Advantech Co., Ltd.

Financial Statements for the
Years Ended December 31, 2008 and 2007 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Advantech Co., Ltd. as of December 31, 2008 and 2007, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, as stated in Note 8 to the financial statements, we did not audit the financial statements as of and for the years ended December 31, 2008 and 2007 of the companies in which the Company had investments accounted for by the equity method. The carrying values of these investments were 10.06% (NT$1,420,812 thousand) and 11.43% (NT$1,925,421 thousand) of the Company's total assets as of December 31, 2008 and 2007, respectively. Also, the equity in the investees' net gains was 0.91% (NT$25,972 thousand) and 1.97% (NT$67,182 thousand) of the Company's income before income tax in 2008 and 2007, respectively. The financial statements of these investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the investees' amounts included herein, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Advantech Co., Ltd. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, effective January 1, 2008, Advantech Co., Ltd. adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued in March 2007 by the Accounting Research and Development Foundation, which requires companies to record bonuses paid to employees, directors and supervisors as expenses rather than appropriations from earnings.

We have also audited the consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2008 and 2007, and have expressed a modified unqualified opinion on those consolidated financial statements in our report (not presented herewith) dated March 9, 2009.

March 9, 2009

Notice to Readers

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

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

ADVANTECH CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Par Value)

	2008		2007	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 1,223,098	9	$ 1,180,800	7
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 18)	1,601	-	87	-
Available-for-sale financial assets - current (Notes 2, 6 and 18)	-	-	970,936	6
Notes receivable (Note 2)	30,905	-	49,489	-
Accounts receivable, net of allowance for doubtful accounts of $13,932 thousand in 2008 and $9,869 thousand in 2007 (Note 2)	566,844	4	596,335	4
Receivables from related parties (Notes 2 and 16)	1,413,523	10	1,904,957	11
Other receivable	33,838	1	75,910	-
Inventories, net (Notes 2 and 7)	998,535	7	1,114,813	7
Deferred income tax assets - current (Notes 2 and 13)	32,572	-	47,181	-
Prepayments and other current assets	32,303	-	25,972	-
Total current assets	4,333,219	31	5,966,480	35
LONG-TERM FUNDS AND INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2, 6, 8 and 18)	1,731,615	12	4,047,492	24
Investments accounted for by the equity method (Notes 2, 8 and 16)	5,493,874	39	4,692,997	28
Total long-term funds and investments	7,225,489	51	8,740,489	52
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 9)				
Cost				
Land	1,113,352	8	640,472	4
Buildings	1,090,516	7	844,911	5
Machinery and equipment	394,790	3	353,918	2
Furniture and fixtures	116,295	1	103,173	1
Other equipment	166,690	1	161,675	1
Total cost	2,881,643	20	2,104,149	13
Less: Accumulated depreciation	558,223	4	483,735	3
	2,323,420	16	1,620,414	10
Construction in progress and prepayments for equipment	91,263	1	398,794	2
Property, plant and equipment, net	2,414,683	17	2,019,208	12
OTHER ASSETS				
Refundable deposits	6,638	-	7,698	-
Deferred expenses, net (Note 2)	138,429	1	118,322	1
Total other assets	145,067	1	126,020	1
TOTAL	$ 14,118,458	100	$ 16,852,197	100

	2008		2007	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 18)	$ 23,287	-	$ -	-
Accounts payable	297,180	2	471,959	3
Payables to related parties (Note 16)	694,221	5	974,563	6
Income tax payable (Notes 2 and 13)	276,211	2	188,137	1
Accrued expenses (Note 11)	637,709	5	466,980	3
Receipts in advance and other current liabilities	70,396	-	92,088	-
Total current liabilities	1,999,004	14	2,193,727	13
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 10)	106,365	1	108,933	1
Deferred income tax liabilities - noncurrent (Notes 2 and 13)	215,416	1	255,618	2
Deferred credits (Note 2)	251,028	2	243,155	1
Others (Notes 2 and 8)	4,234	-	8,972	-
Total other liabilities	577,043	4	616,678	4
Total liabilities	2,576,047	18	2,810,405	17
SHAREHOLDERS' EQUITY				
Capital stock, NT$10.00 par value				
Authorized - 600,000 thousand shares				
Issued - 511,346 thousand shares in 2008 and 491,577 thousand shares in 2007	5,113,458	36	4,915,770	29
Capital surplus				
Additional paid-in capital in excess of par value	4,295,589	31	4,377,157	26
From treasury stock	13,612	-	-	-
From long-term equity investments	59,771	-	65,635	-
Total capital surplus	4,368,972	31	4,442,792	26
Retained earnings				
Legal reserve	1,673,104	12	1,378,115	8
Unappropriated earnings	2,908,171	21	3,537,570	21
Total retained earnings	4,581,275	33	4,915,685	29
Other equity				
Cumulative translation adjustments	320,051	2	243,543	2
Unrealized gain (loss) on financial instruments	(1,455,647)	(10)	909,700	5
Treasury stock - 14,500 thousand shares	(1,385,698)	(10)	(1,385,698)	(8)
Total other equity	(2,521,294)	(18)	(232,455)	(1)
Total shareholders' equity	11,542,411	82	14,041,792	83
TOTAL	$ 14,118,458	100	$ 16,852,197	100

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

(With Deloitte & Touche audit report dated March 9, 2009)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 2 and 16)				
Sales	$12,318,767	100	$11,468,391	101
Sales returns and allowances	201,054	1	211,915	2
Net sales	12,117,713	99	11,256,476	99
Other operating revenue	157,953	1	121,151	1
Total operating revenue	12,275,666	100	11,377,627	100
OPERATING COSTS (Notes 2, 14 and 16)	8,750,834	72	8,025,577	70
GROSS PROFIT	3,524,832	28	3,352,050	30
REALIZED (UNREALIZED) PROFITS ON INTERCOMPANY SALES (Note 2)	(7,874)	-	29,675	-
ADJUSTED GROSS PROFIT	3,516,958	28	3,381,725	30
OPERATING EXPENSES (Note 14)				
Marketing	281,295	2	266,964	3
Administration	385,939	3	361,743	3
Research and development	968,409	8	810,522	7
Total operating expenses	1,635,643	13	1,439,229	13
OPERATING INCOME	1,881,315	15	1,942,496	17
NONOPERATING INCOME AND GAINS				
Interest income	13,316	-	25,264	-
Investment income recognized under the equity method, net (Notes 2 and 8)	713,421	6	891,286	8
Gain on sale of investments, net	20,496	-	340,407	3
Exchange gain, net (Note 2)	26,984	-	54,979	-
Reversal of loss on inventories (Note 2)	27,021	-	83,264	1
Royalty revenue (Note 16)	185,533	2	162,395	1
Dividend income	103,575	1	65,218	1
Valuation gain on financial instrument, net (Notes 2 and 5)	-	-	9,960	-
Other income (Note 16)	26,453	-	13,457	-
Total nonoperating income and gains	1,116,799	9	1,646,230	14

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of scrap inventories	$ 98,524	1	$ 171,760	1
Valuation loss on financial instrument, net (Notes 2 and 5)	31,554	-	-	-
Other expenses	5,075	-	1,060	-
Total nonoperating expenses and losses	135,153	1	172,820	1
INCOME BEFORE INCOME TAX	2,862,961	23	3,415,906	30
INCOME TAX EXPENSE (Notes 2 and 13)	306,323	2	444,857	4
NET INCOME	$ 2,556,638	21	$ 2,971,049	26

	2008		2007	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 15)				
Basic	$ 5.74	$ 5.13	$ 6.61	$ 5.75
Diluted	$ 5.69	$ 5.08	$ 6.60	$ 5.74

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

(With Deloitte & Touche audit report dated March 9, 2009) (Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Capital Stock - Issued and Outstanding (Note 11)		Capital Surplus (Notes 2 and 11)				Retained Earnings (Notes 2 and 11)			Cumulative Translation Adjustments (Note 2)	Unrealized Valuation Gains on Financial Instruments (Notes 2 and 18)	Treasury Stock (Notes 2 and 12)	Total Shareholders' Equity
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	From Treasury Stock	From Long-term Equity Investments	Total	Legal Reserve	Unappropriated Earnings	Total				
BALANCE, JANUARY 1, 2007	463,629	$ 4,636,295	$ 4,362,548	$ -	$ 64,098	$ 4,426,646	$ 1,086,326	$ 3,254,770	$ 4,341,096	$ 114,993	$ 514,705	$ -	$ 14,033,735
Appropriation of the 2006 earnings													
Legal reserve	-	-	-	-	-	-	291,789	(291,789)	-	-	-	-	-
Bonus to employees	4,000	40,000	-	-	-	-	-	(262,610)	(262,610)	-	-	-	(222,610)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(26,261)	(26,261)	-	-	-	(26,261)
Stock dividends - 5%	23,183	231,825	-	-	-	-	-	(231,825)	(231,825)	-	-	-	-
Cash dividends - NT$4.00 per share	-	-	-	-	-	-	-	(1,854,598)	(1,854,598)	-	-	-	(1,854,598)
Net income in 2007	-	-	-	-	-	-	-	2,971,049	2,971,049	-	-	-	2,971,049
Employee stock options	765	7,650	14,609	-	-	14,609	-	-	-	-	-	-	22,259
Increase in carrying values of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	1,537	1,537	-	-	-	-	-	-	1,537
Decrease in carrying values of equity-method investments due to the acquisition of treasury stock by the investees	-	-	-	-	-	-	-	(21,166)	(21,166)	-	-	-	(21,166)
Changes in unrealized valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	393,929	-	393,929
Equity in the changes in unrealized valuation gain on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	1,066	-	1,066
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	(1,385,698)	(1,385,698)
Changes in translation adjustments	-	-	-	-	-	-	-	-	-	128,550	-	-	128,550
BALANCE, DECEMBER 31, 2007	491,577	4,915,770	4,377,157	-	65,635	4,442,792	1,378,115	3,537,570	4,915,685	243,543	909,700	(1,385,698)	14,041,792
Appropriation of the 2007 earnings													
Legal reserve	-	-	-	-	-	-	294,989	(294,989)	-	-	-	-	-
Bonus to employees	6,000	60,000	-	-	-	-	-	(265,490)	(265,490)	-	-	-	(205,490)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(26,549)	(26,549)	-	-	-	(26,549)
Stock dividends - 5%	23,369	233,688	-	-	-	-	-	(233,688)	(233,688)	-	-	-	-
Cash dividends - NT$4.00 per share	-	-	-	-	-	-	-	(1,869,508)	(1,869,508)	-	-	-	(1,869,508)
Net income in 2008	-	-	-	-	-	-	-	2,556,638	2,556,638	-	-	-	2,556,638
Employee stock options	400	4,000	7,536	-	-	7,536	-	-	-	-	-	-	11,536
Increase in carrying values of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	(5,864)	(5,864)	-	-	-	-	-	-	(5,864)
Increase (decrease) in carrying values of equity-method investments due to the acquisition of treasury stock by the investees	-	-	-	13,612	-	13,612	-	(13,091)	(13,091)	-	-	-	521
Changes in unrealized valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(2,365,962)	-	(2,365,962)
Equity in the changes in unrealized valuation loss on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	615	-	615
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	(671,826)	(671,826)
Retirement of treasury stock	(10,000)	(100,000)	(89,104)	-	-	(89,104)	-	(482,722)	(482,722)	-	-	671,826	-
Changes in translation adjustments.	-	-	-	-	-	-	-	-	-	76,508	-	-	76,508
BALANCE, DECEMBER 31, 2008	511,346	$ 5,113,458	$ 4,295,589	$ 13,612	$ 59,771	$ 4,368,972	$ 1,673,104	$ 2,908,171	$ 4,581,275	$ 320,051	$(1,455,647)	$(1,385,698)	$ 11,542,411

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

(With Deloitte & Touche audit report dated March 9, 2009)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,556,638	$ 2,971,049
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	167,601	137,830
Provision (reversal of allowance) for bad debts	4,063	(523)
Reversal of provision for loss on inventories	(27,021)	(83,264)
Loss on disposal of scrap inventories	98,524	171,760
Gain on disposal of long-term equity investments, net	(3,647)	(116,310)
Gain on the sale of available-for-sale financial assets, net	(16,849)	(224,097)
Gain (loss) on disposal of property, plant and equipment, net	2,994	(318)
Investment income recognized under the equity method, net	(713,421)	(891,286)
Cash dividends received from equity-method investees	843,258	428,187
Accrued pension cost	(2,568)	(2,031)
Deferred income taxes	(25,593)	116,706
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	21,773	(627)
Notes receivable	18,584	748
Accounts receivable	25,428	(114,279)
Receivables from related parties	484,794	103,148
Inventories	44,775	(24,902)
Other receivables	42,071	(34,390)
Prepayments and other current assets	(6,331)	(15,724)
Accounts payable	(174,779)	(63,646)
Payables to related parties	(280,342)	712,298
Income tax payable	88,074	50,254
Accrued expenses	167,226	76,307
Receipts in advance and other current liabilities	(21,692)	45,650
Deferred credits	7,873	(29,675)
Net cash provided by operating activities	3,301,433	3,212,865
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(7,120,548)	(10,701,181)
Proceeds of the disposal of available-for-sale financial assets	8,108,164	11,370,479
Acquisition of investments accounted for by the equity method	(1,108,789)	(266,582)
Proceeds of the disposal of equity-method investments	205,489	184,857
Proceeds of the disposal of property, plant and equipment	764	2,144
Acquisition of property, plant and equipment	(518,923)	(488,564)
Increase in deferred charges	(68,018)	(22,708)
Decrease in restricted assets - noncurrent	-	1,600
Decrease in refundable deposits	1,060	4,895
Net cash provided by (used in) investing activities	(500,801)	84,940

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	$ (1,869,508)	$ (1,854,598)
Cash paid for acquisition of treasury stock	(671,826)	(1,385,698)
Cash bonus to employees and remuneration to directors and supervisors	(228,536)	(210,536)
Employee stock options	11,536	22,259
Net cash used in financing activities	(2,758,334)	(3,428,573)
NET INCREASE (DECREASE) IN CASH	42,298	(130,768)
CASH, BEGINNING OF YEAR	1,180,800	1,311,568
CASH, END OF YEAR	$ 1,223,098	$ 1,180,800
SUPPLEMENTAL CASH FLOW INFORMATION		
Income tax paid	$ 242,016	$ 277,897
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Dividends receivable from equity-method investees	$ -	$ 6,640

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

(With Deloitte & Touche audit report dated March 9, 2009) (Concluded)

1. ORGANIZATION AND OPERATIONS

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

As of December 31, 2008 and 2007, the Company had 1,354 and 1,254 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Current and Noncurrent Assets and Liabilities

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

Financial Assets/Liabilities at Fair Value through Profit or Loss

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

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

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

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

Available-for-sale Financial Assets

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

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

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

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

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

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

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

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

Inventories

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

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

Long-term Equity Investments

Investments in shares of stock of companies in which the Company owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method.

The difference between the cost of the investment and the Company's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted is amortized over five years. Effective January 1, 2006, under the revised Statement of Financial Accounting Standards, investment premiums, representing goodwill, are no longer being amortized. 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, deferred tax asset and prepay pension cost or other pension pay) fair value. If the fair value of a noncurrent asset is not enough for crediting purposes, it will recognize as extraordinary gain. If the unamortized long-term investment by the equity method acquired before January 1, 2006 exceeds the Company's equity in the investee's equity in the investee's assets is a deferred liability will amortized depend on its remaining useful life.

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

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

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

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

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

Property, Plant and Equipment

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

Depreciation is computed using the straight-line method over service lives initially estimated as follows (plus one year to represent estimated salvage value): buildings 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 in the year of disposal.

Deferred Expenses

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

Asset Impairment

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

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units ("CGU(s)") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

For long-term equity investments for which the Company has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Pension Costs

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

Under the defined benefit pension plan, net 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 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.

Treasury Stock

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

Income Tax

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

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

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

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

Foreign-currency Transactions

Foreign currency transactions (except derivative transactions) are recorded in New Taiwan dollars at the spot rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

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

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

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2007 have been reclassified to be consistent with the presentation of the financial statements as of and for the year ended December 31, 2008.

3. ACCOUNTING CHANGE

Effective January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued in March 2007 by the Accounting Research and Development Foundation, which requires companies to record bonuses paid to employees, directors and supervisors as expenses rather than appropriations from earnings. The adoption of this interpretation resulted in decreases in net income and earnings per share (after income tax) of $135,859 thousand and NT$0.27, respectively, for the year ended December 31, 2008.

4. CASH

	December 31	
	2008	2007
Cash on hand	$ 1,530	$ 1,534
Checking and demand deposits	204,157	431,455
Time deposits: Interest - 0.2%-2.04% in 2008 and 2.02%-4.50% in 2007	1,017,411	747,811
	$ 1,223,098	$ 1,180,800

5. FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	December 31	
	2008	2007
Financial assets resulting from trading		
Forward contracts	$ 1,601	$ 87
Financial liabilities resulting from trading		
Forward contracts	$ 23,287	$ -

On December 31, 2008 and 2007, information about outstanding forward contracts is shown as follows:

	Currency	Maturity	Amount (Thousand)
December 31, 2008			
Sell	EUR/USD	February - March 2009	EUR8,000/USD10,594
December 31, 2007			
Sell	JPY/USD	January 2008	JPY55,615/USD500

The Company entered into forward contract transactions for the years ended December 31, 2008 and 2007 is to avoid risks on exchange rate fluctuations. The hedging strategy of the Company is to avoid the major portion of the market and liquidity risks.

Net gain or loss arising from trading financial assets or liabilities for the years ended December 31, 2008 and 2007 were loss $31,554 thousand and gain $9,960 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31		
	2008	2007	
	Noncurrent	Current	Noncurrent
Mutual funds	$ -	$ 970,936	$ -
Quoted domestic stocks			
ASUSTEK Computer Inc.	1,681,699	-	4,047,492
Quoted overseas stocks			
SG Advantech Co., Ltd.	49,916	-	-
	$ 1,731,615	$ 970,936	$ 4,047,492

7. INVENTORIES, NET

	December 31	
	2008	2007
Finished goods	$ 390,707	$ 391,789
Work in process	301,704	330,379
Materials and supplies	388,249	501,791
	1,080,660	1,223,959
Less: Allowance for losses	(82,125)	(109,146)
	$ 998,535	$ 1,114,813

8. LONG-TERM EQUITY-METHOD INVESTMENTS

	December 31			
	2008		2007	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Listed				
Axiomtek Co., Ltd.	$ 349,915	27.96	$ 350,156	28.90
Unlisted				
Advantech Automation Corp. (BVI)	1,787,540	100.00	1,423,850	100.00
Advantech Technology Co., Ltd.	1,576,784	100.00	981,854	100.00
Advantech Investment Fund-A Co., Ltd.	624,712	100.00	414,083	100.00
Advantech Europe Holding B.V.	420,184	100.00	404,358	99.22
Advansus Corp.	303,998	50.00	476,793	50.00
Advantech Japan Co., Ltd.	137,516	100.00	102,965	100.00
Advantech (YanShun) Holding Co., Ltd.	90,703	100.00	78,167	100.00
Advantech Co. Singapore Pte, Ltd.	71,404	100.00	114,565	100.00
Advantech Australia Pty Ltd.	68,755	100.00	109,327	100.00
Advantech Technologies Co., Ltd.	-	-	174,386	23.89

(Continued)

	December 31			
	2008		2007	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Advantech Co. Malaysia Sdn. Bhd.	$ 40,183	100.00	$ 42,416	100.00
Advantech Hungary Ltd.	16,369	30.00	14,438	30.00
Advantech Investment & Management Service	5,811	100.00	5,639	100.00
Advantech (HK) Technology Co., Ltd.	-	100.00	-	100.00
	5,143,959		4,342,841	
Long-term equity-method investments	$ 5,493,874		$ 4,692,997	

(Concluded)

One of the Company's equity-method investees, Advantech Technologies Co., Ltd., consolidated with Scanny Global Co., Ltd. in December 2008, and the company established as a result of this consolidation was named SG Advantech Co., Ltd. (SG). After this consolidation, the Company's percentage of ownership of SG decreased to 10.63%. With this decrease, the Company ceased to have significant influence over SG, and the investment in SG was thus reclassified to an available-for-sale financial asset - noncurrent.

The financial statements for 2008 and 2007 of the following investees had been audited by other auditors, not the Company's auditors: Axiomteck Co., Ltd., Advansus Corp., Advantech Europe Holding B.V. (in 2008, Advantech Europe B.V., a subsidiary of Advantech Europe Holding B.V., was audited by the Parent Company's auditors), Advantech Technologies Co., Ltd., Advantech Japan Co., Ltd., Advantech Australia Pty Ltd., Advantech Co. Singapore Pte, Ltd., Advantech Co. Malaysia Sdn. Bhd., Advantech (HK) Technology Co., Ltd., and Netstar Technology Co., Ltd., a subsidiary of Advantech Investment Fund-A Co., Ltd.

The equity-method investees' financial statements, which had been used to determine the carrying amount of the Company's investments, had been audited, except Advantech Hungary Ltd. The Company believes that, had Company Advantech Hungary Ltd.'s financial statements been audited, any adjustments arising would have had no material effect on the Company's financial statements.

Movements of the aforementioned difference allocated to goodwill for the years ended December 31, 2008 and 2007 were as follows:

	Years Ended December 31	
	2008	2007
Cost		
Balance, beginning of year	$ 76,944	$ 71,381
Amount recognized on acquisition of investments	32,113	13,175
Amount derecognized on disposal of investments	(54)	(12,695)
Translation adjustment	(2,334)	5,001
Negative goodwill amortized	55	82
Balance, end of year	$ 106,724	$ 76,944

The Company intended to support the operations of Advantech (HK) Technology Co., Ltd. in 2008 and 2007. Under the revised Statement of Financial Accounting Standards No. 5 - “Long-term Investments in Equity Securities” of the Republic of China, if the equity in losses recognized exceeds the original investment acquisition costs plus any advances given to the investee, the Company recognizes its investee’s total losses unless other investors commit to assume, and can assume, a portion of the losses. As of December 31, 2008 and 2007, there were credit balances on the carrying value of this investment of $4,234 thousand and $8,972 thousand, respectively, included in other liability - others.

The market values of the listed stock of the equity investment’s market values, which was calculated on the basis of the closing prices of December 31, 2008 and 2007 were $352,330 thousand and $968,805 thousand, respectively.

The Company has included all of its direct and indirect subsidiaries in the consolidated financial statements as of and for the years ended December 31, 2008 and 2007.

9. PROPERTY, PLANT AND EQUIPMENT

Statement of changes in property, plant and equipment were as follows:

	Year Ended December 31, 2008				
	Beginning Balance	**Acquisition**	**Disposal**	**Re-classification**	**Ending Balance**
Property, plant and equipment					
Cost					
Land	$ 640,472	$ -	$ -	$ 472,880	$ 1,113,352
Buildings	844,911	-	-	245,605	1,090,516
Machinery and equipment	353,918	24,892	4,792	20,772	394,790
Furniture and fixtures	103,173	16,228	6,906	3,800	116,295
Other equipment	161,675	29,528	29,831	5,318	166,690
	2,104,149	$ 70,648	$ 41,529	$ 748,375	2,881,643
Accumulated depreciation					
Buildings	118,896	$ 17,322	$ -	$ -	136,218
Machinery and equipment	217,569	47,494	4,448	-	260,615
Furniture and fixtures	60,220	20,262	6,290	-	74,192
Other equipment	87,050	27,471	27,323	-	87,198
	483,735	$ 112,549	$ 38,061	$ -	558,223
	1,620,414				
Construction in progress and prepayments for equipment	398,794	$ 448,275	$ -	$ (755,806)	91,263
	$ 2,019,208				$ 2,414,683

	Year Ended December 31, 2007				
	Beginning Balance	**Acquisition**	**Disposal**	**Re-classification**	**Ending Balance**
Property, plant and equipment					
Cost					
Land	$ 640,472	$ -	$ -	$ -	$ 640,472
Buildings	844,911	-	-	-	844,911
Machinery and equipment	298,347	45,157	8,591	19,005	353,918
Furniture and fixtures	90,573	13,486	1,086	200	103,173
Other equipment	135,917	22,707	2,551	5,602	161,675
	2,010,220	$ 81,350	$ 12,228	$ 24,807	2,104,149
Accumulated depreciation					
Buildings	102,367	$ 16,529	$ -	$ -	118,896
Machinery and equipment	183,395	40,600	6,426	-	217,569
Furniture and fixtures	42,099	19,083	962	-	60,220
Other equipment	65,096	24,968	3,014	-	87,050
	392,957	$ 101,180	$ 10,402	$ -	483,735
	1,617,263				1,620,414
Construction in progress and prepayments for equipment	16,387	$ 407,214	$ -	$ (24,807)	398,794
	$ 1,633,650				$ 2,019,208

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 $47,665 thousand and $45,968 thousand for the years ended December 31, 2008 and 2007, respectively.

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

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

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

a. Components of pension cost:

	2008	2007
Service cost	$ 3,634	$ 3,940
Interest cost	4,843	3,812
Projected return on plan assets	(2,426)	(2,020)
Amortization of unrecognized net transition obligation and net pension plan gains or losses	(93)	(2,206)
	$ 5,958	$ 3,526

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

	December 31	
	2008	2007
Benefit obligation		
Vested benefit obligation	$ 4,397	$ 1,287
Non-vested benefit obligation	102,135	115,970
Accumulated benefit obligation	106,532	117,257
Additional benefits based on future salaries	52,412	44,182
Projected benefit obligation	158,944	161,439
Fair value of plan assets	(92,083)	(80,882)
Funded status	66,861	80,557
Unrecognized net transition obligation	(12,755)	(14,577)
Unrecognized net gain	52,259	42,953
Accrued pension liabilities	$ 106,365	$ 108,933
Vested benefit	$ 5,752	$ 1,680

c. Actuarial assumptions

	2008	2007
Discount rate used in determining present values of plan assets	2.50%	3.00%
Future salary increase rate	2.00%	2.00%
Expected rate of return on plan assets	2.50%	3.00%

d. Changes in the accrued pension liability:

	Years Ended December 31	
	2008	2007
Balance, beginning of year	$ 108,933	$ 110,964
Accruals based on the defined benefit pension plan	5,958	3,526
Contribution	(8,526)	(5,557)
Balance, end of year	$ 106,365	$ 108,933

11. SHAREHOLDERS' EQUITY

Capital Surplus

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.

Appropriation of Earnings and Dividend Policy

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. 8% to 20% as bonus to employees;
b. 1% or less as remuneration to directors and supervisors; and
c. Dividends, as proposed by the board of directors.

For stock bonuses, employees may include subsidiaries' employees who meet certain criteria as determined by the Company's board of directors.

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

The bonus to employees and remunerations to directors and supervisors of $190,000 thousand (classified under accrued expenses) were accrued on the basis of past experience. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the eve of the shareholders' meeting.

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

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

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

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

The appropriations of earnings for 2007 and 2006 were proposed in the Board of Directors' meeting and approved in the shareholders' meeting held on June 12, 2008 and June 15, 2007, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2007	2006	2007	2006
Legal reserve	$ 294,989	$ 291,789	$ -	$ -
Cash dividends	1,869,508	1,854,598	4.0	4.0
Stock dividends	233,688	231,825	0.5	0.5
Remuneration to directors and supervisors	26,549	26,261	-	-
Bonus to employees - stock	60,000	40,000	-	-
Bonus to employees - cash	205,490	222,610	-	-

At their meeting on June 12, 2008, the shareholders approved the board of directors' proposal to distribute stock dividends of $233,688 thousand and stock bonus to employees amounting to $60,000 thousand. The appropriation of earnings for 2007 were approved by the Financial Supervisory Commission under the Executive Yuan of the ROC. The board of directors resolved August 8, 2008 as the date of distributing stock and cash dividends, and the Company had completed its revised registration from the MOEA.

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

On April 1, 2003, the Securities and Futures Bureau approved the Company's stock option plan. There were 3,000 thousand units authorized to be issued, which may be converted to 3,000 thousand common shares. Employees may exercise a certain percentage of the option within two and four years of the grant date, and will expire six years from the grant date. The stock options were had issued on August 14, 2003, and the newly exercise price was set at NT$23.49 as of December 31, 2008.

As of December 31, 2008, there were 2,475 thousand units of stock options exercised, which were converted to 2,475 thousand common shares; thus, the unexercised stock options consisted of 165 thousand units.

When the grant date of stock-based employee compensation plans is on or before January 1, 2004, the Company need not apply the accounting guideline Nos. 070, 071 and 072 for stock-based compensation issued by the Accounting Research and Development Foundation of the ROC.

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
Year ended December 31, 2008				
For transfer to employees	14,500	-	-	14,500
To maintain the Company's credibility and shareholders' interest	-	10,000	10,000	-

(Continued)

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

(Concluded)

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. The reconciliation of income tax expense based on income tax at statutory income tax rates to income tax expense and the current income tax payable were as follows:

	December 31	
	2008	2007
Tax on pretax income at 25% statutory rate	$ 715,730	$ 853,967
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(246,868)	(334,721)
Other	(51,284)	(23,648)
Temporary differences	33,760	(45,071)
Income tax (10%) on undistributed earnings	26,639	30,238
Investment tax credit	(147,887)	(152,614)
Income tax currently payable	$ 330,090	$ 328,151

b. Income tax expense consisted of the following:

	December 31	
	2008	2007
Income tax currently payable	$ 330,090	$ 328,151
Income tax expense - deferred	(25,593)	116,706
Withholding tax on dividends	1,826	-
	$ 306,323	$ 444,857

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

	December 31	
	2008	2007
Balance, beginning of year	$ 188,137	$ 137,883
Income tax currently payable	330,090	328,151
Payment	(242,016)	(277,897)
Balance, end of year	$ 276,211	$ 188,137

d. Net deferred income tax assets (liabilities) as of December 31, 2008 and 2007 were as follows:

	December 31	
	2008	2007
Current		
Deferred income tax assets		
Allowance for loss on inventories	$ 20,531	$ 27,286
Unrealized product warranty reserve	7,572	10,292
Investment tax credit	-	10,022
Excess provisions for doubtful receivables	-	6,958
Others	5,000	12,500
	33,103	67,058
Valuation allowance	-	(10,022)
	33,103	57,036
Deferred income tax liabilities		
Unrealized foreign exchange gain	(531)	(9,855)
Deferred income tax assets, net	$ 32,572	$ 47,181
Noncurrent		
Deferred income tax assets:		
Deferred credits	$ 46,660	$ 44,739
Pension cost	26,663	27,737
Accumulated equity in the net loss of foreign investees	25,560	24,829
	98,883	97,305
Valuation allowance	(25,560)	(24,829)
	73,323	72,476
Deferred income tax liabilities:		
Accumulated equity in the net gains of foreign investees	(288,739)	(328,094)
Deferred income tax liabilities, net	$ (215,416)	$ (255,618)

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

e. As of December 31, 2008, the Company's five years' exemption from income tax was as follows:

Investment Plan	Exemption Period
The industry 500 MHz thin client production	From 2006 to 2010

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

1) Income from providing management services or R&D services to its affiliates abroad;
2) Royalty payment received from its affiliates abroad; and/or
3) Returns on investments and gains on asset disposal by overseas affiliates.

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

	December 31	
	2008	2007
Balance of the imputation credit account (ICA)	$ 236,042	$ 269,712
The balances of unappropriated retained earnings generated before 1997	$ 81,329	$ 81,329

The expected and actual creditable tax ratios for earnings were 14.25% and 9.64%, as of December 31, 2008 and 2007, respectively. The imputation credit allocated to the shareholders is based on its balance as of the date of dividend distribution. The expected creditable ratio may change when the actual allocation of the imputation credits is made.

h. Income tax returns through 2005 had been examined and cleared by the tax authorities. However, the tax authorities made an assessment on the Company's 2003 return, but Company disagreed with this assessment. Thus, the Company requested for a reexamination of its return. As of March 9, 2009, the date of the accompanying auditors' report, the reexamination was in progress; nevertheless, the Company recognized the payable on this case.

14. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	2008			2007		
	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	$ 262,098	$ 771,728	$ 1,033,826	$ 239,447	$ 585,317	$ 824,764
Insurance	20,457	45,736	66,193	20,618	48,598	69,216
Pension	16,412	37,211	53,623	12,764	36,730	49,494
Others	26,063	44,571	70,634	21,104	35,518	56,622
	$ 325,030	$ 899,246	$ 1,224,276	$ 293,933	$ 706,163	$ 1,000,096
Depreciation	$ 39,080	$ 73,469	$ 112,549	$ 37,776	$ 63,404	$ 101,180
Amortization	561	54,491	55,052	660	35,990	36,650

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**
2008					
Basic EPS	$ 2,862,961	$ 2,556,638	498,631	$ 5.74	$ 5.13
The impact of dilutive potential					
Employee stock options	-	-	146		
Bonuses to employees	-	-	4,291		
Diluted EPS	$ 2,862,961	$ 2,556,638	503,068	$ 5.69	$ 5.08
2007					
Basic EPS	$ 3,415,906	$ 2,971,049	516,558	$ 6.61	$ 5.75
The impact of dilutive potential					
Stock options	-	-	855		
Diluted EPS	$ 3,415,906	$ 2,971,049	517,413	$ 6.60	$ 5.74

The Accounting Research and Development Foundation issued Interpretation 2007-052 which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company decides to grant bonuses to employees by cash or shares, the Company should assume that the entire amount of the bonus will be settled in shares, and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. The dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The EPS was retroactively adjusted for the stock dividends declared. Thus, in 2007, pretax and after-tax basic EPS decreased from NT$7.02 to NT$6.61 and from NT$6.11 to $5.75, respectively, and pretax and after-tax diluted EPS decreased from NT$7.01 to NT$6.60 and from $6.10 to $5.74, respectively.

16. RELATED-PARTY TRANSACTIONS

a. Related parties

Related Party	Relationship with the Company
Advantech Investment Fund-A Co., Ltd. (Advantech Fund-A)	Equity-method investee
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
SG Advantech Co., Ltd. (former name: Advantech Technologies Co., Ltd.) (AKR)	The Company was AKR's director (AKR was an equity-method investee until December 2008)
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech (YanShun) Holding Co., Ltd. (AYS)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC (BVI))	Equity-method investee
Advantech Co., Malaysia Sdn. Bhd (AMY)	Equity-method investee
Viewsys Technology Co., Ltd. ("Viewsys")	Equity-method investee (liquidated in September 2007)
Advantech Europe GmbH (ADL)	Equity-method investee of AEU
Advantech Europe B.V. (AESC)	Equity-method investee of AEU
Advantech Poland Sp. z o.o. (APL)	Equity-method investee of AEU
Advantech Automation Corp. (H.K.) Limited (AAC (HK))	Equity-method investee of AAC (BVI)
Advantech (H.K.) Technology Co., Ltd. (ATC (HK))	Equity-method investee of ATC
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC (HK)
Advantech Electronic Technology (Dongguan) Co., Ltd. (ADMC)	Equity-method investee of AYS
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 (HK)
Yan Hua Xing Ye Electronic (SHHQ)	Equity-method investee of AAC (HK)

(Continued)

Related Party	Relationship with the Company
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
BCM Embedded Computer Inc. (BCM)	Equity-method investee of Advantech Fund-A
Broadwin Technology, Inc. ("Broadwin")	Equity-method investee of Advantech Fund-A
Jan Hsiang Electronics Co., Ltd. ("Jan Hsiang")	Equity-method investee of Netstar
Advantech Brazil S/A (ABR)	Related party in substance
Avalue Technology Inc.	The Company's chairman is the Avalue Technology Inc.'s director
Mr. Peter Marek	Manager of ADL
Mr. Stavors Kostelidis	Manager of ADL
Mr. Andrea Zolli	Manager of AEU (formerly manager of AIT)
Immoibiliare Verdi Srl	Manager of AEU (formerly manager of AIT)
Shanghai Advantech Intelligent Services Co., Ltd. (AINS)	Equity-method investee of AAC (HK)
Xi'an Advantech Software Ltd. (AXA)	Equity-method investee of AAC (HK)

(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 17 and Table 2, are summarized as follows:

	2008		2007	
	Amount	% of Total	Amount	% of Total
For the year				
1) Sales				
AC	$ 2,960,193	24	$ 2,858,246	25
ACN	2,634,032	22	1,967,251	17
AESC	1,845,950	15	1,787,884	16
AKR	280,348	2	327,131	3
AJP	262,408	2	266,028	3
AAU	160,167	1	134,001	1
AINS	137,159	1	-	-
ASG	109,994	1	110,454	1
ABR	95,918	1	73,339	1
AKMC	50,671	1	59,861	1
ATH	34,258	-	22,531	-
AMY	24,724	-	59,908	-
Axiomtek	9,300	-	9,315	-
APL	8,505	-	12,592	-
Broadwin	6,532	-	-	-
Advansus Corp.	4,921	-	25,573	-
Avalue	2,863	-	-	-
AHG	22	-	1,872	-
SHHQ	-	-	371,138	3
Others	158	-	635	-
	$ 8,628,123	70	$ 8,087,759	71

	2008 Amount	2008 % of Total	2007 Amount	2007 % of Total
2) Purchase of materials and supplies				
ATC	$ 3,695,260	42	$ 3,222,352	40
Advansus Corp.	632,143	8	460,580	6
AYS	528,184	6	212,958	3
Nestar	22,958	-	8,458	-
AC	22,583	-	28,688	1
Jan Hsiang	19,067	-	14,146	-
ACN	5,464	-	-	-
ASG	3,643	-	-	-
AESC	1,586	-	28,215	-
Axiomtek	838	-	3,228	-
Viewsys	-	-	113	-
Others	2,542	-	157	-
	$ 4,934,268	56	$ 3,978,895	50
3) Royalty revenue for patent (part of nonoperating income)				
ATC	$ 185,533	100	$ 162,395	100
4) Commission revenues (part of nonoperating income)				
AJP	$ 5,727	22	$ -	-
5) Administrative revenues (part of nonoperating income)				
Advansus Corp.	$ 3,000	11	$ 2,971	22
6) Rental revenues (part of nonoperating income; revenues were from the rental of office spaces under renewable one-year operating leases)				
Advansus Corp.	$ 4,225	21	$ 2,915	22
BCM	460	2	-	-
AIMS	300	1	270	2
Advantech Fund-A	36	-	36	-
	$ 5,021	24	$ 3,221	24

	2008 Amount	2008 % of Total	2007 Amount	2007 % of Total
At year-end				
7) Receivables				
Accounts				
AESC	$ 491,107	35	$ 657,938	35
ACN	458,564	33	428,063	23
AC	231,874	17	513,394	27
AKR	87,749	6	39,600	2
AJP	31,290	2	91,547	5
AAU	28,789	2	21,206	1
ASG	18,864	1	4,411	-
AKMC	17,513	1	39,762	2
ABR	16,517	1	21,333	1
APL	8,615	1	23,710	1
ATH	3,356	-	1,718	-
Avalue	2,955	-	-	
AMY	2,143	-	5,337	-
Axiomtek	1,590	-	1,725	-
Advansus Corp.	11	-	4,344	-
SHHQ	-	-	21,110	1
Others	1,510	-	1,217	1
	1,402,447	99	1,876,415	99
8) Other receivables				
Dividends				
AKR	-	-	6,640	-
Other receivables				
AESC	7,131	1	-	-
ADL	2,815	-	5,667	-
AKMC	-	-	11,060	1
AC	-	-	4,047	-
Others	1,130	-	1,128	-
	11,076	1	21,902	1
	$ 1,413,523	100	$ 1,904,957	100
9) Payables				
Accounts				
ATC	$ 554,721	80	$ 709,984	73
AYS	73,887	11	115,712	12
Advansus Corp.	50,999	7	129,404	13
Nestar	5,590	2	5,032	1
AC	2,158	-	7,557	1
ADL	1,585	-	2,700	-
Broadwin	1,105	-	-	-
AESC	777	-	1,710	-
Jan Hsiang	446	-	1,750	-
Others	2,953	-	714	-
	$ 694,221	100	$ 974,563	100

c. Share transactions

The Company bought AEU shares from managers of ADL and AEU in June 2008 and July 2007. The related transactions are summarized as follows:

	Common Stock Issuer	Shares	Cost
June 2008	AEU	75,000	$ 34,712
July 2007	AEU	81,329	$ 14,920

An operating lease contract with related parties on the use of a building was based on market prices and made under normal terms. The lease was less than five years. Product sales were conducted under normal terms. The payment terms for related parties were 30 to 90 days. Terms for third parties were 30 to 60 days.

d. Compensation of directors, supervisors and management personnel:

	December 31	
	2008	2007
Salaries	$ 37,463	$ 62,187
Bonus	17,247	21,491
	$ 54,710	$ 83,678

The compensation of directors, supervisors and management personnel for the year ended December 31, 2007 included the bonuses appropriated from the earnings of 2007 which had been approved by shareholders in their annual meeting held in 2008.

17. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2008, the Company had the following guarantees for an affiliate’s loans:

	Amount
AKMC	$ 610,080 thousand

18. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivative financial instruments				
Assets				
Available-for-sale financial assets - current	$ -	$ -	$ 970,936	$ 970,936
Available-for-sale financial assets - noncurrent	1,731,615	1,731,615	4,047,492	4,047,492
Derivative financial instruments location				
Financial assets at fair value through profit or loss - current				
Domestic	737	737	-	-
Foreign (foreign corporation operating in domestic district included)	864	864	87	87
Financial liabilities at fair value through profit or loss - current				
Domestic	12,357	12,357	-	-
Foreign (foreign corporation operating in domestic district included)	10,930	10,930	-	-

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

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

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

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

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

	Based on the Quoted Market Price December 31		Determined Using Valuation Techniques December 31	
	2008	**2007**	**2008**	**2007**
Assets				
Financial assets at fair value through profit or loss - current	$ -	$ -	$ 1,601	$ 87
Available-for-sale financial assets - current	-	970,936	-	-
Available-for-sale financial assets - noncurrent	1,731,615	4,047,492	-	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	23,287	-

d. As of December 31, 2008 and 2007, financial assets exposed to fair value risk from interest rate fluctuation amounted to $1,017,411 thousand and $747,811 thousand, respectively, and financial assets exposed to cash flow interest risk amounted to $203,508 thousand and $430,040 thousand, respectively.

e. The Company recognized unrealized losses of $2,365,962 thousand and unrealized gains of $393,929 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the years ended December 31, 2008 and 2007, respectively. The Company also recognized an unrealized gains of $615 thousand and $1,066 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees for the years ended December 31, 2008 and 2007, 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.

19. ADDITIONAL DISCLOSURES

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

b. Investments in mainland China

   1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of December 31, 2008, accumulated inward remittance of earnings as of December 31, 2008 and upper limit on investment: Table 9 (attached)

   2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 16, 17 and Tables 1, 2, 6 and 7.

20. SEGMENT INFORMATION

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

b. Foreign operations: The Company had no foreign operating unit as of December 31, 2008.

c. Export sales

Geographic Area	2008	2007
America	$ 3,890,484	$ 4,898,249
Asia	4,281,476	3,149,035
Europe	2,959,850	2,184,907
	$ 11,131,810	$ 10,232,191

d. Major customers

	2008		2007	
Customer	Amount	% of Total	Amount	% of Total
AC	$ 2,960,193	24	$ 2,858,246	25
ACN	2,634,032	22	1,967,251	17
AESC	1,845,950	15	1,787,884	16
	$ 7,440,175	61	$ 6,613,381	58

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2008
(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	Receivables from related parties	$ 32,368 (EUR 700 thousand)	$ 32,368 (EUR 700 thousand)	4.00%	Short-term financing	$ -	Financing need	$ -	-	$ -	$ 767,019 (Note B)	$ 1,534,038 (Note B)
2	AESC	AEU	Receivables from related parties	12,022 (EUR 260 thousand)	-	2.50%	Short-term financing	-	Financing need	-	-	-	767,019 (Note B)	1,534,038 (Note B)
3	AKMC	ACN	Receivables from related parties	226 (RMB 47 thousand)	-	3.00%	Short-term financing	-	Financing need	-	-	-	767,019 (Notes B and C)	1,534,038 (Notes B and C)
4	SHHQ	ACN	Receivables from related parties	52,857 (RMB 10,989 thousand)	12,304 (RMB 2,558 thousand)	3.00%	Short-term financing	-	Financing need	-	-	-	767,019 (Notes B and C)	1,534,038 (Notes B and C)
5	ACN	AKMC	Receivables from related parties	96,825 (RMB 20,130 thousand)	96,825 (RMB 20,130 thousand)	3.50%	Short-term financing	-	Financing need	-	-	-	767,019 (Notes B and C)	1,534,038 (Notes B and C)
6	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Receivables from related parties	132,029	72,071	-	Service intercourse	Purchase 323,661 thousand	Service intercourse	-	-	-	323,661 (Note D)	323,661 (Note D)
7	Netstar Technology Co., Ltd.	LANSONIC (BVI)	Receivables from related parties	3,607	-	-	Short-term financing	-	Financing need	-	-	-	27,336 (Note E)	54,672 (Note F)

Notes: A. The exchange rate was EUR1.00=NT$46.24; RMB1.00= NT$4.81.

B. The maximum amount of financing to individual counter-party and the maximum amount of financing that can be provided by the financier are 15% and 30% of the parent company's issue capital stock, respectively.

C. For more efficient use of capital among subsidiaries in Mainland China, the maximum amount of financing that can be provided by the financier is RMB30,000 thousand and ACN handle the overall planning on the capital by Citibank account.

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

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

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

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2008
(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, and 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	$ 767,019 (Note A)	$ 610,080 (US$18,600 thousand)	$ 610,080 (US$18,600 thousand)	$ -	5.29	$ 1,534,038 (Note B)
1	SHHQ	AKMC	Related enterprise	767,019 (Note A)	25,781 (US$ 786 thousand)	25,781 (US$ 786 thousand)	-	0.22	1,534,038 (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$32.8.

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS
DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2008				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech Co., Ltd. (the "Company")	Stock							
	AAC (BVI)	Investee	Long-term equity investments	32,606,500	$ 1,787,540	100.00	$ 1,787,540	Note A
	ATC	"	"	32,750,000	1,576,784	100.00	1,576,784	Note A
	Advansus Corp.	"	"	30,000,000	303,998	50.00	303,998	Note A
	Advantech Fund-A	"	"	70,000,000	624,712	100.00	624,712	Note A
	Axiomtek	"	"	21,353,345	349,915	27.96	349,915	Note A
	AEU	"	"	9,572,024	420,184	100.00	420,184	Note A
	ASG	"	"	1,450,000	71,404	100.00	71,404	Note A
	AAU	"	"	500,204	68,755	100.00	68,755	Note A
	AJP	"	"	1,200	137,516	100.00	137,516	Note A
	AYS	"	"	12,300,000	90,703	100.00	90,703	Note A
	AMY	"	"	2,000,000	40,183	100.00	40,183	Note A
	AHG	"	"	30	16,369	30.00	16,369	Note A
	AIMS	"	"	500,000	5,811	100.00	5,811	Note A
	AHK	"	Other liability - others	999,999	(4,234)	100.00	(4,234)	Notes A and D
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	45,698,339	1,681,699	1.08	1,681,699	Note C
	AKR	"	"	778,032	49,916	10.63	49,916	Note A
Advantech Fund-A	Stock							
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	7,831	30.00	7,831	Note E
	Netstar Technology Co., Ltd.	"	"	16,897,511	168,792	67.59	168,792	Note A
	BCM Embedded Computer Inc.	"	"	3,000,000	15,286	100.00	15,286	Note A
	Broadwin Technology, Inc.	"	"	6,652,210	109,625	70.28	109,625	Note A
	Avalue Technology Inc.	-	Financial assets carried at cost - noncurrent	3,165,000	88,637	8.77	88,637	-
	Superior Technology Co., Ltd.	-	"	1,095,910	33,441	13.22	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	246,840	13,206	-	13,206	Note C
TTC	Shares							
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	25,940	100.00	25,940	Note E
ATC	Stock							
	ATC (HK)	"	"	35,650,000	1,272,822	100.00	1,272,822	Note A
ATC (HK)	Shares							
	AKMC	"	"	-	1,273,018	100.00	1,273,018	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2008				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
AYS	Shares							
	ADMC	Investee	Long-term equity investments	-	$ 72,483	100.00	$ 72,483	Note A
AAC (BVI)	Stock							
	AC	”	”	10,952,606	981,952	100.00	981,952	Note A
	AAC (HK)	”	”	7,230,000	805,157	100.00	805,157	Note A
AAC (HK)	Shares							
	ACN	”	”	-	419,117	100.00	419,117	Note A
	SHHQ	”	”	-	91,307	100.00	91,307	Note A
	AINS			-	266,133	100.00	266,133	Note A
	AXA			-	27,485	100.00	27,485	Note E
ACN	Shares							
	Hangzhou Advantofine Automation Co., Ltd.	”	”	-	4,296	50.00	4,296	Note E
AEU	Stock							
	AESC	”	”	8,314,280	135,701	100.00	135,701	Note A
	ADL	”	”	1,142,000	17,933	100.00	17,933	Note A
	APL	”	”	6,350	28,220	92.89	28,220	Note A
ASG	Stock							
	ATH	”	”	30,000	6,699	30.00	6,699	Note A
	APN	”	”	570,570	5,527	55.00	5,527	Note A
	AKL	”	”	418,000	3,643	55.00	3,643	Note A
Netstar Technology Co., Ltd.	Stock							
	LANSONIC (BVI)	Investee	Other liability - others	3,527,529	(36,429)	94.83	(36,429)	Notes A and D
	Jan Hsiang Electronics Co., Ltd.	”	Long-term equity investments	1,520,000	13,782	76.00	13,782	Note A
	Lantech Communications Inc.	”	Other liability - others	1,159,500	-	77.30	-	Note A
Broadwin Technology, Inc.	Stock							
	Broadwin Technology Inc.	Investee	Long-term equity investments	1,916,475	19,315	100.00	19,315	Note A
LANSONIC (BVI)	Shares							
	Netstar Electronics Corporation	”	Other liability - others	-	HK$ (27,678)	100.00	HK$ (27,678)	Notes A and D

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

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

Note C: Market value was based on the closing price on December 31, 2008.

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

Note E: The net asset values were based on un-audited financial statements.

(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
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name/Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Advantech Co., Ltd. (the "Company")	Fund													
	Capital Income Fund	Available for sale financial assets - current	-	-	16,373,844.40	$ 247,671	53,235,749.38	$ 812,293	69,609,593.78	$ 1,061,785	$ 1,059,964	$ 1,821	-	$ -
	Fuh-Hwa Yuli Bond Fund	"	-	-	-	-	24,677,988.30	315,114	24,677,998.30	315,395	315,114	281	-	-
	Fuh-Hwa Bond Fund	"	-	-	-	-	78,538,324.70	1,070,932	78,538,324.70	1,073,396	1,070,932	2,464	-	-
	James Bond Fund	"	-	-	-	-	81,210,754.30	1,279,469	81,210,754.30	1,282,354	1,279,469	2,885	-	-
	Prudential Bond Fund	"	-	-	22,055,731.70	280,602	74,842,073.80	959,871	96,897,805.50	1,244,353	1,240,473	3,880	-	-
	Mega Diamond Bond Fund	"	-	-	16,743,993.45	195,746	15,979,604.45	187,880	32,723,597.90	384,260	383,626	634	-	-
	NITC Taiwan Bond Fund	"	-	-	8,357,665.30	119,628	85,793,264.30	1,236,154	94,150,929.60	1,358,075	1,355,782	2,293	-	-
	ING Taiwan Bond Fund	"	-	-	-	-	21,122,365.90	326,700	21,122,365.90	327,278	326,700	578	-	-
	ING Taiwan Income Fund	"	-	-	7,903,346.71	127,120	57,549,984.01	932,135	65,453,330.72	1,061,268	1,059,255	2,013	-	-
	Stock													
	Advantech Fund-A	Long-term equity investments	-	Subsidiary	50,000,000.00	414,083	20,000,000.00	200,000 (Note A)	-	-	-	-	70,000,000	624,712
	ATC	"	-	"	13,450,000.00	981,854	19,300,000.00	617,037 (Note A)	-	-	-	-	32,750,000	1,576,784
	Advansus Corp.	"	-	Investee	50,000,000.00	476,793	-	-	20,000,000.00	200,000 (Note B)	200,000 (Note B)	-	30,000,000	303,998
	AAC (BVI)	"	-	Subsidiary	24,606,500.00	1,423,850	8,000,000.00	257,040 (Note A)	-	-	-	-	32,606,500	1,787,540
Advansus Corp.	Fund													
	Capital Income Fund	Available for sale financial assets - current	-	-	24,940,897.50	377,241	42,154,827.60	641,783	67,095,725.10	1,021,440	1,019,024	2,416	-	-
	NITC Taiwan Bond Fund	"	-	-	1,217,909.60	17,436	29,853,768.40	430,684	31,071,678.00	448,986	448,120	866	-	-
Advantech Fund-A	Stock													
	Capital Income Fund	Available for sale financial assets - current	-	-	7,320,151.50	110,449	831,896.20	12,709	8,152,047.70	123,640	123,158	482	-	-
	NITC Taiwan Bond Fund	"	-	-	-	-	17,955,912.70	258,400	17,955,912.70	259,551	258,400	1,151	-	-

Note A: Issuance of common stock for cash to investees.

Note B: Proceeds of the investees' return of capital in cash.

ADVANTECH CO., LTD. AND INVESTEES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars, Unless Specified 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			
Shanghai Advantech Intelligent Services Co., Ltd.	Office building	2008.11	$ 201,265 (RMB 41,843 thousand)	Paid in full by contract requirements	Shanghai Shibei Industrial Park Invest Promotion Center	None	-	-	-	$ -	Quotations on the market locally	For business use	None

Note: The exchange rate was RMB1.00=NT$4.81.

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
YEAR ENDED DECEMBER 31, 2008
(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	$ (2,960,193)	(24)	Set for 45 days a month	$ -	-	$ 231,874	12	
	AESC	Indirect subsidiary	Sale	(1,845,950)	(15)	Set for 45 days a month	-	-	491,107	24	
	ACN	Indirect subsidiary	Sale	(2,634,032)	(22)	Set for 45 days a month	-	-	458,564	23	
	AINS	Indirect subsidiary	Sale	(137,159)	(1)	Set for 45 days a month	-	-	-	-	
	ASG	Subsidiary	Sale	(109,994)	(1)	Set for 45 days a month	-	-	18,864	1	
	AKR	The Company is the AKR's director	Sale	(280,348)	(2)	Set for 45 days a month	-	-	87,749	4	
	AJP	Subsidiary	Sale	(262,408)	(2)	Set for 45 days a month	-	-	31,290	2	
	AAU	Subsidiary	Sale	(160,167)	(1)	Set for 45 days a month	-	-	28,789	1	
	ATC	Subsidiary	Purchase	3,695,260	42	Set for 60 days a month	-	-	(554,721)	(56)	
	Advansus Corp.	Investee	Purchase	632,143	8	Set for 30 days a month	-	-	(50,999)	(5)	
	AYS	Subsidiary	Purchase	528,184	6	Set for 90 days a month	-	-	(73,887)	(7)	
ATC	Advantech Co., Ltd.	Parent company	Sale	(3,695,260)	(100)	Set for 60 days a month	-	-	554,721	96	
Advansus Corp.	Advantech Co., Ltd.	Parent company	Sale	(632,143)	(33)	Set for 30 days a month	-	-	50,999	29	
AC	Advantech Co., Ltd.	Ultimate parent company	Purchase	2,960,193	81	Set for 45 days a month	-	-	(231,874)	(89)	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,845,950	71	Set for 45 days a month	-	-	(491,107)	(81)	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	2,634,032	81	Set for 45 days a month	-	-	(458,564)	(81)	
AINS	Advantech Co., Ltd.	Ultimate parent company	Purchase	137,159	100	Set for 45 days a month	-	-	-	-	
ASG	Advantech Co., Ltd.	Parent company	Purchase	109,994	69	Set for 45 days a month	-	-	(18,864)	(1)	
AKR	Advantech Co., Ltd.	The Company is the AKR's director	Purchase	280,348	1	Set for 45 days a month	-	-	(87,749)	(9)	
AJP	Advantech Co., Ltd.	Parent company	Purchase	262,408	87	Set for 45 days a month	-	-	(31,290)	(97)	
AAU	Advantech Co., Ltd.	Parent company	Purchase	160,167	49	Set for 45 days a month	-	-	(28,789)	(43)	
AYS	Advantech Co., Ltd.	Parent company	Sale	(528,184)	(99)	Set for 45 days a month	-	-	73,887	100	
SHHQ	ACN	Related enterprise	Purchase	505,906	97	Set for 30 days a month	-	-	-	-	

(Continued)

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	
AYS	ADMC	Subsidiary	Purchase	$ 467,873	100	Set for 30 days after a month	$ -	-	$ (50,247)	(92)	
AKMC	Advansus Corp.	Related enterprise	Purchase	945,201	32	Set for 30 days after a month	-	-	(49,083)	(12)	
ACN	SHHQ	Related enterprise	Sale	(505,906)	(13)	Set for 30 days a month	-	-	-	-	
ADMC	AYS	Parent company	Sale	(467,873)	(100)	Set for 30 days after a month	-	-	50,247	90	
Advansus Corp.	AKMC	Related enterprise	Sale	(945,201)	(49)	Set for 30 days after a month	-	-	49,083	28	
Netstar Technology Co., Ltd.	Netstar Electronics Corporation	Subsidiary	Purchase	323,661	99	Set for 30 days a month	-	-	-	-	

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2008
(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	$ 491,107	3.21	$ -	-	$ 266,022	$ -
	ACN	Indirect subsidiary	458,564	5.93	-	-	758	-
	AC	Indirect subsidiary	231,874	7.94	-	-	228,705	-
ATC	Advantech Co., Ltd.	Parent company	554,721	5.84	-	-	21	-

TABLE 8

ADVANTECH CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2008			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				December 31, 2008	December 31, 2007	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	AAC (BVI)	BVI	Investment holding company	$ 1,078,934	$ 821,894	32,606,500	100.00	$ 1,787,540	$ 214,131	$ 214,131	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,044,818	427,781	32,750,000	100.00	1,576,784	385,127	385,127	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	300,000	500,000	30,000,000	50.00	303,998	45,794	27,238	Equity-method investee
	AEU	Helmond, the Netherlands	Investment holding company	426,930	392,218	9,572,024	100.00	420,184	(1,769)	(1,769)	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	General investment	700,000	500,000	70,000,000	100.00	624,712	7,598	7,598	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	269,222	270,611	21,353,345	27.96	349,915	198,445	66,555	Equity-method investee
	AKR	Seoul, Korea	Sale of industrial automation products	32,989	32,989	778,032	10.63	49,916	(272,764)	(81,630)	Included in available-for-sale financial assets - noncurrent
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	71,404	2,070	2,070	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	68,755	5,418	5,418	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	137,516	6,956	6,956	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	51,662	51,662	12,300,000	100.00	90,703	76,652	76,652	Subsidiary
	AMY	Kuala Lumpur, Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	40,183	(361)	(361)	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	16,369	1,913	574	Equity-method investee
	AIMS	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,811	172	172	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(4,234)	4,690	4,690	Subsidiary (Note A)
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei	Production and sale of industrial automation products	212,272	212,272	16,897,511	67.59	168,792	10,937	7,392	Indirect subsidiary
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,831	-	-	Equity-method investee
	BCM Embedded Computer Inc.	Taipei	Telecommunications equipment and electronic parts manufacturing	30,500	10,000	2,000,000	100.00	15,286	(16,429)	(12,932)	Indirect subsidiary
	Broadwin Technology, Inc.	Taipei, Taiwan	Assembly and production of computers	99,783	-	6,652,210	70.28	109,625	13,545	9,519	Indirect subsidiary
ATC	ATC (HK)	Hong Kong	Investment holding company	1,211,470	-	35,650,000	100.00	1,272,822	(21,422)	(21,422)	Indirect subsidiary (Note C)
	AKMC	Kunshan, China	Production and sale of components of industrial automation products	-	409,393	-	100.00	-	(9,524)	10,390	Indirect subsidiary (Note C)
ATC (HK)	AKMC	Kunshan, China	Production and sale of components of industrial automation products	1,211,470	-	-	100.00	1,273,018	(9,524)	(19,914)	Indirect subsidiary (Note C)
AYS	ADMC	Guangzhou, China	Production and sale of components of industrial automation products	51,662	51,662	-	100.00	72,483	14,583	14,583	Indirect subsidiary
Timson Tech Co. (TTC)	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processes and sale of peripherals	30,222	30,222	-	30.00	25,940	-	-	Equity-method investee
AAC (BVI)	AC	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	981,952	61,789	61,789	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment holding company	539,146	-	12,230,000	100.00	805,157	(7,573)	(7,573)	Indirect subsidiary (Note D)
	ACN	Beijing, China	Sale of industrial automation products	-	185,356	-	100.00	-	171,743	161,065	Indirect subsidiary (Note D)
	SHHQ	Shanghai, China	Sale of industrial automation products	-	96,750	-	100.00	-	(20,916)	(6,473)	Indirect subsidiary (Note D)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount December 31, 2008	Investment Amount December 31, 2007	Balance as of December 31, 2008 Shares	Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
AAC (HK)	ACN	Beijing, China	Sale of industrial automation products	$ 185,356	$ -	-	100.00	$ 419,117	$ 171,743	$ 10,678	Indirect subsidiary (Note D)
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	-	-	100.00	91,307	(20,916)	(14,443)	Indirect subsidiary (Note D)
	AINS	Shanghai, China	Sale of industrial automation products	257,040	-	-	100.00	266,133	3,366	3,366	Indirect subsidiary
	AXA	Xi'an, China	Development and production of software products	32,960	-	-	100.00	27,485	(5,109)	(5,109)	Indirect subsidiary
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processes and sale of peripherals	6,660	6,660	-	50.00	4,296	(4,734)	(2,367)	Equity-method investee
AEU	AESC	Eindhoven, the Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	135,701	10,602	10,602	Indirect subsidiary
	ADL	Munich, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	17,933	(13,909)	(13,909)	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	6,350	92.89	28,220	740	740	Indirect subsidiary
ASG	APN	Penang, Malaysia	Sale of industrial automation products	8,181	8,181	570,570	55.00	5,527	(78)	(43)	Indirect subsidiary
	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	6,699	4,805	1,441	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	3,643	-	-	Indirect subsidiary
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd.	Taipei	Electronic parts and components manufacturing	11,500	14,950	1,520,000	76.00	13,782	3,125	2,375	Indirect subsidiary
	Supercom Technology Corporation	Taipei	Telecommunication equipment and electronic parts manufacturing	-	16,250	-	-	-	(5,944)	(1,980)	Equity-method investee
	Lantech Communications Inc.	Taipei	Retail sale of electronic materials	11,595	11,595	1,159,500	77.30	-	-	-	Indirect subsidiary
	LANSONIC (BVI)	Akara Building 24 DeCastro Street, Wickhams Cay I, Road fown Tortola, British Virgin Islands	General investment	101,188	101,188	3,527,529	94.83	(36,429)	30,105	30,105	Indirect subsidiary (Note A)
LANSONIC (BVI)	Netstar Electronics Corporation (Dongguan)	Guangzhou, China	Network and UPS product manufacture business	HK$ 2,935	HK$ 2,935	-	100.00	HK$ (27,678)	HK$ 10,136	HK$ 7,191	Indirect subsidiary (Note A)
Broadwin Technology, Inc.	Broadwin Technology Inc.	San Ramon, USA	Sale of webaccess software	22,491	22,491	1,916,475	100.00	19,315	(341)	(341)	Indirect subsidiary

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

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

Note C: AKMC was restructured and became a subsidiary of ATC (HK) in June 2008.

Note D: ACN and SHHQ were restructured and became subsidiaries of AAC (HK) in June 2008.

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2008
(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, 2008	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2008	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of December 31, 2008	Accumulated Inward Remittance of Earnings as of December 31, 2008
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US$29,650 thousand	Indirect	$ 393,600 (US$ 12,000 thousand)	$ 436,240 (US$13,300 thousand)	$ -	$ 829,840 (US$ 25,300 thousand)	100%	$ (9,524)	$ 1,273,018	$ -
Yan Hua Xing Ye Electronic (SHHQ)	Sale of industrial automation products	US$3,000 thousand	Indirect	98,400 (US$ 3,000 thousand)	-	-	98,400 (US$ 3,000 thousand)	100%	(20,916)	91,307	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US$4,230 thousand	Indirect	174,890 (US$ 5,332 thousand)	-	-	174,890 (US$ 5,332 thousand)	100%	171,743	419,117	368,508 (US$11,235 thousand)
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US$1,400 thousand	Indirect	(Note C)	-	-	(Note C)	100%	14,583	72,483	-
Shanghai Advantech Intelligent Services Co., Ltd.	Production and sale of industrial automation products	US$8,000 thousand	Indirect	-	262,400 (US$ 8,000 thousand)	-	262,400 (US$ 8,000 thousand)	100%	3,366	266,133	-
Xi'an Advantech Software Ltd.	Development and production of software products	US$1,000 thousand	Indirect	-	(Note D)	-	-	100%	(5,109)	27,485	-

Accumulated Investment in Mainland China as of December 31, 2008	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,372,090 (US$41,832 thousand) (Note E)	$2,378,000 (US$72,500 thousand)	$6,980,162 (Note G)

(Continued)

Note A: The financial statements used as basis for calculating investment gain (loss) were all audited financial statements, except those for Xi'an Advantech Software Ltd.

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 17 to the financial statements and Tables 1, 2, 6 and 7.

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

Note D: Which remittance by Advantech Automation Corp. (H.K.) Limited.

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

Note F: The exchange rate was US$1.00=NT$32.8.

Note F: The upper limit on investment was based on 60% of the consolidated net asset value of Advantech Co., Ltd. (the "Company"). However, if the Company can get the approval of the Industrial Development Bureau under the Ministry of Economic Affairs to establish operating headquarters in China, there will be no limit on the amount that may be invested in Mainland China.

(Concluded)