ltd.	Netstar Electronics Corporation	Indirect subsidiary	Purchase	274,322	89	Set for 30 days a month	-	-	-	-	

ADVANTECH CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2007
(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	$ 657,938	2.57	$ -	-	$ 657,938	$ -
	AC	Indirect subsidiary	513,394	5.17	-	-	513,365	-
	ACN	Indirect subsidiary	428,063	5.39	-	-	276,380	-
ATC	Advantech Co., Ltd.	Parent company	709,984	6.74	-	-	709,984	-
Advansus Corp.	Advantech Co., Ltd.	Parent company	129,404	6.86	-	-	129,404	-
AYS	Advantech Co., Ltd.	Parent company	111,070	11.50	-	-	99,568	-

ADVANTECH CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				December 31, 2007	Dec. 31, 2006	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	AAC (BVI)	BVI	Investment holding company	$ 821,894	$ 821,894	24,606,500	100.00	$ 1,423,850	$ 320,549	$ 320,549	Subsidiary
	ATC	BVI	Sale of industrial automation products	427,781	427,781	13,450,000	100.00	981,854	474,838	474,838	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	500,000	500,000	50,000,000	50.00	476,793	16,738	(1,202)	Equity-method investee
	AEU	Helmond, The Netherlands	Investment holding company	392,218	377,298	9,497,024	99.22	404,358	35,417	35,068	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	General investment	500,000	300,000	40,000,000	100.00	414,083	(54,990)	(54,990)	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	289,844	303,334	20,162,430	28.90	350,156	281,089	82,060	Equity-method investee
	AKR	Seoul, Korea	Sale of industrial automation products	32,989	32,989	3,112,131	23.89	174,386	11,820	3,388	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	114,565	(1,887)	(1,887)	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	109,327	15,133	15,133	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	102,965	5,472	5,472	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	51,662	-	12,300,000	100.00	78,167	25,658	25,658	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	42,416	4,229	4,229	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	14,438	6,454	1,936	Equity-method investee
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	5,000	5,000	500,000	100.00	5,639	201	201	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(8,972)	(8,023)	(8,023)	Subsidiary (Note A)
	Viewsys	Taipei, Taiwan	Sale of industrial automation products	22,000	22,000	-	-	-	55	(11,359)	Subsidiary
	AIMS	Taipei, Taiwan	Investment and management service	-	19,940	-	-	-	1,617	215	Note D
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	206,860	7,459	16,510,929	67.59	159,427	(89,921)	(55,696)	Indirect subsidiary
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,743	-	-	Equity-method investee
	BCM Embedded Computer Inc.	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	10,000	-	1,000,000	50.00	7,718	(4,564)	(2,282)	Subsidiary
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	-	-	-	-	-	1,617	1,078	Note D
ATC	AKMC	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	596,447	(7,213)	(7,213)	Indirect subsidiary
	ADMC	Guangzhou, China	Production and sale of industrial automation products	-	44,511	-	100.00	-	3,663	3,852	Indirect subsidiary (Note E)
AYS	ADMC	Guangzhou, China	Production and sale of industrial automation products	51,662	-	-	100.00	52,658	3,663	(189)	Indirect subsidiary (Note E)
TTC	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processes and sale of peripherals	30,222	30,222	-	100.00	25,940	-	-	Equity-method investee
AAC(BVI)	AC	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	907,329	107,416	107,416	Indirect subsidiary
	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	413,977	216,684	216,684	Indirect subsidiary
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	96,750	-	100.00	104,824	645	645	Indirect subsidiary
ACN	Hangzhou Advantofine Automation tech. Co., Ltd.	Hangzhou, China	Sale of industrial automation products	6,660	-	-	50.00	6,426	(455)	(227)	Equity-method investee
AEU	AESC	Eindhoven, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	129,403	28,995	28,995	Indirect subsidiary
	ADL (former name AEBC)	Munich, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	32,986	13,726	13,726	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	2,000	80.00	5,046	(2,765)	(2,212)	Indirect subsidiary
	ABB	Roosendaal, The Netherlands	Sale of industrial automation products	-	39,565	-	-	-	4,513	4,513	Note C
	AUK	Milton Keynes, England	Sale of industrial automation products	-	13,373	-	-	-	(252)	(252)	Note C

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				December 31, 2007	Dec. 31, 2006	Shares	Percentage of Ownership	Carrying Value			
ASG	APN	Penang, Malaysia	Sale of industrial automation products	$ 8,181	$ 8,181	570,570	55.00	$ 8,071	$ (26)	$ (14)	Indirect subsidiary
	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	5,855	1,766	530	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	3,749	(1,620)	(891)	Indirect subsidiary
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd.	Taipei, Taiwan	Electronic parts and components manufacturing	14,950	14,950	1,900,000	76.00	17,900	3,292	2,502	Subsidiary
	Supercom Technology Corporation	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	16,250	11,250	1,250,000	33.33	12,485	(7,059)	(2,353)	Equity-method investee
	Lantech Communications Inc.	Taipei, Taiwan	Retail sale of electronic materials	11,595	11,595	1,159,500	77.30	-	(2,287)	(6,566)	Subsidiary
	LANSONIC (B.V.I.)	Akara Building 24DeCastro Street, Wickhams Cay I, Road fown Tortola, British Virgin Islands	General investment	101,188	101,188	3,527,529	94.83	(69,537)	(32,302)	(32,374)	Subsidiary
LANSONIC (B.V.I.)	Netstar Electronics Corporation (Dongguan)	Guangzhou, China	Network and UPS product manufacture business	HK$ 2,935	HK$ 2,935	-	100.00	HK$ (35,857)	HK$ (4,494)	HK$ (7,706)	Indirect subsidiary

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

Note B: The financial statements used as basis for calculating of investment gain (loss) had all been audited, except those mentioned in Note B of Table 3.

Note C: AUK and ABB merged with ADL in 2007.

Note D: Advantech IBHA Inc. was liquidated in May 2007.

Note E: ADMC restructured to be the subsidiary of the AYS in July 2007.

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2007
(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, 2007	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2007	Accumulated Inward Remittance of Earnings as of December 31, 2007
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US$16,350 thousand (Note D)	Indirect	$ 389,160 (US$ 12,000 thousand)	$ -	$ -	$ 389,610 (US$ 12,000 thousand)	100%	$ (7,213)	$ 596,447	$ -
Yan Hua Xng Ye Electronic (SHHQ)	Sale of industrial automation products	US$3,000 thousand	Indirect	97,290 (US$ 3,000 thousand)	-	-	97,290 (US$ 3,000 thousand)	100%	(4,909)	104,824	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US$4,230 thousand	Indirect	172,917 (US$ 5,332 thousand)	-	-	172,917 (US$ 5,332 thousand)	100%	216,684	413,977	-
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US$1,400 thousand	Indirect	(Note C)	-	-	(Note C)	100%	3,663	52,658	-

Accumulated Investment in Mainland China as of December 31, 2007	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$665,853 (US$20,532 thousand) (Note D)	$1,832,295 (US$56,500 thousand)	$4,308,358

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 Note 16 and 18 to the financial statements and Tables 2, 6 and 7.

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

Note D: Included the earnings of $4,350 thousand of Advantech Technology (China) Company Ltd. (AKMC) in 2007.

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

Note F: The exchange rate was US$1.00=NT$32.43.