

Advantech Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 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 consolidated balance sheets of Advantech Co., Ltd. ("Parent Company") and subsidiaries as of June 30, 2007 and 2006 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Parent Company's management. Our responsibility is to express an opinion 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 stated in Note 2 to the financial statements, we did not review the financial statements as of and for the six months ended June 30, 2007 and 2006 of the consolidated subsidiaries, except those of Advantech Technology Co., Ltd., Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd., Advantech Technology (China) Company Ltd. and Yan Hua Xing Ye Electronic. As of June 30, 2007 and 2006, the subsidiaries' total assets were 22.90% (NT\$4,336,702 thousand) and 35.62% (NT\$5,860,986 thousand), respectively, of the consolidated total assets, and their total liabilities were 16.00% (NT\$874,984 thousand) and 19.37% (NT\$908,826 thousand), respectively, of the consolidated total liabilities. For the six months ended June 30, 2007 and 2006, respectively, the operating revenues of these subsidiaries were 56.27% (NT\$4,331,892 thousand) and 74.85% (NT\$5,337,898 thousand), respectively, of the consolidated operating revenues and the net income of these subsidiaries was 4.80% (NT\$67,867 thousand) and 35.19% (NT\$514,222 thousand), respectively, of the consolidated total net income. Also, as stated in Note 8 to the financial statements, we did not review the financial statements of equity-method investees as of and for the six months ended June 30, 2007 and 2006. As of June 30, 2007 and 2006, the carrying values of these investments were NT\$579,308 thousand and NT\$569,054 thousand, respectively, of the consolidated total assets, and the net investment gains were NT\$52,475 thousand and NT\$77,675 thousand for the six months ended June 30, 2007 and 2006, respectively. These investment amounts as well as additional disclosures in Note 24 required by the Securities and Futures Bureau for the Parent Company and its investees were based on the investees' unreviewed financial statements for the same reporting periods as those of the Parent Company.

Based on our reviews, except for any adjustments that might have been determined to be necessary had the financial statements of the subsidiaries and equity-method investees mentioned in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements of Advantech Co., Ltd. and subsidiaries as of and for the six months ended June 30, 2007 and 2006 for them to be in conformity with the Guidelines Governing the Preparation of Financial Report 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 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.

July 24, 2007

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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 consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 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 and cash equivalents (Notes 2 and 4)	\$ 3,408,329	18	\$ 2,492,729	15	Short-term bank loans (Notes 12 and 21)	\$ 479,633	2	\$ 375,706	3
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	911	-	-	-	Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	81	-	403	-
Available-for-sale financial assets - current (Notes 2, 3 and 6)	1,948,298	10	1,990,838	12	Accounts payable	1,183,157	6	851,411	5
Notes receivable (Note 2)	168,155	1	137,845	1	Payables to related parties (Note 20)	1,780	-	514	-
Accounts receivable, net of allowance for doubtful accounts of \$38,725 thousand in 2007 and \$36,633 thousand in 2006 (Note 2)	2,404,972	13	2,056,044	13	Income tax payable (Notes 2 and 17)	191,544	1	177,869	1
Receivables from related parties (Notes 2 and 20)	121,073	1	111,507	1	Dividend payable and employee bonus payable (Note 16)	2,232,439	12	2,079,253	13
Tax refund receivable	32,713	-	143,628	1	Accrued expenses	484,188	3	530,215	3
Inventories, net (Notes 2 and 7)	2,223,056	12	2,373,900	14	Bonds payable - current portion (Notes 2 and 13)	-	-	2,700	-
Deferred income tax assets - current (Notes 2 and 17)	99,011	-	46,614	-	Long-term bank loans - current portion (Notes 14 and 21)	12,537	-	-	-
Restricted current assets (Note 21)	97,852	-	-	-	Other current liabilities	437,823	2	346,300	2
Prepayments and other current assets	336,896	2	350,547	2	Total current liabilities	5,023,182	26	4,364,371	27
Total current assets	10,841,266	57	9,703,652	59	LONG-TERM LIABILITIES				
LONG-TERM FUNDS AND INVESTMENTS					Long-term bank loans (Notes 14 and 21)	105,693	1	71,636	-
Available-for-sale financial assets - noncurrent (Notes 2, 3 and 6)	3,950,608	21	3,205,245	20	OTHER LIABILITIES				
Financial assets carried at cost (Notes 2 and 9)	67,450	-	67,438	-	Accrued pension liabilities (Notes 2 and 15)	116,722	1	112,117	1
Equity-method investments (Notes 2, 3 and 8)	579,308	3	569,054	3	Guarantee deposits received	29,010	-	47,006	-
Total long-term funds and investments	4,597,366	24	3,841,737	23	Deferred income tax liabilities - noncurrent (Notes 2 and 17)	180,064	1	86,902	1
PROPERTIES (Notes 2, 10 and 21)					Deferred income (Note 2)	14,646	-	9,262	-
Cost					Total other liabilities	340,442	2	255,287	2
Land	819,285	4	802,368	5	Total liabilities	5,469,317	29	4,691,294	29
Buildings and equipment	1,474,367	8	1,305,119	8	SHAREHOLDERS' EQUITY				
Machinery and equipment	824,249	4	518,208	3	Capital stock, NTS10.00 par value				
Furniture and fixtures	285,357	2	240,534	2	Authorized - 600,000 thousand shares				
Miscellaneous equipment	374,824	2	206,125	1	Issued and outstanding - 463,665 thousand shares in 2007 and 449,138 thousand shares in 2006	4,636,645	25	4,491,383	27
Total cost	3,778,082	20	3,072,354	19	For issuance	271,825	1	139,792	1
Accumulated depreciation	961,034	5	691,859	4	Total capital stock	4,908,470	26	4,631,175	28
Construction in progress and advances for equipment acquisition	2,817,048	15	2,380,495	15	Capital surplus				
Net properties	3,010,316	16	2,554,652	16	Paid-in capital in excess of par value	4,363,403	23	4,349,570	26
GOODWILL (Notes 2 and 3)					From equity-method investments	63,543	-	71,270	1
	171,041	1	108,809	1	Total capital surplus	4,426,946	23	4,420,840	27
OTHER ASSETS					Retained earnings				
Properties leased to others, net (Notes 2 and 11)	20,528	-	8,349	-	Legal reserve	1,378,115	7	1,086,326	6
Guarantee deposits	39,486	-	46,720	-	Unappropriated earnings	2,000,976	11	1,794,233	11
Deferred expenses, net (Note 2)	247,582	2	176,846	1	Total retained earnings	3,379,091	18	2,880,559	17
Other	7,149	-	15,360	-	Others				
Total other assets	314,745	2	247,275	1	Cumulative translation adjustments	175,541	1	54,970	-
TOTAL	\$ 18,934,734	100	\$ 16,456,125	100	Unrealized valuation gains (losses) on financial instruments	483,144	3	(266,813)	(1)
					Total others	658,685	4	(211,843)	(1)
					Total shareholders' equity of parent company	13,373,192	71	11,720,731	71
					Minority interest	92,225	-	44,100	-
					Total shareholders' equity	13,465,417	71	11,764,831	71
					TOTAL	\$ 18,934,734	100	\$ 16,456,125	100

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

(With Deloitte & Touche review report dated July 24, 2007)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 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 20)				
Sales	\$ 7,695,144	100	\$ 7,222,220	101
Sales returns and allowances	<u>148,966</u>	<u>2</u>	<u>149,771</u>	<u>2</u>
Net sales	7,546,178	98	7,072,449	99
Other operating revenues	<u>152,183</u>	<u>2</u>	<u>59,070</u>	<u>1</u>
Total operating revenues	7,698,361	100	7,131,519	100
OPERATING COSTS (Notes 2, 18 and 20)	<u>4,326,797</u>	<u>56</u>	<u>3,942,191</u>	<u>55</u>
GROSS PROFIT	3,371,564	44	3,189,328	45
REALIZED PROFITS ON INTERCOMPANY SALES (Note 2)	<u>(6,138)</u>	<u>-</u>	<u>177</u>	<u>-</u>
ADJUSTED GROSS PROFIT	<u>3,365,426</u>	<u>44</u>	<u>3,189,505</u>	<u>45</u>
OPERATING EXPENSES (Note 18)				
Marketing	861,647	11	741,781	10
Administrative	563,485	8	528,251	8
Research and development	<u>525,153</u>	<u>7</u>	<u>362,262</u>	<u>5</u>
Total operating expenses	<u>1,950,285</u>	<u>26</u>	<u>1,632,294</u>	<u>23</u>
OPERATING INCOME	<u>1,415,141</u>	<u>18</u>	<u>1,557,211</u>	<u>22</u>
NONOPERATING INCOME AND GAINS				
Interest	26,450	-	21,274	-
Investment income recognized under the equity method (Notes 2 and 8)	52,475	1	77,675	1
Gain on disposal of investments	158,137	2	89,821	1
Foreign exchange gain, net (Note 2)	55,540	1	65,081	1
Gain on inventory value recovery	79,343	1	-	-
Financial instrument revaluation gain, net (Notes 2 and 5)	7,764	-	-	-
Other income (Note 3)	<u>24,876</u>	<u>-</u>	<u>45,771</u>	<u>1</u>
Total nonoperating income and gains	<u>404,585</u>	<u>5</u>	<u>299,622</u>	<u>4</u>

(Continued)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2007 AND 2006

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

(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest	\$ 12,241	-	\$ 13,384	-
Loss on disposal of scrap inventories	132,619	2	31,128	-
Provision for losses on inventories	-	-	61,722	1
Financial asset revaluation loss, net (Notes 2 and 5)	-	-	2,653	-
Other expenses (Note 18)	<u>11,179</u>	<u>-</u>	<u>43,681</u>	<u>1</u>
Total nonoperating expenses and losses	<u>156,039</u>	<u>2</u>	<u>152,568</u>	<u>2</u>
INCOME BEFORE INCOME TAX	1,663,687	21	1,704,265	24
INCOME TAX (Notes 2 and 17)	<u>248,612</u>	<u>3</u>	<u>243,135</u>	<u>4</u>
NET INCOME	<u>\$1,415,075</u>	<u>18</u>	<u>\$1,461,130</u>	<u>20</u>
ATTRIBUTABLE TO:				
Shareholders of Parent Company	\$ 1,413,289	18	\$ 1,457,354	20
Minority interest	<u>1,786</u>	<u>-</u>	<u>3,776</u>	<u>-</u>
	<u>\$1,415,075</u>	<u>18</u>	<u>\$1,461,130</u>	<u>20</u>
	2007		2006	
	Pre-tax	After-tax	Pre-tax	After-tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 3.47</u>	<u>\$ 3.05</u>	<u>\$ 3.49</u>	<u>\$ 3.15</u>
Diluted	<u>\$ 3.46</u>	<u>\$ 3.04</u>	<u>\$ 3.48</u>	<u>\$ 3.14</u>

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

(With Deloitte & Touche review report dated July 24, 2007)

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Capital Stock Issued and Outstanding (Notes 2, 13 and 16)		For Issuance (Note 16)	Capital Surplus (Notes 2 and 16)			Retained Earning (Notes 2 and 16)				Cumulative Translation Adjustments (Note 2)	Unrealized Valuation Gains (Losses) on Financial Instruments (Notes 2, 3 and 23)	Minority Interest in Subsidiaries	Total Shareholders' Equity
	Shares (Thousand)	Amount		Issued of Stock in Excess of Par Value	From Equity-method Investment	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total				
BALANCE, JANUARY 1, 2007	463,630	\$ 4,636,295	\$ -	\$ 4,362,548	\$ 64,098	\$ 4,426,646	\$ 1,086,326	\$ -	\$ 3,254,770	\$ 4,341,096	\$ 114,993	\$ 514,705	\$ 39,851	\$ 14,073,586
Appropriation of the 2006 earnings														
Legal reserve	-	-	-	-	-	-	291,789	-	(291,789)	-	-	-	-	-
Bonus to employees	-	-	40,000	-	-	-	-	-	(262,610)	(262,610)	-	-	-	(222,610)
Remunerations to directors and supervisors	-	-	-	-	-	-	-	-	(26,261)	(26,261)	-	-	-	(26,261)
Stock dividends - 5%	-	-	231,825	-	-	-	-	-	(231,825)	(231,825)	-	-	-	-
Cash dividends - NTS\$4.00 per share	-	-	-	-	-	-	-	-	(1,854,598)	(1,854,598)	-	-	-	(1,854,598)
Net income in the six months ended June 30, 2007	-	-	-	-	-	-	-	-	1,413,289	1,413,289	-	-	1,786	1,415,075
Employee stock options	35	350	-	855	-	855	-	-	-	-	-	-	-	1,205
Increase in carrying value of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	(3,699)	(3,699)	-	-	-	-	-	-	-	(3,699)
Changes in capital surplus on long-term equity-method investments	-	-	-	-	3,144	3,144	-	-	-	-	-	-	-	3,144
Changes in realized valuation losses on available-for-sale financial assets of equity-method	-	-	-	-	-	-	-	-	-	-	-	(29,316)	-	(29,316)
Equity in the changes in unrealized valuation gains on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	(2,245)	-	(2,245)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	60,548	-	-	-	60,548
Effect of change in consolidated entities in 2007	-	-	-	-	-	-	-	-	-	-	-	-	51,882	51,882
Adjustment due to change in subsidiaries' equity in their investees	-	-	-	-	-	-	-	-	-	-	-	-	(1,294)	(1,294)
BALANCE, JUNE 30, 2007	463,665	\$ 4,636,645	\$ 271,825	\$ 4,363,403	\$ 63,543	\$ 4,426,946	\$ 1,378,115	\$ -	\$ 2,000,976	\$ 3,379,091	\$ 175,541	\$ 483,144	\$ 92,225	\$ 13,465,417
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	\$ -	\$ 37,966	\$ 12,510,570
Adjustment due to accounting changes (Note3)	-	-	-	-	-	-	-	-	-	-	-	622,416	-	622,416
Appropriation of the 2005 earnings														
Legal reserve	-	-	-	-	-	-	242,980	-	(242,980)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(19,661)	19,661	-	-	-	-	-
Bonus to employees	-	-	50,000	-	-	-	-	-	(220,648)	(220,648)	-	-	-	(170,648)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(22,065)	(22,065)	-	-	-	(22,065)
Stock dividends - 2%	-	-	89,792	-	-	-	-	-	(89,792)	(89,792)	-	-	-	-
Cash dividends - NTS\$4.00 per share	-	-	-	-	-	-	-	-	(1,795,841)	(1,795,841)	-	-	-	(1,795,841)
Net income in the six months ended June 30, 2006	-	-	-	-	-	-	-	-	1,457,354	1,457,354	-	-	3,776	1,461,130
Conversion of bonds into capital stock and capital surplus	148	1,480	-	4,720	-	4,720	-	-	-	-	-	-	-	6,200
Employee stock options	90	900	-	2,646	-	2,646	-	-	-	-	-	-	-	3,546
Increase in cumulative translation adjustments due to disposal of long-term investment	-	-	-	-	-	-	-	-	-	-	5,993	-	-	5,993
Increase in carrying value of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	20,905	20,905	-	-	-	-	-	-	-	20,905
Changes in unrealized losses on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(889,229)	-	(889,229)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	9,496	-	-	-	9,496
Effect of change in consolidated entities in 2006	-	-	-	-	-	-	-	-	-	-	-	-	11,319	11,319
Adjustment due to changes in subsidiaries' equity in their investees	-	-	-	-	-	-	-	-	-	-	-	-	(8,961)	(8,961)
BALANCE, JUNE 30, 2006	449,138	\$ 4,491,383	\$ 139,792	\$ 4,349,570	\$ 71,270	\$ 4,420,840	\$ 1,086,326	\$ -	\$ 1,794,233	\$ 2,880,559	\$ 54,970	\$ (266,813)	\$ 44,100	\$ 11,764,831

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

(With Deloitte & Touche review report dated July 24, 2007)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 1,415,075	\$ 1,461,130
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	136,985	95,734
Provision for bad debts	1,098	6,664
Provision (reversal of allowance)for losses on inventories	(79,343)	61,722
Loss on disposal of scrap inventories	132,619	31,128
Loss on disposal of properties, net	2,824	242
Gain on the sale of equity-method investments	(38,444)	(74,439)
Gain on the sale of available-for-sale financial assets, net	(119,693)	(15,382)
Investment income recognized under the equity method	(52,475)	(77,675)
Accrued pension liabilities	5,758	1,169
Deferred income taxes	105,884	2,824
Net changes in operating assets and liabilities		
Financial assets and liabilities at fair value through profit or loss	(1,370)	(86)
Notes receivable	(477)	52,485
Accounts receivable	(124,585)	(448,872)
Receivables from related parties	5,654	(8,031)
Tax refund receivable	4,712	(11,381)
Inventories	343,749	(165,933)
Prepayments and other current assets	(150,836)	(76,216)
Notes payable	-	(9,881)
Accounts payable	110,087	(328,174)
Payables to related parties	(302)	51
Income tax payable	23,227	108,782
Accrued expenses	(40,306)	37,262
Other current liabilities	153,742	(10,491)
Deferred income	<u>7,119</u>	<u>159</u>
Net cash provided by operating activities	<u>1,840,702</u>	<u>632,791</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(6,660,683)	(393,992)
Proceeds of the sale of available-for-sale financial assets	6,143,440	79,535
Proceeds of the sale of equity-method investments	69,898	12,782
Net cash paid for the acquisition of a subsidiary	(125,613)	-
Acquisition of properties	(335,779)	(124,571)
Proceeds of the sale of properties	35	100
Increase in goodwill	(76,780)	(46,195)
Increase in guarantee deposits paid	(47)	(9,498)
Increase in deferred expenses	(24,124)	(60,517)
Increase in other assets	<u>(7,149)</u>	<u>(15,360)</u>
Net cash used in investing activities	<u>(1,016,802)</u>	<u>(557,716)</u>

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ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in bank loans - short-term	\$ 3,482	\$ (84,311)
Increase (decrease) in long-term loans payable	(6,626)	343
Increase in guarantee deposits received	20,460	27,714
Employee stock options	1,205	3,546
Bonus paid to employees	(11,601)	(57,826)
Remuneration to directors and supervisors	(1,200)	(1,500)
Increase (decrease) in minority equity	<u>(8,046)</u>	<u>2,358</u>
Net cash used in financing activities	<u>(2,326)</u>	<u>(109,676)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>60,380</u>	<u>9,496</u>
NET INCREASE (DECREASE) IN CASH	881,954	(25,105)
CASH, BEGINNING OF PERIOD	<u>2,526,375</u>	<u>2,517,834</u>
CASH, END OF PERIOD	<u>\$ 3,408,329</u>	<u>\$ 2,492,729</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 15,492</u>	<u>\$ 25,056</u>
Income tax paid	<u>\$ 119,501</u>	<u>\$ 131,529</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends payable and remuneration to directors and supervisors and bonus to employees payable	<u>\$ 2,103,469</u>	<u>\$ 1,988,554</u>
Cash dividends receivable on equity-method investments	<u>\$ 77,542</u>	<u>\$ 51,375</u>
Reclassification of properties into properties leased to others	<u>\$ 20,528</u>	<u>\$ -</u>
Reclassification of properties leased to others into properties	<u>\$ -</u>	<u>\$ 68,818</u>
Conversion of bonds into capital stock and capital surplus	<u>\$ -</u>	<u>\$ 6,200</u>

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

(With Deloitte & Touche review report dated July 24, 2007)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2007 AND 2006

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

1. ORGANIZATION AND OPERATIONS

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

As of June 30, 2007 and 2006, the Parent Company and the consolidated subsidiaries (collectively, the “Group”) had 3,513 and 2,825 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. Under these guidelines and principles, the Group is required to make certain estimates and assumptions that could affect the allowance for doubtful accounts, provision for losses on inventories, depreciation of properties and properties leased to others, pension cost, impairment loss, warranty liabilities 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 Group’s significant accounting policies are summarized as follows:

Basis for Consolidation

The consolidated financial statements should include all of the Parent Company’s direct and indirect subsidiaries in which the Parent Company has controlling interest or has voting right over 50%. Thus, the consolidated entities for the six months ended June 30, 2007 and 2006 included the Parent Company and all of its subsidiaries in the six months then ended. All significant intercompany accounts and transactions have been eliminated upon consolidation.

The consolidated financial statements as of and for the six months ended June 30, 2007 and 2006 included a partnership company, Advansus Corp., and BCM Embedded Computer Inc., which were consolidated using the proportionate consolidation method. All significant accounts and transactions between the Parent and these companies have been eliminated upon consolidation.

The organization of the consolidated entities as well as their intercompany relationships and percentages of ownership as of June 30, 2007 and 2006 are shown in Table 9 (attached). The names, locations and other information of investees are shown in Table 7 (attached). The financial statements used as basis of the consolidated subsidiaries’ information and related investment amounts were unreviewed, except those of Advantech Technology Co., Ltd., Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd., Advantech Technology (China) Company Ltd. and Yan Hua Xing Ye Electronic.

Current and Noncurrent Assets and Liabilities

Current assets include cash (unrestricted), financial assets held for trading and other assets to be consumed or used up within 12 months from the balance sheet date. Current liabilities include obligations resulting from trading or to be repaid or settled within 12 months from the balance sheet date, all other assets and liabilities are classified as noncurrent.

Cash Equivalents

Commercial paper purchased under repurchase agreements of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

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 values of open-end mutual funds and publicly traded stocks are determined at their net asset values and closing prices, respectively, at the end of the period.

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

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

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

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

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

Inventories

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

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

Financial Assets Carried at Cost

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

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

Long-term Equity Investments

Investments in shares of stock of companies in which the Group owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Stock investments accounted for by the equity method are initially carried at cost and subsequently adjusted for the Group's proportionate share in the investees' earnings or losses and changes in capital surplus. 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 Group's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted, is amortized over five years. Effective January 1, 2006, under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities," investment premiums, representing goodwill, are no longer being amortized, but the Group needs to make asset impairment tests regularly. And if there are indications that the goodwill is probably impaired, the Group also needs to make an impairment test. If the net fair value of an asset exceed its investment cost, the difference will be credited to depend on the proportion of noncurrent asset's (not include non-equity-method financial asset,

dispose asset waiting for sale, differ tax asset and prepay pension cost or other pension pay) fair value. If the fair value of a noncurrent asset is not enough for crediting purposes, it will recognize as extraordinary gain. The accounting treatment for the investment premiums paid before January 1, 2006 is the same as that for goodwill, which is no longer being amortized, but investment discounts continue to be amortized over the remaining periods.

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

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

All profits derived from sales of products by the Group to its subsidiaries are deferred but only profit in proportion to the Group's equity interest is deferred for other equity-method investees that are not majority owned. Profit from the sales of products by equity-method investees to the Group is deferred in proportion to the Group's equity interests in the investees and credited against the investment. Profits from sales of products between equity-method investees are deferred to the extent of the 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 and Properties Leased to Others

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

Depreciation is computed using the straight-line method over service lives initially estimated as follows (plus one year to represent estimated salvage value): buildings and equipment, 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 and properties leased to others still being used by the Group beyond their initially estimated service lives are depreciated over their newly estimated service lives.

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

Deferred Expenses

Deferred expenses, consisting of computer software costs and royalties, are amortized over 2 or 8 years using the straight-line method.

Goodwill

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

Asset Impairment

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

Pension Costs

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

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

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

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

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 and 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 length of the expected realization period of the temporary difference.

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

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

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

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

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

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

At the balance sheet date, 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 the balance sheet date, 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 Group adopted the new Statements of Financial Accounting Standards ("Statements") No. 34 - "Accounting for Financial Instruments" (SFAS No. 34) and No. 36 - "Disclosure and Presentation for Financial Instruments" and related revisions of previously released Statements.

Effect of accounting changes

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

The effect of the accounting changes is summarized as follows:

	Recognized as Cumulative Effect of Changes in Accounting Principles (Note)	Recognized as a Separate Component of Shareholders' Equity
Financial assets or liabilities at fair value through profit or loss	\$ 104	\$ -
Available-for-sale financial assets - current	-	3,291
Available-for-sale financial assets - noncurrent	<u>-</u>	<u>619,125</u>
	<u>\$ 104</u>	<u>\$ 622,416</u>

Note: Included in nonoperating income and gains - other.

The accounting changes had no material effect on the net income for the six months ended June 30, 2006.

Change in accounting treatment for goodwill

Effective January 1, 2006, the Group adopted the newly revised SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities" and SFAS No. 25 - "Business Combinations - Accounting Treatment Under Purchase Method", which prescribe that investment premiums, representing goodwill, be assessed for impairment at least annually instead of being amortized. This accounting change had no cumulative effect on the financial statements but resulted in increases of NT\$25,859 thousand in net income and of NT\$0.06 basic earnings per share after tax for the six months ended June 30, 2006.

4. CASH AND CASH EQUIVALENTS

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Cash		
Cash and petty cash	\$ 16,699	\$ 2,031
Checking and demand deposits	1,291,953	675,090
Time deposits: Interest - 1.61%-4.99% in 2007 and 1.45%-5.14% in 2006	1,206,083	1,815,608
Cash equivalents		
Commercial paper purchased under repurchase agreements	<u>893,594</u>	<u>-</u>
	<u>\$ 3,408,329</u>	<u>\$ 2,492,729</u>

On June 30, 2006, deposits overseas were as follows (as of June 30, 2007: None):

	June 30, 2006
Hong Kong (US\$316 and HK\$138 in 2006)	<u>\$ 11</u>

5. FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
<u>Financial assets resulted from trading</u>		
Forward contracts	<u>\$ 911</u>	<u>\$ -</u>
<u>Financial liabilities resulted from trading</u>		
Forward contracts	<u>\$ 81</u>	<u>\$ 403</u>

On June 30, 2007 and 2006, information about outstanding forward contracts are shown as follows:

	Currency	Maturity	Amount (Thousand)
<u>June 30, 2007</u>			
Sell	USD/NTD	July 2007	USD1,000/NTD32,837
	EUR/USD	July 2007	EUR3,000/USD4,060
<u>June 30, 2006</u>			
Sell	USD/NTD	July 2006	USD4,000/NTD129,026

The Parent Company entered into forward contract transactions for the six months ended June 30, 2007 and 2006 to avoid risks on exchange rate fluctuations. The hedging strategy of the Parent Company is to avoid the major portion of the fair value risks.

Net profit arising from trading financial assets for the six months ended June 30, 2007 was \$7,764 thousand and net loss arising from financial liabilities for the six months ended June 30, 2006 was \$2,653 thousand.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30			
	2007		2006	
	Current	Noncurrent	Current	Noncurrent
Mutual funds	\$ 1,935,507	\$ -	\$ 1,979,138	\$ -
Publicly-traded stocks				
Chunghwa Telecom Co., Ltd.	12,791	-	11,700	-
ASUSTek Computer Inc.	-	3,950,608	-	3,158,420
Firich Enterprise Co., Ltd.	-	-	-	46,825
	<u>\$ 1,948,298</u>	<u>\$ 3,950,608</u>	<u>\$ 1,990,838</u>	<u>\$ 3,205,245</u>

7. INVENTORIES, NET

	June 30	
	2007	2006
Finished goods	\$ 835,878	\$ 999,970
Work in process	545,457	495,862
Materials and supplies	946,491	982,555
Inventories in transit	<u>108,538</u>	<u>167,555</u>
	2,436,364	2,645,942
Allowance for losses	<u>(213,308)</u>	<u>(272,042)</u>
	<u>\$ 2,223,056</u>	<u>\$ 2,373,900</u>

8. LONG-TERM EQUITY INVESTMENTS

	June 30			
	2007		2006	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Listed				
Axiomtek Co., Ltd.	\$ 365,846	32.38	\$ 380,247	35.93
Unlisted				
Advantech Technologies Co., Ltd.	176,859	23.89	164,923	23.89
Advantech Hungary Ltd.	14,630	30.00	12,836	30.00
Supercom Technology Corporation	9,057	33.33	-	-
Timson Tech Co.,	7,782	30.00	7,729	30.00
Advantech Corporation (Thailand) Co., Ltd.	<u>5,134</u>	30.00	<u>3,319</u>	30.00
	<u>\$ 579,308</u>		<u>\$ 569,054</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.

The market values of investments in listed stocks, which were calculated on the basis of the closing prices as of June 30, 2007 and 2006, were \$1,269,125 thousand and \$950,374 thousand, respectively.

9. FINANCIAL ASSETS CARRIED AT COST

	June 30	
	2007	2006
Foreign non-listed common traded stocks		
Superior Technology Co., Ltd. (US\$1,068 thousand)	\$ 33,441	\$ 33,441
Coban Research and Technologies, Inc. (US\$1,020 thousand)	33,257	33,257
Visual Systems GmbH (US\$23 thousand)	<u>752</u>	<u>740</u>
	<u>\$ 67,450</u>	<u>\$ 67,438</u>

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

10. PROPERTIES

Accumulated depreciation was as follows:

	June 30	
	2007	2006
Buildings and equipment	\$ 232,056	\$ 186,841
Machinery and equipment	350,671	271,006
Furniture and fixtures	159,546	130,715
Miscellaneous equipment	<u>218,761</u>	<u>103,297</u>
	<u>\$ 961,034</u>	<u>\$ 691,859</u>

Depreciation expenses for properties and properties leased to others were \$84,646 thousand and \$74,853 thousand for the six months ended June 30, 2007 and 2006, respectively.

11. PROPERTIES LEASED TO OTHERS

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Cost		
Buildings	\$ 27,200	\$ 10,234
Accumulated depreciation	<u>6,672</u>	<u>1,885</u>
	<u>\$ 20,528</u>	<u>\$ 8,349</u>

12. SHORT-TERM BANK LOANS

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Credit loans - interest: 2.70%-6.50% in 2007 and 3.21%-8.07% in 2006	\$ 403,121	\$ 375,706
Secured loans - interest: 2.70%-6.50%	<u>76,512</u>	<u>-</u>
	<u>\$ 479,633</u>	<u>\$ 375,706</u>

Advantech Technology (China) Company Ltd., an indirect subsidiary of the Parent Company, a credit loan from a bank to meet its financing need. As of June 30, 2007 and 2006, the carrying values were \$293,121 thousand and \$375,706 thousand, respectively.

Netstar Technology Co., Ltd., an indirect subsidiary of the Parent Company, obtained credit and mortgage loans from banks to meet its financing need. As of June 30, 2007 and 2006, the carrying values were \$110,000 thousand and \$76,512 thousand, respectively.

13. BONDS PAYABLE - CURRENT PORTION (AS OF JUNE 30, 2007: NONE)

	<u>June 30, 2006</u>
Unsecured convertible bonds	\$ 2,700
Interest-premium on convertible bonds	<u>-</u>
	<u>\$ 2,700</u>

On July 19, 2001, the Parent Company issued domestic unsecured convertible bonds with aggregate face value of \$1,000,000 thousand (or \$100 thousand face value per unit), which were listed on the Taiwan Stock Exchange on July 31, 2001. These bonds will mature on July 18, 2006 and will scheduled to be redeemed at 12.4864% of their face value on July 19, 2004 or 19.2519% 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 June 30, 2007, bonds with aggregate face value of \$999,500 thousand had been converted to 20,910 thousand shares and \$400 thousand in bonds had been redeemed at the holders' request, and bonds amounting to \$100 thousand were redeemed by the Parent Company on maturity.

14. LONG-TERM BANK LOANS

	Current	Long-term	Total
<u>June 30, 2007</u>			
Secured loans	<u>\$ 12,537</u>	<u>\$ 105,693</u>	<u>\$ 118,230</u>
<u>June 30, 2006</u>			
Secured loans	<u>\$ -</u>	<u>\$ 71,636</u>	<u>\$ 71,636</u>

Advantech Europe B.V., an indirect subsidiary of the Parent Company, obtained a mortgage loan from a bank to acquire a building. This loan is repayable quarterly till loan maturity in June 2010. As of June 30, 2007 and 2006, the carrying values were \$75,480 thousand and \$71,636 thousand, respectively, and the implicit interest rates were 4.0% and 3.9%, respectively.

Netstar Technology Co., Ltd., an indirect subsidiary of the Parent Company, obtained a mortgage loan from a bank for its operation need. This loan is repayable from October 2006 to October 2016 in 40 quarterly installments from January 2007. As of June 30, 2007, the carrying value was \$42,750 thousand and interest rate was 4.25%.

15. PENSION PLANS

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

Based on the Act, the rate of monthly contributions to employees' individual pension accounts is at 6% of the employees' monthly wages. For these contributions, the Parent Company and domestic subsidiaries recognized a pension cost \$23,457 thousand and \$18,890 thousand for the six months ended June 30, 2007 and 2006, respectively.

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

Some consolidated entities, which are mainly in investments, have either very few or even no staff including foreign subsidiaries ATC, AEU and AAC (BVI). These subsidiaries have no pension plans and thus do not contribute to pension funds and do not recognize pension costs.

For the six months ended June 30, 2007 and 2006, the pension expense were \$18,813 thousand and \$18,065 thousand, respectively, which were based on the defined benefit pension and overseas subsidiaries' local government regulations.

16. SHAREHOLDERS' EQUITY

Based on certain laws or regulations, capital surplus from long-term equity investments accounted for by the equity method cannot be used for any purpose. Other capital surplus may 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 Parent 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 Parent 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 (included unrealized losses or gains on financial instruments and cumulative translation adjustments) 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 Parent Company Law, legal reserve should be appropriated until the accumulated reserve equals the Parent Company's paid-in capital. This reserve may be used only to offset a deficit. When the balance of the reserve reaches 50% of the Parent Company's outstanding capital stock, up to 50% thereof may be transferred to capital.

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

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

The appropriations of earnings for 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:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (Dollars)</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
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	-	-

At their meeting on June 15, 2007, the shareholders approved the board of directors' proposal to distribute stock dividends of \$231,825 thousand and stock bonus to employees amounting to \$40,000 thousand. The appropriation of earnings for 2006 were approved by the Financial Supervisory Commission under the Executive Yuan of the ROC. The board of directors resolved August 8, 2007 as the date of distributing stock and cash dividends. The Parent Company is applying for the revised license from the MOEA.

On April 1, 2003, the Securities and Futures Bureau approved the Parent Company's stock option plan. There were 3,000 thousand units authorized to be issued, which may be converted to 3,000 thousand common shares. Employees may exercise a certain percentage of the option within two and four years of the grant date, and 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 June 30, 2007. As of June 30, 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.

17. INCOME TAX

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

	<u>Six Months Ended June 30</u>	
	2007	2006
Tax on pretax income at 25% statutory rate	\$ 423,429	\$ 505,982
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(125,649)	(136,380)
Other	(15,294)	(23,706)
Temporary differences	(99,257)	(40,822)
Income tax (10%) on undistributed earnings	25,081	5,848
Investment tax credit	<u>(65,582)</u>	<u>(70,611)</u>
Income tax currently payable	<u>\$ 142,728</u>	<u>\$ 240,311</u>

- b. Income tax expense consisted of the following:

Income tax currently payable	\$ 142,728	\$ 240,311
Income tax expense - deferred	<u>105,884</u>	<u>2,824</u>
	<u>\$ 248,612</u>	<u>\$ 243,135</u>

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

	<u>Six Months Ended June 30</u>	
	2007	2006
Balance, beginning of period	\$ 168,317	\$ 69,087
Income tax currently payable	142,728	240,311
Payment	<u>(119,501)</u>	<u>(131,529)</u>
Balance, end of period	<u>\$ 191,544</u>	<u>\$ 177,869</u>

d. Net deferred income tax assets (liabilities) as of June 30, 2007 and 2006 were as follows:

	<u>Six Months Ended June 30</u>	
	2007	2006
Current		
Deferred income tax assets		
Loss carryforward	\$ 43,528	\$ -
Allowance for loss on inventories	39,595	40,796
Unrealized product warranty reserve	12,498	6,791
Investment tax credits	10,200	-
Excess provisions for doubtful receivables	6,958	6,958
Unrealized foreign exchange loss	546	-
Others	<u>10,857</u>	<u>6,523</u>
	124,182	61,068
	<u>(25,000)</u>	<u>-</u>
	<u>99,182</u>	<u>61,068</u>
Deferred income tax liabilities		
Unrealized foreign exchange gain	-	(14,454)
Others	<u>(171)</u>	<u>-</u>
	<u>(171)</u>	<u>(14,454)</u>
Deferred income tax assets, net	<u>\$ 99,011</u>	<u>\$ 46,614</u>
Noncurrent		
Deferred income tax assets:		
Deferred income	\$ 34,050	\$ 43,686
Accumulated equity in the net loss of investees	32,612	104,258
Investment tax credits	29,000	-
Pension cost	27,987	27,737
Loss carryforward	18,750	13,140
Others	<u>4,362</u>	<u>6,053</u>
	146,761	194,874
Valuation allowance	<u>(50,612)</u>	<u>(104,258)</u>
	<u>96,149</u>	<u>90,616</u>
Deferred income tax liabilities:		
Accumulated equity in the net gains of foreign investees	(275,998)	(177,518)
Others	<u>(215)</u>	<u>-</u>
	<u>(276,213)</u>	<u>(177,518)</u>
Deferred income tax liabilities, net	<u>\$ (180,064)</u>	<u>\$ (86,902)</u>

The income tax rate of the Parent Company and domestic subsidiaries used to recognize deferred income tax was 25%.

- e. As of June 30, 2007, investment tax credits of the domestic subsidiary - Netstar consisted of the following:

Law	Item	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	\$ 39,200	\$ 39,200	2010

- f. Information on the domestic subsidiaries loss carryforward as of June 30, 2007 is as follows:

Loss Year	Loss Carryforward Amount	Expiry Year
Advansus Corp. 2006	\$ 42,625	2011
Netstar 2002	\$ 153,576	2007
2003	31,525	2008
2004	32,899	2009
2005	4,300	2010
2006	5,500	2011
	\$ 227,800	

Deferred income tax assets - current which created by Advansus's loss carryforward was consolidated using the proportionate consolidation method.

- g. As of June 30, 2007, the Parent Company's and its subsidiary - Netstar's five years exemptions on the income are as follows:

Investment Plan	Exemption Period
<u>The Parent Company</u>	
The industry network server production	From 2003 to 2007
The industry 500 MHz thin client production	From 2006 to 2010
<u>Netstar</u>	
Company expansion through capital increase	From 2004 to 2008

- h. The Group's ICA balances as of June 30, 2007 and 2006 were as follows:

	June 30	
	2007	2006
Parent Company	\$ 259,071	\$ 182,867
Advantech Fund - A	\$ 4,440	\$ 3,539
Advantech IBHA	\$ -	\$ 265
Netstar	\$ 6,174	\$ -
Jan Hsiang	\$ 162	\$ -

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

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Parent Company	\$ 81,329	\$ 81,329

The estimated creditable ratio for the earnings as of June 30, 2006 and the actual creditable tax ratio for the earnings as of June 30, 2005, which were distributed in 2006, were as follows:

	<u>2007</u>	<u>2006</u>
Parent Company	8.18%	7.01%

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

18. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	<u>Six Months Ended June 30</u>					
	<u>2007</u>			<u>2006</u>		
	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>
Personnel expenses						
Payroll	\$ 203,562	\$ 903,240	\$ 1,106,802	\$ 125,071	\$ 609,173	\$ 734,244
Insurance	17,314	85,332	102,646	12,964	75,931	88,895
Pension	7,476	34,794	42,270	4,463	32,492	36,955
Others	16,422	67,919	84,341	22,226	43,419	65,645
Depreciation	37,983	70,631	108,614	29,313	45,067	74,380
Amortization	<u>2,782</u>	<u>25,239</u>	<u>28,021</u>	<u>1,133</u>	<u>19,748</u>	<u>20,881</u>
	<u>\$ 285,539</u>	<u>\$ 1,187,155</u>	<u>\$ 1,472,694</u>	<u>\$ 195,170</u>	<u>\$ 825,830</u>	<u>\$ 1,021,000</u>

Expenses for properties leased to others, expenses of \$350 thousand and \$473 thousand as of June 30, 2007 and 2006, respectively (included in nonoperating expenses and losses - other expenses), were not included in the above depreciation expenses.

19. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		<u>Shares</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>(Denominator) (Thousands)</u>	<u>Pretax</u>	<u>After-tax</u>
<u>Six months ended June 30, 2007</u>					
Basic EPS	\$ 1,608,918	\$ 1,413,289	463,650	\$ 3.47	\$ 3.05
Impact of dilutive potential common stock					
Employees' stock options	-	-	895		
Diluted EPS	<u>\$ 1,608,918</u>	<u>\$ 1,413,289</u>	<u>464,545</u>	<u>\$ 3.46</u>	<u>\$ 3.04</u>

(Continued)

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>		<u>Pretax</u>	<u>After-tax</u>
<u>Six months ended June 30, 2006</u>					
Basic EPS	\$ 1,616,016	\$ 1,457,354	462,922	<u>\$ 3.49</u>	<u>\$ 3.15</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	1,067		
Convertible bonds	-	-	142		
Diluted EPS	<u>\$ 1,616,016</u>	<u>\$ 1,457,354</u>	<u>464,131</u>	<u>\$ 3.48</u>	<u>\$ 3.14</u>

(Concluded)

The EPS was retroactively adjusted for the stock dividends declared. Thus, for the six months ended June 30, 2006, pretax and after-tax basic EPS decreased from NT\$3.60 to NT\$3.49 and from NT\$3.25 to NT\$3.15, respectively, and pretax and after-tax diluted EPS decreased from NT\$3.59 to NT\$3.48 and from NT\$3.24 to NT\$3.14, respectively.

The numerators and denominators used in calculating pro forma EPS based on the potential adjustment for stock dividends declared were as follows:

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>		<u>Pretax</u>	<u>After-tax</u>
<u>Six months ended June 30, 2007</u>					
Basic EPS	\$ 1,608,918	\$ 1,413,289	490,832	<u>\$ 3.28</u>	<u>\$ 2.88</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	947		
Diluted EPS	<u>\$ 1,608,918</u>	<u>\$ 1,413,289</u>	<u>491,779</u>	<u>\$ 3.27</u>	<u>\$ 2.87</u>
<u>Six months ended June 30, 2006</u>					
Basic EPS	\$ 1,616,016	\$ 1,457,354	490,061	<u>\$ 3.30</u>	<u>\$ 2.97</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	1,129		
Convertible bonds	-	-	150		
Diluted EPS	<u>\$ 1,616,016</u>	<u>\$ 1,457,354</u>	<u>491,340</u>	<u>\$ 3.29</u>	<u>\$ 2.97</u>

20. RELATED-PARTY TRANSACTIONS

a. Related parties

<u>Related Party</u>	<u>Relationship with the Group</u>
Axiomtek Co., Ltd. (Axiomtek)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Technologies Co., Ltd. (AKR)	Equity-method investee
Advantech Corporation (Thailand) Co., Ltd. (ATH)	Equity-method investee of ASG
Supercom Technology Corporation	Equity-method investee of Netstar
Advantech Internation Co., Ltd.	The person in charge of Advantech Internation Co., Ltd. is the brother-in-law of the Parent Company's chairman
Firich Enterprise Co., Ltd. ("Firich")	The Parent Company's chairman is a director of Firich Enterprise Co., Ltd. (retired in May 2007)
Advantech Investment Fund - C Co., Ltd. (Advantech IFC)	The person in charge of Advantech IFC is the brother-in-law of the Parent Company's chairman
Mr. Andrea Zolli	Manager of AIT
Immoobiliare Verdi Srl	Manager of AIT

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

	<u>2007</u>		<u>2006</u>	
	Amount	% of Total	Amount	% of Total
<u>Six months ended June 30</u>				
1) Sales				
AKR	\$ 164,655	2	\$ 173,220	3
Axiomtek Co., Ltd.	3,562	-	17,280	-
ATH	12,442	-	7,805	-
AHG	1,521	-	2,938	-
Others	177	-	467	-
	<u>\$ 182,357</u>	<u>2</u>	<u>\$ 201,710</u>	<u>3</u>
2) Purchase of materials and supplies				
Axiomtek Co., Ltd.	\$ 2,078	-	\$ 1,022	-
Others	1,750	-	-	-
	<u>\$ 3,828</u>	<u>-</u>	<u>\$ 1,022</u>	<u>-</u>

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<u>At the end of June 30</u>				
3) Receivables				
Accounts				
AKR	\$ 39,795	33	\$ 51,674	46
Axiomtek Co., Ltd.	1,994	2	6,464	6
ATH	998	1	-	-
AHG	682	-	-	-
Firich Enterprise Co., Ltd.	-	-	53	-
Others	<u>62</u>	<u>-</u>	<u>1,941</u>	<u>2</u>
	<u>43,531</u>	<u>36</u>	<u>60,132</u>	<u>54</u>
Dividends				
Axiomtek Co., Ltd.	<u>77,542</u>	<u>64</u>	<u>51,375</u>	<u>46</u>
	<u>\$ 121,073</u>	<u>100</u>	<u>\$ 111,507</u>	<u>100</u>
4) Payables				
Accounts				
Axiomtek Co., Ltd.	\$ 250	14	\$ 184	36
AKR	<u>-</u>	<u>-</u>	<u>330</u>	<u>64</u>
	<u>250</u>	<u>14</u>	<u>514</u>	<u>100</u>
Other payables				
Supercom Technology Corporation	<u>1,530</u>	<u>86</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,780</u>	<u>100</u>	<u>\$ 514</u>	<u>100</u>

Product contracts with related parties were based on market prices and made under normal terms. The payment terms for third parties were 30 to 90 days, but the payment terms for related parties were 60 to 90 days.

c. Long-term equity investments

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

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

The Parent Company bought all 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	<u>\$ 22,000</u>

The Parent 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>

21. 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 as of June 30, 2007 and 2006.

As of June 30, 2007, the subsidiary - Netstar Technology Co., Ltd. offered assets for certificates of short-term, and long-term bank loans as follows:

	June 30, 2007
Restricted current assets (time deposits)	\$ 47,852
Properties - land	40,336
Properties - buildings - cost	28,085
Machinery - cost	<u>1,361</u>
	<u>\$ 117,634</u>

The certificates of deposits used by Advansus Corp. as collaterals for its letter of credit amounted to \$100,000 thousand as of June 30, 2007. This company was consolidated by the Parent Company using the proportionate consolidation method.

22. COMMITMENTS

a. As of June 30, 2007, the Parent Company had the following guarantees for related parties' loans:

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

b. As of June 30, 2007, the unused amount of the L/C for purchasing, which was opened by Netstar Technology Co., Ltd., an indirect subsidiary of the Parent Company, was \$10,272 thousand.

c. As of June 30, 2007, the guarantee notes issued by Netstar Technology Co., Ltd. for the bank loan amounted to \$226,500 thousand.

23. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	June 30			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets - current	\$ 1,948,298	\$ 1,948,298	\$ 1,990,838	\$ 1,990,838
Available-for-sale financial assets - noncurrent	3,950,608	3,950,608	3,205,245	3,205,245
<u>Liabilities</u>				
Long-term bank loans - current portion	12,537	12,537	-	-
Bonds payable - current portion	-	-	2,700	5,980
Long-term bank loans	105,693	105,693	71,636	71,636
<u>Derivative financial instruments location</u>				
Financial assets at fair value through profit or loss - current				
Foreign (foreign corporation operating in domestic district included)	911	911	-	-
Financial liabilities at fair value through profit or loss - current				
Foreign (foreign corporation operating in domestic district included)	81	81	403	403

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

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

- 1) For financial instruments such as cash, notes and accounts receivables, receivables from related parties, certificate of deposit - pledged, short-term bank loans, notes and accounts payables and payables to related parties, refundable (guarantee) 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 value of the current portion of bonds payable was based on their quoted market prices.
- 4) The fair value of the long-term bank loans is determined using the present value based of the projected cash flows discounted at interest rates for similar long-term debts.
- 5) Fair values of derivatives were determined using the quoted market prices, using valuation techniques incorporating estimates and assumptions that are consistent with those prevailing in the market.

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

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	June 30		June 30	
	2007	2006	2007	2007
<u>Asset</u>				
Financial assets at fair value through profit or loss - current	\$ -	\$ -	\$ 911	\$ -
Available-for-sale financial assets - current	1,948,298	1,990,838	-	-
Available-for-sale financial assets - noncurrent	3,950,608	3,205,245	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current	-	-	81	403
Bonds payable - current portion	-	5,980	-	-

- d. As of June 30, 2007 and 2006, financial assets exposed to fair value risk from interest rate fluctuation amounted to \$2,199,129 thousand and \$1,817,208 thousand, respectively. As of June 30, 2007 and 2006, financial liabilities exposed to fair value risk from interest rate fluctuation amounted to \$597,863 thousand and \$447,342 thousand, respectively.
- e. The Group recognized unrealized gains of \$31,561 thousand and \$889,229 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 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 Group are mainly mutual funds and publicly traded stocks. Thus, price fluctuations in the open market would result in changes in fair values of these financial instruments.

- 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Group if the counter-parties breach the contracts. Contracts with positive fair values on the balance sheet date are evaluated for credit risk. Since the counter-parties to the foregoing derivative financial instruments are reputable financial institutions, management believes its exposure to default by counter-parties is low.
- 3) Liquidity risk. The Group has sufficient operating capital to meet cash needs upon settlements of derivative financial instruments. Therefore, the cash flow risk is low. In addition, for long-term equity-method investments (mutual funds and publicly traded stocks), the Group keeps liquidity reserves, which are available on a short-term basis. Additionally, the contracted forward rate is decided on the contract starting dates. Thus, the cash flow risk on forward contracts is low.

24. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 22 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Parent Company and its investees and on investment in Mainland China.
- b. Investments in mainland China
 - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of June 30, 2007, accumulated inward remittance of earnings as of June 30, 2007 and upper limit on investment: Table 8 attached.
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 22 and Tables 2, 5, 6 and 8.
- c. Intercompany relationships and significant intercompany transactions: Please see Table 10 attached.

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED

SIX MONTHS ENDED JUNE 30, 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	\$ 33,150 (EUR 750 thousand)	\$ 11,050 (EUR 250 thousand)	2.50%	Note A	\$ -	Financing need	\$ -	-	\$ -	\$ 45,058 (Note B)	\$ 90,116 (Note C)
2	AESC	AEU	Receivables from related parties	11,492 (EUR 260 thousand)	11,492 (EUR 260 thousand)	2.50%	Note A	-	Financing need	-	-	-	12,554 (Note D)	25,108 (Note E)
3	Netstar Technology Co., Ltd.	Lantech Communications Inc.	Receivables from related parties	37,575	5,434	6.25%	Service intercourse	Purchase 15,407	Service intercourse	-	-	-	15,407 (Note F)	140,563 (Note F)
4	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Receivables from related parties	148,804	117,420	6.25%	Service intercourse	Purchase 125,156	Service intercourse	-	-	-	125,156 (Note F)	140,563 (Note F)
5	Netstar Technology Co., Ltd.	LANSONIC (BVI)	Receivables from related parties	3,463	-	-	Note A	-	Financing need	-	-	-	40,933 (Note G)	81,866 (Note H)

Notes: A. Nature of Financing:

There is a need for short-term financing.

B. 15% of capital stock of AEU.

C. 30% of capital stock of AEU.

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

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

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

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

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

I. The exchange rate was EUR1.00=NT\$44.2.

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED

SIX MONTHS ENDED JUNE 30, 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 (Note)
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	AKMC	Indirect subsidiary	\$ 695,497 (Note A)	\$ 328,600 (US\$10,000 thousand)	\$ 328,600 (US\$10,000 thousand)	\$ -	2.46%	\$ 1,390,994 (Note B)

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

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

C. The exchange rate was US\$1.00=NT\$32.86.

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

JUNE 30, 2007

(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2007				Note	
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value		
Advantech Co., Ltd. (the "Company")	<u>Stock</u>								
	AAC (BVI)	Investee	Long-term equity investments	24,606,500	\$ 1,409,668	100.00	\$ 1,409,668	Note A	
	ATC	"	"	13,450,000	799,397	100.00	799,397	Note A	
	Advansus Corp.	"	"	50,000,000	476,007	50.00	476,007	Note A	
	Advantech Fund - A	"	"	40,000,000	370,128	100.00	370,128	Note A	
	Axiomtek	"	"	21,657,430	365,846	32.38	365,846	Note A	
	AEU	"	"	9,415,695	332,598	98.37	332,598	Note A	
	AKR	"	"	3,112,131	176,859	23.89	176,859	Note A	
	ASG	"	"	1,450,000	111,252	100.00	111,252	Note A	
	AAU	"	"	500,204	97,096	100.00	97,096	Note A	
	AJP	"	"	1,200	93,519	100.00	93,519	Note A	
	AMY	"	"	2,000,000	38,681	100.00	38,681	Note A	
	Viewsys	"	"	1,100,000	24,583	100.00	24,583	Note A	
	AHG	"	"	30	14,630	30.00	14,630	Note A	
	Advantech Investment & Management Service	"	"	500,000	5,553	100.00	5,553	Note A	
	AHK	"	Other liabilities	999,999	(6,356)	100.00	(6,356)	Note A and Note D	
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	43,701,412	3,950,608	1.28	3,950,608	Note C	
		<u>Fund</u>							
		Capital High Yield Fund	-	Available for sale financial assets - current	23,278,736.80	320,395	-	320,395	Note B
		ING Taiwan Income Fund	-	"	19,952,515.55	318,335	-	318,335	Note B
		ING Taiwan Bond Fund	-	"	15,086,012.47	229,040	-	229,040	Note B
		Capital Income Fund	-	"	13,947,522.20	209,270	-	209,270	Note B
		Fubon Jin-Ju-E Fund	-	"	15,492,624.40	190,954	-	190,954	Note B
		NITC Taiwan Bond Fund	-	"	12,655,675.40	179,669	-	179,669	Note B
	Prudential Bond Fund	-	"	8,369,354.50	105,575	-	105,575	Note B	
	Allianz Bond Dam Fund	-	"	8,480,964.95	99,026	-	99,026	Note B	
Advantech Fund - A	<u>Stock</u>								
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	7,782	30.00	7,782	Note A	
	Netstar Technology Co., Ltd.	"	"	16,510,929	210,104	66.04	210,104	Note A	
	BCM Embedded Computer Inc.	"	"	1,000,000	10,000	50.00	10,000	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.	-	"	600,000	33,257	7.00	33,257	-	
	Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - current	204,000	12,791	-	12,791	Note C	

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2007				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Viewsys Technology Co., Ltd.	<u>Fund</u> Capital Income Fund	-	Available for sale financial assets - current	576,405.10	\$ 8,648	-	\$ 8,468	Note B
	ING Taiwan Bond Fund	-	Available for sale financial assets - current	3,295,892.00	50,039	-	50,039	Note B
	<u>Fund</u> JIH SUN Bond Fund	-	"	798,169.87	10,964	-	10,964	Note B
Advansus Corp.	<u>Fund</u> NITC Taiwan Bond Fund	-	Available for sale financial assets - current	4,604,323.70	65,366	-	65,366	Note B
	Capital Income Fund	-	"	19,592,518.60	293,968	-	293,968	Note B
	Capital High Yield Fund	-	"	4,619,116.73	63,574	-	63,574	Note B
AIMS	<u>Fund</u> JIH SUN Bond Fund	-	Available for sale financial assets - current	115,639.90	2,138	-	2,138	Note B
TTC	<u>Shares</u> Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	25,940	100.00	25,940	Note A
ATC	<u>Shares</u> AKMC	"	"	-	584,082	100.00	584,082	Note A
	ADMC	"	"	-	49,264	100.00	49,264	Note A
AAC (BVI)	<u>Stock</u> AC	"	"	10,952,606	859,577	100.00	859,577	Note A
	<u>Shares</u> Visual Systems GmbH	-	Financial assets carried at cost - noncurrent	-	752	20.00	752	Note A
	ACN SHHQ	Investee "	Long-term equity investments "	- -	448,919 101,410	100.00 100.00	448,919 101,410	Note A Note A
AEU	<u>Stock</u> AESC	"	"	8,314,280	83,693	100.00	83,693	Note A
	ADL (former name: AEBC)	"	"	1,142,000	34,928	100.00	34,928	Note A
	AIT	"	"	45,000	3,570	100.00	3,570	Note A
	APL	"	"	2,000	4,488	80.00	4,488	Note A
ASG	<u>Stock</u> ATH	"	"	30,000	5,134	30.00	5,134	Note A
	APN	"	"	570,570	7,799	55.00	7,799	Note A
	AKL	"	"	418,000	3,671	55.00	3,671	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2007				Note						
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value							
Netstar Technology Co., Ltd.	<u>Stock</u>	Investee	Other liability-others	3,527,529	\$ (44,200)	94.83	\$ (44,200)	Note A						
	LANSONIC (BVI)								Long-term equity investments	1,900,000	16,781	76.00	16,781	Note A
	Jan Hsiang Electronics Co., Ltd.								Other liability-others	1,159,500	(18,442)	77.30	(18,442)	Note A
	Lantech Communications Inc.								Long-term equity investments	750,000	9,057	33.33	9,057	Note A
	Supercom Technology Corporation													
LANSONIC (BVI)	<u>Shares</u>	Investee	Other liability-others	-	(62,686)	100.00	(62,686)	Note A						
	Netstar Electronics Corporation													

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

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

Note C: Market value was based on the closing price in June 30, 2007.

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 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")	<u>Fund</u>															
	ABN AMRO Bond Fund	Available for sale financial assets - current	-	-	2,285,187.59	\$ 34,436	6,996,940.23	\$ 105,600	9,282,127.80	\$ 140,069	\$ 140,036	\$ 33	\$ -	-	\$ -	-
	Capital Income Fund	"	-	-	20,160,102.10	300,174	60,986,533.40	912,128	67,199,113.30	1,005,630	1,003,064	2,566	32	13,947,522.20	209,270	-
	Fuh-Hwa Bond Fund	"	-	-	902,173.80	12,026	33,300,146.60	445,726	34,202,320.40	458,449	457,752	697	-	-	-	-
	Capital High Yield Fund	"	-	-	4,893,961.20	66,828	61,371,626.90	842,202	42,986,851.30	590,502	588,649	1,853	14	23,278,736.80	320,395	-
	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	3,194,415.62	527,045	4,031,994.78	665,622	664,856	766	-	-	-	-
	Dresdner Bond Dam Fund	"	-	-	8,928,435.04	103,453	31,261,853.02	363,876	31,709,323.11	369,239	368,329	910	26	8,480,964.95	99,026	-
	ING Taiwan Bond Fund	"	-	-	-	-	85,274,032.74	1,290,854	70,188,020.27	1,063,281	1,061,835	1,446	21	15,086,012.47	229,040	-
	ING Taiwan Income Fund	"	-	-	-	-	58,820,962.36	934,871	38,868,446.81	618,905	616,564	2,341	28	19,952,515.55	318,335	-
	Fubon Jin-Ju-E Fund	"	-	-	-	-	40,269,987.90	495,260	24,777,363.50	304,969	304,335	634	29	15,492,624.40	190,954	-
	Wanpao Securities Investment Trust Fund	"	-	-	3,161,820.19	47,992	2,088,974.59	31,800	5,250,794.78	80,016	79,792	224	-	-	-	-
	Capital Cash Reserve Fund	"	-	-	1,928,910.70	22,607	-	-	1,928,910.70	22,612	22,607	5	-	-	-	-
	James Bond Fund	"	-	-	-	-	1,528,170.80	23,600	1,528,170.80	23,640	23,600	40	-	-	-	-
	Prudential Bond Fund	"	-	-	-	-	20,189,833.70	254,320	11,820,479.20	149,070	148,750	320	5	8,369,354.50	105,575	-
	NITC Taiwan Bond Fund	"	-	-	-	-	25,311,350.80	358,951	12,655,675.40	179,651	179,300	351	18	12,655,675.40	179,669	-
	Fubon chi-Hsiang Fund	"	-	-	3,904,902.90	56,833	-	-	3,904,902.90	56,994	56,833	161	-	-	-	-
	<u>Stock</u>															
	Firich Enterprise Co., Ltd. (Firich)	Available for sale financial assets - noncurrent	-	-	195,207	89,795	-	-	195,207	112,709	7,980	105,169	-	-	-	-
Advansus Corp.	Capital Income Fund	Available for sale financial assets - current	-	-	353,867.70	5,270	44,067,277.60	660,276	24,828,626.70	372,376	371,591	785	14	19,592,518.60	293,968	-
	NITC Taiwan Bond Fund	"	-	-	-	-	12,580,494.00	178,362	7,976,170.30	113,163	113,000	163	4	4,604,323.70	65,366	-
Yin Hsin Investment Co., Ltd.	<u>Stock</u>															
	Netstar Technology Co., Ltd.	Long-term equity investments	-	-	621,622	7,459	15,889,307.00	199,401	-	-	-	-	3,244	16,510,929.00	210,104	-

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 SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 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	\$ 1,509,978	43	Depending on its operating conditions	\$ -	-	\$ (477,888)	95	
	AC	Indirect subsidiary	Sale	(1,195,242)	23	60-90 days	-	-	438,230	23	
	AESC	Indirect subsidiary	Sale	(914,234)	19	Depending on its operating conditions	-	-	652,445	34	
	ACN	Indirect subsidiary	Sale	(819,452)	17	Depending on its operating conditions	-	-	355,635	19	
	Advansus Corp.	Subsidiary	Purchase	192,144	6	Depending on its operating conditions	-	-	(10,248)	2	
	AKR	Investee	Sale	(164,655)	3	60-90 days	-	-	39,795	2	
	SHHQ	Subsidiary	Sale	(217,990)	4	60-90 days	-	-	67,106	4	
	AJP	Subsidiary	Sale	(124,400)	2	60-90 days	-	-	76,766	4	
ATC	Advantech Co., Ltd.	Parent company	Sale	(1,509,978)	100	Depending on its operating conditions	-	-	477,888	98	
AC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,195,242	77	60-90 days	-	-	(438,230)	93	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	914,234	68	Depending on its operating conditions	-	-	(652,445)	87	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	819,452	78	Depending on its operating conditions	-	-	(355,635)	70	
Advansus Corp.	Advantech Co., Ltd.	Parent company	Purchase	(192,144)	74	Depending on its operating conditions	-	-	10,248	83	
AKR	Advantech Co., Ltd.	Parent company	Purchase	164,655	28	60-90 days	-	-	(39,795)	40	
SHHQ	Advantech Co., Ltd.	Ultimate parent company	Purchase	217,990	51	60-90 days	-	-	(67,106)	38	
AJP	Advantech Co., Ltd.	Parent company	Purchase	124,400	82	60-90 days	-	-	(76,766)	100	
Netstar Technology Co., Ltd.	Netstar Electronics Corporation	Subsidiary	Purchase	125,156	85	60-90 days	-	-	-	-	

Note: All significant intercompany accounts and transactions have been eliminated upon consolidation.

ADVANTECH CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 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	\$ 652,445	2.64	\$ -	-	\$ -	\$ -
	AC	Indirect subsidiary	438,230	4.64	-	-	-	-
	ACN	Indirect subsidiary	355,635	4.99	-	-	86,091	-
	AKMC	Indirect subsidiary	101,253	0.27	-	-	82,267	-
ATC	Advantech Co., Ltd.	Parent company	477,888	8.33	-	-	254,895	-

Note: All significant intercompany accounts and transactions have been eliminated upon consolidation.

TABLE 7

ADVANTECH CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SIX MONTHS ENDED JUNE 30, 2007
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 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	\$ 1,409,668	\$ 122,339	\$ 122,339	Subsidiary
	ATC	BVI	Sale of industrial automation products	427,781	427,781	13,450,000	100.00	799,397	253,442	253,442	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	500,000	500,000	50,000,000	50.00	476,007	(3,932)	(1,966)	Equity-method investee
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	289,844	303,334	21,657,430	32.38	365,846	140,374	52,114	Equity-method investee
	AEU	Helmond, the Netherlands	Investment holding company	377,298	377,298	9,415,695	98.37	332,598	8,364	8,228	Subsidiary
	Advantech Fund - A	Taipei, Taiwan	General investment	400,000	300,000	40,000,000	100.00	370,128	3,093	3,093	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	32,989	32,989	3,112,131	23.89	176,859	7,745	1,936	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	111,252	205	205	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	93,519	4,434	4,434	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	97,096	5,392	5,392	Subsidiary
	AMY	Kuala Lumpur, Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	38,681	1,799	1,799	Subsidiary
	Viewsys	Taipei, Taiwan	Sale of industrial automation products	22,000	22,000	1,100,000	100.00	24,583	11	11	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	14,630	6,487	1,946	Equity-method investee
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	-	-	-	-	-	1,617	215	Note D
	AIMS	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,553	115	115	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(6,356)	(5,321)	(5,321)	Subsidiary (Note A)
Advantech Fund - A	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	-	-	-	-	-	1,617	1,078	Note D
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,782	-	-	Indirect subsidiary
	Netstar Technology Co., Ltd.	Taipei	Production and sale of industrial automation products	206,860	7,459	16,510,929	66.04	206,180	(5,207)	1,193	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei	Telecommunications equipment and electronic parts manufacturing	10,000	-	1,000,000	50.00	10,000	-	-	Equity-method investee
ATC	AKMC	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	584,082	(2,912)	(2,912)	Indirect subsidiary
	ADMC	Guangzhou, China	Production and sale of industrial automation products	44,511	44,511	-	100.00	49,264	3,988	3,988	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 of a subsidiary
AAC (BVI)	AC	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	859,577	47,901	47,901	Indirect subsidiary
	CAN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	448,919	74,393	74,393	Indirect subsidiary
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	96,750	-	100.00	101,410	154	154	Indirect subsidiary
AEU	AESC	Helmond, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	83,693	(7,388)	(7,388)	Indirect subsidiary
	AUK	Milton Keynes, England	Sale of industrial automation products	-	13,373	-	-	-	-	-	Note C
	ABB	Roosendaal, The Netherlands	Sale of industrial automation products	-	39,565	-	-	-	-	-	Note C
	ADL (former name AEBC)	Munich, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	34,928	17,776	17,776	Indirect subsidiary
	AIT	Milano, Italy	Sale of industrial automation products	22,275	22,275	45,000	100.00	3,570	-	-	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	2,000	80.00	4,488	(2,653)	(2,122)	Indirect subsidiary
ASG	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	5,134	320	96	Indirect subsidiary
	APN	Penang, Malaysia	Sale of industrial automation products	8,181	8,181	570,570	55.00	7,799	(26)	(14)	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	3,671	(1,527)	(840)	Indirect subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 2007	Dec. 31, 2006	Shares	Percentage of Ownership	Carrying Value			
Netstar Technology Co., Ltd.	LANSONIC (BVI)	Akara Building 24DeCastro Street, Wickhams Cay I, Road fown Tortola, British Virgin Islands	General investment	\$ 101,188	\$ 93,313	3,527,529	94.83	\$ (44,200)	\$ (5,688)	\$ (5,832)	Indirect subsidiary
	Jan Hsiang Electronics Co., Ltd.	Taipei	Electronic parts and components manufacturing	14,950	14,950	1,900,000	76.00	16,781	1,820	1,383	Indirect subsidiary
	Lantech Communications Inc.	Taipei	Retail sale of electronic materials	11,595	11,595	1,159,500	77.30	(18,442)	(1,866)	(1,866)	Indirect subsidiary
	Supercom Technology Corporation	Taipei	Telecommunication equipment and electronic parts manufacturing	11,250	11,250	750,000	33.33	9,057	(2,344)	(781)	Indirect subsidiary
LANSONIC (BVI)	Netstar Electronics Corporation (Dongguan)	Guangzhou, China	Network and UPS product manufacture	HK 2,935	HK 2,935	-	100.00	(62,686)	(5,906)	(5,906)	Indirect subsidiary

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

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

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

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

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA

SIX MONTHS ENDED JUNE 30, 2007

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

Advantech Co., Ltd. (the "Company")

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 June 30, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2007	Accumulated Inward Remittance of Earnings as of June 30, 2007
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$12,000 thousand	Indirect	\$ 394,320 (US\$ 12,000 thousand)	\$ -	\$ -	\$ 394,320 (US\$ 12,000 thousand)	100%	\$ (2,912)	\$ 584,082	\$ -
Yan Hua Xng Ye Electronic (SHHQ)	Sale of industrial automation products	US\$3,000 thousand	Indirect	98,580 (US\$ 3,000 Thousand)	-	-	98,580 (US\$ 3,000 Thousand)	100%	154	101,410	-
Kunshan Timson Tech Co., Ltd.	Processes and sale of peripherals	US\$900 thousand	Indirect	8,872 (US\$ 270 thousand)	-	-	8,872 (US\$ 270 thousand)	30%	-	25,940	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$4,230 thousand	Indirect	175,210 (US\$ 5,332 thousand)	-	-	175,210 (US\$ 5,332 thousand)	100%	74,393	488,919	-
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US\$1,400 thousand	Indirect	(Note C)	-	-	(Note C)	100%	3,988	49,264	-

Accumulated Investment in Mainland China as of June 30, 2007	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$683,554 (US\$20,802 thousand) (Note D)	\$1,955,170 (US\$59,500 thousand)	\$4,174,638

Note A: The financial statements used as basis for calculating investment gain (loss) were all unreviewed, financial statements, except those of AKMC, SHHQ and ACN.

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 18 to the financial statements and Tables 2, 5 and 6.

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

Note D: 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 E: The exchange rate was US\$1.00=NT\$32.86.

(Continued)

Netstar Technology Co., Ltd.

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 June 30, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2007	Accumulated Inward Remittance of Earnings as of June 30, 2007
					Outflow	Inflow					
Netstar Electronics Corporation (Dongguan)	Production and sale of UPS, interface card driver, piezo-electric buzzer and wireless mouse	\$13,525	Note A	\$ 10,815	\$ -	\$ -	\$ 10,815	94.83%	\$ (1,347)	\$ (62,239)	\$ -

Accumulated Investment in Mainland China as of June 30, 2007	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$28,782 (Note D)	\$32,285 (US\$929)	\$81,866

Note A: Investment in China through a company incorporated overseas.

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

Note C: The related transactions are described in Table 5.

Note D: Included an outflow of US\$517 thousand on an investment in Sedlan Technology Corporation Limited ("Sedlan") which was liquidated in 2005. After it gets back its investment in Sedlan, the Company will report this investment liquidation to the MOEA for approval of the closing of this investee.

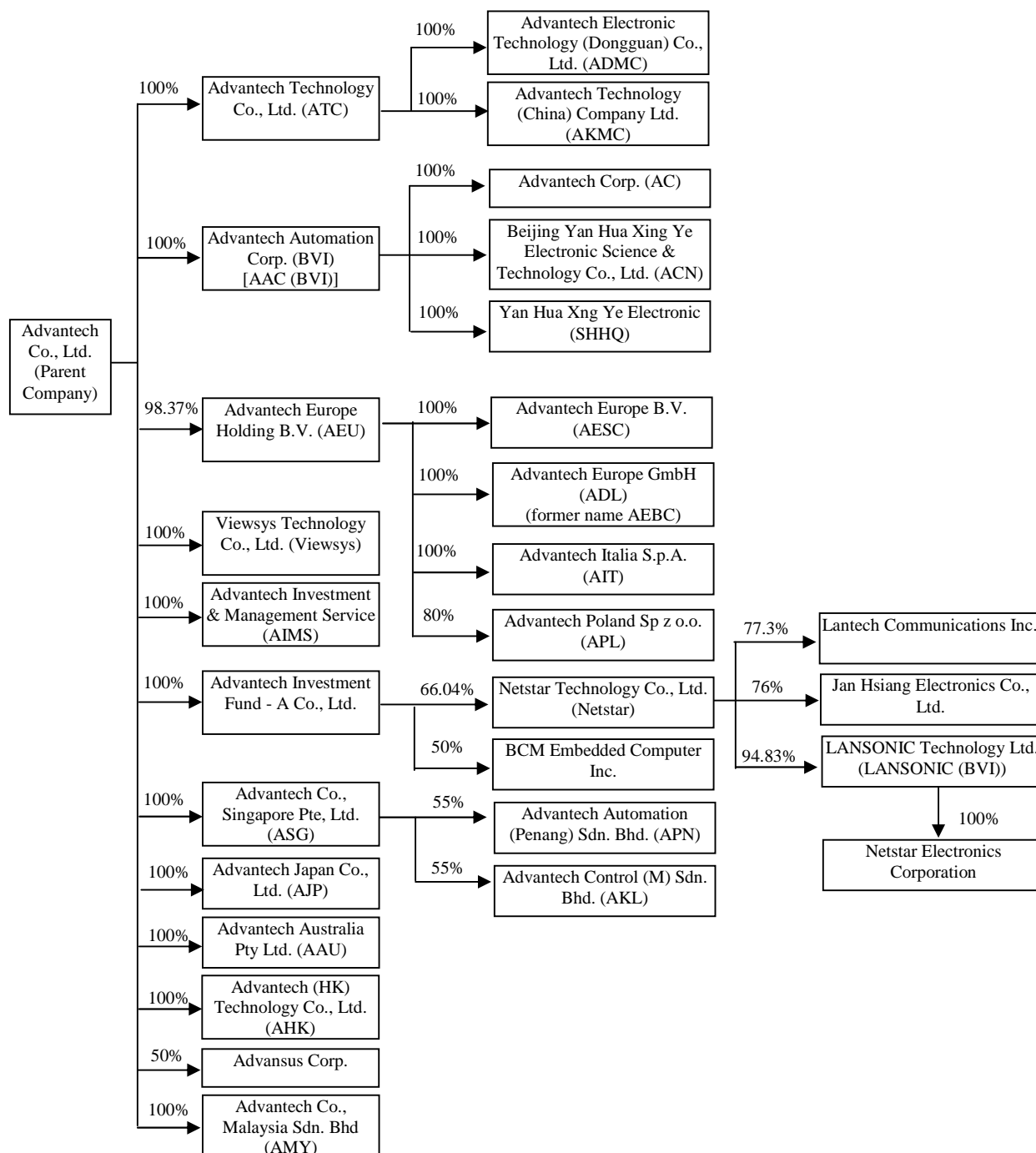
(Concluded)

TABLE 9

ADVANTECH CO., LTD. AND SUBSIDIARIES

**ORGANIZATION CHART
JUNE 30, 2007 AND 2006**

Intercompany relationships and percentages of ownership as of June 30, 2007 are shown below:

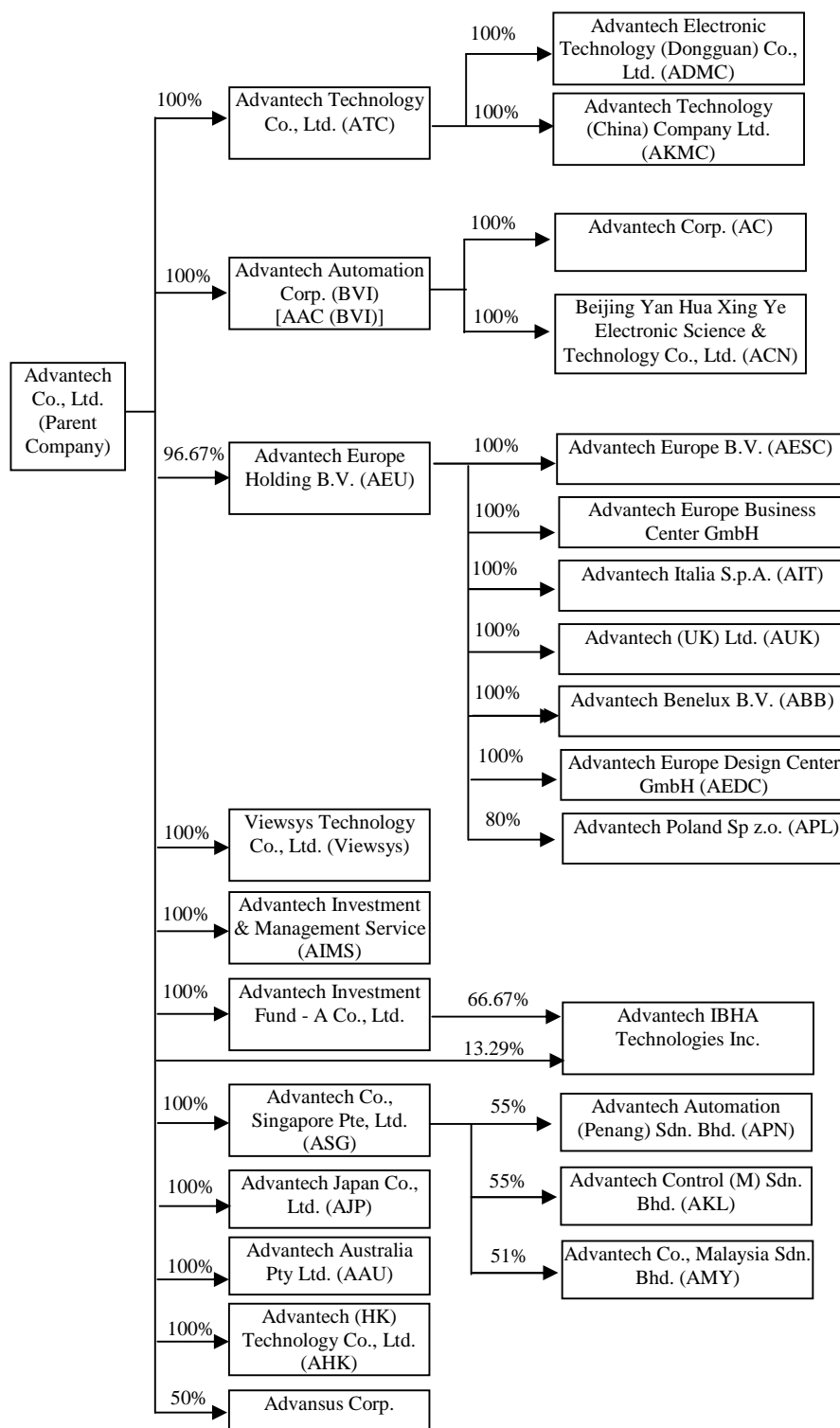


Note A: AEDC merged with ADL in 2006; ABB and AUK merged with ADL in January 2007.

Note B: Advansus Corp. and BCM Embedded Computer Inc. were consolidated using the proportionate consolidated method.

(Continued)

Intercompany relationships and percentages of ownership as of June 30, 2006 are shown below:



Note: Advansus Corp. was consolidated using the proportionate consolidated method.

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT INTERCOMPANY TRANSACTIONS

SIX MONTHS ENDED JUNE 30, 2006

(In Thousands of New Taiwan Dollars)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
0	June 30, 2007 Advantech Co., Ltd.	AC	1	Sales	\$ 1,195,242	Note E	16
		AC	1	Receivables from related parties	438,572	Note G	2
		AC	1	Purchase	10,118	Note E	-
		AC	1	Payables to related parties	7,923	Note G	-
		AESC	1	Sales	914,234	Note E	12
		AESC	1	Receivables from related parties	652,714	Note F	3
		AESC	1	Purchase	13,836	Note E	-
		AESC	1	Payables to related parties	1,000	Note F	-
		ACN	1	Sales	819,452	Note E	11
		ACN	1	Receivables from related parties	355,635	Note F	2
		ATC	1	Purchase	1,509,978	Note E	20
		ATC	1	Payables to related parties	477,888	Note F	3
		ATC	1	Royalty revenue	75,906	Note F	1
		AKMC	1	Sales	16,358	Note E	-
		AKMC	1	Receivables from related parties	115,416	Note F	1
		AAU	1	Sales	61,587	Note E	1
		AAU	1	Receivables from related parties	11,895	Note G	-
		ASG	1	Sales	53,502	Note E	1
		ASG	1	Payables to related parties	1,426	Note G	-
		ASG	1	Receivables from related parties	17,966	Note G	-
		AJP	1	Sales	124,400	Note E	2
		AJP	1	Receivables from related parties	76,955	Note G	-
		Viewsys	1	Purchase	113	Note E	-
		Viewsys	1	Payables to related parties	113	Note G	-
		Advansus Corp.	1	Sales	6,104	Note E	-
		Advansus Corp.	1	Purchase	192,144	Note E	2
		Advansus Corp.	1	Rental revenue	1,410	Note G	-
		Advansus Corp.	1	Payables to related parties	10,248	Note G	-
		AIMS	1	Rental revenue	130	Note G	-
		Advantech Fund - A	1	Rental revenue	18	Note G	-
		ADL (former name: AEBC)	1	Receivables from related parties	3,036	Note F	-
		ADL (former name: AEBC)	1	Payables to related parties	884	Note F	-
		SHHQ	1	Sales	217,990	Note E	3
		SHHQ	1	Receivables from related parties	67,106	Note F	-
AMY	1	Sales	36,075	Note E	-		
AMY	1	Receivables from related parties	22,769	Note F	-		

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AHG	1	Sales	\$ 1,521	Note E	-
		AHG	1	Receivables from related parties	682	Note F	-
		APL	1	Receivables from related parties	15,512	Note F	-
		AIT	1	Receivables from related parties	429	Note F	-
		Netstar Technology Co., Ltd.	1	Purchase	702	Note E	-
		Netstar Technology Co., Ltd.	1	Payables to related parties	1,959	Note F	-
		Jan Hsiang Electronics Co., Ltd.	1	Purchase	1,046	Note E	-
		Jan Hsiang Electronics Co., Ltd.	1	Payables to related parties	2,466	Note F	-
1	AC	Advantech Co., Ltd.	2	Payables to related parties	438,572	Note G	2
		Advantech Co., Ltd.	2	Purchase	1,195,242	Note E	16
		Advantech Co., Ltd.	2	Sales	10,118	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	7,923	Note G	-
		ASG	3	Purchase	37	Note E	-
		ASG	3	Sales	550	Note E	-
		AESC	3	Receivables from related parties	2,213	Note E	-
		AESC	3	Sales	2,284	Note E	-
		ATC	3	Receivables from related parties	443	Note F	-
		ATC	3	Sales	720	Note E	-
		AMY	3	Receivables from related parties	431	Note F	-
		AMY	3	Sales	482	Note E	-
		ASG	3	Receivables from related parties	36	Note E	-
		AAU	3	Sales	53	Note E	-
2	AESC	Advantech Co., Ltd.	2	Purchase	914,234	Note E	12
		Advantech Co., Ltd.	2	Payables to related parties	652,714	Note F	3
		Advantech Co., Ltd.	2	Sales	13,836	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,000	Note F	-
		ADL	3	Receivables from related parties	39,281	Note F	-
		ADL	3	Payables to related parties	158,155	Note E	1
		ADL	3	Commission expense	274,144	Note E	4
		ADL	3	Sales	23,094	Note E	-
		AEU	3	Receivables from related parties	38	Note E	-
		AEU	3	Receivables from related parties - financing need	11,492	Note E	-
		AEU	3	Payables to related parties - financing need	10,973	Note E	-
		AIT	3	Receivables from related parties	31,681	Note F	-
		AMY	3	Receivables from related parties	77	Note E	-
		APL	3	Receivables from related parties	11,795	Note E	-
		APL	3	Maintenance cost	17,245	Note E	-
		APL	3	Payables to related parties	3,924	Note E	-
		APL	3	Sales	2,317	Note E	-
		AC	3	Purchase	2,284	Note E	-
		AC	3	Payables to related parties	2,213	Note E	-
		ACN	3	Payables to related parties	144	Note E	-
		ACN	3	Purchase	143	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AKMC	3	Payables to related parties	\$ 784	Note E	-
		ASG	3	Purchase	450	Note E	-
		ASG	3	Payables to related parties	388	Note F	-
		ASG	3	Receivables from related parties	28	Note F	-
		Advansus Corp.	3	Payables to related parties	29	Note G	-
		Advansus Corp.	3	Purchase	27	Note E	-
3	ACN	Advantech Co., Ltd.	2	Purchase	819,452	Note E	11
		Advantech Co., Ltd.	2	Payables to related parties	355,635	Note F	2
		AESC	3	Receivables from related parties	144	Note E	-
		AESC	3	Sales	143	Note E	-
		ADMC	3	Receivables from related parties	23	Note F	-
		ADMC	3	Sales	19	Note E	-
		AJP	3	Receivables from related parties	24	Note F	-
		AJP	3	Sales	24	Note E	-
		AKMC	3	Receivables from related parties	7,606	Note F	-
		AKMC	3	Purchase	11,436	Note E	-
		AKMC	3	Payables to related parties	18,291	Note E	-
		AKMC	3	Sales	8,771	Note E	-
		ASG	3	Payables to related parties	120	Note E	-
		ASG	3	Purchase	119	Note E	-
		SHHQ	3	Purchase	68,222	Note E	1
		SHHQ	3	Payables to related parties	80,468	Note E	-
		SHHQ	3	Sales	144,828	Note E	2
		SHHQ	3	Receivables from related parties	70,636	Note E	-
4	ATC	Advantech Co., Ltd.	2	Sales	1,509,978	Note E	20
		Advantech Co., Ltd.	2	Royalty expense	75,906	Note E	1
		Advantech Co., Ltd.	2	Receivables from related parties	477,888	Note F	3
		AKMC	3	Purchase	942,629	Note E	12
		AKMC	3	Sales	1,964	Note E	-
		AKMC	3	Payables to related parties	212,510	Note F	1
		AKMC	3	Receivables from related parties	4,158	Note E	-
		ADMC	3	Purchase	242,434	Note E	3
		ADMC	3	Payables to related parties	113,882	Note F	1
		ADMC	3	Receivables from related parties	22,828	Note F	-
		AC	3	Purchase	720	Note E	-
		AC	3	Payables to related parties	443	Note E	-
5	AKMC	Advantech Co., Ltd.	2	Purchase	16,358	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	115,416	Note F	1
		ACN	3	Sales	11,436	Note E	-
		ACN	3	Receivables from related parties	18,291	Note E	-
		ACN	3	Purchase	8,771	Note E	-
		ACN	3	Payables to related parties	7,606	Note F	-
		AAU	3	Sales	200	Note F	-
		AMY	3	Sales	132	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		ASG ADMC ADMC AESC ATC ATC ATC ATC SHHQ SHHQ Advansus Corp. Advansus Corp.	3 3 3 3 3 3 3 3 3 3 3 3	Sales Receivables from related parties Sales Receivables from related parties Purchase Payables to related parties Sales Receivables from related parties Purchase Payables to related parties Payables to related parties Purchase	\$ 150 24,099 28,996 784 1,964 4,158 942,629 212,510 2,287 559 53,736 121,104	Note E Note E Note E Note E Note E Note E Note E Note F Note E Note G Note H Note E	- - - - - - 12 1 - - - - 2
6	ADMC	ATC ATC ATC ACN ACN AKMC AKMC	3 3 3 3 3 3 3	Sales Receivables from related parties Payables to related parties Payables to related parties Purchase Purchase Payables to related parties	242,434 113,882 22,828 23 19 28,996 24,099	Note E Note F Note F Note F Note E Note E Note E	3 1 - - - - -
7	APL	Advantech Co., Ltd. AESC AESC AESC AESC	2 3 3 3 3	Payables to related parties Maintenance revenue Receivables from related parties Purchase Payables to related parties	15,512 17,245 3,924 2,317 11,795	Note F Note E Note E Note E Note E	- - - - -
8	ASG	Advantech Co., Ltd. Advantech Co., Ltd. Advantech Co., Ltd. AMY AESC AESC AESC ACN ACN AC AC AC AKMC	2 2 2 3 3 3 3 3 3 3 3 3 3	Purchase Payables to related parties Receivables from related parties Receivables from related parties Payables to related parties Receivables from related parties Sales Receivables from related parties Sales Sales Purchase Payables to related parties Purchase	53,502 17,966 1,426 662 28 388 450 120 119 37 550 36 150	Note E Note G Note G Note E Note F Note F Note E Note E Note E Note E Note E Note E Note E	- - - - - - - - - - - - -
9	AJP	Advantech Co., Ltd. Advantech Co., Ltd. ACN ACN	2 2 3 3	Purchase Payables to related parties Payables to related parties Purchase	124,400 76,955 24 24	Note E Note G Note F Note E	2 - - -

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
10	AAU	Advantech Co., Ltd.	2	Purchase	\$ 61,587	Note E	1
		Advantech Co., Ltd.	2	Payables to related parties	11,895	Note G	-
		AKMC	3	Purchase	200	Note E	-
		AC	3	Purchase	53	Note E	-
11	ADL (former name: AEBC)	Advantech Co., Ltd.	2	Payables to related parties	3,036	Note F	-
		Advantech Co., Ltd.	2	Receivables from related parties	884	Note F	-
		AESC	3	Payables to related parties	39,281	Note F	-
		AESC	3	Commission revenue	274,144	Note E	4
		AESC	3	Receivables from related parties	158,155	Note E	1
		AESC	3	Purchase	23,094	Note E	-
		AEU	3	Payables to related parties	97,737	Note E	1
12	Advansus Corp.	Advantech Co., Ltd.	2	Sales	192,144	Note E	2
		Advantech Co., Ltd.	2	Rental expense	1,410	Note G	-
		Advantech Co., Ltd.	2	Receivables from related parties	10,248	Note G	-
		Advantech Co., Ltd.	2	Purchase	6,104	Note E	-
		AESC	3	Receivables from related parties	29	Note G	-
		AESC	3	Sales	27	Note E	-
		AKMC	3	Receivables from related parties	53,736	Note H	-
		AKMC	3	Sales	121,104	Note E	2
		13	Viewsys	Advantech Co., Ltd.	2	Sales	113
Advantech Co., Ltd.	2			Receivables from related parties	113	Note G	-
14	AIMS	Advantech Co., Ltd.	2	Rental expense	130	Note G	-
15	Advantech Fund - A	Advantech Co., Ltd.	2	Rental expense	18	Note G	-
16	AMY	Advantech Co., Ltd.	2	Purchase	36,075	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	22,769	Note F	-
		AKMC	3	Purchase	132	Note E	-
		AC	3	Purchase	482	Note E	-
		AC	3	Payables to related parties	431	Note F	-
		ASG	3	Payables to related parties	662	Note E	-
		AESC	3	Payables to related parties	77	Note E	-
17	AEU	AESC	3	Receivables from related parties - financing need	10,973	Note E	-
		AESC	3	Payables to related parties - financing need	11,492	Note E	-
		AESC	3	Payables to related parties	38	Note E	-
		ADL	3	Receivables from related parties	97,737	Note E	1

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
18	SHHQ	Advantech Co., Ltd.	2	Purchase	\$ 217,990	Note E	3
		Advantech Co., Ltd.	2	Payables to related parties	67,106	Note F	-
		AKMC	3	Receivables from related parties	559	Note G	-
		AKMC	3	Sales	2,287	Note E	-
		ACN	3	Sales	68,222	Note E	1
		ACN	3	Receivables from related parties	80,468	Note E	-
		ACN	3	Purchase	144,828	Note E	2
		ACN	3	Payables to related parties	70,636	Note E	-
		AHK	3	Receivables from related parties	1,554	Note G	-
19	AHG	Advantech Co., Ltd.	2	Purchase	1,521	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	682	Note F	-
20	AIT	Advantech Co., Ltd.	2	Payables to related parties	429	Note F	-
		AESC	3	Payables to related parties	31,681	Note F	-
21	Netstar Technology Co., Ltd.	Advantech Co., Ltd.	2	Sales	702	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,959	Note F	-
		Netstar Electronics Co., Ltd.	3	Purchase	136,542	Note I	2
		Netstar Electronics Co., Ltd.	3	Receivables from related parties	117,419	Note F	1
		Lantech Communications Inc.	3	Purchase	15,407	Note I	-
		Lantech Communications Inc.	3	Receivables from related parties	23,877	Note F	-
22	Jan Hsiang Electronics Co., Ltd.	Advantech Co., Ltd.	2	Sales	1,046	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	2,466	Note F	-
23	Netstar Electronics Co., Ltd.	Netstar Technology Co., Ltd.	3	Sales	136,542	Note I	2
		Netstar Technology Co., Ltd.	3	Payables to related parties	117,419	Note F	1
24	Lantech Communications Inc.	Netstar Technology Co., Ltd.	3	Sales	15,407	Note I	-
		Netstar Technology Co., Ltd.	3	Payables to related parties	23,877	Note F	-
25	AHK	SHHQ	3	Payables to related parties	1,554	Note G	-

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
0	<u>June 30, 2006</u> Advantech Co., Ltd.	ACN	1	Sales	\$ 657,386	Note E	9
		ACN	1	Receivables from related parties	441,732	Note F	3
		ATC	1	Purchase	1,306,769	Note E	18
		ATC	1	Payables to related parties	490,279	Note F	3
		ATC	1	Receivables from related parties	248,999	Note F	2
		AC	1	Sales	1,253,261	Note E	18
		AC	1	Receivables from related parties	494,469	Note G	3
		AESC	1	Sales	870,088	Note E	12
		AESC	1	Receivables from related parties	647,242	Note F	4
		AKMC	1	Sales	50,525	Note E	1
		AKMC	1	Receivables from related parties	97,215	Note F	1
		APN	1	Sales	24,320	Note E	-
		APN	1	Receivables from related parties	15,691	Note F	-
		AAU	1	Receivables from related parties	16,257	Note G	-
		AAU	1	Sales	65,134	Note E	1
		ABR	1	Sales	11,797	Note E	-
		ASG	1	Sales	89,698	Note E	1
		ASG	1	Receivables from related parties	26,696	Note G	-
		AJP	1	Sales	193,314	Note E	3
		AJP	1	Receivables from related parties	87,372	Note G	1
		Advantech IBHA	1	Payables to related parties	14,589	Note F	-
		AKL	1	Sales	8,737	Note E	-
		AKL	1	Receivables from related parties	5,859	Note F	-
		Viewsys	1	Sales	6,307	Note E	-
		Viewsys	1	Purchase	1,953	Note E	-
		Viewsys	1	Administrative revenue	360	Note G	-
		Viewsys	1	Receivables from related parties	2,033	Note G	-
		Advansus Corp.	1	Purchase	12,524	Note E	-
		Advansus Corp.	1	Rental revenues	103	Note G	-
		Advansus Corp.	1	Receivables from related parties	119	Note G	-
Advansus Corp.	1	Payables to related parties	13,085	Note G	-		
AIMS	1	Rental revenues	30	Note G	-		
Advantech Fund - A	1	Rental revenues	18	Note G	-		
1	ACN	Advantech Co., Ltd.	2	Purchase	657,386	Note E	9
		Advantech Co., Ltd.	2	Payables to related parties	441,732	Note F	3
		AKMC	3	Purchase	238,954	Note E	3
		AKMC	3	Receivables from related parties	105,980	Note E	1
		AKMC	3	Payables to related parties	57,960	Note E	-
		AKMC	3	Sales	76,727	Note E	1
2	ATC	Advantech Co., Ltd.	2	Sales	1,306,769	Note E	18
		Advantech Co., Ltd.	2	Payables to related parties	248,999	Note F	2
		Advantech Co., Ltd.	2	Receivables from related parties	490,279	Note F	3
		AKMC	3	Sales	7,735	Note E	-
		AKMC	3	Purchase	744,738	Note E	10

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AKMC	3	Payables to related parties	\$ 277,059	Note F	2
		AC	3	Purchase	602	Note E	-
		ADMC	3	Purchase	218,965	Note E	3
		ADMC	3	Payables to related parties	75,551	Note E	-
3	AESC	Advantech Co., Ltd.	2	Purchase	870,088	Note E	12
		Advantech Co., Ltd.	2	Payables to related parties	647,242	Note F	4
		AUK	3	Commission expense	14,960	Note E	-
		AUK	3	Sales	4,144	Note E	-
		ABB	3	Sales	5,644	Note E	-
		ABB	3	Commission expense	47,833	Note E	1
		AEBC	3	Sales	26,222	Note E	-
		AEBC	3	Commission expense	138,352	Note E	2
		AEDC	3	Commission expense	7,851	Note E	-
		APL	3	Commission expense	6,344	Note E	-
		AC	3	Payables to related parties	200	Note E	-
		AC	3	Purchase	683	Note E	-
4	AKMC	Advantech Co., Ltd.	2	Purchase	50,252	Note E	1
		Advantech Co., Ltd.	2	Payables to related parties	97,215	Note F	1
		ACN	3	Purchase	76,727	Note E	1
		ACN	3	Sales	238,954	Note E	3
		ACN	3	Receivables from related parties	57,960	Note F	-
		ACN	3	Payables to related parties	105,980	Note F	1
		ATC	3	Purchase	7,735	Note E	-
		ATC	3	Sales	744,738	Note E	10
		ATC	3	Receivables from related parties	277,059	Note F	2
		ADMC	3	Sales	23,506	Note E	-
		ADMC	3	Purchase	542	Note E	-
		ADMC	3	Payables to related parties	517	Note F	-
		ADMC	3	Receivables from related parties	13,187	Note F	-
5	AC	Advantech Co., Ltd.	2	Payables to related parties	494,469	Note F	3
		Advantech Co., Ltd.	2	Purchase	1,253,261	Note E	18
		ASG	3	Sales	786	Note E	-
		APN	2	Sales	580	Note E	-
		AESC	3	Sales	683	Note E	-
		ATC	3	Sales	602	Note E	-
		AESC	3	Receivables from related parties	200	Note F	-
6	ADMC	ATC	3	Sales	218,965	Note E	3
		ATC	3	Receivables from related parties	75,551	Note F	-
		AKMC	3	Sales	542	Note E	-
		AKMC	3	Purchase	23,506	Note E	-
		AKMC	3	Payables to related parties	13,187	Note F	-
		AKMC	3	Receivables from related parties	517	Note F	-

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
7	AEDC	AESC	3	Commission revenue	\$ 7,851	Note E	-
8	APL	AESC	3	Commission revenue	6,344	Note E	-
9	APN	Advantech Co., Ltd.	2	Purchase	24,320	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	15,691	Note F	-
		AMY	3	Sales	4,609	Note E	-
		ASG	3	Purchase	28	Note E	-
		AKL	3	Purchase	6	Note E	-
10	ASG	Advantech Co., Ltd.	2	Purchase	89,698	Note E	1
		Advantech Co., Ltd.	2	Payables to related parties	26,696	Note G	-
		AMY	3	Sales	263	Note E	-
		AMY	3	Receivables from related parties	259	Note F	-
		APN	3	Sales	28	Note E	-
		AC	3	Purchase	786	Note E	-
11	AJP	Advantech Co., Ltd.	2	Purchase	193,314	Note E	3
		Advantech Co., Ltd.	2	Payables to related parties	87,372	Note G	1
12	AAU	Advantech Co., Ltd.	2	Purchase	65,134	Note E	1
		Advantech Co., Ltd.	2	Payables to related parties	16,257	Note G	-
13	ABR	Advantech Co., Ltd.	2	Purchase	11,797	Note E	-
14	AEBC	AESC	3	Commission revenue	138,352	Note E	2
		AESC	3	Purchase	26,222	Note E	-
15	Advantech IBHA	Advantech Co., Ltd.	2	Receivables from related parties	14,589	Note F	-
16	AUK	AESC	3	Purchase	4,144	Note E	-
		AESC	3	Commission revenue	14,960	Note E	-
17	ABB	AESC	3	Purchase	5,644	Note E	-
		AESC	3	Commission revenue	47,833	Note E	1
18	Advansus Corp.	Advantech Co., Ltd.	2	Sales	12,524	Note E	-
		Advantech Co., Ltd.	2	Rental expense	103	Note G	-
		Advantech Co., Ltd.	2	Payables to related parties	119	Note G	-
		Advantech Co., Ltd.	2	Receivables from related parties	13,085	Note G	-
19	AKL	Advantech Co., Ltd.	2	Purchase	8,773	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	5,859	Note F	-
		APN	3	Sales	6	Note E	-
		AMY	3	Sales	2,266	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
20	Viewsys Technology Co., Ltd.	Advantech Co., Ltd.	2	Purchase	\$ 6,307	Note E	-
		Advantech Co., Ltd.	2	Sales	1,953	Note E	-
		Advantech Co., Ltd.	2	Administrative expense	360	Note G	-
		Advantech Co., Ltd.	2	Payables to related parties	2,033	Note G	-
21	AIMS	Advantech Co., Ltd.	2	Rental expense	30	Note G	-
22	Advantech Fund - A	Advantech Co., Ltd.	2	Rental expense	18	Note G	-
23	AMY	ASG	3	Purchase	263	Note E	-
		ASG	3	Payables to related parties	259	Note F	-
		APN	3	Purchase	4,609	Note E	-
		AKL	3	Purchase	2,266	Note E	-

Note A: Significant transactions between Parent Company and its subsidiaries or among subsidiaries are numbered as follows:

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

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

1. Advantech Co., Ltd. to its subsidiaries.
2. Subsidiaries to its Parent Company, Advantech Co., Ltd.
3. Among Advantech Co., Ltd. subsidiaries.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of June 30, 2007 and 2006, respectively; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended June 30, 2007 and 2006, respectively.

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

Note E: Normal.

Note F: Depending on its operating condition.

Note G: 60-90 days.

Note H: 30 days.

Note I: Not similar assets comparable.

(Concluded)