

Advantech Co., Ltd.

**Financial Statements for the
Three Months Ended March 31, 2007 and 2006 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Advantech Co., Ltd. as of March 31, 2007 and 2006, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

Except as stated in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Review of Financial Statements," of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 8 to the financial statements, Advantech Co., Ltd. had investments accounted for by the equity method. As of March 31, 2007 and 2006, these investments had a carrying value of NT\$4,033,117 thousand and NT\$3,446,889 thousand, respectively. As of March 31, 2007 and 2006, the negative carrying values of these investments, recorded as part of other liabilities, were NT\$5,005 thousand and NT\$1,169 thousand, respectively. The net investment gains of NT\$165,488 thousand and NT\$205,958 thousand in the three months ended March 31, 2007 and 2006, respectively, as well as additional disclosures in Note 20 required by the Securities and Futures Bureau for the Company and its investees were based on unreviewed financial statements for the same reporting periods as those of the Company.

Based on our reviews, except for any adjustments that might have been determined to be necessary had the above long-term equity-method investment amounts been based on the investees' reviewed financial statements, we are not aware of any material modifications that should be made to the financial statements of Advantech Co., Ltd. as of and for the three months ended March 31, 2007 and 2006 for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the 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.

April 20, 2007

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 review such financial statements are those generally accepted and applied in the Republic of China.

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

ADVANTECH CO., LTD.

BALANCE SHEETS

MARCH 31, 2007 AND 2006

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

(Reviewed, Not Audited)

ASSETS	2007		2006		LIABILITIES AND SHAREHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 4)	\$ 1,632,551	10	\$ 1,086,471	7	Accounts payable	\$ 633,637	4	\$ 510,290	3
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	760	-	-	-	Payables to related parties (Note 16)	448,757	3	500,683	3
Available-for-sale financial assets - current (Notes 2, 3 and 6)	1,921,042	12	1,521,310	10	Income tax payable (Notes 2 and 13)	165,535	1	96,336	1
Notes receivable (Note 2)	40,906	-	44,065	-	Accrued expenses	245,229	1	260,719	2
Accounts receivable, net of allowance for doubtful accounts of \$10,392 thousand in 2007 and \$9,603 thousand in 2006 (Note 2)	380,935	3	438,045	3	Bonds payable - current portion (Notes 2 and 10)	-	-	8,900	-
Receivables from related parties (Notes 2 and 16)	1,832,550	11	1,823,988	12	Employee bonus payable (Note 12)	129,250	1	91,542	1
Tax refund receivables	13,239	-	131,720	1	Advance receipts and other current liabilities	63,139	-	42,659	-
Inventories, net (Notes 2 and 7)	1,136,606	7	1,331,579	9	Total current liabilities	1,685,547	10	1,511,129	10
Deferred income tax assets - current (Notes 2 and 13)	47,193	-	29,078	-	OTHER LIABILITIES				
Prepayments and other current assets	27,452	-	57,871	-	Accrued pension liabilities (Notes 2 and 11)	111,171	1	110,836	1
Total current assets	7,033,234	43	6,464,127	42	Guarantee deposits received	-	-	954	-
LONG-TERM FUNDS AND INVESTMENTS					Deferred income tax liabilities - noncurrent (Notes 2 and 13)	189,775	1	109,413	1
Available-for-sale financial assets - noncurrent (Notes 2, 3 and 6)	3,498,798	21	3,551,091	23	Deferred income (Note 2)	194,573	1	243,721	1
Equity method (Notes 2 and 8)	4,033,117	25	3,446,889	23	Miscellaneous (Notes 2 and 8)	5,005	-	1,169	-
Total long-term funds and investments	7,531,915	46	6,997,980	46	Total other liabilities	500,524	3	466,093	3
PROPERTIES (Notes 2 and 9)					Total liabilities	2,186,071	13	1,977,222	13
Cost					SHAREHOLDERS' EQUITY (Notes 2, 3, 10 and 12)				
Land	640,472	4	640,472	4	Capital stock, NT\$10.00 par value				
Buildings and equipment	844,912	5	844,912	6	Authorized - 500,000 thousand shares				
Machinery and equipment	303,277	2	286,097	2	Issued and outstanding - 463,665 thousand shares in 2007 and 448,960 thousand shares in 2006	4,636,645	29	4,489,603	29
Furniture and fixtures	94,331	-	79,924	-	Capital surplus				
Miscellaneous equipment	154,717	1	132,186	1	Paid-in capital in excess of par value	4,363,404	27	4,343,969	29
Total cost	2,037,709	12	1,983,591	13	From long-term equity investments	64,098	-	50,365	-
Accumulated depreciation	411,097	2	384,770	2	Total capital surplus	4,427,502	27	4,394,334	29
	1,626,612	10	1,598,821	11	Retained earnings				
Advances for equipment acquisition	35,180	-	2,247	-	Legal reserve	1,086,326	7	843,346	6
Net properties	1,661,792	10	1,601,068	11	Special reserve	-	-	19,661	-
OTHER ASSETS					Unappropriated earnings	3,841,321	23	3,360,498	22
Deferred expense, net (Note 2)	135,840	1	129,357	1	Total retained earnings	4,927,647	30	4,223,505	28
Certificates of deposit - pledged (Note 17)	1,600	-	1,600	-	Others				
Refundable deposits	13,003	-	8,065	-	Cumulative translation adjustments	173,356	1	37,767	-
Total other assets	150,443	1	139,022	1	Unrealized valuation gains on financial instruments	26,163	-	79,766	1
TOTAL	\$ 16,377,384	100	\$ 15,202,197	100	Total others	199,519	1	117,533	1
					Total shareholders' equity	14,191,313	87	13,224,975	87
					TOTAL	\$ 16,377,384	100	\$ 15,202,197	100

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

(With Deloitte & Touche review report dated April 20, 2007)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2007 AND 2006

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

(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 16)				
Sales	\$2,333,388	100	\$2,313,031	99
Sales returns and allowances	<u>26,627</u>	<u>1</u>	<u>5,711</u>	<u>-</u>
Net sales	2,306,761	99	2,307,320	99
Other operating revenues	<u>32,692</u>	<u>1</u>	<u>15,273</u>	<u>1</u>
Total operating revenues	2,339,453	100	2,322,593	100
OPERATING COSTS (Notes 2, 14 and 16)	<u>1,660,529</u>	<u>71</u>	<u>1,623,153</u>	<u>70</u>
GROSS PROFIT	678,924	29	699,440	30
REALIZED PROFITS ON INTERCOMPANY SALES (Note 2)	<u>78,257</u>	<u>3</u>	<u>19,414</u>	<u>1</u>
ADJUSTED GROSS PROFIT	<u>757,181</u>	<u>32</u>	<u>718,854</u>	<u>31</u>
OPERATING EXPENSES (Note 14)				
Marketing	73,810	3	63,714	3
Administration	89,952	4	72,467	3
Research and development	<u>201,211</u>	<u>8</u>	<u>131,974</u>	<u>6</u>
Total operating expenses	<u>364,973</u>	<u>15</u>	<u>268,155</u>	<u>12</u>
OPERATING INCOME	<u>392,208</u>	<u>17</u>	<u>450,699</u>	<u>19</u>
NONOPERATING INCOME AND GAINS				
Interest	7,545	-	5,126	-
Equity in net gain of investees, net (Notes 2 and 8)	165,488	7	205,958	9
Gain on disposal of investments	23,737	1	72,958	3
Foreign exchange gain, net (Note 2)	43,379	2	19,334	1
Gains on physical inventory	3,156	-	-	-
Reversal of allowance for loss on inventories (Note 2)	42,368	2	-	-
Royalty revenue (Note 16)	34,635	2	31,084	2
Other income (Notes 3, 5 and 16)	<u>10,480</u>	<u>-</u>	<u>4,445</u>	<u>-</u>
Total nonoperating income and gains	<u>330,788</u>	<u>14</u>	<u>338,905</u>	<u>15</u>

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ADVANTECH CO., LTD.

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2007 AND 2006

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

(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of scrap inventories	\$ 55,944	3	\$ -	-
Provision for losses on inventories	-	-	36,873	2
Loss on physical inventory	-	-	2,022	-
Other expenses	<u>1,348</u>	<u>-</u>	<u>13</u>	<u>-</u>
Total nonoperating expenses and losses	<u>57,292</u>	<u>3</u>	<u>38,908</u>	<u>2</u>
INCOME BEFORE INCOME TAX	665,704	28	750,696	32
INCOME TAX (Notes 2 and 13)	<u>79,153</u>	<u>3</u>	<u>78,742</u>	<u>3</u>
NET INCOME	<u>\$ 586,551</u>	<u>25</u>	<u>\$ 671,954</u>	<u>29</u>
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 15)				
Basic	<u>\$ 1.44</u>	<u>\$ 1.27</u>	<u>\$ 1.62</u>	<u>\$ 1.45</u>
Diluted	<u>\$ 1.43</u>	<u>\$ 1.26</u>	<u>\$ 1.62</u>	<u>\$ 1.45</u>

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

(With Deloitte & Touche review report dated April 20, 2007)

(Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 586,551	\$ 671,954
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,944	25,883
Provision (reversal of allowance) for losses on inventories	(42,368)	36,873
Loss on disposal of scrap inventories	55,944	-
Equity in net gain of investees, net	(165,488)	(205,958)
Loss on disposal of properties, net	15	-
Gain on disposal of investments, net	(23,737)	(72,958)
Cash dividends from equity-method investees	-	195,428
Accrued pension liabilities	207	(112)
Deferred income taxes	50,851	38,889
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(1,300)	(489)
Notes receivable	9,331	54,204
Accounts receivable	100,598	(40,513)
Receivables from related parties	275,730	(190,428)
Inventories	28,225	(147,628)
Tax refund receivable	24,186	527
Prepayments and other current assets	(13,109)	(45,914)
Notes payable	-	(6)
Accounts payable	98,032	(120,675)
Payables to related parties	186,492	(89,983)
Income tax payable	27,652	39,465
Accrued expenses	34,662	(4,992)
Advance receipts and other current liabilities	16,701	15,813
Deferred income	<u>(78,257)</u>	<u>(19,414)</u>
Net cash provided by operating activities	<u>1,204,862</u>	<u>139,966</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(3,748,012)	(2,705,939)
Proceeds of the sale of available-for-sale financial assets	2,913,850	2,595,073
Acquisition of long-term equity investments	-	(500,000)
Proceeds of the sale of long-term equity investments	27,685	1,187
Proceeds of the disposal of properties	25	-
Acquisition of properties	(51,829)	(1,134)
Increase in certificates of deposit - pledged	-	2,500
Increase in deferred expenses	(13,873)	(9,136)
Decrease (increase) in other assets	<u>(410)</u>	<u>1,020</u>
Net cash used in investing activities	<u>(872,564)</u>	<u>(616,429)</u>

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ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits received	\$ -	\$ (273)
Exercise of employee stock options	1,206	2,365
Bonus paid to employees	(11,321)	(56,983)
Remuneration to directors and supervisors	<u>(1,200)</u>	<u>(1,500)</u>
Net cash used in financing activities	<u>(11,315)</u>	<u>(56,391)</u>
NET INCREASE (DECREASE) IN CASH	320,983	(532,854)
CASH, BEGINNING OF PERIOD	<u>1,311,568</u>	<u>1,619,325</u>
CASH, END OF PERIOD	<u>\$1,632,551</u>	<u>\$1,086,471</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Income tax paid	<u>\$ 650</u>	<u>\$ 388</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Negative carrying value of investments recorded as part of other liabilities	<u>\$ 5,005</u>	<u>\$ 1,169</u>
Reclassification of properties leased to others into properties	<u>\$ -</u>	<u>\$ 21,344</u>

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

(With Deloitte & Touche review report dated April 20, 2007)

(Concluded)

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2007 AND 2006

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

(Reviewed, Not Audited)

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 March 31, 2007 and 2006, the Company had 1,247 and 974 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 and properties leased to others, pension cost, product warranty reserve and income tax. Actual results could differ from these estimates.

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

Financial Assets/Liabilities at Fair Value through Profit or Loss

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

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

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

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. When subsequently measured at fair value, the changes in fair value are excluded from earnings and reported as a separate component of shareholders' equity. The accumulated gains or losses are recognized as earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets 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 value of open-end mutual funds and publicly traded stocks are determined using the net assets value and the closing-price at the end of period, respectively.

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

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

Sales revenues are recognized when titles to products and material risks of ownerships are transferred to clients, primarily upon shipment, when the earnings process is mostly completed and profit is realized or is realizable. The 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.

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

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

Inventories

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

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

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. Cash dividends received are recognized as a reduction of the carrying value of the investments. Investment income (or loss) is recognized whenever the investees recognize income (or loss). If the equity in losses recognized exceeds the original investment acquisition costs plus any advance given to an equity-method investee, the excess losses should be recognized proportionately and is recorded as part of other liabilities. The difference between the cost of the investment and the Company's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted, is amortized over five years. Effective January 1, 2006, under the revised Statement of Financial Accounting Standards, investment premiums, representing goodwill, are no longer being amortized, 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. If the unamortized long-term investment by the equity method acquired before January 1, 2006 exceeds the Company's equity in the investee's equity in the investee's assets is a deferred liability will amortized depend on its remaining useful life.

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

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

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

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

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

Properties

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

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

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

Deferred Expenses

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

Income Tax

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

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

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

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

Foreign-currency Transactions

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

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. ACCOUNTING CHANGES

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.

The effects of the accounting changes are summarized as follows:

a. Reclassification of financial assets and liabilities

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

The adjustments based on the accounting changes are 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	<u>-</u>	<u>619,125</u>
	<u>\$ 104</u>	<u>\$ 620,449</u>

Note: Included in nonoperating income and gains - other.

The accounting changes had no material effect on the net income in the year ended March 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 \$9,497 thousand in net income and of \$0.02 basic earnings per share after tax for the year ended March 31, 2007.

4. CASH

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Cash on hand	\$ 1,561	\$ 1,180
Checking and demand deposits	315,031	73,437
Time deposits: Interest - 1.40%-5.15% in 2007 and 1.34-4.61% in 2006	<u>1,315,959</u>	<u>1,011,854</u>
	<u>\$ 1,632,551</u>	<u>\$ 1,086,471</u>

On March 31, 2006, deposits overseas were as follows: (As of March 31, 2007: None)

	March 31, 2006
Hong Kong (US\$316 and HK\$138 in 2006)	<u>\$ 11</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company's trading-purpose assets were as follows:

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
<u>Financial assets resulting from trading</u>		
Forward contracts	\$ <u>760</u>	\$ <u>-</u>

The outstanding forward contracts as of March 31, 2007 were as follows:

	Currency	Maturity	Amount (Thousand)
<u>March 31, 2007</u>			
Sell	YEN/USD	April 2007	YEN100,000,000/USD867,550.99
Sell	YEN/USD	May 2007	YEN100,000,000/USD872,265.45
Sell	EUR/USD	April 2007	EUR2,170,000/USD2,874,263
Sell	EUR/USD	May 2007	EUR1,000,000/USD1,331,000
Sell	USD/NTD	April 2007	USD1,000,000/NTD33,037,000
Sell	EUR/USD	June 2007	EUR2,000,000/USD2,686,700
Sell	EUR/USD	May 2007	EUR1,300,000/USD1,733,290
Sell	EUR/USD	May 2007	EUR2,000,000/USD2,664,700

The Company entered into forward contract transactions in the three months ended March 31, 2007 and 2006 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.

Net gains arising from trading financial assets or liabilities for the three months ended March 31, 2007 and 2006 were \$6,857 thousand and \$2,923 thousand, respectively (included in nonoperating income and gains - other).

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>March 31</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Mutual funds	\$ 1,921,042	\$ -	\$ 1,521,310	\$ -
Publicly traded stocks				
ASUSTEK Computer Inc.	-	3,408,710	-	3,496,113
Firich Enterprise Co., Ltd.	-	90,088	-	54,978
	<u>\$ 1,921,042</u>	<u>\$ 3,498,798</u>	<u>\$ 1,521,310</u>	<u>\$ 3,551,091</u>

7. INVENTORIES, NET

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Finished goods	\$ 379,700	\$ 369,703
Work in process	363,834	450,329
Materials and supplies	538,840	618,797
Inventories in transit	<u>4,274</u>	<u>6,654</u>
	1,286,648	1,445,483
Allowance for losses	<u>(150,042)</u>	<u>(113,904)</u>
	<u>\$ 1,136,606</u>	<u>\$ 1,331,579</u>

8. LONG-TERM EQUITY INVESTMENTS

	<u>March 31</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
<u>Listed</u>				
Axiomtek Co., Ltd.	\$ 421,716	33.16	\$ 398,967	37.08
<u>Unlisted</u>				
Advantech Automation Corp. (BVI)	1,323,696	100.00	1,000,288	100.00
Advantech Technology Co., Ltd.	658,155	100.00	619,244	100.00
Advansus Corp.	467,619	50.00	500,000	50.00
Advantech Investment Fund-A Co., Ltd.	264,028	100.00	258,503	100.00
Advantech Europe Holding B.V.	330,761	98.37	258,029	96.67
Advantech Technologies Co., Ltd.	176,479	23.89	140,627	21.71
Advantech Co. Singapore Pte, Ltd.	113,839	100.00	92,515	100.00
Advantech Japan Co., Ltd.	94,836	100.00	76,205	100.00
Advantech Australia Pty Ltd.	87,299	100.00	72,448	100.00
Advantech Co., Malaysia Sdn. Bhd.	39,631	100.00	-	-
Viewsys Technology Co., Ltd.	24,572	100.00	-	-
Advantech Hungary Ltd.	12,781	30.00	12,872	30.00
Advantech IBHA Technologies Inc.	12,212	13.29	11,800	13.29
Advantech Investment & Management Service	5,493	100.00	5,391	100.00
Advantech (H.K.) Technology Co., Ltd.	<u>-</u>	100.00	<u>-</u>	100.00
	<u>\$ 4,033,117</u>		<u>\$ 3,446,889</u>	

The calculation of the carrying values of the equity-method investments and the equity in their net income or net loss was based on the investees' unreviewed financial statements for the current period.

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 were exchanged at 1.13 shares of Advantech for every share of ASUSTek. Thus, Advantech issued 44,893 thousand shares in exchange for 39,729 thousand shares of ASUSTek. 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.

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 as of March 31, 2007 and 2006. Thus, the investment in Advantech IBHA was accounted for by the equity 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 March 31, 2007 and 2006, there were credit balances on this investment of \$5,005 thousand and \$1,169 thousand, respectively, included in other liability - miscellaneous as follows:

	<u>March 31</u>			
	<u>2007</u>		<u>2006</u>	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Advantech (HK) Technology Co., Ltd.	<u>\$ 5,005</u>	100.00	<u>\$ 1,169</u>	100.00

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 March 31, 2007 and 2006 were \$1,310,804 thousand and \$1,039,263 thousand.

9. PROPERTIES

Accumulated depreciation was as follows:

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Buildings and equipment	\$ 106,499	\$ 89,970
Machinery and equipment	187,617	176,788
Furniture and fixtures	46,519	46,670
Miscellaneous equipment	<u>70,462</u>	<u>71,342</u>
	<u>\$ 411,097</u>	<u>\$ 384,770</u>

10. CURRENT PORTION OF LONG-TERM BONDS (AS OF MARCH 31, 2007: NOTE)

	<u>March 31, 2006</u>
Unsecured convertible bonds	\$ 8,900
Interest-premium on convertible bonds	<u>-</u>
	<u>\$ 8,900</u>

On July 19, 2001, the Company issued domestic unsecured convertible bonds with aggregate face value of \$1,000,000 thousand (or \$100 thousand face value per unit), which were listed on the Taiwan Stock Exchange on July 31, 2001. These bonds will mature on July 18, 2006 and will be redeemed at 112.4864% of their face value on July 19, 2004 or 119.2519% of their face value on July 19, 2005. The bonds are convertible to capital stock at an agreed conversion price between October 19, 2001 and July 8, 2006 under certain conditions. As of March 31, 2007, bonds with aggregate face value of \$999,500 thousand had been converted to 20,910 thousand shares; bonds amounting to \$400 thousand had been redeemed at the holders' request; and bonds amounting to \$100 thousand were redeemed by the Company on maturity.

11. PENSION PLAN

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

Under the Act, the Company has a defined contribution pension plan. Since July 1, 2005, the Company has made monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries and wages. The pension cost under the defined contribution plan were \$11,094 thousand and \$8,961 thousand for the three months ended March 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 accumulate up to 45 base points, and the benefits based on employee's average monthly salary for the six-month period prior to retirement. Under the Law, the Company accrues pension costs individually on the basis of actuarial calculations and make monthly contributions at 2% of salaries and wages to each company's pension fund, which is administered by each company's pension plan committee and deposited in the respective committees' names in the Central Trust of China. The pension costs under the defined benefit pension plan were \$882 thousand and \$260 thousand for the three months ended March 31, 2007 and 2006, respectively. As of March 31, 2007 and 2006, the balance of the pension fund were \$76,000 thousand and \$72,659 thousand, respectively.

12. SHAREHOLDERS' EQUITY

Based on certain laws or regulations, capital surplus from long-term equity investments accounted for by the equity method cannot be used for any purpose. Other capital surplus may 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.

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

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

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

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

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

The appropriations of earnings for 2006 and 2005 were proposed in the Board of Directors' meeting and approved in the shareholders' meeting held on March 20, 2007 and June 16, 2006, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (Dollars)</u>	
	2006	2005	2006	2005
Legal reserve	\$ 291,789	\$ 242,980	\$ -	\$ -
Special reserve (reversal)	-	(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 earnings for 2005 were approved by the Financial Supervisory Commission, Executive Yuan, R.O.C. and then the board of directors resolved the date of distributing stock dividends and cash dividends on August 8, 2006. The Company had completed the process of a revised license from the MOEA.

As of April 20, 2007, the date of the accompanying review report, the appropriation of the 2006 earnings had not been resolved by the Company's shareholders. Related information can be accessed 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\$34.44. As of March 31, 2007, there were 1,345 thousand units of stock options exercised, which were converted to 1,345 thousand common shares; thus, the unexercised stock options consisted of 1,315 thousand units.

13. INCOME TAX

The Income Basic Tax Act (the "IBT Act"), which took effect on January 1, 2006, requires that the basic income tax should be 10% of the sum of the taxable income as calculated in accordance with the Income Tax Law plus 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 and income tax payable calculated in accordance with the Income Tax Law. The Company has considered the impact of the IBT Act in the determining of 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:

	<u>March 31</u>	
	2007	2006
Tax on pretax income at 25% statutory rate	\$ 166,416	\$ 187,664
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(63,180)	(27,771)
Other	(1,582)	(22,456)
Temporary differences	(45,050)	(60,432)
Investment tax credit	<u>(28,302)</u>	<u>(37,152)</u>
Income tax currently payable	<u>\$ 28,302</u>	<u>\$ 39,853</u>

- b. Income tax expense consisted of the following:

	<u>March 31</u>	
	2007	2006
Income tax currently payable	\$ 28,302	\$ 39,853
Income tax expense - deferred	<u>50,851</u>	<u>38,889</u>
	<u>\$ 79,153</u>	<u>\$ 78,742</u>

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

	<u>March 31</u>	
	2007	2006
Balance, beginning of period	\$ 137,883	\$ 56,871
Income tax currently payable	28,302	39,853
Payment	<u>(650)</u>	<u>(388)</u>
Balance, end of period	<u>\$ 165,535</u>	<u>\$ 96,336</u>

d. Net deferred income taxes as of March 31, 2007 and 2006 were as follows:

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Current		
Deferred income tax assets		
Allowance for loss on inventories	\$ 37,510	\$ 28,476
Excess provisions for doubtful receivables	6,958	6,958
Unrealized product warranty reserve	9,091	6,500
Investment tax credit	52,653	1,306
Others	<u>-</u>	<u>6,523</u>
	106,212	49,763
Valuation allowance	<u>(52,653)</u>	<u>(13,023)</u>
	<u>53,559</u>	<u>36,740</u>
Deferred income tax liabilities		
Unrealized foreign exchange gain	<u>(6,366)</u>	<u>(7,662)</u>
Deferred income tax assets, net	<u>\$ 47,193</u>	<u>\$ 29,078</u>
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of investees	\$ 105,401	\$ 109,061
Deferred income	32,594	44,881
Pension cost	<u>27,788</u>	<u>27,765</u>
	165,783	181,707
Valuation allowance	<u>(105,401)</u>	<u>(109,061)</u>
	<u>60,382</u>	<u>72,646</u>
Deferred income tax liabilities:		
Accumulated equity in the net gains of foreign investees	(250,157)	(166,836)
Allowance for tax-deductible equity in net loss of foreign investees	<u>-</u>	<u>(15,223)</u>
	<u>(250,157)</u>	<u>(182,059)</u>
Deferred income tax liabilities, net	<u>\$ (189,775)</u>	<u>\$ (109,413)</u>

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

e. As of March 31, 2007, investment tax credits were as follows:

Regulatory Basis of Tax Credits	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development	\$ 183,037	\$ 29,478	2010
Statute for Upgrading Industries	Research and development	<u>51,477</u>	<u>23,175</u>	2011
		<u>\$ 234,514</u>	<u>\$ 52,653</u>	

f. As of March 31, 2007, the Company's five years exemption on the income was as follows:

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

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

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Balance of the imputation credit account (ICA)	\$ 188,460	\$ 133,891
The balances of unappropriated retained earnings generated before 1997	\$ 81,329	\$ 81,329

The expected and actual creditable tax ratios for earnings as of December 31, 2006 and 2005, respectively, which were distributed in 2007 and 2006, respectively, were 7.97% and 7.01%, respectively. The creditable tax ratio should be based on the ICA balance on the date of dividend distribution. Thus, the expected creditable ratio for 2006 earnings may differ from the actual ratio depending on the ICA balance on the dividend distribution date.

h. Income tax returns through 2002 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 April 20, 2007, 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

	<u>Three Months Ended March 31</u>					
	<u>2007</u>			<u>2006</u>		
	<u>Included in</u>	<u>Included in</u>		<u>Included in</u>	<u>Included in</u>	
	<u>Cost of</u>	<u>Operating</u>	<u>Total</u>	<u>Cost of</u>	<u>Operating</u>	<u>Total</u>
	<u>Goods Sold</u>	<u>Expenses</u>		<u>Goods Sold</u>	<u>Expenses</u>	
Personnel expenses						
Payroll	\$ 55,228	\$ 166,132	\$ 221,360	\$ 37,780	\$ 123,136	\$ 160,916
Insurance	4,527	12,145	16,672	3,236	9,364	12,600
Pension	2,953	9,023	11,976	2,080	7,141	9,221
Others	4,655	8,530	13,185	3,548	3,709	7,257
Depreciation	8,811	14,836	23,647	8,542	11,485	20,027
Amortization	151	10,146	10,297	767	5,089	5,856
	<u>\$ 76,325</u>	<u>\$ 220,812</u>	<u>\$ 297,137</u>	<u>\$ 55,953</u>	<u>\$ 159,924</u>	<u>\$ 215,877</u>

15. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		<u>Shares</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>(Denominator)</u>	<u>Pretax</u>	<u>After-tax</u>
			<u>(Thousands)</u>		
<u>Three months ended March 31, 2007</u>					
Basic EPS	\$ 665,704	\$ 586,551	463,636	<u>\$ 1.44</u>	<u>\$ 1.27</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	915		
Diluted EPS	<u>\$ 665,704</u>	<u>\$ 586,551</u>	<u>464,551</u>	<u>\$ 1.43</u>	<u>\$ 1.26</u>

(Continued)

	<u>Amount (Numerator)</u>		<u>Shares</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>(Denominator)</u> <u>(Thousands)</u>	<u>Pretax</u>	<u>After-tax</u>
<u>Three months ended March 31, 2006</u>					
Basic EPS	\$ 750,696	\$ 671,954	462,932	<u>\$ 1.62</u>	<u>\$ 1.45</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	1,046		
Convertible bonds	-	-	221		
Diluted EPS	<u>\$ 750,696</u>	<u>\$ 671,954</u>	<u>464,199</u>	<u>\$ 1.62</u>	<u>\$ 1.45</u>

(Concluded)

The EPS was retroactively adjusted for the stock dividends declared. Thus, in the three months ended March 31, 2006, pretax and after-tax basic EPS decreased from NT\$1.67 to NT\$1.62 and from NT\$1.50 to NT\$1.45, respectively, and pretax and after-tax diluted EPS decreased from NT\$1.67 to NT\$1.62 and from NT\$1.49 to NT\$1.45, respectively.

16. RELATED-PARTY TRANSACTIONS

a. Related parties

	<u>Relationship with the Company</u>
Advantech Investment Fund-A Co., Ltd. (AIFA)	Equity-method investee
Advantech IBHA Technologies Inc. (Advantech IBHA)	Equity-method investee
Axiomtek Co., Ltd. (Axiomtek)	Equity-method investee
Advantech Investment & Management Service (AIMS)	Equity-method investee
Advansus Corp.	Equity-method investee
Advantech Europe Holding B.V. (AEU)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
Advantech Technologies Co., Ltd. (AKR)	Equity-method investee
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech Italia S.p.A. (AIT)	Equity-method investee of AEU
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC (BVI))	Equity-method investee
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 ATC
Advantech Corp. (AC)	Equity-method investee of AAC (BVI)

(Continued)

Relationship with the Company

Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AAC (BVI)
Advantech Control (M) Sdn. Bhd. (AKL)	Equity-method investee of ASG (equity-method investee of AACB before May 2005)
Advantech Automation (Penang) Sdn. Bhd. (APN)	Equity-method investee of ASG (equity-method investee of AACB before March 2005)
Advantech Corporation (Thailand) Co. (ATH)	Equity-method investee of ASG
Advantech Co., Malaysia Sdn. Bhd. (AMY)	Equity-method investee
Advantech International Co., Ltd.	The person in charge of Advantech International Co., Ltd. is a brother-in-law of the Company's chairman
Advantech Brazil S/A (ABR)	Equity-method investee (sold to Advantech International Co., Ltd. in March 2006)
Firich Enterprise Co., Ltd. (Firich)	The Company's chairman is the Firich Enterprise Co., Ltd.'s director
Viewsys Technology Co., Ltd. (Viewsys)	Equity-method investee
Advantech Investment Fund-C Co., Ltd. (Advantech IFC)	The person in charge of Advantech IFC is a brother-in-law of the Company's chairman
Yan Hua Xng Ye Electronic (SHHQ)	Equity-method investee of AAC(BVI)
Mr. Andrea Zolli	Manager of AIT
Immoibiliare Verdi Srl	Manager of AIT

(Concluded)

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

	<u>2007</u>		<u>2006</u>	
	Amount	% of Total	Amount	% of Total
<u>Three months ended March 31</u>				
1) Sales				
AC	\$ 457,176	20	\$ 557,910	24
AESC	433,314	19	470,585	20
ACN	371,776	16	317,955	14
SHHQ	92,839	4	-	-
AKR	83,248	4	73,589	3
AJP	77,183	3	83,987	4
AAU	30,158	1	29,947	1
ASG	26,392	1	49,578	2
Firich	17,727	1	-	-
APN	11,555	1	9,231	1
AKMC	9,790	-	26,965	1
ATH	9,342	-	-	-
AKL	4,528	-	-	-
APL	3,267	-	-	-
Axiomtek	938	-	4,912	-
ABR	-	-	11,797	1
Others	3,024	-	4,913	-
	<u>\$ 1,632,257</u>	<u>70</u>	<u>\$ 1,641,369</u>	<u>71</u>

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
2) Purchase of materials and supplies				
ATC	\$ 682,819	44	\$ 612,789	36
Advansus Corp.	52,075	3	-	-
AESC	5,457	-	-	-
AC	5,342	-	2,231	-
Axiomtek	1,125	-	512	-
Others	<u>3</u>	<u>-</u>	<u>25</u>	<u>-</u>
	<u>\$ 746,821</u>	<u>47</u>	<u>\$ 615,557</u>	<u>36</u>
3) Royalty revenue for patent (part of nonoperating income)				
ATC	<u>\$ 34,635</u>	<u>-</u>	<u>\$ 31,084</u>	<u>-</u>
4) Rental revenues (part of nonoperating income)				
Advansus Corp.	\$ 650	-	\$ -	-
AIMS	55	-	15	-
AIFA	<u>9</u>	<u>-</u>	<u>9</u>	<u>-</u>
	<u>\$ 714</u>	<u>-</u>	<u>\$ 24</u>	<u>-</u>

At the end of three months

5) Receivables				
Accounts				
AESC	\$ 652,270	36	\$ 697,185	38
AC	354,687	19	409,707	23
AKMC	206,964	11	18,785	1
ACN	202,800	11	313,414	17
SHHQ	94,009	5	-	-
AJP	61,995	4	61,752	3
AKR	37,568	2	45,110	3
ASG	17,974	1	33,155	2
Firich	17,523	1	-	-
AAU	14,451	1	13,269	1
ABR	13,867	1	6,733	-
APL	12,816	1	-	-
AKL	6,852	-	-	-
APN	5,618	-	7,256	-
Advansus Corp.	2,178	-	-	-
ADMC	1,822	-	-	-
ATH	1,693	-	-	-
Others	<u>1,763</u>	<u>-</u>	<u>6,266</u>	<u>-</u>
	<u>1,706,850</u>	<u>93</u>	<u>1,612,632</u>	<u>88</u>
Dividends				
ATC	<u>106,815</u>	<u>6</u>	<u>194,714</u>	<u>12</u>

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Other receivables				
AKMC	\$ 14,410	1	\$ -	-
ADL	1,737	-	564	-
Axiomtek	1,095	-	-	-
Advansus Corp.	763	-	3,168	-
AJP	138	-	443	-
AC	133	-	1,359	-
AESC	89	-	317	-
ATC	-	-	8,364	-
Others	520	-	2,427	-
	<u>18,885</u>	<u>1</u>	<u>16,642</u>	<u>-</u>
	<u>\$ 1,832,550</u>	<u>100</u>	<u>\$ 1,823,988</u>	<u>100</u>

6) Payables

Accounts				
ATC	\$ 380,837	85	\$ 408,792	83
Advansus Corp.	43,509	10	-	-
AESC	16,713	4	875	-
AC	3,493	-	2,436	-
ACN	-	-	69,347	14
Advantech IBHA	-	-	14,589	3
Others	1,822	1	4,232	-
	<u>446,374</u>	<u>100</u>	<u>500,271</u>	<u>100</u>
Others - payments on behalf of others				
Advansus Corp.	1,481	-	-	-
ATC	599	-	-	-
AC	-	-	167	-
Others	303	-	245	-
	<u>2,383</u>	<u>-</u>	<u>412</u>	<u>-</u>
	<u>\$ 448,757</u>	<u>100</u>	<u>\$ 500,683</u>	<u>100</u>

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 Immobiliare Verdi Srl in May 2006. The related transaction is summarized as follows:

	Common Stock Issuer	Shares	Cost
May 2006	AEU	162,364	<u>\$ 25,507</u>

Rent contracts with related-parties were based on market prices and made under normal terms. Product sales were conducted under normal terms. The payment terms for related parties were 60 to 90 days, except those for AESC, ATC, AKMC, ADMC, AKL, ACN and Advantech IBHA, for which payment terms were based on the investees' operating conditions. Terms for third parties were 30 to 60 days.

17. ASSETS PLEDGED OR MORTGAGED

The certificates of deposits that had been pledged or mortgaged as collaterals for bank loans and as part of court requirements for confiscating assets to settle uncollectible accounts amounted to \$1,600 thousand in the three months ended March 31, 2007 and 2006.

18. COMMITMENTS

As of March 31, 2007, the Company had the following guarantees for affiliates' loans:

	Amount
AKMC	<u>US\$ 10,000 thousand</u>

19. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	March 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivative Financial Instruments				
<u>Assets</u>				
Available-for-sale financial assets - current	\$ 1,921,042	\$ 1,921,042	\$ 1,521,310	\$ 1,521,310
Available-for-sale financial assets - noncurrent	3,498,798	3,498,798	3,551,091	3,551,091
<u>Liabilities</u>				
Bonds payable - current portion	-	-	8,900	17,711

(Continued)

	March 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivative Financial Instruments				
<u>Derivative financial instruments location</u>				
Financial assets at fair value through profit or loss - current				
Domestic	\$ 161	\$ 161	\$ -	\$ -
Foreign (foreign corporation operating in domestic district included)	599	599	-	-

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

- b. Methods and assumptions used in the determination of fair values of financial instruments
- 1) For financial instruments such as cash, notes and accounts receivables, receivables from related parties, certificates of deposit - pledged, notes and accounts payables and payables to related parties, refundable deposits and guarantee deposits received, the carrying amounts of these financial instruments approximate their fair values.
 - 2) Fair values of available-for-sale financial assets were based on their quoted market price.
 - 3) Fair value of the current portion of bonds payable was based on their quoted market prices.
 - 4) 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:

<u>Asset</u>	March 31			
	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	2007	2006	2007	2006
Financial assets at fair value through profit or loss - current	\$ -	\$ -	\$ 760	\$ -
Available-for-sale financial assets - current	1,921,042	1,521,310	-	-
Available-for-sale financial assets - noncurrent	3,498,798	3,551,091	-	-
<u>Liabilities</u>				
Bonds payable - current portion	-	17,711	-	-

- d. As of March 31, 2007 and 2006, financial assets exposed to fair value interest rate risk amounted to \$1,630,537 thousand and \$1,086,891 thousand, respectively.

- e. The Company recognized an unrealized loss and gain of \$489,020 thousand and \$77,680 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the three months ended March 31, 2007 and 2006, respectively. The Company also recognized an unrealized gain of \$478 thousand and \$2,086 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees for the three months ended March 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 18 and Table 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Company and investees.
- b. Investments in mainland China
 - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of March 31, 2007, accumulated inward remittance of earnings as of March 31, 2007 and upper limit on investment: Table 8 (attached)
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 16 and 18 and Tables 2, 5, 6 and 8.

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED

YEAR ENDED MARCH 31, 2007

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

No.	Financier	Counterparty	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Nature of Financing (Note A)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing that Can Be Provided by the Financier
											Item	Value		
1	AEU	ADL (former name: AEBC)	Receivables from related parties	\$ 33,045 (EUR 750 thousand)	\$ 33,045 (EUR 750 thousand)	2.5%	1	\$ -	Financing need	\$ -	-	\$ -	\$ 41,537 (Note B)	\$ 83,075 (Note C)
2	AESC	AEU	Receivables from related parties	11,456 (EUR 260 thousand)	11,456 (EUR 260 thousand)	2.5%	1	-	Financing need	-	-	-	13,229 (Note D)	26,458 (Note E)

Notes: A. Nature of Financing:

There is a need for short-term financing.

B. 15% of net asset value of AEU.

C. 30% of net asset value of AEU.

D. 15% of net asset value of AESC.

E. 30% of net asset value of AESC.

F. The exchange rate on March 31, 2007 was EUR1.00=NT\$44.06.

ADVANTECH CO., LTD. AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statements	Maximum Collateral/Guarantee Amounts Allowable (Note)
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	AKMC	Indirect subsidiary	\$ 695,497 (Note A)	\$ 330,900 (US\$10,000 thousand)	\$ 330,900 (US\$10,000 thousand)	\$ -	2.33%	\$ 1,390,994 (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 on March 31, 2007: US\$1.00=NT\$33.09.

ADVANTECH CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

MARCH 31, 2007

(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note	
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value		
Advantech Co., Ltd. (the "Company")	<u>Common stock</u>								
	AAC (BVI)	Investee	Long-term equity investments	24,606,500	\$ 1,323,696	100.00	\$ 1,323,696	Note A	
	ATC	Investee	Long-term equity investments	13,450,000	658,155	100.00	658,155	Note A	
	Advansus Corp.	Investee	Long-term equity investments	50,000,000	467,619	50.00	467,619	Note A	
	Axiomtek Co., Ltd.	Investee	Long-term equity investments	22,179,430	421,716	33.16	421,716	Note A	
	AIFA	Investee	Long-term equity investments	30,000,000	264,028	100.00	264,028	Note A	
	AEU	Investee	Long-term equity investments	9,415,695	330,761	98.37	330,761	Note A	
	AKR	Investee	Long-term equity investments	3,112,131	176,479	23.89	176,479	Note A	
	ASG	Investee	Long-term equity investments	1,450,000	113,839	100.00	113,839	Note A	
	AJP	Investee	Long-term equity investments	1,200	94,836	100.00	94,836	Note A	
	AAU	Investee	Long-term equity investments	500,204	87,299	100.00	87,299	Note A	
	AHG	Investee	Long-term equity investments	30	12,781	30.00	12,781	Note A	
	Advantech IBHA Inc.	Investee	Long-term equity investments	1,994,000	12,212	13.29	12,212	Note A	
	Advantech Investment & Management Service	Investee	Long-term equity investments	500,000	5,493	100.00	5,493	Note A	
	AMY	Investee	Long-term equity investments	2,000,000	39,631	100.00	39,631	Note A	
	Viewsys	Investee	Long-term equity investments	1,100,000	24,572	100.00	24,572	Note A	
	AHK	Investee	Other liabilities	999,999	(5,005)	100.00	(5,005)	Note A	
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	43,701,412	3,408,710	1.28	3,408,710	Note C	
	Firich Enterprise Co., Ltd.	(Note D)	Available for sale financial assets - noncurrent	195,207	90,088	0.36	90,088	Note C	
		<u>Funds</u>							
		ING Taiwan Bond Fund	-	Available-for-sale financial assets - current	25,382,752.91	383,912	-	383,912	Note B
		Capital Safeincome Fund	-	Available-for-sale financial assets - current	29,565,168.30	441,899	-	441,899	Note B
		NITC Bond Fund	-	Available-for-sale financial assets - current	415,702.19	68,648	-	68,648	Note B
		ING Taiwan Income Fund	-	Available-for-sale financial assets - current	18,915,931.26	300,623	-	300,623	Note B
		Fubon Jin-Ju-E Fund	-	Available-for-sale financial assets - current	8,784,739.90	107,846	-	107,846	Note B
		Capital High Yield Fund	-	Available-for-sale financial assets - current	21,823,948.00	299,187	-	299,187	Note B
		ALLIANZ Bond Dam Fund	-	Available-for-sale financial assets - current	14,428,630.46	167,796	-	167,796	Note B
		Fuh-hwa Bond Fund	-	Available-for-sale financial assets - current	11,296,345.80	151,131	-	151,131	Note B

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech Investment Fund-A Co., Ltd.	<u>Common stock</u>							
	Advantech IBHA Inc.	Investee	Long-term equity investments	10,000,000	\$ 61,264	66.67	\$ 61,264	Note A
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	7,782	30.00	7,782	Note A
	Netstar Technology Co., Ltd.	Investee	Long-term equity investments	8,754,850	106,150	35.02	106,150	Note A
	Superior Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	913,470	33,441	12.93	33,441	
	COBAN Research and Technologies, Inc.	-	Financial assets carried at cost - noncurrent	600,000	33,257	7.00	33,257	
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	204,000	13,076	-	13,076	Note C
	<u>Funds</u>							
	Capital Safeincome Fund	-	Available-for-sale financial assets - current	576,405.10	8,615	-	8,615	Note B
Advantech IBHA Inc.	<u>Funds</u>							
	ABN AMRO Bond Fund	-	Available-for-sale financial assets - current	4,715,360.85	71,319	-	71,319	Note B
	ABN AMRO Select Bond Fund	-	Available-for-sale financial assets - current	1,638,154.13	18,633	-	18,633	Note B
Viewsys Technology Co., Ltd.	<u>Funds</u>							
	JIN SUN Bond Fund	-	Available-for-sale financial assets - current	426,331.16	5,836	-	5,836	Note B
Advansus Corp.	<u>Funds</u>							
	NITC Bond Fund	-	Available-for-sale financial assets - noncurrent	6,076.82	1,004	-	1,004	Note B
	Capital Safeincome Fund	-	Available-for-sale financial assets - noncurrent	770,915.40	11,523	-	11,523	Note B
Advantech Investment & Management Service	<u>Funds</u>							
	JIN SUN Bond Fund	-	Available-for-sale financial assets - current	155,639.99	2,130	-	2,130	Note B
TTC	<u>Stock</u>							
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	25,940	100.00	25,940	Note A
ATC	<u>Stock</u>							
	AKMC	Investee	Long-term equity investments	-	581,876	100.00	581,876	Note A
	ADMC	Investee	Long-term equity investments	-	46,305	100.00	46,305	Note A
AAC (BVI)	<u>Stock</u>							
	AC	Investee	Long-term equity investments	10,952,606	835,422	100.00	835,422	Note A
	<u>Shares</u>							
	Visual Systems GmbH	-	Financial assets carried at cost - noncurrent	-	756	20.00	756	Note A
	ACN	Investee	Long-term equity investments	-	388,854	100.00	388,854	Note A
	SHHQ	Investee	Long-term equity investments	-	99,670	100.00	99,670	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
AEU	<u>Stock</u>							
	AESC	Investee	Long-term equity investments	8,314,280	\$ 80,184	100.00	\$ 80,184	Note A
	ADL (former name: AEBC)	Investee	Long-term equity investments	1,142,000	35,207	100.00	35,207	Note A
	AIT	Investee	Long-term equity investments	45,000	3,559	100.00	3,559	Note A
	APL	Investee	Prepaid for common stock	2,000	6,846	80.00	6,846	Note A
ASG	ATH	Investee	Long-term equity investment	30,000	5,083	30.00	5,083	Note A
	APN	Investee	Long-term equity investment	570,570	7,867	55.00	7,867	Note A
	AKL	Investee	Long-term equity investment	418,000	4,552	55.00	4,552	Note A

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

Note B: Market values were based on the net asset values of the open-end mutual funds on March 31, 2007.

Note C: Market value was based on the closing price on March 31, 2007.

Note D: The Company's chairman is a director of Firich Enterprise Co., Ltd.

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2007

(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Other (Note A)	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal		Shares	Amount
Advantech Co., Ltd. (the "Company")	Fund														
	ABN AMRO Bond Fund	Available-for-sale financial assets - current	-	-	2,285,187.59	\$ 34,436	6,996,940.23	\$ 105,600	9,282,127.82	\$ 140,069	\$ 140,036	\$ 33	\$ -	-	\$ -
	Capital Safeincome Fund	"	-	-	20,160,102.10	300,174	40,804,002.40	609,410	31,398,936.20	469,210	467,774	1,436	89	29,565,168.30	441,899
	Fuh-Hwa Bond Fund	"	-	-	902,173.80	12,026	21,690,517.80	290,126	11,296,345.80	151,126	151,026	100	5	11,296,345.80	151,131
	Capital High Yield Fund	"	-	-	4,893,961.20	66,828	36,638,101.30	501,821	19,708,114.50	270,121	269,528	593	66	21,823,948.00	299,187
	ABN AMRO Taiwan Fund	"	-	-	18,915,931.26	299,465	-	-	18,915,931.26	299,466	299,466	-	-	-	-
	NITC Bond Fund	"	-	-	837,579.16	137,811	2,471,648.18	407,645	2,893,525.15	477,345	476,811	534	3	415,702.19	68,648
	Dresdner Bond Dam Fund	"	-	-	8,928,435.04	103,453	19,928,825.91	231,676	14,428,630.49	167,776	167,353	423	20	14,428,630.46	167,796
	ING Taiwan Bond Fund	"	-	-	-	-	50,765,505.82	767,435	25,382,752.91	383,866	383,569	297	46	25,382,752.91	383,912
	ING Taiwan Income Fund	"	-	-	-	-	37,831,862.52	600,064	18,915,931.26	300,599	299,466	1,133	25	18,915,931.26	300,623
	Fubon Jin-Ju-E Fund	"	-	-	-	-	16,119,496.10	197,836	7,334,756.20	90,041	89,994	47	4	8,784,739.90	107,846

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

ADVANTECH CO., LTD. AND INVESTEEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 THREE MONTHS ENDED MARCH 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	\$ 682,819	44	Depending on its operating conditions	\$ -	-	\$ (380,837)	85	
	AC	Indirect subsidiary	Sale	(457,176)	20	60-90 days	-	-	354,687	19	
	AESC	Indirect subsidiary	Sale	(433,314)	19	Depending on its operating conditions	-	-	652,270	36	
	ACN	Indirect subsidiary	Sale	(371,776)	16	Depending on its operating conditions	-	-	202,800	11	
ATC	Advantech Co., Ltd.	Parent company	Sale	(682,819)	98	Depending on its operating conditions	-	-	380,837	88	
AC	Advantech Co., Ltd.	Ultimate parent company	Purchase	457,176	61	60-90 days	-	-	(354,687)	99	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	433,314	61	Depending on its operating conditions	-	-	(652,270)	90	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	371,776	68	Depending on its operating conditions	-	-	(202,800)	54	

ADVANTECH CO., LTD. AND INVESTEEES

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

MARCH 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	\$ 652,270	2.50	\$ -	-	\$ -	\$ -
	AC	Indirect subsidiary	354,687	3.86	-	-	145,644	-
	ACN	Indirect subsidiary	202,800	5.90	-	-	37,179	-
	AKMC	Indirect subsidiary	206,964	0.23	-	-	21,861	-
ATC	Advantech Co., Ltd.	Parent company	380,837	8.71	-	-	178,665	-

ADVANTECH CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				March 31, 2007	December 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	\$ 1,323,696	\$ 34,752	\$ 34,752	Subsidiary
	ATC	BVI	Sale of industrial automation products	427,781	427,781	13,450,000	100.00	658,155	116,113	116,113	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	500,000	500,000	50,000,000	50.00	467,619	(20,687)	(10,343)	Equity-method investee
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	296,830	303,334	22,179,430	33.16	421,716	56,365	18,208	Equity-method investee
	AEU	Helmond, the Netherlands	Investment holding company	377,298	377,298	9,415,695	98.37	330,761	8,035	7,904	Subsidiary
	AIFA	Taipei, Taiwan	General investment	300,000	300,000	30,000,000	100.00	264,028	(1,593)	(1,593)	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	32,989	32,989	3,112,131	23.89	176,479	(413)	(104)	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	113,839	1,168	1,168	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	94,836	895	895	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	87,299	(90)	(90)	Subsidiary
	Viewsys	Taipei, Taiwan	Sale of industrial automation products	22,000	22,000	1,100,000	100.00	24,572	-	-	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	12,781	-	-	Equity-method investee
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	19,940	19,940	1,994,000	13.29	12,212	-	-	Subsidiary
	AIMS	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,493	34	55	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999	100.00	(5,005)	(3,916)	(3,916)	Subsidiary (Note A)
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	39,631	2,439	2,439	Subsidiary
	AIFA	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	100,000	100,000	10,000,000	66.67	61,264	-	-
TTC		Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,782	-	-	Equity-method investee of a subsidiary
Netstar Technology Co., Ltd.		Taipei, Taiwan	Sale of industrial automation products	108,725	-	8,754,850	35.02	106,150	(9,296)	(2,574)	Equity-method investee of a subsidiary
ATC	AKMC	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	581,876	(317)	(317)	Indirect subsidiary
	ADMC	Guangzhou, China	Production and sale of industrial automation products	44,511	44,511	-	100.00	46,305	1,423	1,423	Indirect subsidiary
Timson Tech Co. (TTC)	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processes and sale of peripherals	30,222	30,222	-	100.00	25,940	-	-	Equity-method investee of a subsidiary
AAC (BVI)	AC	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	835,422	17,740	17,740	Indirect subsidiary
	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	388,854	17,877	17,877	Indirect subsidiary
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	96,750	-	100.00	99,670	(748)	(748)	Indirect subsidiary
AEU	AESC	Eindhoven, the Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	80,184	(10,433)	(10,433)	Indirect subsidiary
	AUK	Milton Keynes, England	Sale of industrial automation products	-	13,373	-	-	-	-	-	Indirect subsidiary
	ABB	Roosendaal, The Netherlands	Sale of industrial automation products	-	39,565	-	-	-	-	-	Indirect subsidiary
	ADL (former name: AEBC)	Duesseldorf, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	35,207	17,974	17,974	Indirect subsidiary
	AIT	Milano, Italy	Sale of industrial automation products	22,275	22,275	45,000	100.00	3,559	-	-	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	2,000	80.00	6,846	450	360	Indirect subsidiary
ASG	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	5,083	319	96	Indirect subsidiary
	APN	Penang, Malaysia	Sale of industrial automation products	8,181	8,181	570,570	55.00	7,867	-	-	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	4,552	28	15	Indirect subsidiary

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

Note B: The calculation of investment gain (loss) was based on the unreviewed financial statements.

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

ADVANTECH CO., LTD. AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA

THREE MONTHS ENDED MARCH 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 March 31, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2006	Accumulated Inward Remittance of Earnings as of December 31, 2006
					Outflow	Inflow					
Advantech Technology (China) Company Ltd.	Production and sale of components of industrial automation products	US\$12,000 thousand	Indirect	\$ 397,080 (US\$ 12,000 thousand)	\$ -	\$ -	\$ 397,080 (US\$ 12,000 thousand)	100%	\$ (317)	\$ 581,876	\$ -
Yan Hua Xng Ye Electronic	Sale of industrial automation products	US\$3,000 thousand	Indirect	99,270 (US\$ 3,000 Thousand)	-	-	99,270 (US\$ 3,000 Thousand)	100%	(748)	99,670	-
Kunshan Timson Tech Co., Ltd.	Processes and sale of peripherals	US\$900 thousand	Indirect	8,934 (US\$ 270 thousand)	-	-	8,934 (US\$ 270 thousand)	30%	-	7,782	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Sale of industrial automation products	US\$4,230 thousand	Indirect	176,436 (US\$ 5,332 thousand)	-	-	176,436 (US\$ 5,332 thousand)	100%	17,877	388,854	-
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US\$1,400 thousand	Indirect	(Note C)	-	-	(Note C)	100%	1,423	46,305	-

Accumulated Investment in Mainland China as of December 31, 2006	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$688,338 (US\$20,802 thousand) (Note D)	\$1,968,855 (US\$59,500 thousand)	\$4,338,263

Note A: The calculation of investment gain (loss) was based on the unreviewed financial statements.

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. and its investees in Mainland China are described in Notes 16 and 18 to the financial statements and Tables 1, 2, 5 and 6.

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

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

Note E: The exchange rate was US\$1.00=NT\$33.09.