

Advantech Co., Ltd.

**Financial Statements for the
Nine Months Ended September 30, 2008 and 2007 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Advantech Co., Ltd. as of September 30, 2008 and 2007 and the related statements of income and cash flows for the nine months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our reviews.

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

As stated in Note 8 to the financial statements, Advantech Co., Ltd. had investments accounted for by the equity method. As of September 30, 2008 and 2007, these investments had carrying values of NT\$4,786,759 thousand and NT\$4,644,398 thousand, respectively. As of September 30, 2008 and 2007, the credit balances on the carrying values of equity-method investees were NT\$1,475 thousand and NT\$12,672 thousand, respectively. The foregoing investment amounts and the net investment gains of NT\$637,023 thousand and NT\$645,733 thousand in the nine months ended September 30, 2008 and 2007, respectively, as well as additional disclosures in Note 20 required by the Securities and Futures Bureau for the Company and its investees, were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

Based on our reviews, except for any adjustments that might have been determined to be necessary had the above equity-method investment amounts been based on the investees' reviewed financial statements, we are not aware of any material modifications that should be made to the financial statements of Advantech Co., Ltd. as of and for the nine months ended September 30, 2008 and 2007 for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, 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 an expense rather than as an appropriation of earnings.

We have reviewed the consolidated financial statements of Advantech Co., Ltd. and its subsidiaries as of and for the nine months ended September 30, 2008 and have issued an qualified accountants’ review report thereon dated October 21, 2008 (not presented herewith) with an explanatory paragraph.

October 21, 2008

Notice to Readers

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

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

ADVANTECH CO., LTD.

BALANCE SHEETS

SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

ASSETS	2008		2007		LIABILITIES AND SHAREHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 4)	\$ 571,112	4	\$ 658,428	4	Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 19)	\$ 179	-	\$ 3,011	-
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 19)	923	-	1,302	-	Accounts payable	434,394	3	625,790	4
Available-for-sale financial assets - current (Notes 2, 6 and 19)	310,375	2	257,804	2	Payables to related parties (Note 16)	749,490	5	614,790	4
Notes receivable (Note 2)	63,470	-	51,702	1	Income tax payable (Notes 2 and 13)	223,402	1	29,310	-
Accounts receivable, net of allowance for doubtful accounts of \$13,932 thousand in 2008 and \$9,869 thousand in 2007 (Note 2)	621,989	4	497,354	3	Accrued expenses	527,887	3	262,722	1
Receivables from related parties (Notes 2 and 16)	1,908,030	13	1,949,913	12	Payables for acquisition of treasury stock (Note 12)	-	-	106,173	1
Other receivable	120,323	1	37,248	-	Remuneration to directors and supervisors, and employee bonus payable (Note 11)	267,445	2	267,783	2
Inventories, net (Notes 2 and 7)	1,151,548	8	1,165,590	7	Advance receipts and other current liabilities	84,510	1	79,222	-
Deferred income tax assets - current (Notes 2 and 13)	33,460	-	47,986	-					
Prepayments and other current assets	55,871	-	77,565	1	Total current liabilities	2,287,307	15	1,988,801	12
Total current assets	4,837,101	32	4,744,892	30					
LONG-TERM FUNDS AND INVESTMENTS					OTHER LIABILITIES				
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 19)	2,837,867	19	4,532,485	28	Accrued pension liabilities (Notes 2 and 10)	106,941	1	110,276	1
Investments accounted for by the equity method (Notes 2 and 8)	4,786,759	32	4,644,398	29	Deferred income tax liabilities - noncurrent (Notes 2 and 13)	228,059	1	255,400	2
Total long-term funds and investments	7,624,626	51	9,176,883	57	Deferred income (Note 2)	278,343	2	225,695	1
					Others (Notes 2 and 8)	1,475	-	12,672	-
PROPERTIES (Notes 2 and 9)					Total other liabilities	614,818	4	604,043	4
Cost					Total liabilities	2,902,125	19	2,592,844	16
Land	640,472	4	640,472	4					
Buildings	844,911	6	844,911	5	SHAREHOLDERS' EQUITY				
Machinery and equipment	386,796	3	343,945	2	Capital stock, NTS10.00 par value				
Furniture and fixtures	109,376	1	100,261	1	Authorized - 600,000 thousand shares				
Miscellaneous equipment	174,361	1	159,360	1	Issued and outstanding - 511,346 thousand shares in 2008 and 491,227 thousand shares in 2007	5,113,458	34	4,912,270	31
Total cost	2,155,916	15	2,088,949	13	Capital surplus				
Accumulated depreciation	557,910	4	459,027	3	Additional paid-in capital from share issuance in excess of par	4,295,589	29	4,370,563	27
	1,598,006	11	1,629,922	10	From treasury stock	18,620	-	-	-
Construction-in-progress and prepayments for equipment	774,789	5	315,785	2	From long-term equity investments	63,408	-	62,014	1
Net properties	2,372,795	16	1,945,707	12	Total capital surplus	4,377,617	29	4,432,577	28
					Retained earnings				
OTHER ASSETS					Legal reserve	1,673,104	11	1,378,115	9
Refundable deposits	7,319	-	12,098	-	Unappropriated earnings	2,350,891	16	2,802,373	17
Deferred expenses, net (Note 2)	139,916	1	119,961	1	Total retained earnings	4,023,995	27	4,180,488	26
Restricted assets - noncurrent (Note 17)	-	-	1,600	-	Others				
Total other assets	147,235	1	133,659	1	Cumulative translation adjustments	246,532	2	201,193	1
					Unrealized gain (loss) on financial instruments	(296,272)	(2)	1,067,467	7
TOTAL	\$14,981,757	100	\$16,001,141	100	Total others	(49,740)	-	1,268,660	8
					Treasury stock - 14,500 thousand shares	(1,385,698)	(9)	(1,385,698)	(9)
					Total shareholders' equity (Notes 2, 11 and 12)	12,079,632	81	13,408,297	84
					TOTAL	\$14,981,757	100	\$16,001,141	100

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

(With Deloitte & Touche review report dated October 21, 2008)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

	2008		2007	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 16)				
Sales	\$9,364,126	100	\$8,180,553	100
Sales returns and allowances	<u>78,766</u>	<u>1</u>	<u>100,026</u>	<u>1</u>
Net sales	9,285,360	99	8,080,527	99
Other operating revenues	<u>114,253</u>	<u>1</u>	<u>94,228</u>	<u>1</u>
Total operating revenues	9,399,613	100	8,174,755	100
OPERATING COSTS (Notes 14 and 16)	<u>6,661,431</u>	<u>71</u>	<u>5,735,259</u>	<u>70</u>
GROSS PROFIT	2,738,182	29	2,439,496	30
REALIZED (UNREALIZED) PROFITS ON INTERCOMPANY SALES (Note 2)	<u>(35,188)</u>	<u>-</u>	<u>47,135</u>	<u>-</u>
ADJUSTED GROSS PROFIT	<u>2,702,994</u>	<u>29</u>	<u>2,486,631</u>	<u>30</u>
OPERATING EXPENSES (Note 14)				
Marketing	230,307	2	216,437	3
Administration	330,891	4	270,238	3
Research and development	<u>761,251</u>	<u>8</u>	<u>594,562</u>	<u>7</u>
Total operating expenses	<u>1,322,449</u>	<u>14</u>	<u>1,081,237</u>	<u>13</u>
OPERATING INCOME	<u>1,380,545</u>	<u>15</u>	<u>1,405,394</u>	<u>17</u>
NONOPERATING INCOME AND GAINS				
Interest income	10,590	-	21,544	-
Investment income recognized under the equity method, net (Notes 2 and 8)	637,023	7	645,733	8
Dividend income (Note 2)	103,888	1	65,218	1
Gain on sale of investments, net	19,808	-	213,638	3
Foreign exchange gain, net (Note 2)	25,701	-	71,125	1
Reversal of provision for losses on inventories (Note 2)	6,100	-	43,727	1
Valuation gain on financial assets, net (Notes 2 and 5)	-	-	12,243	-
Royalty revenue (Note 16)	138,884	2	119,612	1
Other income (Note 16)	<u>15,408</u>	<u>-</u>	<u>11,329</u>	<u>-</u>
Total nonoperating income and gains	<u>957,402</u>	<u>10</u>	<u>1,204,169</u>	<u>15</u>

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

	2008		2007	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Loss on disposal of scrap inventories	\$ 57,767	1	\$ 108,849	1
Valuation loss on financial liabilities, net (Notes 2 and 5)	12,288	-	-	-
Other expenses	<u>3,500</u>	<u>-</u>	<u>1,419</u>	<u>-</u>
Total nonoperating expenses and losses	<u>73,555</u>	<u>1</u>	<u>110,268</u>	<u>1</u>
INCOME BEFORE INCOME TAX	2,264,392	24	2,499,295	31
INCOME TAX (Notes 2 and 13)	<u>265,034</u>	<u>3</u>	<u>284,608</u>	<u>4</u>
NET INCOME	<u>\$ 1,999,358</u>	<u>21</u>	<u>\$ 2,214,687</u>	<u>27</u>
	2008		2007	
	Pretax	After-tax	Pretax	After-tax
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Note 15)				
Basic	<u>\$ 4.54</u>	<u>\$ 4.00</u>	<u>\$ 4.82</u>	<u>\$ 4.27</u>
Diluted	<u>\$ 4.49</u>	<u>\$ 3.97</u>	<u>\$ 4.81</u>	<u>\$ 4.26</u>

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

(With Deloitte & Touche review report dated October 21, 2008)

(Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,999,358	\$ 2,214,687
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	120,985	103,053
Allowance (reversal of allowance) for bad debts	4,063	(523)
Reversal of allowance for loss on inventories	(6,100)	(43,727)
Loss on disposal of scrap inventories	57,767	108,849
Gain on disposal of long-term equity investments, net	(3,648)	(87,704)
Gain on the sale of available-for-sale financial assets, net	(16,160)	(125,934)
Loss on disposal of properties, net	2,094	82
Investment income recognized under the equity method, net	(637,023)	(645,733)
Cash dividends from equity-method investees	441,077	185,530
Accrued pension liabilities	(1,992)	(688)
Deferred income taxes	(13,838)	115,683
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(657)	1,169
Notes receivable	(13,981)	(1,465)
Accounts receivable	(29,717)	(15,298)
Accounts and notes receivable from related parties	319,467	106,277
Other receivable	(44,413)	(2,595)
Tax refund receivable	-	177
Inventories	(88,402)	(52,305)
Prepayments and other current assets	(29,899)	(36,118)
Accounts payable	(37,565)	82,999
Accounts and notes payable to related parties	(225,073)	359,711
Income tax payable	35,265	(108,573)
Accrued expenses	241,013	52,155
Advance receipts and other current liabilities	(7,578)	32,784
Deferred income	<u>35,188</u>	<u>(47,135)</u>
Net cash provided by operating activities	<u>2,100,231</u>	<u>2,195,358</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(6,738,192)	(8,415,534)
Proceeds of the disposal of available-for-sale financial assets	7,414,915	9,373,526
Acquisition of investments accounted for by the equity method	(419,752)	(266,582)
Proceeds of the disposal of equity-method investments	205,489	120,363
Proceeds of the disposal of properties	694	124
Acquisition of properties	(444,406)	(387,328)
Increase in deferred expense	(54,548)	(28,745)
Decrease in refundable deposits	<u>379</u>	<u>495</u>
Net cash provided by (used in) investing activities	<u>(35,421)</u>	<u>396,319</u>

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ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES		
Employee stock option	\$ 11,536	\$ 12,165
Cash bonus to employees and remuneration to directors and supervisors	(144,700)	(122,859)
Cash paid for acquisition of treasury stock	(671,826)	(1,279,525)
Cash dividends	<u>(1,869,508)</u>	<u>(1,854,598)</u>
Net cash used in financing activities	<u>(2,674,498)</u>	<u>(3,244,817)</u>
NET DECREASE IN CASH	(609,688)	(653,140)
CASH, BEGINNING OF PERIOD	<u>1,180,800</u>	<u>1,311,568</u>
CASH, END OF PERIOD	<u>\$ 571,112</u>	<u>\$ 658,428</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Income tax paid	<u>\$ 241,781</u>	<u>\$ 277,498</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends receivable from equity-method investees	<u>\$ 322,540</u>	<u>\$ 52,130</u>
Remuneration to directors and supervisors and bonus to employees payable	<u>\$ 87,339</u>	<u>\$ 138,048</u>
Prepayment for equipment recorded as deferred expenses	<u>\$ 5,481</u>	<u>\$ -</u>
Payables for acquisition of treasury stock	<u>\$ -</u>	<u>\$ 106,173</u>

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

(With Deloitte & Touche review report dated October 21, 2008)

(Concluded)

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

As of September 30, 2008 and 2007, the Company had 1,360 and 1,272 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 properties, pension cost, product warranty reserve, compensation expenses bonuses paid to employees, 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.

Properties

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

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

Upon sale or other disposal of properties, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to nonoperating income or expenses 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 properties, deferred expenses and investments accounted for by the equity method exceeds, as of the balance sheet date, their recoverable amount, and this impairment loss should be charged to current income. An impairment loss recognized in prior years could be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the asset carrying amount that would have been determined had no impairment loss on the asset been recognized in prior years.

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.

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

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

Reclassifications

Certain accounts in the financial statements as of and for the nine months ended September 30, 2007 have been reclassified to be consistent with the presentation of the financial statements as of and for the nine months ended September 30, 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 an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income and earnings per share (after income tax) of \$175,992 thousand and NT\$0.36, respectively, for the nine months ended September 30, 2008.

4. CASH

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Cash on hand	\$ 1,555	\$ 1,558
Checking and demand deposits	69,711	106,324
Time deposits: Interest - 2.00%-4.23% in 2008 and 1.84%-4.45% in 2007	<u>499,846</u>	<u>550,546</u>
	<u>\$ 571,112</u>	<u>\$ 658,428</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company's financial instruments for trading purposes were as follows:

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
<u>Financial assets resulting from trading</u>		
Forward contracts	<u>\$ 923</u>	<u>\$ 1,302</u>
<u>Financial liabilities resulting from trading</u>		
Forward contracts	<u>\$ 179</u>	<u>\$ 3,011</u>

As of September 30, 2008 and 2007, the outstanding forward contracts were as follows:

	Currency	Maturity	Amount (Thousands)
<u>September 30, 2008</u>			
Sell	JPY/USD	October 2008	JPY83,000/USD795
	EUR/USD	October 2008	EUR2,500/USD3,621
<u>September 30, 2007</u>			
Sell	USD/NTD	October 2007	USD3,000/NTD98,691
	EUR/USD	October - November 2007	EUR5,000/USD7,007
	JPY/USD	October - December 2007	JPY200,000/USD1,759

The Company entered into forward contract transactions for the nine months ended September 30, 2008 and 2007 to avoid risks on exchange rate fluctuations. The hedging strategy of the Company is to avoid the major portion of the fair value risks.

Net gains and losses arising from trading financial assets or liabilities for the nine months ended September 30, 2008 and 2007 were net losses \$12,288 thousand and net gains \$12,243 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30			
	2008		2007	
	Current	Noncurrent	Current	Noncurrent
Mutual funds	\$ 310,375	\$ -	\$ 257,804	\$ -
Publicly traded stocks				
ASUSTEK Computer Inc.	<u>-</u>	<u>2,837,867</u>	<u>-</u>	<u>4,532,485</u>
	<u>\$ 310,375</u>	<u>\$ 2,837,867</u>	<u>\$ 257,804</u>	<u>\$ 4,532,485</u>

7. INVENTORIES, NET

	September 30	
	2008	2007
Finished goods	\$ 436,031	\$ 380,395
Work in process	344,387	408,416
Materials and supplies	454,387	510,918
Inventories in transit	<u>19,790</u>	<u>14,544</u>
	1,254,595	1,314,273
Allowance for losses	<u>(103,047)</u>	<u>(148,683)</u>
	<u>\$ 1,151,548</u>	<u>\$ 1,165,590</u>

8. LONG-TERM EQUITY INVESTMENTS

	September 30			
	2008		2007	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
<u>Listed</u>				
Axiomtek Co., Ltd.	\$ 337,564	28.52	\$ 383,500	29.97
<u>Unlisted</u>				
Advantech Automation Corp. (BVI)	1,535,050	100.00	1,501,666	100.00
Advantech Technology Co., Ltd.	1,041,582	100.00	885,961	100.00
Advansus Corp.	298,675	50.00	463,821	50.00
Advantech Investment Fund-A Co., Ltd.	615,772	100.00	454,687	100.00
Advantech Europe Holding B.V.	382,525	100.00	330,902	99.22
Advantech Technologies Co., Ltd.	96,092	23.89	180,595	23.89
Advantech Co. Singapore Pte, Ltd.	70,094	100.00	112,264	100.00
Advantech Australia Pty Ltd.	82,705	100.00	106,345	100.00
Advantech Japan Co., Ltd.	119,661	100.00	98,726	100.00
Advantech (Yanshun) Holding Co., Ltd.	143,658	100.00	54,711	100.00
Advantech Co., Malaysia Sdn. Bhd.	41,414	100.00	39,805	100.00
Advantech Hungary Ltd.	16,055	30.00	14,522	30.00

(Continued)

	September 30			
	2008		2007	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Advantech Investment & Management Service	\$ 5,912	100.00	\$ 5,622	100.00
Viewsys Technology Co., Ltd.	-	-	11,271	100.00
Advantech (H.K.) Technology Co., Ltd.	-	100.00	-	100.00
	<u>4,449,195</u>		<u>4,260,898</u>	
Long-term stock investments accounted for by the equity method	<u>\$ 4,786,759</u>		<u>\$ 4,644,398</u>	(Concluded)

The calculation of the investment carrying value and the Company's equity in the equity-method investees' net income was based on the investees' unreviewed financial statements as of and for the nine months ended September 30, 2008 and 2007.

The Company intended to support the operations of Advantech (H.K.) Technology Co., Ltd. in the nine months ended September 30, 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 September 30, 2008 and 2007, there were credit balances on this investment of \$1,475 thousand and \$12,672 thousand, respectively, included in other liability - others.

Movements of the aforementioned difference allocated to goodwill for the nine months ended September 30, 2008 and 2007 were as follows:

	Nine Months Ended	
	September 30	
	2008	2007
Cost		
Balance, beginning of period	\$ 76,944	\$ 71,381
Amount recognized on business combinations	33,301	-
Amount derecognized on disposal of a subsidiary	(54)	(12,392)
Translation adjustment	(2,303)	3,496
Negative goodwill amortized	<u>55</u>	<u>62</u>
Balance, end of period	<u>\$ 107,943</u>	<u>\$ 62,547</u>

The market value of the listed stock of the equity investment's market values, which was calculated on the basis of the closing price of September 30, 2008 and 2007 were \$437,744 thousand and \$1,501,675 thousand.

The Company has included all of its direct and indirect subsidiaries in the consolidated financial statements as of and for the nine months ended September 30, 2008.

9. PROPERTIES

Statement of changes in properties was as follows:

		Nine Months Ended September 30, 2008				
		Beginning Balance	Acquisition	Disposal	Re- classification	Ending Balance
Properties						
	Cost					
	Land	\$ 640,472	\$ -	\$ -	\$ -	\$ 640,472
	Buildings	844,911	-	-	-	844,911
	Machinery and equipment	353,918	19,886	1,696	14,688	386,796
	Furniture and fixtures	103,173	9,764	3,561	-	109,376
	Miscellaneous equipment	<u>161,675</u>	<u>18,592</u>	<u>5,906</u>	<u>-</u>	<u>174,361</u>
		<u>2,104,149</u>	<u>\$ 48,242</u>	<u>\$ 11,163</u>	<u>\$ 14,688</u>	<u>2,155,916</u>
	Accumulated depreciation					
	Buildings	118,896	\$ 12,397	\$ -	\$ -	131,293
	Machinery and equipment	217,569	35,228	1,352	-	251,445
	Furniture and fixtures	60,220	15,066	3,240	-	72,046
	Miscellaneous equipment	<u>87,050</u>	<u>20,150</u>	<u>4,074</u>	<u>-</u>	<u>103,126</u>
		<u>483,735</u>	<u>\$ 82,841</u>	<u>\$ 8,666</u>	<u>\$ -</u>	<u>557,910</u>
		1,620,414				1,598,006
	Construction in progress and prepayments for equipment	<u>398,794</u>	<u>\$ 396,164</u>	<u>\$ -</u>	<u>\$ (20,169)</u>	<u>774,789</u>
		<u>\$ 2,019,208</u>				<u>\$ 2,372,795</u>
		Nine Months Ended September 30, 2007				
		Beginning Balance	Acquisition	Disposal	Re- classification	Ending Balance
Properties						
	Cost					
	Land	\$ 640,472	\$ -	\$ -	\$ -	\$ 640,472
	Buildings	844,911	-	-	-	844,911
	Machinery and equipment	298,347	41,271	5,434	9,761	343,945
	Furniture and fixtures	90,573	10,233	745	200	100,261
	Miscellaneous equipment	<u>135,917</u>	<u>22,517</u>	<u>3,022</u>	<u>3,948</u>	<u>159,360</u>
		<u>2,010,220</u>	<u>\$ 74,021</u>	<u>\$ 9,201</u>	<u>\$ 13,909</u>	<u>2,088,949</u>
	Accumulated depreciation					
	Buildings	102,367	\$ 12,397	\$ -	\$ -	114,764
	Machinery and equipment	183,395	30,031	5,334	(1)	208,091

(Continued)

	Nine Months Ended September 30, 2007				
	Beginning Balance	Acquisition	Disposal	Re- classification	Ending Balance
Furniture and fixtures	\$ 42,099	\$ 14,168	\$ 639	\$ (9)	\$ 55,619
Miscellaneous equipment	<u>65,096</u>	<u>18,469</u>	<u>3,022</u>	<u>10</u>	<u>80,553</u>
	<u>392,957</u>	<u>\$ 75,065</u>	<u>\$ 8,995</u>	<u>\$ -</u>	<u>459,027</u>
	1,617,263				1,629,922
Construction in progress and prepayments for equipment	<u>16,387</u>	<u>\$ 313,307</u>	<u>\$ -</u>	<u>\$ (13,909)</u>	<u>315,785</u>
	<u>\$ 1,633,650</u>				<u>\$ 1,945,707</u> (Concluded)

10. PENSION PLAN

Under the Act, the Company has a defined contribution pension plan. Since July 1, 2005, the Company has made monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries and wages. The pension cost under the defined contribution plan was \$35,053 thousand and \$34,300 thousand for the nine months ended September 30, 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 nine-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). The pension costs under the defined benefit pension plan were \$4,468 thousand and \$2,644 thousand for the nine months ended September 30, 2008 and 2007, respectively. As of September 30, 2008 and 2007, the balance of the pension fund was \$90,017 thousand and \$78,658 thousand, respectively.

11. SHAREHOLDERS' EQUITY

Appropriation of Earnings and Dividend Policy

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

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

- a. 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.

For the nine months ended September 30, 2008, the bonus to employees and remunerations to directors and supervisors, representing 13% and 1%, respectively, of net income (net of the bonus to employees and remunerations to directors and supervisors), were accrued on the basis of past experiences. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are retroactively adjusted for in the current year. 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:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (Dollars)</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
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	-	-

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.

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.

On April 1, 2003, the Securities and Futures Bureau approved the Company's stock option plan. There were 3,000 thousand units authorized to be issued, which may be converted to 3,000 thousand common shares. Employees may exercise a certain percentage of the option within two and four years of the grant date, and will expire six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT\$23.49 as of September 30, 2008.

As of September 30, 2008, there were 2,610 thousand units of stock options exercised, which were converted to 2,610 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
<u>Nine months ended September 30, 2008</u>				
For transfer to employees	14,500	-	-	14,500
To maintain the Company's credibility and shareholders' interest	-	10,000	10,000	-
<u>Nine months ended September 30, 2007</u>				
For transfer to employees	-	14,500	-	14,500

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

13. INCOME TAX

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

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Tax on pretax income at 25% statutory rate	\$ 566,089	\$ 624,814
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(216,814)	(201,268)
Other	(19,881)	(30,606)
Temporary differences	44,461	(132,736)
Income tax (10%) on undistributed earnings	25,966	25,081
Investment tax credit	<u>(122,775)</u>	<u>(116,360)</u>
Income tax currently payable	<u>\$ 277,046</u>	<u>\$ 168,925</u>

- b. Income tax expense consisted of the following:

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Income tax currently payable	\$ 277,046	\$ 168,925
Income tax expense - deferred	(13,838)	115,683
Withholding tax of dividends	<u>1,826</u>	<u>-</u>
	<u>\$ 265,034</u>	<u>\$ 284,608</u>

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

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Balance, beginning of period	\$ 188,137	\$ 137,883
Income tax currently payable	277,046	168,925
Payment	<u>(241,781)</u>	<u>(277,498)</u>
Balance, end of period	<u>\$ 223,402</u>	<u>\$ 29,310</u>

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

d. Net deferred income tax assets (liabilities) as of September 30, 2008 and 2007 were as follows:

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Current		
Deferred income tax assets		
Allowance for loss on inventories	\$ 25,762	\$ 37,171
Unrealized product warranty reserve	7,957	10,052
Excess provisions for doubtful receivables	-	6,958
Others	<u>5,000</u>	<u>-</u>
	<u>38,719</u>	<u>54,181</u>
Deferred income tax liabilities		
Unrealized foreign exchange gain	<u>(5,259)</u>	<u>(6,195)</u>
Deferred income tax assets, net	<u>\$ 33,460</u>	<u>\$ 47,986</u>
Noncurrent		
Deferred income tax assets:		
Deferred income	\$ 53,488	\$ 40,375
Accumulated equity in the net loss of foreign investees	40,444	40,707
Pension cost	<u>26,735</u>	<u>27,737</u>
	120,667	108,819
Valuation allowance	<u>(40,444)</u>	<u>(40,707)</u>
	<u>80,223</u>	<u>68,112</u>
Deferred income tax liabilities:		
Accumulated equity in the net gains of foreign investees	<u>(308,282)</u>	<u>(323,512)</u>
Deferred income tax liabilities, net	<u>\$ (228,059)</u>	<u>\$ (255,400)</u>

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

e. As of September 30, 2008, the Company's five years exemption on the income was as follows:

<u>Investment Plan</u>	<u>Exemption Period</u>
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:

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
Balance of the imputation credit account (ICA)	<u>\$ 98,541</u>	<u>\$ 86,617</u>
The balances of unappropriated retained earnings generated before 1997	<u>\$ 81,329</u>	<u>\$ 81,329</u>

The actual creditable tax ratios for earnings of 2007 and 2006 were 9.64% and 8.18%, respectively.

- h. Income tax returns through 2004 had been examined and cleared by the tax authorities. However, the tax authorities made an assessment on the Company's 2003 return, and Company is unwilling to accept this assessment. The Company has requested for a reexamination of its return, but, as of October 21, 2008, the date of the accompanying accountants' review report, the reexamination was in progress; nevertheless, the Company recognized the payable on the case.

14. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	Nine Months Ended September 30					
	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	\$ 214,481	\$ 687,369	\$ 901,850	\$ 181,166	\$ 487,446	\$ 668,612
Insurance	14,920	33,178	48,098	15,280	36,570	51,850
Pension	12,254	27,267	39,521	9,475	27,469	36,944
Others	17,391	34,967	52,358	15,540	29,009	44,549
Depreciation	29,350	53,491	82,841	28,161	46,904	75,065
Amortization	447	37,697	38,144	465	27,523	27,988
	<u>\$ 288,843</u>	<u>\$ 873,969</u>	<u>\$1,162,812</u>	<u>\$ 250,087</u>	<u>\$ 654,921</u>	<u>\$ 905,008</u>

15. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousand)</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>		<u>Pretax</u>	<u>After-tax</u>
For the nine months ended <u>September 30, 2008</u>					
Basic EPS	\$ 2,264,392	\$ 1,999,358	499,226	\$ 4.54	\$ 4.00
Impact of dilutive potential common stock					
Employee stock options	-	-	167		
Bonuses to employees	-	-	4,667		
Diluted EPS	<u>\$ 2,264,392</u>	<u>\$ 1,999,358</u>	<u>504,060</u>	<u>\$ 4.49</u>	<u>\$ 3.97</u>
For the nine months ended <u>September 30, 2007</u>					
Basic EPS	\$ 2,499,295	\$ 2,214,687	518,622	\$ 4.82	\$ 4.27
Impact of dilutive potential common stock					
Employee stock options	-	-	969		
Diluted EPS	<u>\$ 2,499,295</u>	<u>\$ 2,214,687</u>	<u>519,591</u>	<u>\$ 4.81</u>	<u>\$ 4.26</u>

The Company presumes that the bonus to employees will be settled in shares and the resulting potential shares will 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 amount of bonus by the closing price of the shares as of the balance sheet date. The dilutive effect of the shares needs to be considered until the shareholders resolve the number of shares to be distributed to employees in their meeting in the following year.

The EPS was retroactively adjusted for the stock dividends declared. Thus in the nine months ended September 30, 2007, pretax and after-tax basic EPS decreased from NT\$5.10 to NT\$4.82 and from NT\$4.52 to NT\$4.27, respectively, in the nine months ended 2007, and pretax and after-tax diluted EPS decreased from NT\$5.09 to NT\$4.81 and from NT\$4.51 to NT\$4.26, respectively.

16. RELATED-PARTY TRANSACTIONS

a. Related parties

	<u>Relationship with the Company</u>
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
Advantech Technologies Co., Ltd. (AKR)	Equity-method investee
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech (Yanshun) Holding Co., Ltd. (AYS)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC (BVI))	Equity-method investee
Advantech Co., Malaysia Sdn. Bhd (AMY)	Equity-method investee
Viewsys Technology Co., Ltd. (Viewsys)	Equity-method investee (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)
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

(Continued)

Relationship with the Company

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)	Substance related party
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

(Concluded)

The Company's related parties, in addition to those listed above, are shown in Table 7.

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

<u>2008</u>		<u>2007</u>	
<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>

For the nine months ended September 30

1) Sales

AC	\$ 2,216,338	24	\$ 1,925,342	24
ACN	1,983,363	21	1,355,661	17
AESC	1,527,804	17	1,397,349	17
AJP	210,047	2	186,811	2
AKR	208,499	2	248,257	3
AAU	113,834	1	101,843	1
ASG	87,999	1	83,587	1
ABR	78,087	1	12,270	-
AKMC	27,437	-	52,024	1
ATH	25,239	-	17,872	-
AMY	20,221	-	50,502	1
Axiomtek	7,355	-	7,463	-
Broadwin	5,899	-	-	-
Advansus Corp.	4,710	-	22,241	-
APL	5,799	-	8,870	-
ADMC	36	-	1,309	-
AHG	21	-	1,837	-
SHHQ	-	-	326,922	4
Others	106	-	227	-
	<u>\$ 6,522,794</u>	<u>69</u>	<u>\$ 5,788,117</u>	<u>71</u>

	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
2) Purchase of materials and suppliers				
ATC				
Advansus Corp.	\$ 2,760,569	42	\$ 2,369,783	42
AYS	449,123	7	266,807	5
AC	395,110	6	44,175	1
Jan Hsiang	18,877	-	17,251	-
Netstar	16,196	-	9,437	-
ACN	15,375	-	3,967	-
ASG	5,264	-	-	-
AESC	3,643	-	-	-
Axiomtek	1,149	-	27,732	-
Broadwin	828	-	2,388	-
ADL	724	-	-	-
AAU	522	-	-	-
AJP	502	-	-	-
Others	130	-	-	-
	<u>46</u>	<u>-</u>	<u>233</u>	<u>-</u>
	<u>\$ 3,668,058</u>	<u>55</u>	<u>\$ 2,741,773</u>	<u>48</u>
3) Royalty revenue for patent (part of nonoperating income)				
ATC	\$ 138,884	15	\$ 119,612	10
4) Rental revenues (part of nonoperating income)				
Advansus Corp.	\$ 2,885	-	\$ 2,145	-
AIMS	225	-	195	-
Advantech Fund-A	27	-	27	-
BCM	<u>325</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,462</u>	<u>-</u>	<u>2,367</u>	<u>-</u>
	<u>\$ 142,346</u>	<u>15</u>	<u>\$ 121,979</u>	<u>10</u>

At the end of nine months ended September 30

5) Receivables

Accounts				
AESC	\$ 626,552	33	\$ 700,870	37
ACN	507,808	27	483,498	26
AC	216,608	11	405,236	22
AJP	41,030	2	61,488	3
AKR	38,010	2	32,855	2
AAU	30,263	2	28,119	1
APL	21,345	1	19,390	1
ABR	18,965	1	-	-

	<u>2008</u>		<u>2007</u>	
	Amount	% of Total	Amount	% of Total
ATC	\$ 18,089	1	\$ 12,245	1
ASG	17,643	1	20,521	1
AKMC	16,686	1	2,347	-
ATH	4,067	-	2,320	-
Broadwin	2,957	-	-	-
ADMC	1,702	-	825	-
AMY	1,213	-	11,027	1
Axiomtek	1,113	-	2,871	-
Advansus Corp.	558	-	15,524	1
SHHQ	-	-	76,367	4
Others	80	-	658	-
	<u>1,564,689</u>	<u>82</u>	<u>1,876,161</u>	<u>100</u>

6) Other receivables

Dividends	300,000	16	52,130	71
ATC	<u>22,540</u>	<u>1</u>	<u>-</u>	<u>-</u>
ASG	<u>322,540</u>	<u>17</u>	<u>52,130</u>	<u>71</u>
Other receivables				
AC	7,253	1	-	-
AESC	7,202	-	422	1
ADL	3,082	-	-	-
AJP	2,088	-	76	-
ASG	506	-	-	-
Advansus Corp.	399	-	252	-
AAU	114	-	-	-
AKMC	47	-	14,060	19
Others	<u>110</u>	<u>-</u>	<u>6,812</u>	<u>9</u>
	<u>20,801</u>	<u>1</u>	<u>21,622</u>	<u>29</u>
	<u>\$ 1,908,030</u>	<u>100</u>	<u>\$ 1,949,913</u>	<u>100</u>

7) Payables

Accounts				
ATC	\$ 516,771	69	\$ 540,098	88
AYS	165,775	22	28,231	5
Advansus Corp.	57,095	8	24,936	4
Netstar	3,373	1	4,398	1
AC	2,843	-	3,644	-
Jan Hsiang	1,454	-	1,284	-
ACN	677	-	-	-
AAU	515	-	-	-
AESC	446	-	9,374	2
ADL	371	-	1,245	-
AJP	126	-	-	-
Others	<u>44</u>	<u>-</u>	<u>1,580</u>	<u>-</u>
	<u>\$ 749,490</u>	<u>100</u>	<u>\$ 614,790</u>	<u>100</u>

c. Share transactions

The Company bought AEU shares from managers of ADL, Mr. Peter Marek and Mr. Stavors Kostelidis, in June 2008. The related transaction is summarized as follows:

	Common Stock Issuer	Shares	Cost
June 2008	AEU	50,000	<u>\$ 23,141</u>
June 2008	AEU	25,000	<u>\$ 11,571</u>

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.

17. ASSETS PLEDGED OR MORTGAGED (AS OF SEPTEMBER 30, 2008: NONE)

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

18. COMMITMENTS

As of September 30, 2008, the Company had the following guarantees for related parties' loans:

	Amount
AKMC	<u>US\$ 13,600 thousand</u>

19. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	September 30			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets - current	\$ 310,375	\$ 310,375	\$ 257,804	\$ 257,804
Available-for-sale financial assets - noncurrent	2,837,867	2,837,867	4,532,485	4,532,485

(Continued)

	September 30			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Derivative financial instruments location</u>				
Financial assets at fair value through profit or loss - current				
Domestic	\$ 3	\$ 3	\$ -	\$ -
Foreign (foreign corporation operating in domestic district included)	920	920	1,302	1,302
Financial liabilities at fair value through profit or loss - current				
Foreign (foreign corporation operating in domestic district included)	179	179	3,011	3,011 (Concluded)

- b. Methods and assumptions used in the determination of fair values of financial instruments
- 1) For financial instruments such as cash, notes and accounts receivables, receivables from related parties, other receivables, restricted assets - noncurrent, notes and accounts payables, guarantee deposits and payables to related parties, the carrying amounts of these financial instruments approximate their fair values.
 - 2) Fair values of available-for-sale financial assets were based on their quoted market price.
 - 3) Fair values of derivatives were determined using the quoted market prices, using valuation techniques incorporating estimates and assumptions that are consistent with those prevailing in the market.
- c. The fair values of the Company's financial assets and liabilities were based on the quoted market prices or determined using certain valuation techniques, as follows:

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	September 30		September 30	
	2008	2007	2008	2007
<u>Asset</u>				
Financial assets at fair value through profit or loss - current				
Available-for-sale financial assets - current	310,375	257,804	-	-
Available-for-sale financial assets - noncurrent	2,837,867	4,532,485	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
	-	-	179	3,011

- d. As of September 30, 2008 and 2007, financial assets exposed to fair value interest rate risk amounted to \$499,846 thousand and \$552,146 thousand, respectively, and financial assets exposed to cash flow interest rate risk amounted to \$69,484 thousand and \$106,324 thousand, respectively.

- e. The Company recognized an unrealized losses of \$1,209,623 thousand and gains of \$552,646 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the nine months ended September 30, 2008 and 2007, respectively. The Company also recognized an unrealized gains of \$3,651 thousand and \$116 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees for the nine months ended September 30, 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.

20. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 16 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Company and investees.
- b. Investments in mainland China
 - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of September 30, 2008, accumulated inward remittance of earnings as of September 30, 2008 and upper limit on investment: Table 8 (attached)
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 16 and 18 and Tables 1, 2, 5 and 6.

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED

NINE MONTHS ENDED SEPTEMBER 30, 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	\$ -	-	\$ -	\$ 45,858 (Note B)	\$ 91,715 (Note C)
2	AESC	AEU	Receivables from related parties	12,022 (EUR 260 thousand)	-	2.50%	Short-term financing	-	Financing need	-	-	-	16,012 (Note D)	32,023 (Note E)
3	AKMC	ACN	Receivables from related parties	222 (RMB 47 thousand)	-	3.00%	Short-term financing	-	Financing need	-	-	-	141,570 (Note I)	141,570 (Note I)
4	SHHQ	ACN	Receivables from related parties	51,857 (RMB 10,989 thousand)	38,224 (RMB 8,100 thousand)	3.00%	Short-term financing	-	Financing need	-	-	-	141,570 (Note I)	141,570 (Note I)
5	ACN	AKMC	Receivables from related parties	94,408 (RMB 20,006 thousand)	94,408 (RMB 20,006 thousand)	3.50%	Short-term financing	-	Financing need	-	-	-	141,570 (Note I)	141,570 (Note I)
6	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Receivables from related parties	131,736	116,736	-	Service intercourse	Purchase 229,180 thousand	Service intercourse	-	-	-	131,736 (Note F)	131,736 (Note F)
7	Netstar Technology Co., Ltd.	LANSONIC (BVI)	Receivables from related parties	3,608	3,608	-	Short-term financing	-	Financing need	-	-	-	24,422 (Note G)	48,844 (Note H)

Notes: A. The exchange rate was EUR1.00=NT\$46.24; RMB1.00=4.719.

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

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

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

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

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

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

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

I. 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 do the overall planning on the capital by Citibank account.

ADVANTECH CO., LTD. AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED

NINE MONTHS ENDED SEPTEMBER 30, 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, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statements (%)	Maximum Collateral/Guarantee Amounts Allowable
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	AKMC	Indirect subsidiary	\$ 767,019 (Note A)	\$ 437,512 (US\$13,600 thousand)	\$ 437,512 (US\$13,600 thousand)	\$ -	3.70	\$ 1,534,038 (Note B)
1	SHHQ	AKMC	Related enterprise	767,019 (Note A)	25,286 (US\$ 786 thousand)	25,286 (US\$ 786 thousand)	-	0.21	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\$32.17.

ADVANTECH CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

SEPTEMBER 30, 2008

(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2008				Note	
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value		
Advantech Co., Ltd. (the "Company")	<u>Stock</u>								
	AAC (BVI)	Investee	Long-term equity investments	24,606,500	\$ 1,535,050	100.00	\$ 1,535,050	Note A	
	ATC	"	"	19,450,000	1,041,582	100.00	1,041,582	Note A	
	Advansus Corp.	"	"	30,000,000	298,675	50.00	298,675	Note A	
	Advantech Fund-A	"	"	70,000,000	615,772	100.00	615,772	Note A	
	Axiomtek	"	"	21,353,345	337,564	28.52	337,564	Note A	
	AEU	"	"	9,572,024	382,525	100.00	382,525	Note A	
	AKR	"	"	3,112,131	96,092	23.89	96,092	Note A	
	ASG	"	"	1,450,000	70,094	100.00	70,094	Note A	
	AAU	"	"	500,204	82,705	100.00	82,705	Note A	
	AJP	"	"	1,200	119,661	100.00	119,661	Note A	
	AYS	"	"	12,300,000	143,658	100.00	143,658	Note A	
	AMY	"	"	2,000,000	41,414	100.00	41,414	Note A	
	AHG	"	"	30	16,055	30.00	16,055	Note A	
	AIMS	"	"	500,000	5,912	100.00	5,912	Note A	
	AHK	"	"	999,999	(1,475)	100.00	(1,475)	Notes A and D	
	ASUSTek Computer Inc.	-	-	Other liability - others Available for sale financial assets - noncurrent	45,698,339	2,837,867	1.08	2,837,867	Note C
		<u>Fund</u>							
		Fuh-Hwa Yuli Bond Fund	-	Available for sale financial assets - current	10,068,638.30	128,610	-	128,610	Note B
		Fuh-Hwa Bond Fund	-	"	4,247,131.80	58,640	-	58,640	Note B
	Prudential Bond Fund	-	"	9,553,052.30	123,125	-	123,125	Note B	
Advantech Fund-A	<u>Stock</u>								
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	7,681	30.00	7,681	Note A	
	Netstar Technology Co., Ltd.	"	"	16,897,511	160,374	67.59	160,374	Note A	
	BCM Embedded Computer Inc.	"	"	2,000,000	8,763	100.00	8,763	Note A	
	Broadwin Technology, Inc.	"	"	6,652,210	104,900	70.28	104,900	Note A	
	Avalue Technology Inc.	-	Financial assets carried at cost - noncurrent	3,000,000	88,637	8.32	88,637	-	
	Superior Technology Co., Ltd.	-	"	913,470	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	204,000	15,239	-	15,239	Note C		

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2008				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advansus Corp.	<u>Fund</u> Capital Income Fund	-	Available for sale financial assets - current	831,896.20	\$ 12,742	-	\$ 12,742	Note B
	NITC Taiwan Bond Fund	-	”	10,283,296.30	149,068	-	149,068	Note B
	<u>Fund</u> NITC Taiwan Bond Fund	-	”	7,110,282.30	103,071	-	103,071	Note B
	Capital Income Fund	-	”	5,286,363.40	80,968	-	80,968	Note B
TTC	<u>Shares</u> Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	25,940	30.00	25,940	Note A
ATC	<u>Stock</u> ATC (HK)	”	”	16,350,000	835,793	100.00	835,793	Note A
ATC (HK)	<u>Shares</u> AKMC	”	”	-	835,970	100.00	835,970	Note A
AYS	<u>Shares</u> ADMC	”	”	-	69,074	100.00	69,074	Note A
AAC (BVI)	<u>Stock</u> AC	”	”	10,952,606	960,328	100.00	960,328	Note A
	AAC (HK)	”	”	7,230,000	542,959	100.00	542,959	Note A
AAC (HK)	<u>Shares</u> ACN	”	”	-	436,912	100.00	436,912	Note A
	SHHQ	”	”	-	106,047	100.00	106,047	Note A
ACN	<u>Shares</u> Hangzhou Advantofine Automation Co., Ltd.	”	”	-	4,313	100.00	4,313	Note A
AEU	<u>Stock</u> AESC	”	”	8,314,280	106,744	100.00	106,744	Note A
	ADL	”	”	1,142,000	902	100.00	902	Note A
	APL	”	”	6,350	37,380	92.89	37,380	Note A
ASG	<u>Stock</u> ATH	”	”	30,000	5,925	30.00	5,911	Note A
	APN	”	”	570,570	7,698	55.00	7,698	Note A
	AKL	”	”	418,000	3,572	55.00	3,572	Note A
Netstar Technology Co., Ltd.	<u>Stock</u> LANSONIC (BVI)	Investee	Other liability - others	3,527,529	(69,845)	94.83	(75,970)	Note A
	Jan Hsiang Electronics Co., Ltd.	”	Long-term equity investments	1,520,000	14,194	76.00	26,234	Note A
	Lantech Communications Inc.	”	Other liability - others	1,159,500	-	77.30	-	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2008				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
BCM Embedded Computer Inc.	<u>Fund</u> Capital Income Fund	-	Available for sale financial assets - current	158,111.80	\$ 2,422	-	\$ 2,422	Note B
Broadwin Technology, Inc.	<u>Fund</u> Capital Income Fund	-	Financial assets held for trading - current	2,622,437.90	40,166	-	40,166	Note A
	<u>Stock</u> Broadwin Technology Inc.	Investee	Long-term equity investments	5,424,300	17,592	100.00	17,592	Note A
LANSONIC (BVI)	<u>Shares</u> Netstar Electronics Corporation	”	Other liability - others	-	HK\$(35,143)	100.00	HK\$(35,143)	Notes A and D

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

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

Note C: Market value was based on the closing price in September 30, 2008.

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 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")	<u>Fund</u>															
	Capital Income Fund	Available for sale financial assets - current	-	-	16,373,844.40	\$ 247,671	49,384,779.28	\$ 753,293	65,758,623.68	\$ 1,002,760	\$ 1,000,964	\$ 1,796	-	-	\$ -	
	Fuh-Hwa Yuli Bond Fund	"	-	-	-	-	17,114,585.70	218,500	7,045,947.40	90,000	89,920	80	10,068,638.30	128,610	-	
	Fuh-Hwa Bond Fund	"	-	-	-	-	71,203,418.30	970,289	66,929,286.50	913,989	911,790	2,199	4,274,131.80	58,640	-	
	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	65,061,676.60	833,771	77,564,356.00	994,931	991,251	3,680	9,553,052.30	123,125	-	
	Mega Diamond Bond Fund	"	-	-	16,743,993.45	195,746	15,979,604.43	187,880	32,723,597.88	384,261	383,626	635	-	-	-	
	NITC Taiwan Bond Fund	"	-	-	8,357,665.30	119,628	85,793,264.30	1,236,154	94,150,929.60	1,358,076	1,355,782	2,294	-	-	-	
	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	-	-	-	
	<u>Stock</u>															
	Advantech Fund-A	Long-term equity investments	-	Subsidiary	50,000,000.00	414,083	20,000,000.00	200,000	-	-	-	-	-	70,000,000.00	615,772	-
	ATC	"	-	"	13,450,000.00	981,854	6,000,000.00	185,040	-	-	-	-	-	19,450,000.00	1,041,582	-
Advansus Corp.	"	-	Investee	50,000,000.00	981,854	-	-	20,000,000.00	200,000	200,000	-	-	30,000,000.00	298,675	-	
Advansus Corp.	<u>Fund</u>															
	Capital Income Fund	Available for sale financial assets - current	-	-	24,940,897.50	377,241	36,732,129.80	558,711	56,386,663.90	857,302	855,182	2,120	5,286,363.40	80,968	-	
	NITC Taiwan Bond Fund	"	-	-	1,217,909.60	17,436	22,743,486.10	327,608	16,851,113.40	242,708	242,361	347	7,110,282.30	103,071	-	
Advantech Fund-A	<u>Stock</u>															
	Capital Income Fund	Available for sale financial assets - current	-	-	7,320,151.50	110,449	831,896.20	12,709	7,320,151.50	110,886	110,449	437	831,896.20	12,742	-	
	NITC Taiwan Bond Fund	"	-	-	-	-	17,955,912.70	258,400	7,672,616.40	110,340	110,000	340	10,283,296.30	149,068	-	

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 INVESTEEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 NINE MONTHS ENDED SEPTEMBER 30, 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	\$ (2,216,338)	(24)	Set for 45 days a month	\$ -	-	\$ 216,608	8	
	AESC	Indirect subsidiary	Sale	(1,527,804)	(17)	Set for 45 days a month	-	-	626,552	24	
	ACN	Indirect subsidiary	Sale	(1,983,363)	(21)	Set for 45 days a month	-	-	507,808	20	
	AKR	Investee	Sale	(208,499)	(2)	Set for 45 days a month	-	-	38,010	1	
	AJP	Subsidiary	Sale	(210,047)	(2)	Set for 45 days a month	-	-	41,030	2	
	AAU	Subsidiary	Sale	(113,834)	(1)	Set for 45 days a month	-	-	30,263	1	
	ATC	Subsidiary	Purchase	2,760,569	42	Set for 60 days a month	-	-	(516,771)	(44)	
	Advansus Corp.	Investee	Purchase	449,123	7	Set for 30 days a month	-	-	(57,095)	(5)	
	AYS	Subsidiary	Purchase	395,110	6	Set for 90 days a month	-	-	(165,775)	(14)	
ATC	Advantech Co., Ltd.	Parent company	Sale	(2,760,569)	(99)	Set for 60 days a month	-	-	516,771	95	
Advansus Corp.	Advantech Co., Ltd.	Parent company	Sale	(449,123)	(31)	Set for 30 days a month	-	-	57,095	23	
AC	Advantech Co., Ltd.	Ultimate parent company	Purchase	2,216,338	82	Set for 45 days a month	-	-	(216,608)	(79)	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,527,804	74	Set for 45 days a month	-	-	(626,552)	(87)	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,983,363	82	Set for 45 days a month	-	-	(507,808)	(78)	
AKR	Advantech Co., Ltd.	Parent company	Purchase	208,499	49	Set for 45 days a month	-	-	(38,010)	(40)	
AJP	Advantech Co., Ltd.	Parent company	Purchase	210,047	89	Set for 45 days a month	-	-	(41,030)	(97)	
AAU	Advantech Co., Ltd.	Parent company	Purchase	113,834	84	Set for 45 days a month	-	-	(30,263)	(96)	
AYS	Advantech Co., Ltd.	Parent company	Sale	(395,110)	(100)	Set for 45 days a month	-	-	165,775	100	
SHHQ	ACN	Related enterprise	Purchase	401,967	97	Set for 30 days a month	-	-	(42,983)	(99)	
ATC	AKMC	Subsidiary	Purchase	2,292,076	100	Set for 30 days a month	-	-	(77,758)	(19)	
AYS	ADMC	Subsidiary	Purchase	348,072	100	Set for 30 days after a month	-	-	(89,360)	(100)	
ACN	SHHQ	Related enterprise	Sale	(401,967)	(14)	Set for 30 days a month	-	-	42,983	9	

(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	
AKMC	ATC	Parent company	Sale	\$ (2,292,076)	(97)	Set for 30 days a month	\$ -	-	\$ 77,758	62	
ADMC	AYS	Parent company	Sale	(348,072)	(100)	Set for 30 days after a month	-	-	89,360	100	
Netstar Technology Co., Ltd.	Netstar Electronics Corporation	Subsidiary	Purchase	229,180	97	Set for 30 days a month	-	-	-	-	

ADVANTECH CO., LTD. AND INVESTEEES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 SEPTEMBER 30, 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	\$ 626,552	3.17	\$ -	-	\$ 162,504	\$ -
	ACN	Indirect subsidiary	507,808	5.65	-	-	128,680	-
	AC	Indirect subsidiary	216,608	8.10	-	-	-	-
ATC	Advantech Co., Ltd.	Parent company	516,771	6.00	-	-	318,122	-
AYS	Advantech Co., Ltd.	Parent company	165,775	3.74	-	-	57,906	-

ADVANTECH CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 NINE MONTHS ENDED SEPTEMBER 30, 2008
 (In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2008			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				September 30, 2008	Dec. 31, 2007	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	AAC (BVI)	BVI	Investment holding company	\$ 821,894	\$ 821,894	\$ 24,606,500	100.00	\$ 1,535,050	\$ 249,065	\$ 249,065	Subsidiary
	ATC	BVI	Sale of industrial automation products	612,821	427,781	19,450,000	100.00	1,041,582	308,317	308,317	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	300,000	500,000	30,000,000	50.00	298,675	21,622	21,622	Equity-method investee
	AEU	Helmond, the Netherlands	Investment holding company	426,930	392,218	9,572,024	100.00	382,525	(45,980)	(45,980)	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	General investment	700,000	500,000	70,000,000	100.00	615,772	2,202	2,202	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	269,222	270,611	20,926,963	27.96	337,564	163,326	55,426	Equity-method investee
	AKR	Seoul, Korea	Sale of industrial automation products	32,989	32,989	3,112,131	23.89	96,092	(182,273)	(45,240)	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	70,094	1,673	1,673	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	82,705	10,534	10,534	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	119,661	10,198	10,198	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	51,662	51,662	12,300,000	100.00	143,658	60,201	60,201	Subsidiary
	AMY	Kuala Lumpur, Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	41,414	990	990	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	16,055	1,881	564	Equity-method investee
	AIMS	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,912	273	273	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(1,475)	7,178	7,178	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	160,374	7,084	4,788	Indirect subsidiary
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,681	-	-	Equity-method investee
	BCM Embedded Computer Inc.	Taipei	Telecommunications equipment and electronic parts manufacturing	20,500	10,000	2,000,000	100.00	8,763	(12,962)	(9,465)	Indirect subsidiary
	Broadwin Technology, Inc.	Taipei, Taiwan	Assembly and production of computers	99,783	-	6,652,210	70.28	104,900	7,281	5,117	Indirect subsidiary
ATC	ATC (HK)	Hong Kong	Investment holding company	594,433	-	16,350,000	100.00	835,793	(2,457)	(2,457)	Indirect subsidiary (Note C)
	AKMC	Kunshan, China	Production and sale of components of industrial automation products	-	409,393	-	100.00	-	8,070	10,390	Indirect subsidiary (Note C)
ATC (HK)	AKMC	Kunshan, China	Production and sale of components of industrial automation products	594,433	-	-	100.00	835,970	8,070	(2,320)	Indirect subsidiary (Note C)
AYS	ADMC	Guangzhou, China	Production and sale of components of industrial automation products	51,662	51,662	-	100.00	69,074	12,630	12,630	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	960,328	58,183	58,183	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment holding company	282,106	-	7,230,000	100.00	575,498	34,519	34,519	Indirect subsidiary (Note D)
	ACN	Beijing, China	Sale of industrial automation products	-	185,356	-	100.00	-	194,075	161,065	Indirect subsidiary (Note D)
	SHHQ	Shanghai, China	Sale of industrial automation products	-	96,750	-	100.00	-	(4,577)	(6,473)	Indirect subsidiary (Note D)
AAC (HK)	ACN	Beijing, China	Sale of industrial automation products	185,356	-	-	100.00	436,912	194,075	33,010	Indirect subsidiary (Note D)
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	-	-	100.00	106,047	(4,577)	1,896	Indirect subsidiary (Note D)
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processes and sale of peripherals	6,660	6,660	-	50.00	4,293	(4,734)	(2,367)	Equity-method investee

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2008			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				September 30, 2008	Dec. 31, 2007	Shares	Percentage of Ownership	Carrying Value			
AEU	AESC	Eindhoven, the Netherlands	Sale of industrial automation products	\$ 90,450	\$ 90,450	8,314,280	100.00	\$ 106,744	\$ (18,781)	\$ (18,781)	Indirect subsidiary
	ADL	Munich, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	902	(31,810)	(31,810)	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	6,350	92.89	37,380	2,782	2,584	Indirect subsidiary
ASG	APN	Penang, Malaysia	Sale of industrial automation products	8,181	8,181	570,570	55.00	7,698	-	-	Indirect subsidiary
	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	5,911	2,763	829	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	3,572	(7)	(4)	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	14,194	3,125	2,375	Indirect subsidiary
	Supercom Technology Corporation	Taipei	Telecommunication equipment and electronic parts manufacturing	-	16,250	-	-	-	(5,944)	(1,981)	Equity-method investee
LANSONIC (BVI)	Lantech Communications Inc.	Taipei	Retail sale of electronic materials	11,595	11,595	1,159,500	77.30	-	-	-	Indirect subsidiary
	LANSONIC (BVI)	Akara Building 24DeCastro Street, Wickhams Cay I, Road fown Tortola, British Virgin Islands	General investment	101,188	101,188	3,527,529	94.83	(69,845)	8,898	8,898	Indirect subsidiary
LANSONIC (BVI)	Netstar Electronics Corporation (Dongguan)	Guangzhou, China	Network and UPS product manufacture business	HK\$ 2,935	HK\$ 2,935	-	100.00	HK\$ (35,143)	HK\$ 2,952	HK\$ 2,256	Indirect subsidiary
Broadwin Technology, Inc.	Broadwin Technology Inc.	San Ramon, USA	Sale of webaccess software	22,491	22,491	5,424,300	100.00	17,592	(1,605)	(1,605)	Indirect subsidiary

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

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

Note C: 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 INVESTEEES

INVESTMENTS IN MAINLAND CHINA

NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2008	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of September 30, 2008	Accumulated Inward Remittance of Earnings as of September 30, 2008
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$22,350 thousand	Indirect	\$ 386,040 (US\$ 12,000 thousand)	\$ 193,020 (US\$ 6,000 thousand)	\$ -	\$ 579,060 (US\$ 18,000 thousand)	100%	\$ 8,070	\$ 835,970	\$ -
Yan Hua Xing Ye Electronic (SHHQ)	Sale of industrial automation products	US\$3,000 thousand	Indirect	96,510 (US\$ 3,000 thousand)	-	-	96,510 (US\$ 3,000 thousand)	100%	(4,577)	106,047	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$4,230 thousand	Indirect	171,530 (US\$ 5,332 thousand)	-	-	171,530 (US\$ 5,332 thousand)	100%	194,075	436,912	-
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US\$1,400 thousand	Indirect	(Note C)	-	-	(Note C)	100%	12,630	69,074	-

Accumulated Investment in Mainland China as of September 30, 2008	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$853,534 (US\$26,532 thousand) (Note D)	\$1,817,605 (US\$56,500 thousand)	\$7,247,779 (Note F)

Note A: The financial statements used as basis for calculating investment gain (loss) were all unreviewed, financial statements.

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

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

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

Note E: The exchange rate was US\$1.00=NT\$32.17.

Note F: The upper limit on investment was based on 60% of the 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 established operating headquarters in China, there will be no limit on the amount that may be invested in Mainland China.