Advantech Co., Ltd.

Financial Statements for the
Nine Months Ended September 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 balance sheets of Advantech Co., Ltd. as of September 30, 2007 and 2006 and the related statements of income and cash flows for the nine months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our 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 8 to the financial statements, Advantech Co., Ltd. had investments accounted for by the equity method. As of September 30, 2007 and 2006, these investments had carrying values of NT$4,644,398 thousand and NT$3,603,250 thousand, respectively. As of September 30, 2007 and 2006, the credit balances on the carrying values of equity-method investees were NT$12,672 thousand and NT$961 thousand, respectively. The foregoing investment amounts and the net investment gains of NT$645,733 thousand and NT$794,037 thousand in the nine months ended September 30, 2007 and 2006, respectively, as well as additional disclosures in Note 20 required by the Securities and Futures Bureau for the Company and its investees, were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

Based on our reviews, except for any adjustments that might have been determined to be necessary had the above equity-method investment amounts been based on the investees' reviewed financial statements, we are not aware of any material modifications that should be made to the financial statements of Advantech Co., Ltd. as of and for the nine months ended September 30, 2007 and 2006 for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As 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.

October 17, 2007

Notice to Readers

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

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

ADVANTECH CO., LTD.

BALANCE SHEETS
SEPTEMBER 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2007		2006	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 658,428	4	$ 856,674	6
Financial assets at fair value through profit or loss - current (Notes 2, 3, 5 and 19)	1,302	-	-	-
Available-for-sale financial assets - current (Notes 2, 3, 6 and 19)	257,804	2	1,300,115	9
Notes receivable (Note 2)	51,702	-	50,938	-
Accounts receivable, net of allowance for doubtful accounts of $9,869 thousand in 2007 and $10,481 thousand in 2006 (Note 2)	497,354	3	623,125	4
Receivables from related parties (Notes 2 and 16)	1,876,161	12	1,951,686	13
Other receivable from related parties (Note 6)	73,752	1	204,379	1
Tax refund receivable	37,248	-	150,310	1
Inventories, net (Notes 2 and 7)	1,165,590	7	1,306,347	9
Deferred income tax assets - current (Notes 2 and 13)	47,986	-	53,081	-
Prepayments and other current assets	77,565	1	25,776	-
Total current assets	4,744,892	30	6,522,431	43
LONG-TERM FUNDS AND INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2, 3, 6 and 19)	4,532,485	28	3,459,042	23
Investments accounted for by the equity method (Notes 2 and 8)	4,644,398	29	3,603,250	23
Total long-term funds and investments	9,176,883	57	7,062,292	46
PROPERTIES (Notes 2, 9 and 18)				
Cost				
Land	640,472	4	640,472	4
Buildings and equipment	844,911	5	844,912	5
Machinery and equipment	343,945	2	302,030	2
Furniture and fixtures	100,261	1	93,888	1
Miscellaneous equipment	159,360	1	146,375	1
Total cost	2,088,949	13	2,027,677	13
Accumulated depreciation	459,027	3	426,361	3
	1,629,922	10	1,601,316	10
Construction-in-progress and prepayments for equipment	315,785	2	5,535	-
Net properties	1,945,707	12	1,606,851	10
OTHER ASSETS				
Refundable deposits	12,098	-	10,201	-
Deferred expenses, net (Note 2)	119,961	1	123,620	1
Restricted assets - noncurrent (Note 17)	1,600	-	1,600	-
Total other assets	133,659	1	135,421	1
TOTAL	$ 16,001,141	100	$ 15,326,995	100

	2007		2006	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 19)	$ 3,011	-	$ -	-
Accounts payable	625,790	4	733,390	5
Payables to related parties (Note 16)	614,790	4	564,213	4
Income tax payable (Notes 2 and 13)	29,310	-	88,374	1
Accrued expenses	262,722	1	285,739	2
Payables for acquisition of treasury stock (Note 12)	106,460	1	-	-
Dividend payable and employee bonus payable (Note 11)	267,783	2	232,968	1
Other current liabilities	79,222	-	44,564	-
Total current liabilities	1,989,088	12	1,949,248	13
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 10)	110,276	1	110,964	1
Deferred income tax liabilities - noncurrent (Notes 2 and 13)	255,400	2	116,437	1
Deferred income (Note 2)	225,695	1	248,438	1
Others (Notes 2 and 8)	12,672	-	1,240	-
Total other liabilities	604,043	4	477,079	3
Total liabilities	2,593,131	16	2,426,327	16
SHAREHOLDERS' EQUITY				
Capital stock, NT$10.00 par value				
Authorized - 600,000 thousand shares				
Issued - 491,227 thousand shares in 2007 and 463,365 thousand shares in 2006	4,912,270	31	4,633,645	30
Capital surplus				
Additional paid-in capital	4,370,563	27	4,356,071	29
From long-term equity investments	62,014	1	57,583	-
Total capital surplus	4,432,577	28	4,413,654	29
Retained earnings				
Legal reserve	1,378,115	9	1,086,326	7
Unappropriated earnings	2,802,373	17	2,662,593	17
Total retained earnings	4,180,488	26	3,748,919	24
Others				
Cumulative translation adjustments	201,193	1	120,144	1
Unrealized gain (loss) on financial instruments	1,067,467	7	(15,694)	-
Treasury stock - 14,500 thousand shares	(1,385,985)	(9)	-	-
Total others	(117,325)	(1)	104,450	1
Total shareholders' equity (Notes 2, 11 and 12)	13,408,010	84	12,900,668	84
TOTAL	$ 16,001,141	100	$ 15,326,995	100

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

(With Deloitte & Touche review report dated October 17, 2007)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 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 16)				
Sales	$ 8,180,553	100	$ 7,829,165	100
Sales returns and allowances	100,026	1	58,981	1
Net sales	8,080,527	99	7,770,184	99
Other operating revenues	94,228	1	68,020	1
Total operating revenues	8,174,755	100	7,838,204	100
OPERATING COSTS (Notes 14 and 16)	5,735,259	70	5,474,768	70
GROSS PROFIT	2,439,496	30	2,363,436	30
REALIZED PROFITS ON INTERCOMPANY SALES (Note 2)	47,135	-	14,695	-
ADJUSTED GROSS PROFIT	2,486,631	30	2,378,131	30
OPERATING EXPENSES (Note 14)				
Marketing	216,437	3	203,832	3
Administration	270,238	3	237,393	3
Research and development	594,562	7	436,632	5
Total operating expenses	1,081,237	13	877,857	11
OPERATING INCOME	1,405,394	17	1,500,274	19
NONOPERATING INCOME AND GAINS				
Interest income	21,544	-	19,118	-
Investment income recognized under the equity method, net (Notes 2 and 8)	645,733	8	794,037	10
Dividend income	65,218	1	39,868	1
Gain on sale of investments, net	213,638	3	92,939	1
Foreign exchange gain, net (Note 2)	71,125	1	93,459	1
Reversal of provision for losses on inventories (Note 2)	43,727	1	-	-
Valuation gain on financial assets, net (Notes 2 and 5)	17,661	-	7,495	-
Royalty revenue (Note 16)	119,612	1	103,791	1
Other income (Notes 3 and 16)	11,329	-	32,737	1
Total nonoperating income and gains	1,209,587	15	1,183,444	15

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ADVANTECH CO., LTD.

STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 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				
Loss on disposal of scrap inventories	$ 108,849	1	$ 31,128	-
Provision for loss on inventories (Note 2)	-	-	51,173	1
Valuation loss on financial liabilities, net (Notes 2 and 5)	5,418	-	11,557	-
Other expenses	1,419	-	1,552	-
Total nonoperating expenses and losses	115,686	1	95,410	1
INCOME BEFORE INCOME TAX	2,499,295	31	2,588,308	33
INCOME TAX (Notes 2 and 13)	284,608	4	262,594	3
NET INCOME	$ 2,214,687	27	$ 2,325,714	30

	2007		2006	
	Pretax	**After-tax**	**Pretax**	**After-tax**
EARNINGS PER SHARE (Note 15)				
Basic	$ 5.10	$ 4.52	$ 5.28	$ 4.74
Diluted	$ 5.09	$ 4.51	$ 5.27	$ 4.73

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

(With Deloitte & Touche review report dated October 17, 2007) (Concluded)

ADVANTECH CO., LTD.

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

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,214,687	$ 2,325,714
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	103,053	77,738
Provision (reversal of allowance) for bad debts	(523)	836
Provision (reversal of allowance) for loss on inventories	(43,727)	51,173
Loss on disposal of scrap inventories	108,849	31,128
Gain on disposal of long-term equity investments, net	(87,704)	(74,439)
Gain on the sale of available-for-sale financial assets, net	(125,934)	(18,500)
Loss (gain) on disposal of properties, net	82	(82)
Investment income recognized under the equity method, net	(645,733)	(794,037)
Cash dividends from equity-method investees	185,530	724,897
Accrued pension liabilities	(688)	16
Deferred income taxes	115,683	21,910
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	1,169	(489)
Notes receivable	(1,465)	47,369
Accounts receivable	(15,298)	(222,126)
Receivables from related parties	106,277	(533,933)
Other receivable from related parties	(2,595)	17,727
Tax refund receivable	177	(18,063)
Inventories	(52,305)	(167,824)
Prepayments and other current assets	(36,118)	(14,279)
Accounts payable	82,999	33,376
Payables to related parties	359,711	43,008
Income tax payable	(108,573)	31,503
Accrued expenses	52,155	19,616
Other current liabilities	32,784	17,712
Deferred income	(47,135)	(14,697)
Net cash provided by operating activities	2,195,358	1,585,254
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(8,415,534)	(7,815,552)
Proceeds of the disposal of available-for-sale financial assets	9,373,526	7,964,360
Acquisition of investments accounted for by the equity method	(266,582)	(547,507)
Proceeds of the disposal of equity-method investments	120,363	12,782
Proceeds of the disposal of properties	124	100

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ADVANTECH CO., LTD.

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

	2007	2006
Acquisition of properties	$ (387,328)	$ (61,290)
Decrease in certificates of deposit - pledged	-	2,500
Increase in deferred expense	(28,745)	(3,941)
Decrease (increase) in refundable deposits	495	(2,716)
Net cash provided by (used in) investing activities	396,319	(451,264)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits received	-	(948)
Employee stock option	12,165	9,918
Cash bonus to employees and remuneration to directors and supervisors	(122,859)	(109,770)
Cash paid for acquisition of treasury stock	(1,279,525)	-
Cash dividends	(1,854,598)	(1,795,841)
Net cash used in financing activities	(3,244,817)	(1,896,641)
NET DECREASE IN CASH	(653,140)	(762,651)
CASH, BEGINNING OF PERIOD	1,311,568	1,619,325
CASH, END OF PERIOD	$ 658,428	$ 856,674
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Income tax paid	$ 277,498	$ 209,181
NONCASH INVESTING AND FINANCING ACTIVITIES		
Remuneration to directors and supervisors and bonus to employees payable	$ 138,048	$ 142,270
Payables for acquisition of treasury stock	$ 106,460	$ -
Dividends receivable from equity-method investees	$ 52,130	$ 199,984
Credit balances on carrying values of investments recorded as part of other liabilities	$ 12,672	$ 961
Reclassification of properties leased to others into properties	$ -	$ 21,344
Conversion of bonds into capital stock and capital surplus	$ -	$ 10,513

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

(With Deloitte & Touche review report dated October 17, 2007) (Concluded)

1. ORGANIZATION AND OPERATIONS

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

As of September 30, 2007 and 2006, the Company had 1,272 and 1,090 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, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. Under these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the allowance for doubtful accounts, provision for loss on inventories, depreciation of properties, pension cost, product warranty reserve and income tax. Actual results could differ from these estimates.

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

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

Current and Noncurrent Assets and Liabilities

Current assets include cash (unrestricted), financial assets held for trading and other assets consumed or used up within one year from the balance sheet date. All other assets such as property, plant and equipment are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Financial Assets/Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss ("FVTPL") include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to issue of initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

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

Available-for-sale Financial Assets

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

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

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

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

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

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

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

Inventories

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

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

Long-term Equity Investments

Investments in shares of stock of companies in which the Company owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Stock investments accounted for by the equity method are initially carried at cost and subsequently adjusted for the Company's proportionate share in the investees' earnings or losses and changes in capital surplus. Investment income (or loss) is recognized whenever the investees recognize income (or loss). Cash dividends received are recognized as a reduction of the carrying value of the investments. If the equity in losses recognized exceeds the original investment acquisition costs plus any advance given to an equity-method investee, the excess losses should be recognized proportionately and is recorded as part of other liabilities. The difference between the cost of the investment and the Company's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted, is amortized over five years. Effective January 1, 2006, under the revised Statement of Financial Accounting Standards No.5, - "Long-term Investments in Equity Securities," investment premiums, representing goodwill, are no longer being amortized, but the Company needs to make asset impairment tests regularly. And if there are indications that the goodwill is probably impaired, the Company also needs to make an impairment test. If the net fair value of an asset exceed its investment cost, the difference will be credited to depend on the proportion of noncurrent asset's (not include non-equity-method financial asset, dispose asset waiting for sale, differ tax asset and prepay pension cost or other pension pay) fair value. If the fair value of a noncurrent asset is not enough for crediting purposes, it will recognize as extraordinary gain. The accounting treatment for the investment premiums paid before January 1, 2006 is the same as that for goodwill, which should no longer be amortized, but investment discounts continue to be amortized over the remaining periods.

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

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

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

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

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

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 still being used by the Company beyond their initially estimated service lives are depreciated over their newly estimated service lives.

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

Deferred Expenses

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

Assets Impairment

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

Pension Costs

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

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

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

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

Convertible Bonds

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

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

Treasury Stock

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

Income Tax

The Company uses inter-period allocation to account for income tax. Deferred tax assets are recognized for the tax effects of deductible temporary differences 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 are recognized in the current year.

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

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

Foreign-currency Transactions

Nonderivative foreign-currency transactions are recorded in New Taiwan dollars at the spot rates of exchange in effect when the transactions occur.

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

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

Reclassifications

Certain accounts in the financial statements as of and for the nine months ended September 30, 2006 have been reclassified to be consistent with the presentation of financial statements as of and for the nine months ended September 30, 2007.

3. ACCOUNTING CHANGES

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

The effects of the accounting changes are summarized as follows:

Reclassification of financial assets and liabilities

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

The adjustments based on the accounting changes are summarized as follows:

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

Note: Included in nonoperating income and gains - other.

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

Change in accounting treatment for goodwill

Effective January 1, 2006, the Company adopted the newly revised SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities" and SFAS No. 25 - "Business Combinations - Accounting Treatment Under Purchase Method", which prescribe that investment premiums, representing goodwill, be assessed for impairment at least annually instead of being amortized. This accounting change had no cumulative effect on the financial statements but resulted in increases of NT$38,789 thousand in net income and of NT$0.08 basic earnings per share after tax for the nine months ended September 30, 2006.

4. CASH AND CASH EQUIVALENTS

	September 30 2007	September 30 2006
Cash on hand	$ 1,558	$ 1,547
Checking and demand deposits	106,324	142,122
Time deposits: Interest - 1.84%-4.45% in 2007 and 1.40%-5.11% in 2006	550,546	713,005
	$ 658,428	$ 856,674

On September 30, 2006, deposits overseas were as follow: (As of September 30, 2007: None)

	September 30, 2006
Hong Kong (US$277 and HK$136 in 2006)	$ 10

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Information about trading assets or liabilities of the Company are shown as follows: (As of September 30, 2006: None)

	September 30, 2007
Financial assets resulted from trading	
Forward contracts	$ 1,302
Financial assets resulted from trading	
Forward contracts	$ 3,011

On September 30, 2007, information about outstanding forward contracts is shown as follows:

September 30. 2007	Currency	Maturity	Amount (Thousand)
Sell	USD/NTD	October 2007	USD3,000/NTD98,691
	EUR/USD	October - November 2007	EUR5,000/USD7,007
	JPY/USD	October - December 2007	JPY200,000/USD1,759

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

Net gains (losses) arising from trading financial assets or liabilities for the nine months ended September 30, 2007 and 2006 were net gains $12,243 thousand and net losses $4,062 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30			
	2007		2006	
	Current	Noncurrent	Current	Noncurrent
Mutual funds	$ 257,804	$ -	$ 1,300,115	$ -
Publicly traded stocks				
ASUSTEK Computer Inc.	-	4,532,485	-	3,395,600
Firich Enterprise Co., Ltd.	-	-	-	63,442
	$ 257,804	$ 4,532,485	$ 1,300,115	$ 3,459,042

7. INVENTORIES, NET

	September 30	
	2007	2006
Finished goods	$ 380,395	$ 382,118
Work in process	408,416	477,699
Materials and supplies	510,918	591,629
Inventories in transit	14,544	9,104
	1,314,273	1,460,550
Allowance for losses	(148,683)	(154,203)
	$ 1,165,590	$ 1,306,347

8. LONG-TERM EQUITY INVESTMENTS

	September 30			
	2007		2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Listed				
Axiomtek Co., Ltd.	$ 383,500	29.97	$ 397,876	33.30
Unlisted				
Advantech Automation Corp. (BVI)	1,501,666	100.00	1,151,689	100.00
Advantech Technology Co., Ltd.	885,961	100.00	487,227	100.00
Advansus Corp.	463,821	50.00	490,436	50.00
Advantech Investment Fund-A Co., Ltd.	454,687	100.00	259,418	100.00
Advantech Europe Holding B.V.	330,902	99.22	310,832	98.37
Advantech Technologies Co., Ltd.	180,595	23.89	176,548	23.89
Advantech Co. Singapore Pte, Ltd.	112,264	100.00	104,839	100.00
Advantech Australia Pty Ltd.	106,345	100.00	78,432	100.00
Advantech Japan Co., Ltd.	98,726	100.00	93,296	100.00
Advantech (Yanshun) Holding Co., Ltd.	54,711	100.00	-	-
Advantech Co., Malaysia Sdn. Bhd.	39,805	100.00	-	-
Advantech Hungary Ltd.	14,522	30.00	12,786	30.00

(Continued)

	September 30			
	2007		2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Viewsys Technology Co., Ltd.	11,271	100.00	22,604	100.00
Advantech Investment & Management Service	5,622	100.00	5,361	100.00
Advantech IBHA Technologies Inc.	-	-	11,906	13.29
Advantech (H.K.) Technology Co., Ltd.	-	100.00	-	100.00
	4,260,898		3,205,374	
Long-term stock investments accounted for by the equity method	$ 4,644,398		$ 3,603,250	

(Concluded)

The calculation of the investment carrying value and the Company's equity in the equity-method investees' net income was based on the investees' unreviewed financial statements as of and for the nine months ended September 30, 2007 and 2006.

The combined ownership of the Company and its subsidiaries in Advantech IBHA Technologies Inc. ("Advantech IBHA") exceeds 20% of Advantech IBHA's outstanding common stock as of September 30, 2006. Thus, the investment in Advantech IBHA was accounted for by the equity method.

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

The combined ownership of the Company and its subsidiaries in Advantech IBHA Technologies Inc. ("Advantech IBHA") exceeded 20% of Advantech IBHA's outstanding common stock as of June 30, 2006. Thus, the investment in Advantech IBHA was accounted for by the equity method.

The Company intended to support the operations of Advantech (H.K.) Technology Co., Ltd. in the nine months ended September 30, 2007 and 2006. Under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities" of the Republic of China, if the equity in losses recognized exceeds the original investment acquisition costs plus any advances given to the investee, the Company recognizes its investee's total losses unless other investors commit to assume, and can assume, a portion of the losses. As of September 30, 2007 and 2006, there were credit balances on this investment of $12,672 thousand and $961 thousand, respectively, included in other liability - miscellaneous.

The market value of the listed stock of the equity investment's market values, which was calculated on the basis of the closing price of September 30, 2007 and 2006 were $1,501,675 thousand and $1,022,527 thousand.

9. PROPERTIES AND PROPERTIES LEASED OF OTHERS

Statement of changes in properties was as follows:

	Nine Months Ended September 30, 2007				
	Beginning Balance	**Acquisition**	**Disposal**	**Re-classification**	**Ending Balance**
Properties					
Cost					
Land	$ 640,472	$ -	$ -	$ -	$ 640,472
Buildings and equipment	844,911	-	-	-	844,911
Machinery and equipment	298,347	41,271	5,434	9,761	343,945
Furniture and fixtures	90,573	10,233	745	200	100,261
Miscellaneous equipment	135,917	22,517	3,022	3,948	159,360
	2,010,220	$ 74,021	$ 9,201	$ 13,909	2,088,949
Accumulated depreciation					
Buildings and equipment	102,367	$ 12,397	$ -	$ -	114,764
Machinery and equipment	183,395	30,031	5,334	(1)	208,091
Furniture and fixtures	42,099	14,168	639	(9)	55,619
Miscellaneous equipment	65,096	18,469	3,022	10	80,553
	392,957	$ 75,065	$ 8,995	$ -	459,027
	1,617,263				1,629,922
Prepayments for equipment	16,387	$ 313,307	$ -	$ (13,909)	315,785
	$ 1,633,650				$ 1,945,707

	Nine Months Ended September 30, 2006				
	Beginning Balance	**Acquisition**	**Disposal**	**Re-classification**	**Ending Balance**
Properties					
Cost					
Land	$ 624,779	$ -	$ -	$ 15,693	$ 640,472
Buildings and equipment	837,848	-	-	7,063	844,911
Machinery and Equipment	281,554	15,937	2,381	6,920	302,030
Furniture and fixtures	77,108	16,868	88	-	93,888
Miscellaneous Equipment	130,880	12,934	87	2,649	146,376
	1,952,169	$ 45,739	$ 2,556	$ 32,325	2,027,677
Accumulated depreciation					
Buildings and equipment	84,425	$ 12,397	$ -	$ 1,412	98,234
Machinery and Equipment	170,114	26,615	2,381	-	198,348
Furniture and fixtures	43,451	10,667	70	-	54,048
Miscellaneous equipment	67,377	12,445	91	-	79,731
	365,367	$ 62,124	$ 2,542	$ 1,412	426,361
	1,586,802				1,601,316
Prepayments for equipment	11,816	$ 15,551	$ -	$ (21,832)	5,535
	$ 1,598,618				$ 1,606,851

(Continued)

	Nine Months Ended September 30, 2006				
	Beginning Balance	Acquisition	Disposal	Re-classification	Ending Balance
Properties leased to others					
Cost					
Land	$ 15,693	$ -	$ -	$ (15,693)	$ -
Buildings and equipment	7,063	-	-	(7,063)	-
	22,756	$ -	$ -	(22,756)	-
Accumulated depreciation	1,412	$ -	$ -	(1,412)	-
	$ 21,344			$ (21,344)	$ -

(Concluded)

10. PENSION PLAN

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

Under the Act, the Company has a defined contribution pension plan. Since July 1, 2005, the Company has made monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries and wages. The pension cost under the defined contribution loan was NT$34,300 thousand and NT$28,267 thousand for the nine months ended September 30, 2007 and 2006, respectively.

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

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

The pension costs under the defined benefit pension plan were $2,644 thousand and $780 thousand for the nine months ended September 30, 2007 and 2006, respectively. The Pension Fund Status as of September 30, 2007 and 2006 were $78,658 thousand and $73,204, respectively.

11. SHAREHOLDERS' EQUITY

Appropriation of Earnings and Dividend Policys

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

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

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

b. 1% as remuneration to directors and supervisors.

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

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

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

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

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

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

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

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

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 Company is applying for the revised license from the MOEA.

Because of bond conversion, the Company's capital stock and capital surplus due to issue of stock in excess of par value increased 2,100 thousand and 8,413 thousand for the nine months ended September 30, 2006, respectively.

Employees Stock Option Plans

On April 1, 2003, the Securities and Futures Bureau approved the Company's stock option plan. There were 3,000 thousand units authorized to be issued, which may be converted to 3,000 thousand common shares. Employees may exercise a certain percentage of the option within two and four years of the grant date, and will expire six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT$28.84 as of September 30, 2007.

As of September 30, 2007, there were 1,725 thousand units of stock options exercised, which were converted to 1,725 thousand common shares; thus, the unexercised stock options consisted of 915 thousand units.

12. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
Nine months ended September 30, 2007				
For transfer to employees	-	14,500	-	14,500

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

13. INCOME TAX

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

	September 30 2007	September 30 2006
Tax on pretax income at 25% statutory rate	$ 624,814	$ 647,067
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(201,268)	(236,116)
Other	(30,606)	(30,007)
Temporary differences	(132,736)	(42,293)
Income tax (10%) on undistributed earnings	25,081	5,847
Investment tax credit	(116,360)	(103,814)
Income tax currently payable	$ 168,925	$ 240,684

b. Income tax expense consisted of the following:

	September 30 2007	September 30 2006
Income tax currently payable	$ 168,925	$ 240,684
Income tax expense - deferred	115,683	21,910
	$ 284,608	$ 262,594

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

	September 30 2007	September 30 2006
Balance, beginning of period	$ 137,883	$ 56,871
Income tax currently payable	168,925	240,684
Payment	(277,498)	(209,181)
Balance, end of period	$ 29,310	$ 88,374

Prepaid income tax is included in prepayments and other current assets.

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

	September 30 2007	September 30 2006
Current		
Deferred income tax assets		
Allowance for loss on inventories	$ 37,171	$ 38,551
Unrealized product warranty reserve	10,052	7,110
Excess provisions for doubtful receivables	6,958	6,958
Others	-	4,773
	54,181	57,392
Deferred income tax liabilities		
Unrealized foreign exchange gain	(6,195)	(4,311)
Deferred income tax assets, net	$ 47,986	$ 53,081

	September 30 2007	September 30 2006
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of foreign investees	$ 40,707	$ 104,345
Deferred income	40,375	46,061
Pension cost	27,737	27,737
	108,819	178,143
Valuation allowance	(40,707)	(104,345)
	68,112	73,798
Deferred income tax liabilities:		
Accumulated equity in the net gains of foreign investees	(323,512)	(190,235)
Deferred income tax liabilities, net	$ (255,400)	$ (116,437)

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

e. As of September 30, 2007, the Company's five years exemption on the income was as follows:

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

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

	September 30 2007	September 30 2006
Balance of the imputation credit account (ICA)	$ 86,617	$ 18,059
The balances of unappropriated retained earnings generated before 1997	$ 81,329	$ 81,329

The actual creditable tax ratios for earnings of 2006 and 2005 were 8.18% and 7.01%, respectively.

g. Income tax returns through 2004 had been examined and cleared by the tax authorities. However, the tax authorities made an assessment on the Company's 2003 return, and Company is unwilling to accept this assessment. The Company has requested for a reexamination of its return, but, as of October 17, 2007, the date of the accompanying accountants' review report, the reexamination was in progress; nevertheless, the Company recognized the payable on the case.

14. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	For the Nine Months Ended September 30					
	2007			2006		
	Included in Cost of Goods Sold	Included in Operating Expenses	Total	Included in Cost of Goods Sold	Included in Operating Expenses	Total
Personnel expenses						
Payroll	$ 181,166	$ 487,446	$ 668,612	$ 125,263	$ 377,919	$ 503,182
Insurance	15,280	36,570	51,850	9,954	30,218	40,172
Pension	9,475	27,469	36,944	6,513	22,534	29,047
Others	15,540	29,009	44,549	12,847	11,592	24,439
Depreciation	28,161	46,904	75,065	26,178	35,946	62,124
Amortization	465	27,523	27,988	1,165	14,449	15,614
	$ 250,087	$ 654,921	$ 905,008	$ 181,920	$ 492,658	$ 674,578

15. EARNINGS PER SHARE

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

	Amount (Numerator)		Shares (Denominator)	Earnings Per Share	
	Pretax	After-tax	(Thousand)	Pretax	After-tax
For the nine months ended September 30, 2007					
Basic EPS	$ 2,499,295	$ 2,214,687	489,901	$ 5.10	$ 4.52
Impact of dilutive potential common stock					
Employee stock options	-	-	913		
Diluted EPS	$ 2,499,295	$ 2,214,687	490,814	$ 5.09	$ 4.51
For the nine months ended September 30, 2006					
Basic EPS	$ 2,588,308	$ 2,325,714	490,164	$ 5.28	$ 4.74
Impact of dilutive potential common stock					
Employee stock options	-	-	1,236		
Convertible bonds	-	-	157		
Diluted EPS	$ 2,588,308	$ 2,325,714	491,557	$ 5.27	$ 4.73

The EPS was retroactively adjusted for the stock dividends declared. Thus in the nine months ended September 30, 2006, pretax and after-tax basic EPS decreased from NT$5.59 to NT$5.28 and from NT$5.02 to NT$4.74, respectively, in the nine months ended 2006, and pretax and after-tax diluted EPS decreased from NT$5.57 to NT$5.27 and from $5.01 to $4.73, respectively.

16. RELATED-PARTY TRANSACTIONS

a. Related parties

	Relationship with the Company
Advantech Investment Fund-A Co., Ltd. (Advantech Fund-A)	Equity-method investee
Advantech IBHA Technologies Inc. (Advantech IBHA)	Equity-method investee (liquidated in May 2007)
Axiomtek Co., Ltd. (Axiomtek)	Equity-method investee
Advantech Investment & Management Service (AIMS)	Equity-method investee
Advansus Corp.	Equity-method investee
Advantech Europe Holding B.V. (AEU)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
Advantech Technologies Co., Ltd. (AKR)	Equity-method investee
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech (YanShun) Holding Co., Ltd. (AYS)	Equity-method investee

(Continued)

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

(Concluded)

The Company's related parties, in addition to those listed above, are shown in Table 8.

b. The significant transactions with the above related parties, in addition to those disclosed in Note 19 and Table 2, are summarized as follows:

	2007		2006	
For the nine months ended September 30	**Amount**	**% of Total**	**Amount**	**% of Total**
1) Sales				
AC	$ 1,925,342	24	$ 2,047,147	27
AESC	1,397,349	17	1,326,594	17
ACN	1,355,661	17	1,204,044	16
SHHQ	326,922	4	-	-
AKR	248,257	3	242,555	3
AJP	186,811	2	303,203	4
AAU	101,843	1	97,599	1
ASG	83,587	1	117,459	2
AKMC	52,024	1	66,810	1
AMY	50,502	1	-	-
Advansus Corp.	22,241	-	-	-
ATH	17,872	-	12,407	-
APL	8,870	-	-	-
Axiomtek	7,463	-	31,883	-
AHG	1,837	-	-	-
ADMC	1,309	-	-	-
APN	-	-	36,467	-
AKL	-	-	14,005	-
ABR	-	-	11,797	-
AUK	-	-	39	-
Others	227	-	10,839	-
	$ 5,788,117	71	$ 5,522,848	71
2) Purchase of materials and supplies				
ATC	$ 2,369,783	42	$ 2,050,184	37
Advansus Corp.	266,807	5	135,646	3
AYS	44,175	1	-	-
AESC	27,732	-	-	-
AC	17,251	-	8,809	-
Jan Hsiang	9,437	-	-	-
Nestar	3,967	-	-	-
Axiomtek	2,388	-	1,716	-
AAC (BVI)	-	-	3,853	-
Advantech IBHA	-	-	25	-
Others	233	-	2,605	-
	$ 2,741,773	48	$ 2,202,838	40

	2007 Amount	2007 % of Total	2006 Amount	2006 % of Total
3) Royalty revenue for patent (part of nonoperating income)				
ATC	$ 119,612	10	$ 103,791	9
4) Administrative revenues (part of nonoperating income)				
Viewsys	-	-	480	-
5) Rental revenues (part of nonoperating income)				
Advansus Corp.	2,145	-	520	-
AIMS	195	-	45	-
Advantech Fund-A	27	-	27	-
Viewsys	-	-	5	-
	2,367	-	597	-
	$ 121,979	10	$ 104,868	9

At the end of nine months

	2007 Amount	2007 % of Total	2006 Amount	2006 % of Total
6) Receivables				
Accounts				
AESC	$ 700,870	37	$ 677,273	35
ACN	483,498	26	446,527	23
AC	405,236	22	500,048	26
SHHQ	76,367	4	-	-
AJP	61,488	3	110,546	6
AKR	32,855	2	39,599	2
AAU	28,119	1	19,609	1
ASG	20,521	1	18,008	1
APL	19,390	1	-	-
Advansus Corp.	15,524	1	-	-
ATC	12,245	1	-	-
AMY	11,027	1	20	-
Axiomtek	2,871	-	9,138	-
AKMC	2,347	-	89,612	4
ATH	2,320	-	913	-
ADMC	825	-	2,733	-
ABR	-	-	14,830	1
APN	-	-	12,748	1
AKL	-	-	7,130	-
Viewsys	-	-	2,214	-
Firich	-	-	239	-
Others	658	-	499	-
	$ 1,876,161	100	$ 1,951,686	100

	2007 Amount	2007 % of Total	2006 Amount	2006 % of Total
7) Other receivables				
Dividends				
ATC	$ 52,130	71	$ 177,099	87
AAC (BVI)	-	-	22,885	11
	52,130	71	199,984	98
Other receivables				
AKMC	14,060	19	-	-
AESC	422	1	94	-
Advansus Corp.	252	-	723	-
AJP	76	-	183	-
ADL	-	-	1,640	1
AC	-	-	324	-
Others	6,812	9	1,431	1
	21,622	29	4,395	2
	$ 73,752	100	$ 204,379	100
8) Payables				
Accounts				
ATC	$ 540,098	88	$ 474,552	84
AYS	28,231	5	-	-
Advansus Corp.	24,936	4	68,974	12
AESC	9,374	2	-	-
Nestar	4,398	1	-	-
AC	3,644	-	3,587	1
Jan Hsiang	1,284	-	-	-
ADL	1,245	-	-	-
Others	1,580	-	3,295	-
	614,790	100	550,408	97
Other - payments on behalf of others				
ATC	-	-	9,990	2
Others	-	-	3,815	1
	-	-	13,805	3
	$ 614,790	100	$ 564,213	100

c. Long-term equity investments

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

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

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

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

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

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

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

17. ASSETS PLEDGED OR MORTGAGED

The certificates of deposits that had been pledged or mortgaged as collaterals for bank loans and as part of court requirements for confiscating assets to settle uncollectible accounts amounted to $1,600 thousand as of September 30, 2007 and 2006, respectively.

18. COMMITMENTS

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

	Amount
AKMC	US$ 10,000 thousand

b. In April, 2007, for the business use, the Company signed an agreement with E.R.C. Group and Venson Chuang for the presale building "No.13 e-Technology Building." The total amount of the contract is $738,880 (tax included), and the Company makes installment payments based on the construction progress. As of September 30, 2007, the Company had paid $295,560 thousand.

19. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	September 30			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivative financial instruments				
Assets				
Available-for-sale financial assets - current	$ 257,804	$ 257,804	$ 1,300,115	$ 1,300,115
Available-for-sale financial assets - noncurrent	4,532,485	4,532,485	3,459,042	3,459,042

(Continued)

	September 30			
	2007		2006	
Derivative financial instruments location	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets at fair value through profit or loss - current				
Foreign (foreign corporation operating in domestic district included)	$ 1,302	$ 1,302	$ -	$ -
Financial liabilities at fair value through profit or loss - current				
Foreign (foreign corporation operating in domestic district included)	3,011	3,011	-	-

(Concluded)

On January 1, 2006, the Company adopted the new Statement of Financial Accounting Standards No. 34 - "Accounting for Financial Instruments", 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 receivable, receivables from related parties, certificates of deposit - pledged, notes and accounts payable and payables to related parties guarantee deposits received, the carrying amounts of these financial instruments approximate their fair values.

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

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

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

	September 30			
	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	2007	2006	2007	2006
Asset				
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 1,302	$ -
Available-for-sale financial assets - current	257,804	1,300,115	-	-
Available-for-sale financial assets - noncurrent	4,532,485	3,459,042	-	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	3,011	-

d. As of September 30, 2007 and 2006, financial assets exposed to fair value risk from interest rate fluctuation amounted to $552,146 thousand and $714,605 thousand, respectively.

e. The Company recognized unrealized gains of $552,646 thousand and unrealized losses $634,779 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets in the nine months ended September 30, 2007 and 2006, respectively. The Company also recognized an unrealized gains of $115 thousand and an unrealized losses of $1,364 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees in the nine months ended September 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 Company are mainly mutual funds and publicly traded stocks. Thus, price fluctuations in the open market would result in changes in fair values of these financial instruments.

2) Credit risk

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

3) Liquidity risk

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

20. ADDITIONAL DISCLOSURES

a. Except for those mentioned in Note 18 and Tables 1 to 8, no additional disclosures are required by the Securities and Futures Bureau for the Company and its investees and on investment in Mainland China.

b. Investments in mainland China

1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of September 30, 2007, accumulated inward remittance of earnings as of September 30, 2007 and upper limit on investment: Table 9 (attached)

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

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED
NINE MONTHS ENDED SEPTEMBER 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	$ 34,913 (EUR 750 thousand)	$ 11,638 (EUR 250 thousand)	2.50%	Short-term financing	$ -	Financing need	$ -	-	$ -	$ 43,172 (Note C)	$ 86,345 (Note G)
2	AESC	AEU	Receivables from related parties	12,103 (EUR 260 thousand)	12,103 (EUR 260 thousand)	2.50%	Short-term financing	-	Financing need	-	-	-	12,253 (Note D)	24,507 (Note H)
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 B)	212,486 (Note B)
4	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Receivables from related parties	148,804	144,765	6.25%	Service intercourse	Purchase 197,079	Service intercourse	-	-	-	197,079 (Note B)	212,486 (Note B)
5	Netstar Technology Co., Ltd.	LANSONIC (BVI)	Receivables from related parties	3,523	3,523	-	Short-term financing	-	Financing need	-	-	-	36,732 (Note E)	73,464 (Note F)

Notes:
A. The exchange rate was EUR1.00=NT$46.55.

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

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

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

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

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

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

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

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
NINE MONTHS ENDED SEPTEMBER 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
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	AKMC	Indirect subsidiary	$ 736,841 (Note A)	$ 326,200 (US$ 10,000 thousand)	$ 326,200 (US$ 10,000 thousand)	$ -	2.43%	$ 1,473,681 (Note B)
1	SHHQ	AKMC	Indirect subsidiary	736,841 (Note A)	25,467 (RMB 5,868 thousand)	25,467 (RMB 5,868 thousand)	-	-	1,473,681 (Note B)

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

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

C. The exchange rate was US$1.00=NT$32.62; RMB1.00=NT$4.34.

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS
SEPTEMBER 30, 2007
(In Thousands of New Taiwan Dollars)

Holding Company Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2007 Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	Note
Advantech Co., Ltd. (the "Company")	Stock							
	AAC (BVI)	Investee	Long-term equity investments	24,606,500	$ 1,501,666	100.00	$ 1,501,666	Note A
	ATC	"	"	13,450,000	885,960	100.00	885,960	Note A
	Advansus Corp.	"	"	50,000,000	463,821	50.00	463,821	Note A
	Advantech Fund-A	"	"	50,000,000	454,687	100.00	454,687	Note A
	Axiomtek	"	"	21,637,963	383,500	29.97	383,500	Note A
	AEU	"	"	9,497,024	330,902	99.22	330,902	Note A
	AKR	"	"	3,112,131	180,595	23.89	180,595	Note A
	ASG	"	"	1,450,000	112,264	100.00	112,264	Note A
	AAU	"	"	500,204	106,345	100.00	106,345	Note A
	AJP	"	"	1,200	98,726	100.00	98,726	Note A
	AYS	"	"	12,300,000	54,711	100.00	54,711	Note A
	AMY	"	"	2,000,000	39,805	100.00	39,805	Note A
	AHG	"	"	30	14,522	100.00	14,522	Note A
	Viewsys	"	"	1,100,000	11,271	100.00	11,271	Note A
	AIMS	"	"	500,000	5,622	100.00	5,622	Note A
	AHK	"	Other liabilities	999,999	(12,672)	100.00	(12,672)	Notes A and D
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	45,875,357	4,532,485	1.24	4,532,485	Note C
	Fund							
	ING Taiwan Income Fund	-	Available for sale financial assets - current	10,756,840.55	172,346	-	172,346	Note B
	Capital Money Market Fund	-	"	2,756,922.80	38,101	-	38,101	Note B
	Prudential Well Pool Fund	-	"	2,526,748.00	32,016	-	32,016	Note B
	NITC Taiwan Bond Fund	-	"	1,075,938.40	15,341	-	15,341	Note B
Advantech Fund-A	Stock							
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	7,782	30.00	7,782	Note A
	Netstar Technology Co., Ltd.	"	"	16,815,463	200,362	67.26	200,362	Note A
	BCM Embedded Computer Inc.	"	"	1,000,000	8,880	50.00	8,880	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	224,400	8,685	-	8,685	Note C

(Continued)

Holding Company Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2007				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Fund							
	Capital Safe Income	-	Available for sale financial assets - current	576,405.10	$ 8,685	-	$ 8,685	Note B
	ING Taiwan Bond Fund	-	”	3,164,677.35	48,246	-	48,246	Note B
	Capital Money Market Fund	-	”	7,351,929.20	101,604	-	101,604	Note B
Advansus Corp.	Fund							
	NITC Taiwan Bond Fund	-	Available for sale financial assets - current	887,386.50	12,652	-	12,652	Note B
	Capital Safe Income	-	”	18,350,703.20	276,490	-	276,490	Note B
	Capital Money Market Fund	-	”	8,594,588.23	118,777	-	118,777	Note B
AIMS	Fund							
	Jih Sun Bond Fund	-	Available for sale financial assets - current	155,639.99	2,146	-	2,146	Note B
TTC	Shares							
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	25,940	100.00	25,940	Note A
ATC	Stock							
	AKMC	”	”	-	588,048	100.00	588,048	Note A
AYS	Stock							
	ADMC	”	”	-	49,840	100.00	49,840	Note A
AAC (BVI)	Stock							
	AC	”	”	10,952,606	886,975	100.00	886,975	Note A
	Shares							
	ACN	”	”	-	518,251	100.00	518,251	Note A
	SHHQ	”	”	-	96,850	100.00	96,850	Note A
	Visual Systems GmbH	-	Financial assets carried at cost - noncurrent	-	746	20.00	746	Note A
ACN	Shares							
	Hangzhou Advantofine Automation tech. Co., Ltd.	Investee	Long-term equity investments	-	6,519	50.00	6,519	Note A
AEU	Stock							
	AESC	”	Long-term equity investments	8,314,280	81,690	100.00	81,690	Note A
	ADL (former name: AEBC)	”	”	1,142,000	7,807	100.00	7,807	Note A
	AIT	”	”	45,000	3,760	100.00	3,760	Note A
	APL	”	”	2,000	4,946	80.00	4,946	Note A
ASG	Stock							
	ATH	”	”	30,000	5,222	100.00	5,222	Note A
	APN	”	”	570,570	7,985	55.00	7,985	Note A
	AKL	”	”	418,000	3,758	55.00	3,758	Note A

(Continued)

Holding Company Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2007				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Netstar Technology Co., Ltd.	Stock							
	LANSONIC (BVI)	”	Other liabilities	3,527,529	$ (57,866)	94.83	$ (57,866)	Note A
	Jan Hsiang Electronics Co., Ltd.	”	Long-term equity investments	1,900,000	18,319	76.00	18,319	Note A
	Lantech Communications Inc.	”	Other liabilities	1,159,500	(18,748)	77.30	(18,748)	Note A
	Supercom Technology Corporation	”	Long-term equity investments	1,250,000	13,366	33.33	13,366	Note A
LANSONIC (BVI)	Shares							
	Netstar Electronics Corporation	”	Other liabilities	-	(66,948)	100.00	(66,948)	Note A

Note A: The financial statements used as basis of net asset values were all unreviewed.

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 September 30, 2007.

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2007
(In Thousands of New Taiwan Dollars)

Holding Company Securities	Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Other (Note)	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal		Shares	Amount
Advantech Co., Ltd. (the "Company")	Fund														
	ABN AMRO Bond Fund	Available for sale financial assets - current	-	-	2,285,187.59	$ 34,436	6,996,940.23	$ 105,600	9,282,127.82	$ 140,069	$ 140,036	$ 33	$ -	-	$ -
	Capital Income Fund	"	-	-	20,160,102.10	300,174	67,246,818.30	1,006,128	87,406,920.40	1,309,730	1,306,302	3,428	-	-	-
	Fuh-Hwa Bond Fund	"	-	-	902,173.80	12,026	35,755,558.60	478,726	36,657,732.40	491,504	490,752	752	-	-	-
	Capital High Yield Fund	"	-	-	4,893,961.20	66,828	74,732,897.90	1,026,702	76,869,936.30	1,058,474	1,055,446	3,028	17	2,756,922.80	38,101
	ABN AMRO Taiwan Fund	"	-	-	18,915,931.26	299,465	-	-	18,915,931.26	299,465	299,465	-	-	-	-
	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	48,123,558.15	560,876	57,051,993.19	666,260	664,329	1,931	-	-	-
	ING Taiwan Bond Fund	"	-	-	-	-	85,405,689.64	1,292,854	85,405,689.64	1,294,640	1,292,854	1,786	-	-	-
	ING Taiwan Income Fund	"	-	-	-	-	67,024,736.87	1,066,271	56,267,896.32	897,545	894,141	3,404	216	10,756,840.55	172,346
	Fubon Jin-Ju-E Fund	"	-	-	-	-	59,074,896.60	727,360	59,074,896.60	729,069	727,360	1,709	-	-	-
	Mega Diamond Bond Fund	"	-	-	-	-	28,053,527.55	325,500	28,053,527.55	326,455	325,500	955	-	-	-
	James Bond Fund	"	-	-	-	-	7,299,755.60	113,400	7,299,755.60	113,560	113,400	160	-	-	-
	Prudential Bond Fund	"	-	-	-	-	42,750,547.40	539,320	40,223,799.40	508,536	507,320	1,216	16	2,526,748.00	32,016
	NITC Taiwan Bond Fund	"	-	-	-	-	43,239,389.60	613,951	42,163,451.20	599,826	598,618	1,208	8	1,075,938.40	15,341
	Stock														
	Firich Enterprise Co., Ltd. (Firich)	Long-term equity investments	-	-	195,207.00	89,795	-	-	195,207.00	112,709	7,980	105,169	-	-	-
Advansus Corp.	Fund														
	Capital Income Fund	Available for sale financial assets - current	-	-	353,867.70	5,270	44,067,277.60	660,277	26,070,442.10	391,076	390,223	853	1,148	18,350,703.20	276,472
	NITC Taiwan Bond Fund	"	-	-	-	-	12,580,494.00	178,363	11,693,107.50	166,043	165,766	277	55	887,386.50	12,652
	NITC Bond Fund	"	-	-	48,279.45	7,944	60,702.80	10,003	108,982.25	17,962	17,947	15	-	-	-
	Capital High Yield Fund	"	-	-	-	-	10,307,319.63	141,871	1,712,731.40	23,571	23,500	71	406	8,594,588.23	118,777
	Stock														
Advantech Investment Fund-A Co., Ltd.	Netstar Technology Co., Ltd.	Long-term equity investments	-	-	621,622.00	7,459	16,193,841.00	203,664	-	-	-	-	10,761	16,815,463.00	200,362

Note: For funds, the amounts refer to effect of adopting the newly released Statement of Financial Accounting Standards No. 34 - "Accounting for Financial Instruments" (SFAS No.34), and for stocks, the amounts refer to the effect of recognizing the investment income and the changes in the shareholders' equity in the investees.

ADVANTECH CO., LTD. AND INVESTEES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction Made by Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Advantech Co., Ltd.	Construction in process - office building	2007.4	$ 736,841 (tax included)	payment by installments	Building: E.R.C. Group Land: Venson, Chuang	None	-	-	-	-	The Quotation report of Taichu Asset Management Co., Ltd.	For business use	None

TABLE 6

ADVANTECH CO., LTD. AND INVESTEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 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.	AC	Indirect subsidiary	Sale	$ (1,925,342)	(24)	60-90 days	$ -	-	$ 405,236	21	
	AESC	Indirect subsidiary	Sale	(1,397,349)	(17)	60-90 days	-	-	700,870	36	
	ACN	Indirect subsidiary	Sale	(1,355,661)	(17)	60-90 days	-	-	483,498	25	
	SHHQ	Indirect subsidiary	Sale	(326,922)	(4)	60-90 days	-	-	76,367	4	
	AKR	Investee	Sale	(248,257)	(3)	60-90 days	-	-	32,855	2	
	AJP	Subsidiary	Sale	(186,811)	(2)	60-90 days	-	-	61,488	3	
	AAU	Subsidiary	Sale	(101,843)	(1)	60-90 days	-	-	28,119	1	
	ATC	Subsidiary	Purchase	2,369,783	42	60-90 days	-	-	(540,098)	(88)	
	Advansus Corp.	Investee	Purchase	266,807	5	60-90 days	-	-	(24,936)	(4)	
ATC	Advantech Co., Ltd.	Parent company	Sale	(2,369,783)	(100)	60-90 days	-	-	540,098	100	
Advansus Corp.	Advantech Co., Ltd.	Parent company	Sale	(266,807)	(37)	60-90 days	-	-	24,936	17	
	AKMC	Related enterprise	Sale	(292,590)	(41)	60-90 days	-	-	79,002	56	
AC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,925,342	77	60-90 days	-	-	(405,236)	(67)	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,397,349	65	60-90 days	-	-	(700,870)	(86)	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,355,661	76	60-90 days	-	-	(483,498)	(74)	
SHHQ	Advantech Co., Ltd.	Ultimate parent company	Purchase	326,922	59	60-90 days	-	-	(76,367)	(37)	
AKR	Advantech Co., Ltd.	Parent company	Purchase	248,257	28	60-90 days	-	-	(32,855)	(25)	
AJP	Advantech Co., Ltd.	Parent company	Purchase	186,811	87	60-90 days	-	-	(61,488)	(100)	
AAU	Advantech Co., Ltd.	Parent company	Purchase	101,843	76	60-90 days	-	-	(28,119)	(94)	
Netstar Technology Co., Ltd.	Netstar Electronics Corporation	Indirect subsidiary	Purchase	197,079	88.05	Set for 60 days a month	-	-	-	-	

TABLE 7

ADVANTECH CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 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	$ 700,870	2.60	$ -	-	$ -	$ -
	ACN	Indirect subsidiary	483,498	4.61	-	-	-	-
	AC	Indirect subsidiary	405,236	5.15	-	-	98,257	-
ATC	Advantech Co., Ltd.	Parent company	540,098	8.03	-	-	67,065	-

ADVANTECH CO., LTD. AND INVESTEES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				September 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	$ 1,501,666	$ 217,167	$ 216,993	Subsidiary
	ATC	BVI	Sale of industrial automation products	427,781	427,781	13,450,000	100.00	885,960	386,557	390,797	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	500,000	500,000	50,000,000	50.00	463,821	(12,471)	(14,955)	Equity-method investee
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	278,369	303,334	21,637,963	29.97	383,500	253,451	85,778	Equity-method investee
	AEU	Helmond, The Netherlands	Investment holding company	392,218	377,298	9,497,024	99.22	330,902	(24,913)	(24,791)	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	General investment	500,000	300,000	50,000,000	100.00	454,687	(10,248)	(10,248)	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	32,989	32,989	3,112,131	23.89	180,595	18,716	4,305	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	112,264	(1,220)	(1,220)	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	98,726	3,368	3,368	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	106,345	10,775	10,775	Subsidiary
	AMY	Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	39,805	2,574	2,574	Subsidiary
	Viewsys	Taipei, Taiwan	Sale of industrial automation products	22,000	22,000	1,100,000	100.00	11,271	55	(11,362)	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	14,522	6,481	1,944	Equity-method investee
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	-	19,940	-	-	-	1,617	215	Note D
	AIMS	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,622	122	184	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(12,672)	(11,688)	(11,688)	Subsidiary (Note A)
	AYS	Cayman Islands	Sale of industrial automation products	51,662	-	12,300,000	100.00	54,711	4,046	3,064	Subsidiary
Advantech Fund-A	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	-	100,000	-	-	-	1,617	1,078	Note D
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,782	-	-	Equity-method investee
	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	211,123	7,459	16,815,463	67.26	200,362	(24,178)	(11,457)	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	10,000	-	1,000,000	50.00	8,880	(2,264)	(1,132)	Equity-method investee
ATC	AKMC	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	588,048	(2,977)	(2,977)	Indirect subsidiary
	ADMC	Guangzhou, China	Production and sale of industrial automation products	-	44,511	-	-	-	1,995	3,868	Indirect subsidiary (Note E)
AYS	ADMC	Guangzhou, China	Production and sale of industrial automation products	51,864	-	-	100.00	49,840	1,995	(1,873)	Indirect subsidiary (Note E)
TTC	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processes and sale of peripherals	30,222	30,222	-	100.00	25,940	-	-	SubsidiaryEquity -method investee
AAC(BVI)	AC	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	886,975	81,909	81,909	Indirect subsidiary
	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	518,251	140,417	140,417	Indirect subsidiary
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	96,750	-	100.00	96,850	(5,051)	(5,051)	Indirect subsidiary
ACN	Hangzhou Advantofine Automation tech. Co., Ltd.	Hangzhou, China	Sale of industrial automation products	6,519	-	-	50.00	6,519	-	-	SubsidiaryEquity -method investee
AEU	AESC	Eindhoven, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	81,690	(13,611)	(13,611)	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	7,807	(9,482)	(9,482)	Indirect subsidiary
	AIT	Milano, Italy.	Sale of industrial automation products	22,275	22,275	45,000	100.00	3,760	-	-	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	2,000	80.00	4,946	(2,360)	(1,888)	Indirect subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				September 30, 2007	Dec. 31, 2006	Shares	Percentage of Ownership	Carrying Value			
ASG	ATH	Thailand	Production of computers	$ 2,495	$ 2,495	30,000	30.00	$ 5,222	$ 820	$ 246	Indirect subsidiary
	APN	Penang, Malaysia	Sale of industrial automation products	8,181	8,181	570,570	55.00	7,985	(25)	(14)	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	3,758	(1,529)	(841)	Indirect subsidiary
Netstar Technology Co., Ltd.	LANSONIC (B.V.I.)	Akara Building 24DeCastro Street, Wickhams Cay I, Road fown Tortola, British Virgin Islands	General investment	1,011.88	93,313	3,527,529	94.83	(57,866)	(13,999)	(13,999)	Indirect subsidiary
	Jan Hsiang Electronics Co., Ltd.	Taipei, Taiwan	Electronic parts and components manufacturing	14,950	14,950	1,900,000	76.00	18,319	3,845	2,922	Indirect subsidiary
	Lantech Communications Inc.	Taipei, Taiwan	Retail sale of electronic materials	11,595	11,595	1,159,500	77.30	(18,748)	(2,171)	(2,171)	Indirect subsidiary
	Supercom Technology Corporation	Taipei, Taiwan	Telecommunication equipment and electronic parts manufacturing	11,250	11,250	1,250,000	33.33	13,366	(4,419)	(1,473)	Indirect subsidiary
LANSONIC (B.V.I.)	Netstar Electronics Corporation (Dongguan)	Guangzhou, China	Network and UPS product manufacture business	HK$ 2,935	HK$ 2,935	-	100.00	(66,948)	(13,869)	(13,869)	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.

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

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

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
NINE MONTHS ENDED SEPTEMBER 30, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2007	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of September 30, 2007	Accumulated Inward Remittance of Earnings as of September 30, 2007
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US$12,000 thousand	Indirect	$ 391,440 (US$ 12,000 thousand)	$ -	$ -	$ 391,440 (US$ 12,000 thousand)	100%	$ (2,977)	$ 588,048	$ -
Yan Hua Xng Ye Electronic (SHHQ)	Sale of industrial automation products	US$3,000 thousand	Indirect	97,860 (US$ 3,000 thousand)	-	-	97,860 (US$ 3,000 thousand)	100%	(5,051)	96,850	-
Kunshan Timson Tech Co., Ltd.	Processes and sale of peripherals	US$900 thousand	Indirect	8,807 (US$ 270 thousand)	-	-	8,807 (US$ 270 thousand)	30%	-	7,782	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US$4,230 thousand	Indirect	173,930 (US$ 5,332 thousand)	-	-	173,930 (US$ 5,332 thousand)	100%	140,417	518,251	-
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US$1,400 thousand	Indirect	(Note C)	-	-	(Note C)	100%	1,995	49,840	-

Accumulated Investment in Mainland China as of September 30, 2007	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$678,561 (US$20,802 thousand) (Note D)	$1,940,890 (US$59,500 thousand)	$4,181,602

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

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. and its investees in Mainland China are described in Note 16 to the financial statements and Tables 2, 6 and 7.

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$32.62.

(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 September 30, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of September 30, 2007	Accumulated Inward Remittance of Earnings as of September 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%	$ (13,869)	$ (66,948)	$ -

Accumulated Investment in Mainland China as of September 30, 2007	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$28,782 (Note D)	$30,192 (US$929)	$73,464

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

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

Note C: The related transactions are described in Table 6.

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.