

# **Advantech Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2009 and 2008 and  
Independent Accountants' Review Report**

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Advantech Co., Ltd. ("Parent Company") and subsidiaries as of June 30, 2009 and 2008 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Parent Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

As stated in Note 2 to the financial statements, we did not review the financial statements as of and for the six months ended June 30, 2009 and 2008 of some consolidated subsidiaries. As of June 30, 2009 and 2008, the subsidiaries' total assets were 21.78% (NT\$3,465,652 thousand) and 29.87% (NT\$5,391,647 thousand), respectively, of the consolidated total assets, and their total liabilities were 20.16% (NT\$944,838 thousand) and 11.30% (NT\$695,020 thousand), respectively, of the consolidated total liabilities. In the six months ended June 30, 2009 and 2008, the operating revenues of these subsidiaries were 48.40% (NT\$3,479,470 thousand) and 42.45% (NT\$3,693,079 thousand), respectively, of the consolidated operating revenues, and the net loss was (8.77%) (NT\$64,691 thousand) and net income was 3.38% (NT\$42,871 thousand), respectively, of the consolidated total net income. Also, as stated in Note 9 to the financial statements, we did not review the financial statements of equity-method investees as of and for the six months ended June 30, 2009 and 2008. As of June 30, 2009 and 2008, the carrying values of these investments were NT\$354,541 thousand and NT\$474,116 thousand, respectively, of the consolidated total assets, and the net investment gain were NT\$16,192 thousand and NT\$15,876 thousand in the six months ended June 30, 2009 and 2008, respectively. These investment amounts as well as additional disclosures in Note 24 required by the Securities and Futures Bureau for the Parent Company and its investees were based on the investees' unreviewed financial statements for the same reporting periods as those of the Parent Company.

Based on our reviews, except for the adjustments that might have been determined to be necessary had the subsidiaries and other equity-method investees' financial statements mentioned in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements of Advantech Co., Ltd. and subsidiaries referred to in the first paragraph for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the accompanying financial statements, the Company and subsidiaries adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories" on January 1, 2009. In addition, the Accounting Research and Development Foundation issued Interpretation 2007-052, which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings.

August 3, 2009

Notice to Readers

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

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

JUNE 30, 2009 AND 2008

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

(Reviewed, Not Audited)

ASSETS	2009		2008		LIABILITIES AND SHAREHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash (Note 4)	\$ 3,407,219	21	\$ 1,897,898	11	Short-term bank loans (Notes 12 and 21)	\$ 65,610	1	\$ 450,719	2
Financial assets at fair value through profit or loss (Notes 2 and 5)	1,234	-	116	-	Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	11,459	-	1,545	-
Available-for-sale financial assets - current (Notes 2 and 6)	13,505	-	1,719,788	10	Accounts payable (Note 20)	1,171,096	7	1,477,480	8
Notes receivable (Note 2)	255,135	2	224,380	1	Income tax payable (Notes 2 and 17)	147,263	1	356,238	2
Accounts receivable, net of allowance for doubtful accounts of \$63,521 thousand in 2009 and \$77,128 thousand in 2008 (Note 2)	1,996,368	13	2,436,869	13	Accrued expenses (Note 15)	1,000,283	6	1,022,825	6
Accounts receivable - related parties (Notes 2 and 20)	233,359	1	138,624	1	Dividend payable (Note 15)	1,490,598	9	1,869,508	10
Other receivables	85,251	1	65,453	-	Long-term bank loans - current portion (Notes 13 and 21)	3,375	-	13,353	-
Inventories, net (Notes 2 and 7)	1,853,577	12	2,645,332	15	Advance receipts and other current liabilities	451,136	3	495,794	3
Deferred income tax assets - current (Notes 2 and 17)	56,941	-	66,727	-	Total current liabilities	4,340,820	27	5,687,462	31
Restricted current assets (Note 21)	-	-	50,000	-					
Prepayments and other current assets	511,558	3	405,517	2	<b>LONG-TERM LIABILITIES, NET OF CURRENT PORTION</b>				
Total current assets	8,414,147	53	9,650,704	53	Long-term bank loans (Notes 13 and 21)	25,875	-	98,197	1
					<b>OTHER LIABILITIES</b>				
<b>LONG-TERM FUNDS AND INVESTMENTS</b>					Accrued pension liabilities (Notes 2 and 14)	114,600	1	113,081	1
Available-for-sale financial assets - noncurrent (Notes 2 and 6)	1,997,119	13	3,432,473	19	Deferred income tax liabilities - noncurrent (Notes 2 and 17)	196,571	1	225,516	1
Financial assets carried at cost (Notes 2 and 8)	161,645	1	162,835	1	Deferred credits (Note 2)	1,615	-	9,371	-
Equity-method investments (Notes 2 and 9)	354,541	2	474,116	2	Others	6,212	-	15,903	-
Total long-term funds and investments	2,513,305	16	4,069,424	22	Total other liabilities	318,998	2	363,871	2
					Total liabilities	4,685,693	29	6,149,530	34
<b>PROPERTIES (Notes 2, 10 and 21)</b>					<b>SHAREHOLDERS' EQUITY</b>				
Cost					Capital stock, NTS10.00 par value				
Land	1,288,885	8	809,664	4	Authorized - 600,000 thousand shares				
Buildings	2,329,934	15	1,557,935	9	Issued - 511,386 thousand shares in 2009 and 481,962 thousand shares in 2008	5,113,858	32	4,819,620	27
Machinery and equipment	913,635	6	841,906	5	For issuance	46,229	-	293,688	2
Furniture and fixtures	376,489	2	351,884	2	Total capital stock	5,160,087	32	5,113,308	29
Other equipment	448,587	3	400,995	2	Capital surplus				
Total cost	5,357,530	34	3,962,384	22	Additional paid-in capital from share issuance in excess of par value	4,374,743	28	4,295,306	24
Accumulated depreciation	1,391,642	9	1,184,955	6	Treasury stock transactions	13,612	-	18,620	-
Construction in progress and prepayments for equipment acquisition	368,159	2	932,275	5	From equity-method investments	60,230	-	63,408	-
Net properties	4,334,047	27	3,709,704	21	Total capital surplus	4,448,585	28	4,377,334	24
					Retained earnings				
<b>INTANGIBLE ASSETS</b>					Legal reserve	1,927,458	12	1,673,104	9
Goodwill, net (Note 2)	271,053	2	255,792	2	Special reserve	1,135,596	7	-	-
Superficies (Note 2)	107,116	-	48,479	-	Unappropriated earnings	736,573	5	1,621,829	9
Deferred pension cost (Note 14)	7,615	-	5,961	-	Total retained earnings	3,799,627	24	3,294,933	18
Total intangible assets	385,784	2	310,232	2	Other equity				
					Cumulative translation adjustments	317,990	2	117,636	1
<b>OTHER ASSETS</b>					Unrealized valuation gain (loss) on financial instruments	(1,189,437)	(7)	296,659	1
Properties leased to others, net (Notes 2 and 11)	28,382	-	27,136	-	Total other equity	(871,447)	(5)	414,295	2
Refundable deposits	30,911	-	49,590	-	Treasury stock - 14,500 thousand shares	(1,385,698)	(9)	(1,385,698)	(8)
Deferred expenses, net (Note 2)	207,928	2	232,333	2	Total shareholders' equity of parent company	11,151,154	70	11,814,172	65
Total other assets	267,221	2	309,059	2	Minority interest	77,657	1	85,421	1
					Total shareholders' equity	11,228,811	71	11,899,593	66
<b>TOTAL</b>	<b>\$ 15,914,504</b>	<b>100</b>	<b>\$ 18,049,123</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 15,914,504</b>	<b>100</b>	<b>\$ 18,049,123</b>	<b>100</b>

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

(With Deloitte & Touche review report dated August 3, 2009)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

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

(Reviewed, Not Audited)

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 20)				
Sales	\$ 7,163,055	100	\$ 8,671,670	100
Sales returns and allowances	<u>109,656</u>	<u>2</u>	<u>144,802</u>	<u>2</u>
Net sales	7,053,399	98	8,526,868	98
Other operating revenues	<u>135,417</u>	<u>2</u>	<u>173,549</u>	<u>2</u>
Total operating revenues	7,188,816	100	8,700,417	100
OPERATING COSTS (Notes 2, 18 and 20)	<u>4,287,564</u>	<u>59</u>	<u>4,979,084</u>	<u>57</u>
GROSS PROFIT	2,901,252	41	3,721,333	43
REALIZED INTERCOMPANY GAINS (Note 2)	<u>7,680</u>	<u>-</u>	<u>8,211</u>	<u>-</u>
ADJUSTED GROSS PROFIT	<u>2,908,932</u>	<u>41</u>	<u>3,729,544</u>	<u>43</u>
OPERATING EXPENSES (Note 18)				
Marketing	886,932	13	961,213	11
Administrative	588,283	8	647,238	7
Research and development	<u>655,278</u>	<u>9</u>	<u>661,748</u>	<u>8</u>
Total operating expenses	<u>2,130,493</u>	<u>30</u>	<u>2,270,199</u>	<u>26</u>
OPERATING INCOME	<u>778,439</u>	<u>11</u>	<u>1,459,345</u>	<u>17</u>
NONOPERATING INCOME AND GAINS				
Interest	7,590	-	19,791	-
Investment income recognized under the equity method (Notes 2 and 9)	16,192	-	15,876	-
Gain on disposal of investments, net	1,068	-	21,644	-
Foreign exchange gain, net (Note 2)	28,230	-	40,778	1
Other income	<u>39,168</u>	<u>1</u>	<u>39,377</u>	<u>-</u>
Total nonoperating income and gains	<u>92,248</u>	<u>1</u>	<u>137,466</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Interest	2,137	-	13,320	-
Financial instrument revaluation loss, net (Notes 2 and 5)	6,258	-	472	-
Other expenses (Note 18)	<u>4,884</u>	<u>-</u>	<u>21,601</u>	<u>-</u>
Total nonoperating expenses and losses	<u>13,279</u>	<u>-</u>	<u>35,393</u>	<u>-</u>

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# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

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

(Reviewed, Not Audited)

	2009		2008	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 857,408	12	\$ 1,561,418	18
INCOME TAX (Notes 2 and 17)	<u>119,816</u>	<u>2</u>	<u>294,712</u>	<u>3</u>
NET INCOME	<u>\$ 737,592</u>	<u>10</u>	<u>\$ 1,266,706</u>	<u>15</u>
ATTRIBUTABLE TO:				
Shareholders of Parent Company	\$ 733,793	10	\$ 1,270,296	15
Minority interest	<u>3,799</u>	<u>-</u>	<u>(3,590)</u>	<u>-</u>
	<u>\$ 737,592</u>	<u>10</u>	<u>\$ 1,266,706</u>	<u>15</u>
	2009		2008	
	Pre Tax	After Tax	Pre Tax	After Tax
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Note 19)				
Basic	<u>\$ 1.63</u>	<u>\$ 1.48</u>	<u>\$ 2.91</u>	<u>\$ 2.54</u>
Diluted	<u>\$ 1.62</u>	<u>\$ 1.46</u>	<u>\$ 2.90</u>	<u>\$ 2.53</u>

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

(With Deloitte & Touche review report dated August 3, 2009)

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**ADVANTECH CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
SIX MONTHS ENDED JUNE 30, 2009 AND 2008  
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)  
(Reviewed, Not Audited)**

	Capital Stock - Issued (Note 15)		For Issuance (Note 15)	Capital Surplus (Notes 2 and 15)			Retained Earnings (Notes 2 and 15)				Cumulative Translation Adjustments (Note 2)	Unrealized Valuation Gain (Loss) on Financial Instruments (Notes 2 and 23)	Treasury Stock (Notes 2 and 16)	Minority Interest in Subsidiaries	Total Shareholders' Equity	
	Shares (Thousands)	Amount		Additional Paid-in Capital in Excess of Par Value	From Treasury Stock	From Long-term Equity Investments	Total	Legal Reserve	Special Reserve	Unappropriated Earnings						Total
BALANCE, JANUARY 1, 2009	511,346	\$ 5,113,458	\$ -	\$ 4,295,589	\$ 13,612	\$ 59,771	\$ 4,368,972	\$ 1,673,104	\$ -	\$ 2,908,171	\$ 4,581,275	\$ 320,051	\$ (1,455,647)	\$ (1,385,698)	\$ 91,193	\$ 11,633,604
Appropriation of the 2008 earnings																
Legal reserve	-	-	-	-	-	-	-	254,354	-	(254,354)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	1,135,596	-	(1,135,596)	-	-	-	-	-	-
Stock dividends - 0.5%	-	-	24,843	-	-	-	-	-	-	(24,843)	(24,843)	-	-	-	-	-
Cash dividends - NT\$3.00 per share	-	-	-	-	-	-	-	-	-	(1,490,598)	(1,490,598)	-	-	-	-	(1,490,598)
Issuance of stock bonus to employees	-	-	21,386	78,614	-	-	78,614	-	-	-	-	-	-	-	-	100,000
Net income for the six months ended June 30, 2009	-	-	-	-	-	-	-	-	-	733,793	733,793	-	-	-	3,799	737,592
Employee stock options	40	400	-	540	-	-	540	-	-	-	-	-	-	-	-	940
Increase in carrying value of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	-	459	459	-	-	-	-	-	-	-	-	459
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	265,504	-	-	-	265,504
Equity in the changes in unrealized valuation gain (loss) on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	706	-	-	-	706
Acquisition of minority equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,171)	(16,171)
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	(2,061)	-	-	(1,164)	(3,225)
<b>BALANCE, JUNE 30, 2009</b>	<b>511,386</b>	<b>\$ 5,113,858</b>	<b>\$ 46,229</b>	<b>\$ 4,374,743</b>	<b>\$ 13,612</b>	<b>\$ 60,230</b>	<b>\$ 4,448,585</b>	<b>\$ 1,927,458</b>	<b>\$ 1,135,596</b>	<b>\$ 736,573</b>	<b>\$ 3,799,627</b>	<b>\$ 317,990</b>	<b>\$ (1,189,437)</b>	<b>\$ (1,385,698)</b>	<b>\$ 77,657</b>	<b>\$ 11,228,811</b>
BALANCE, JANUARY 1, 2008	491,577	\$ 4,915,770	\$ -	\$ 4,377,157	\$ -	\$ 65,635	\$ 4,442,792	\$ 1,378,115	\$ -	\$ 3,537,570	\$ 4,915,685	\$ 243,543	\$ 909,700	\$ (1,385,698)	\$ 70,368	\$ 14,112,160
Appropriation of the 2007 earnings																
Legal reserve	-	-	-	-	-	-	-	294,989	-	(294,989)	-	-	-	-	-	-
Bonus to employees	-	-	60,000	-	-	-	-	-	-	(265,490)	(265,490)	-	-	-	-	(205,490)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(26,549)	(26,549)	-	-	-	-	(26,549)
Stock dividends - 5%	-	-	233,688	-	-	-	-	-	-	(233,688)	(233,688)	-	-	-	-	-
Cash dividends - NT\$4.00 per share	-	-	-	-	-	-	-	-	-	(1,869,508)	(1,869,508)	-	-	-	-	(1,869,508)
Net income for the six months ended June 30, 2008	-	-	-	-	-	-	-	-	-	1,270,296	1,270,296	-	-	-	(3,590)	1,266,706
Employee stock options	385	3,850	-	7,253	-	-	7,253	-	-	-	-	-	-	-	-	11,103
Change in shareholders' equity on long-term equity-method investments	-	-	-	-	18,620	-	18,620	-	-	(13,091)	(13,091)	-	-	-	-	5,529
Increase in carrying value of equity-method investments due to not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	-	(2,227)	(2,227)	-	-	-	-	-	-	-	-	(2,227)
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(615,099)	-	-	-	(615,099)
Equity in the changes in unrealized gain (loss) on available-for-sale financial assets of equity-method investees	-	-	-	-	-	-	-	-	-	-	-	2,058	-	-	-	2,058
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	(671,826)	-	-	(671,826)
Retirement of treasury stock	(10,000)	(100,000)	-	(89,104)	-	-	(89,104)	-	-	(482,722)	(482,722)	-	-	671,826	-	-
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	(125,907)	-	-	-	(125,907)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,556	27,556
Acquisition of minority equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,913)	(8,913)
<b>BALANCE, JUNE 30, 2008</b>	<b>481,962</b>	<b>\$ 4,819,620</b>	<b>\$ 293,688</b>	<b>\$ 4,295,306</b>	<b>\$ 18,620</b>	<b>\$ 63,408</b>	<b>\$ 4,377,334</b>	<b>\$ 1,673,104</b>	<b>\$ -</b>	<b>\$ 1,621,829</b>	<b>\$ 3,294,933</b>	<b>\$ 117,636</b>	<b>\$ 296,659</b>	<b>\$ (1,385,698)</b>	<b>\$ 85,421</b>	<b>\$ 11,899,593</b>

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

(With Deloitte & Touche review report dated August 3, 2009)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 737,592	\$ 1,266,706
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	181,501	150,899
Provision for bad debts	12,260	18,720
Provision (reversal of provision) for loss on inventories	(30,643)	4,546
Loss (gain) on disposal of properties, net	(922)	1,974
Gain on the sale of investments, net	(1,068)	(21,644)
Investment income recognized under the equity method	(16,192)	(15,876)
Accrued pension liabilities	675	(954)
Deferred income taxes	29,630	14,430
Net changes in operating assets and liabilities		
Financial assets and liabilities at fair value through profit or loss	(11,461)	1,516
Notes receivable	7,376	(16,796)
Accounts receivable	57,670	36,803
Accounts and other receivables from related parties	(28,946)	14,740
Other receivable	49,081	89,912
Inventories	550,600	(196,967)
Prepayments and other current assets	(144,018)	(158,085)
Accounts payable	169,568	(33,142)
Income tax payable	(153,038)	138,216
Accrued expenses	47,569	82,525
Advance receipts and other current liabilities	172,290	112,316
Deferred credits	(7,680)	(8,211)
Net cash provided by operating activities	<u>1,621,844</u>	<u>1,481,628</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	-	(5,847,748)
Proceeds of the sale of available-for-sale financial assets	1,475	5,494,839
Proceeds of the sale of investments	-	23,950
Net cash paid for the acquisition of a subsidiary	-	(13,983)
Acquisition of financial assets carried at cost	(6,310)	(96,137)
Acquisition of properties	(267,168)	(542,546)
Proceeds of the sale of properties	1,134	18
Decrease in restricted assets	50,000	43,372
Increase in goodwill	(14,226)	(41,819)
Decrease in guarantee deposits paid	14,259	5,315
Increase in deferred expenses	(18,122)	(42,603)
Net cash used in investing activities	<u>(238,958)</u>	<u>(1,017,342)</u>

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# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in bank loans - short-term	\$ (509,129)	\$ (184,817)
Decrease in long-term loans payable	(73,111)	(6,391)
Increase in other liabilities	1,112	6,416
Employee stock options	940	11,103
Bonus paid to employees and remuneration to directors and supervisors	(26,940)	(4,531)
Cash paid for acquisition of treasury stock	-	(671,826)
Decrease in minority interest	<u>(16,171)</u>	<u>(8,913)</u>
Net cash used in financing activities	<u>(623,299)</u>	<u>(858,959)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<u>49,104</u>	<u>(104,761)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	808,691	(499,434)
<b>CASH, BEGINNING OF PERIOD</b>	<u>2,598,528</u>	<u>2,397,332</u>
<b>CASH, END OF PERIOD</b>	<u>\$ 3,407,219</u>	<u>\$ 1,897,898</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest paid (excluding capitalized interest)	<u>\$ 6,004</u>	<u>\$ 13,615</u>
Income tax paid	<u>\$ 244,702</u>	<u>\$ 135,790</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Dividends payable	<u>\$ 1,490,598</u>	<u>\$ 1,869,508</u>
Cash dividends receivable on equity-method investments	<u>\$ 37,782</u>	<u>\$ 64,415</u>

(Continued)

Fair values of assets and liabilities of Broadwin Technology, Inc., a 70% subsidiary of Advantech Investment Fund-A Co., Ltd. acquired in April 2008, at acquisition are summarized as follows:

Cash	\$ 85,397
Accounts receivable	11,225
Inventories, net	20,307
Other current assets	364
Properties, net	22,909
Other assets	2,434
Accounts payable	(27,091)
Income tax payable	(4,450)
Accrued expenses	(5,400)
Other current liabilities	(13,688)
Other liabilities	<u>(154)</u>
Net	91,853
Percentage of equity interest	<u>70%</u>
	64,297
Cost in excess of book value of subsidiary acquired	<u>35,083</u>
Total	99,380
Less: Cash balances of Broadwin Technology, Inc.	<u>85,397</u>
	<u>13,983</u>
Cash paid for the acquisition of Broadwin Technology, Inc.	<u>\$ 13,983</u>

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

(With Deloitte & Touche review report dated August 3, 2009)

(Concluded)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATIONS

Advantech Co., Ltd. (the “Parent Company”) was established in September 1981. It manufactures and sells embedded computing boards, industrial automation products, applied computers and industrial computers.

Its stock has been listed on the Taiwan Stock Exchange since December 13, 1999.

As of June 30, 2009 and 2008, the Parent Company and the consolidated subsidiaries (collectively, the “Group”) had 4,113 and 4,013 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group’s financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers; order VI-09600640020 issued on November 15, 2007 by the Financial Supervisory Commission under the Executive Yuan and accounting principles generally accepted in the Republic of China. Under these guidelines, laws and principles, the Group is required to make certain estimates and assumptions that could affect the allowance for doubtful accounts, provision for loss on inventories, depreciation of properties and properties leased to others, pension cost, product warranty reserve, bonuses to employees and remuneration to directors and supervisors and income tax. Actual results could differ from these estimates.

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

The Group’s significant accounting policies are summarized as follows.

#### **Basis for Consolidation**

Consolidated financial statements should include direct and indirect subsidiaries in which the Parent Company has controlling interests or has voting rights of over 50%. The consolidated entities included the Parent Company and all its subsidiaries. All significant intercompany accounts and transactions have been eliminated from the consolidated financial statements.

For the six months ended June 30, 2009 and 2008, Advansus Corp. and Hangzhou Advantofine Automation Tech. Co., Ltd. were consolidated using the proportionate consolidated method. All significant accounts and transactions between the Parent and this company have been eliminated from the consolidated financial statements.

The organization charts of intercompany relationships and percentages of ownership as of June 30, 2009 and 2008 is shown in Table 9 (attached). The names, locations and other information of investees are shown in Table 7 (attached).

The financial statements used as basis of the consolidated subsidiaries' information and related investment amounts were unreviewed, except those of Advantech Technology Co., Ltd., Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd., Advantech Technology (China) Company Ltd., and Shanghai Advantech Intelligent Services Co., Ltd.

### **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 properties 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 Parent Company recognizes a financial asset or a financial liability on its balance sheet when the Parent Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Parent 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 Group does not recognize as sales those transactions involving the delivery of materials to subcontractors since ownership of materials is not transferred upon delivery of materials. Allowances and the related provision for sales returns are accounted for as a deduction from gross sales, and the related costs are deducted from cost of sales as they are incurred.

Sales are measured at the fair value of the consideration received or receivable and represents amounts agreed between the Group 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, finished goods. Before January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on a total-inventory basis. Market value represented replacement costs of raw materials, supplies and spare parts and net realizable values of work in process and finished goods. As stated in Note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Inventory costs are determined using the weighted-average method.

### **Financial Assets Carried at Cost**

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

### **Long-term Equity Investments**

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

The difference between the cost of the investment and the Group's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted is amortized over five years. Effective January 1, 2006, under the revised Statement of Financial Accounting Standards, investment premiums, representing goodwill, are no longer being amortized. If the net fair value of an asset exceeds 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 Group'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 Group acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Group's equity in its investee's net assets is credited to capital surplus. Any decrease in the Group's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings.

For equity-method investees over which the Group has controlling influence, if the equity in losses recognized exceeds the original investment acquisition costs, the Group recognizes its investee's total losses unless other investors commit to and have the ability to assume a portion of the losses. However, when the investees return to profitable operations, the profits should be recognized by the Group totally until its previously recognized losses are covered. 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 Group to its subsidiaries are deferred but only profit in proportion to the Group's equity interest is deferred for other equity-method investees that are not majority owned. Profit from the sales of products by equity-method investees to the Group is deferred in proportion to the Group's equity interests in the investees and credited against the investment. Profits from sales of products between equity-method investees are deferred to the extent of the Group's equity interests in these investees. The deferred profits are included as part of other liabilities. All of these profits are realized through the subsequent sale of the related products to third parties.

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

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

### **Properties and Properties Leased to Others**

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

Depreciation is computed using the straight-line method over service lives initially estimated as follows (plus one year to represent estimated salvage value): buildings and equipment, 10 to 60 years; machinery and equipment, 2 to 8 years; furniture and fixtures 2 to 8 years; and miscellaneous equipment, 2 to 10 years. Properties and properties leased to others still being used by the Group beyond their initially estimated service lives are depreciated over their newly estimated service lives.

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

## **Intangible Assets**

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Goodwill was previously amortized using the straight-line method over the estimated life of five years. Effective January 1, 2006, based on the newly revised Statement of Financial Accounting Standards No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method" (SFAS No. 25), goodwill is no longer amortized and is instead assessed for impairment at least annually. Superficies, which represent royalty payment for using land, are amortized over 50 years using the straight-line method.

## **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 and properties leased to others, intangible assets, 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 (CGUs) 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 on which the Group has significant influence but over which it has 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 Group 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.

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

## **Treasury Stock**

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

## **Income Tax**

The Group 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 period.

Adjustments of prior years' tax liabilities are added to or deducted from the current period'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**

The financial statements of foreign operations are translated into New Taiwan dollars at the following exchange rates:

- a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;
- b. Shareholders' equity - at historical exchange rates;
- c. Dividends - at the exchange rate prevailing on the dividend declaration date; and
- d. Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of shareholders' equity. Such exchange differences are recognized in profit or loss in the year in which the foreign operations are disposed of.

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

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Parent Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.



## Reclassifications

Certain accounts in the consolidated financial statements as of and for the six months ended June 30, 2008 have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for the six months ended June 30, 2009.

### 3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

#### a. Accounting for Inventories

Effective January 1, 2009, the Group adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories." The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item by item, except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal cost, write-downs of inventories and any reversal of write-downs are recorded as cost of sales for the period. This accounting change resulted in decreases of \$6,972 thousand and \$10,220 thousand in the Parent Company's net income and consolidated net income, respectively, and of NT\$0.01 in earnings per share (after income tax) for the six months ended June 30, 2009. The Group also reclassified the nonoperating loss of \$67,170 thousand to the cost of goods sold in the six months ended June 30, 2008.

#### b. Accounting for Bonuses to Employees, Directors and Supervisors

The Accounting Research and Development Foundation of the R.O.C. issued Interpretation 2007-052 which requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. This accounting change resulted in decreases of \$117,243 thousand in net income and of NT\$0.25 in earnings per share (after income tax and before unretroactively adjusted) for the year ended June 30, 2008.

### 4. CASH

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Cash on hand	\$ 84,462	\$ 126,360
Checking and demand deposits	1,301,768	877,051
Time deposits: Interest - 0.05%-2.635% in 2009 and 0.60%-3.00% in 2008	<u>2,020,989</u>	<u>894,487</u>
	<u>\$ 3,407,219</u>	<u>\$ 1,897,898</u>

### 5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The trading assets and liabilities of the Parent Company were as follows:

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
<u>Financial assets resulting from trading</u>		
Forward contracts	<u>\$ 1,234</u>	<u>\$ 116</u>
<u>Financial liabilities resulting from trading</u>		
Forward contracts	<u>\$ 11,459</u>	<u>\$ 1,545</u>

On June 30, 2009 and 2008, the outstanding forward contracts were as follows:

	<b>Currency</b>	<b>Maturity</b>	<b>Amount (Thousands)</b>
<u>June 30, 2009</u>			
Sell	EUR/NTD	2009.7-2009.9	EUR3,500/NTD158,891
	EUR/USD	2009.7-2009.9	EUR2,000/USD2,732
	USD/NTD	2009.7-2009.9	USD25,228/NTD822,986
	JPY/NTD	2009.7-2009.8	JPY40,000/NTD13,764
<u>June 30, 2008</u>			
Sell	USD/NTD	2008.7	USD7,500/NTD226,368
	EUR/USD	2008.7	EUR2,400/USD3,779

The Parent Company entered into forward contract transactions for the six months ended June 30, 2009 and 2008 to avoid risks on exchange rate fluctuations. The hedging strategy of the Parent Company is to avoid the major portion of the fair value risks.

Net gain and loss arising from trading financial assets or liabilities for the six months ended June 30, 2009 and 2008 were net loss \$6,258 thousand and \$472 thousand, respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>June 30</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Current</b>	<b>Noncurrent</b>	<b>Current</b>	<b>Noncurrent</b>
Mutual funds	\$ -	\$ -	\$ 1,703,774	\$ -
Quoted domestic stock				
Chunghwa Telecom Co., Ltd.	13,505	-	16,014	-
ASUSTek Computer Inc.	-	1,946,749	-	3,432,473
Quoted overseas stocks				
SG Advantech Co., Ltd.	-	50,370	-	-
	<u>\$ 13,505</u>	<u>\$ 1,997,119</u>	<u>\$ 1,719,788</u>	<u>\$ 3,432,473</u>

## 7. INVENTORIES, NET

	<b>June 30</b>	
	<b>2009</b>	<b>2008</b>
Finished goods	\$ 650,667	\$ 951,713
Work in process	441,159	627,984
Materials and supplies	668,991	904,951
Inventories in transit	<u>92,760</u>	<u>160,684</u>
	<u>\$ 1,853,577</u>	<u>\$ 2,645,332</u>

As of June 30, 2009 and 2008, the allowances for loss were \$251,810 thousand and \$305,028 thousand, respectively.

The costs of goods sold pertaining to inventories as of June 30, 2009 and 2008 were \$4,287,564 thousand and \$4,979,084 thousand, respectively. In addition, for the six months ended June 30, 2009, the foregoing amounts included reversal of loss of \$30,643 thousand and inventory scraps for loss of \$98,143 thousand, and for the six months ended June 30, 2008 the foregoing amounts included allowance for loss of \$4,546 thousand and inventory scraps for loss of \$64,029 thousand.

## 8. FINANCIAL ASSETS CARRIED AT COST

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Foreign unlisted common traded stocks		
Domestic		
Avalue Technology Inc.	\$ 88,637	\$ 96,137
Foreign		
Superior Technology Co., Ltd. (US\$1,068 thousand as of June 30, 2009 and 2008)	33,441	33,441
Coban Research and Technologies, Inc. (US\$1,020 thousand as of June 30, 2009 and 2008)	33,257	33,257
Advantech Brazil S/A (US\$192 thousand as of June 30, 2009)	<u>6,310</u>	<u>-</u>
	<u>\$ 161,645</u>	<u>\$ 162,835</u>

Investments with no quoted market prices in an active market and with fair values that cannot be reliably measured are carried at their original cost.

## 9. LONG-TERM EQUITY INVESTMENTS

	<u>June 30</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
<u>Listed</u>				
Axiomtek Co., Ltd.	\$ 331,037	27.96	\$ 319,873	28.73
<u>Unlisted</u>				
Advantech Hungary Ltd.	17,544	30.00	15,142	30.00
Advantech Corporation (Thailand) Co., Ltd.	5,960	30.00	5,511	30.00
Advantech Technologies Co., Ltd.	-	-	126,346	23.89
Timson Tech Co.	<u>-</u>	<u>-</u>	<u>7,244</u>	<u>30.00</u>
	<u>\$ 354,541</u>		<u>\$ 474,116</u>	

The calculation of the carrying values of the equity-method investments and the equity in their net income or net loss were based on the investees' unreviewed financial statements for the six months ended June 30, 2009 and 2008.

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

Movements of goodwill (i.e., the acquisition cost in excess of the Parent Company's proportionate share in the investee's net assets) for the six months ended June 30, 2009 and 2008 were as follows:

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Cost		
Balance, beginning balance	\$ 10,517	\$ 10,571
Amount derecognized on disposal of a subsidiary	<u>-</u>	<u>(54)</u>
Balance, end of period	<u>\$ 10,517</u>	<u>\$ 10,517</u>

The market values of the listed stocks invested in by the Parent Company, which were calculated on the basis of the closing prices as of June 30, 2009 and 2008, were \$481,518 thousand and \$738,849 thousand, respectively.

## 10. PROPERTIES

Accumulated depreciation was as follows:

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Buildings	\$ 363,288	\$ 301,679
Machinery and equipment	516,552	424,671
Furniture and fixtures	247,052	222,337
Other equipment	<u>264,750</u>	<u>236,268</u>
	<u>\$ 1,391,642</u>	<u>\$ 1,184,955</u>

## 11. PROPERTIES LEASED TO OTHERS

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Cost		
Buildings	\$ 40,357	\$ 37,223
Accumulated depreciation	<u>(11,975)</u>	<u>(10,087)</u>
	<u>\$ 28,382</u>	<u>\$ 27,136</u>

## 12. SHORT-TERM BANK LOANS

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Credit loans - interest 3.00%-9.22%	\$ -	\$ 397,932
Secured loans - interest: 1.84%-2.25% in 2009 and 3.30% in 2008	65,610	8,000
Materials purchase loans - interest 3.00%-3.30%	<u>-</u>	<u>44,787</u>
	<u>\$ 65,610</u>	<u>\$ 450,719</u>

Advantech Technology (China) Company Ltd., an indirect subsidiary of the Parent Company, obtained a credit loan from a bank to meet its financing need. As of June 30, 2009 and 2008, the carrying values were \$65,610 thousand and \$347,932 thousand, respectively.

Netstar Technology Co., Ltd., an indirect subsidiary of the Parent Company, obtained credit, materials purchase and mortgage loans from banks to meet its financing need. As of June 30, 2008, the carrying value of Netstar's loans was \$102,787 thousand.

## 13. LONG-TERM BANK LOANS

	<b>Current</b>	<b>Long-term</b>	<b>Total</b>
<u>June 30, 2009</u>			
Secured loans	<u>\$ 3,375</u>	<u>\$ 25,875</u>	<u>\$ 29,250</u>
<u>June 30, 2008</u>			
Secured loans	<u>\$ 13,353</u>	<u>\$ 98,197</u>	<u>\$ 111,550</u>

Advantech Europe B.V., an indirect subsidiary of the Parent Company, obtained a mortgage loan from a bank to acquire a building. This loan is repayable quarterly till loan maturity in June 2010. As of June 30, 2008, the carrying value of this loan was \$73,300 thousand, and the implicit interest rate was 6.42%. The loan had been liquidated in February 2009.

Netstar Technology Co., Ltd., an indirect subsidiary of the Parent Company, obtained a mortgage loan from a bank for its operation need. This loan is repayable from October 2006 to October 2016 in 40 quarterly installments from January 2007. As of June 30, 2009 and 2008, the carrying values were \$29,250 thousand and \$38,250 thousand, respectively, and the interest rates were 2% and 3.25%, respectively.

## 14. PENSION PLANS

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

Based on the Labor Pension Act, the rate of monthly contributions to the individual pension accounts of the employees of the Parent Company and its domestic subsidiaries is at 6% of monthly wages. For these contributions, the Parent Company and domestic subsidiaries recognized pension costs of \$28,741 thousand and \$24,798 thousand for the six months ended June 30, 2009 and 2008, respectively.

The Parent Company and its subsidiaries, Netstar Technology Co., Ltd. and Broadwin Technology, Inc., have 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 accumulated up to 45 based points, and the benefits based on employee's average monthly salary for the six-month period prior to retirement. Under the Law, the Parent 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.

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

Except for the foregoing companies, the overseas consolidated entities all contribute to defined benefit pension funds and recognize pension costs based on local government regulations.

For the six months ended June 30, 2009 and 2008, the pension expenses of these overseas consolidated entities were \$21,302 thousand and \$19,394 thousand, respectively.

## **15. SHAREHOLDERS' EQUITY**

### **Capital Surplus**

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

### **Appropriation of Earnings and Dividend Policy**

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

- a. 8% to 20% as bonus to employees;
- b. 1% or less as remuneration to directors and supervisors;
- 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 Parent Company's board of directors.

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

The bonus to employees and remunerations to directors and supervisors of \$120,000 thousand and 180,000 thousand for the six months ended June 30, 2009 and 2008, respectively (classified under accrued expenses) were estimated and accrued on the basis of past experience. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are 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 Parent Company's paid-in capital. This reserve may be used only to offset a deficit. When the balance of the reserve reaches 50% of the Parent Company's outstanding capital stock, up to 50% thereof may be transferred to capital.

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

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

The appropriations of earnings for 2008 and 2007 were proposed in the Board of Directors' meeting and approved in the shareholders' meeting held on May 15, 2009 and June 12, 2008, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (Dollars)</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Legal reserve	\$ 254,354	\$ 294,989	\$ -	\$ -
Special reserve	1,135,596	-	-	-
Cash dividends	1,490,598	1,869,508	3.00	4.00
Stock dividends	24,843	233,688	0.05	0.50
Remuneration to directors and supervisors	-	26,549	-	-
Bonus to employees - stock	-	60,000	-	-
Bonus to employees - cash	-	205,490	-	-

The bonus to employees of \$190,000 thousand for 2008 was approved in the shareholders' meeting on May 15, 2009. The bonus to employees included a cash bonus of \$90,000 thousand and a share bonus of \$100,000. The number of shares of 2,139 thousand was determined by dividing the amount of share bonus by the closing price (after considering the effect of cash and stock dividends). The approved amounts of the bonus to employees were not different from the actual amounts reflected in the financial statements for the year ended December 31, 2008.

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 May 15, 2009, the shareholders approved the board of directors' proposal to distribute stock dividends of \$24,843 thousand and stock bonus to employees amounting to \$100,000 thousand. The appropriation of earnings for 2008 was approved by the Financial Supervisory Commission under the Executive Yuan of the ROC. The board of directors resolved August 4, 2009 as the date of distributing stock and cash dividends. The Parent Company is applying for the revised license from the MOEA.

On April 1, 2003, the Securities and Futures Bureau approved the Parent Company's stock option plan. There were 3,000 thousand units authorized to be issued, which may be converted to 3,000 thousand common shares. Employees may exercise a certain percentage of the option within two and four years of the grant date, and will expire six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT\$23.49 as of June 30, 2009.

As of June 30, 2009, there were 2,515 thousand units of stock options exercised, which were converted to 2,515 thousand common shares; thus, the unexercised stock options consisted of 125 thousand units.

When the grant date of stock-based employee compensation plans is on or before January 1, 2004, the Parent 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.

## 16. 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>Six months ended June 30, 2009</u>				
For transfer to employees	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>14,500</u>
<u>Six months ended June 30, 2008</u>				
For transfer to employees	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>14,500</u>
To maintain the Parent Company's credibility and promote the shareholders' interest	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>

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

## 17. 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>Six Months Ended June 30</u>	
	2009	2008
Tax on pretax income at 25% statutory rate	\$ 236,597	\$ 464,778
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(21,728)	(142,381)
Other	(6,301)	(12,429)
Temporary differences	(58,287)	23,931
Income tax (10%) on undistributed earnings	-	25,966
Investment tax credit	<u>(58,617)</u>	<u>(81,409)</u>
Income tax currently payable	<u>\$ 91,664</u>	<u>\$ 278,456</u>



b. Income tax expense consisted of the following:

	<u>Six Months Ended June 30</u>	
	2009	2008
Income tax currently payable	\$ 91,664	\$ 278,456
Income tax expense - deferred	29,630	14,430
Withholding tax of dividends	-	1,826
Adjustments for prior year's tax	<u>(1,478)</u>	<u>-</u>
	<u>\$ 119,816</u>	<u>\$ 294,712</u>

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

Balance, beginning of period	\$ 300,301	\$ 213,572
Income tax currently payable	91,664	278,456
Payment	<u>(244,702)</u>	<u>(135,790)</u>
Balance, end of period	<u>\$ 147,263</u>	<u>\$ 356,238</u>

d. Net deferred income tax assets (liabilities) as of June 30, 2009 and 2008 were as follows:

	<u>June 30</u>	
	2009	2008
Current		
Deferred income tax assets		
Allowance for loss on inventories	\$ 26,183	\$ 29,944
Loss carryforwards	-	15,425
Investment tax credits	8,006	9,200
Unrealized product warranty reserve	8,815	8,109
Unrealized foreign exchange loss	227	1,435
Excess provisions for doubtful accounts	2,880	-
Others	<u>19,288</u>	<u>25,945</u>
	65,399	90,058
Valuation allowance	<u>(7,993)</u>	<u>(16,031)</u>
	<u>57,406</u>	<u>74,027</u>
Deferred income tax liabilities		
Others	<u>(465)</u>	<u>(7,300)</u>
Deferred income tax assets, net	<u>\$ 56,941</u>	<u>\$ 66,727</u>
Noncurrent		
Deferred income tax assets:		
Deferred income	\$ 23,691	\$ 53,327
Accumulated equity in the net loss of foreign investees	31,693	40,444
Investment tax credits	74,456	44,183
Pension cost	21,363	27,277
Loss carryforward	31,073	13,200
Others	<u>4,713</u>	<u>4,035</u>
	186,989	182,466
Valuation allowance	<u>(104,620)</u>	<u>(75,325)</u>
	<u>82,369</u>	<u>107,141</u>

(Continued)

	<u>June 30</u>	
	<b>2009</b>	<b>2008</b>
Deferred income tax liabilities:		
Accumulated equity in the net gains of foreign investees	\$ (278,712)	\$ (332,434)
Others	<u>(228)</u>	<u>(223)</u>
	<u>(278,940)</u>	<u>(332,657)</u>
 Deferred income tax liabilities, net	 <u>\$ (196,571)</u>	 <u>\$ (225,516)</u> (Concluded)

e. As of June 30, 2009 investment tax credits consisted of the following:

<b>Law</b>	<b>Item</b>	<b>Remaining Creditable Amounts</b>
<u>The Parent Company</u>		
Statute for Upgrading Industries	Research and development expenditures	<u>\$ 25,452</u>
<u>Netstar Technology Co., Ltd.</u>		
Statute for Upgrading Industries	Research and development expenditures	<u>\$ 39,645</u>
<u>Advansus Corp.</u>		
Statute for Upgrading Industries	Research and development expenditures	<u>\$ 17,365</u>

f. Information on the domestic subsidiary - loss carryforward of Netstar Technology Co., Ltd. as of June 30, 2009 is as follows:

<b>Loss Year</b>	<b>Loss Carryforward Amount</b>	<b>Expiry Year</b>
<u>Netstar Technology Co., Ltd.</u>		
2003	\$ 33,870	2013
2004	33,195	2014
2005	11,270	2015
2006	21,007	2016
2007	2,670	2017
2008	<u>53,354</u>	2018
	<u>\$ 155,366</u>	

g. As of June 30, 2009, the Group's five years exemption on the income was as follows:

<b><u>Exemption Item: Investment Plan</u></b>	<b><u>Exemption Period</u></b>
<u>The Parent Company</u>	
The industry 500 MHz thin client production	From 2006 to 2010

- h. 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.
- i. The Group's ICA balances as of June 30, 2009 and 2008 were as follows:

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
The Parent Company	\$ 346,064	\$ 333,260
Broadwin	\$ 17,801	\$ 11,121
Netstar	\$ 6,569	\$ 6,174
Advantech Fund - A	\$ 5,993	\$ 4,521
Advansus Corp.	\$ 2,528	\$ -
Jan Hsiang	\$ 398	\$ 162

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

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
The Parent Company	\$ 2,779	\$ 81,329

The expected and actual creditable tax ratios for earnings were 12.24% and 9.64%, as of December 31, 2008 and 2007, respectively. The imputation credit allocated to the shareholders is based on its balance as of the date of dividend distribution. The expected creditable ratio may change when the actual allocation of the imputation credits is made.

- j. The Parent Company's Income tax returns through 2005 had been examined and cleared by the tax authorities.

## 18. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	<u>Six Months Ended June 30</u>					
	<u>2009</u>			<u>2008</u>		
	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>
Personnel expenses						
Payroll	\$ 259,993	\$ 1,138,333	\$ 1,398,326	\$ 230,368	\$ 1,121,524	\$ 1,351,892
Insurance	26,835	109,988	136,823	20,633	101,015	121,648
Pension	8,767	41,276	50,043	9,264	36,820	46,084
Others	19,414	74,113	93,527	19,976	90,308	110,284
	<u>\$ 315,009</u>	<u>\$ 1,363,710</u>	<u>\$ 1,678,719</u>	<u>\$ 280,241</u>	<u>\$ 1,349,667</u>	<u>\$ 1,629,908</u>
Depreciation	\$ 52,563	\$ 77,011	\$ 129,574	\$ 41,315	\$ 72,374	\$ 113,689
Amortization	\$ 4,613	\$ 46,258	\$ 50,871	\$ 4,506	\$ 39,130	\$ 43,636

Expenses for properties leased to others, expenses of \$1,056 thousand and \$473 thousand as of June 30, 2009 and 2008, respectively (included in nonoperating expenses and losses - other expenses), were not included in the above depreciation expenses.

## 19. EARNINGS PER SHARE

The numerators and denominators used in calculating the Parent Company's earnings per share (EPS) were as follows:

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>		<u>Pretax</u>	<u>After-tax</u>
<u>Six months ended June 30, 2009</u>					
Basic EPS	\$ 811,498	\$ 733,793	497,401	\$ <u>1.63</u>	\$ <u>1.48</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	71		
Bonuses to employees	-	-	<u>4,377</u>		
Diluted EPS	\$ <u>811,498</u>	\$ <u>733,793</u>	<u>501,849</u>	\$ <u>1.62</u>	\$ <u>1.46</u>
<u>Six months ended June 30, 2008</u>					
Basic EPS	\$ 1,455,639	\$ 1,270,296	500,024	\$ <u>2.91</u>	\$ <u>2.54</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	209		
Bonuses to employees	-	-	<u>2,531</u>		
Diluted EPS	\$ <u>1,455,639</u>	\$ <u>1,270,296</u>	<u>502,764</u>	\$ <u>2.90</u>	\$ <u>2.53</u>

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

The EPS was retroactively adjusted for the stock dividends declared. Thus, for the six months ended June 30, 2008, pretax and after-tax basic EPS decreased from NT\$3.09 to NT\$2.91 and from NT\$2.70 to NT\$2.54, respectively, and pretax and after-tax diluted EPS decreased from NT\$3.07 to NT\$2.90 and from NT\$2.68 to NT\$2.53, respectively.

The numerators and denominators used in calculating pro forma EPS, which were adjusted for stock dividends with an ex-dividend date after the issuance date of financial statements, were as follows:

	<u>Amount (Numerator)</u>		<u>Shares</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>(Denominator)</u> <u>(Thousands)</u>	<u>Pretax</u>	<u>After-tax</u>
<u>Six months ended June 30, 2009</u>					
Basic EPS	\$ 811,498	\$ 733,793	499,888	\$ 1.62	\$ 1.47
Impact of dilutive potential common stock					
Employees' stock options	-	-	72		
Bonuses to employees	-	-	2,773		
Diluted EPS	\$ 811,498	\$ 733,793	502,733	\$ 1.61	\$ 1.46
<u>Six months ended June 30, 2008</u>					
Basic EPS	\$ 1,455,639	\$ 1,270,296	502,524	\$ 2.90	\$ 2.53
Impact of dilutive potential common stock					
Employees' stock options	-	-	210		
Bonuses to employees	-	-	2,544		
Diluted EPS	\$ 1,455,639	\$ 1,270,296	505,278	\$ 2.88	\$ 2.51

## 20. RELATED-PARTY TRANSACTIONS

### a. Related parties

<u>Related Party</u>	<u>Relationship with the Group</u>
Axiomtek Co., Ltd. ("Axiomtek")	Equity-method investee of the Parent Company
Advantech Hungary Ltd. (AHG)	Equity-method investee of the Parent Company
SG Advantech Co., Ltd. (former name: Advantech Technologies Co., Ltd.) (SGA)	The Parent Company was SGA's director (SGA was an equity-method investee before December 2008)
Advantech KR Co., Ltd. (AKR)	The Parent Company's chairman is an AKR director
Advantech Corporation (Thailand) Co., Ltd. (ATH)	Equity-method investee of ASG
Avalue Technology Inc. ("Avalue")	The Parent Company's chairman is an Avalue's director
Advantech Brazil S/A (ABR)	Related party in substance
Mr. Peter Marek	Manager of ADL
Mr. Stavros Kostelidis	Manager of ADL

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

	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<u>For the six months ended June 30</u>				
1) Sales				
AKR	\$ 158,270	2	\$ 159,479	2
Avalue	139,989	2	32,292	-
ABR	42,320	1	45,407	1
ATH	9,033	-	14,306	-
Axiomtek Co., Ltd.	5,302	-	7,395	-
AHG	-	-	21	-
	<u>\$ 354,914</u>	<u>5</u>	<u>\$ 258,900</u>	<u>3</u>
2) Purchase of materials and supplies				
Axiomtek Co., Ltd.	<u>\$ 49</u>	<u>-</u>	<u>\$ 802</u>	<u>-</u>
3) Other revenue (part of nonoperating income)				
AKR	<u>\$ 672</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
<u>As of June 30</u>				
4) Receivables				
Accounts				
AKR	\$ 94,950	41	\$ 43,409	31
ABR	24,335	10	20,772	15
Avalue	22,996	10	5,673	4
ATH	3,413	1	1,357	1
Axiomtek Co., Ltd.	<u>1,240</u>	<u>1</u>	<u>2,998</u>	<u>2</u>
	<u>146,934</u>	<u>63</u>	<u>74,209</u>	<u>53</u>
Financing provided				
AKR	<u>48,643</u>	<u>21</u>	<u>-</u>	<u>-</u>
Dividends				
Axiomtek Co., Ltd.	<u>37,782</u>	<u>16</u>	<u>64,415</u>	<u>47</u>
	<u>\$ 233,359</u>	<u>100</u>	<u>\$ 138,624</u>	<u>100</u>
5) Payables				
Accounts				
ABR	\$ 54	50	\$ -	-
Axiomtek Co., Ltd.	30	28	116	100
AKR	<u>24</u>	<u>22</u>	<u>-</u>	<u>-</u>
	<u>\$ 108</u>	<u>100</u>	<u>\$ 116</u>	<u>100</u>

Financing to related parties was as follows (part of accounts receivable - related parties):

	<u>Six Months Ended June 30, 2009</u>			
	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Interest Rate</b>	<b>Interest Income</b>
AKR	<u>\$ 48,643</u>	<u>\$ 48,643</u>	5%	<u>\$ 672</u>

c. Securities transactions

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

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

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

## 21. ASSETS PLEDGED OR MORTGAGED

As of June 30, 2009, Netstar Technology Co., Ltd., an indirect subsidiary of the Parent Company, had pledged the following assets for short-term and long-term bank loans:

	<u>June 30</u>	
	<b>2009</b>	<b>2008</b>
Properties - land	\$ 35,506	\$ 35,506
Properties - buildings - cost	<u>22,645</u>	<u>22,645</u>
	<u>\$ 58,151</u>	<u>\$ 58,151</u>

The certificates of deposits used by Advansus Corp. as collaterals for its credit amounted to \$100,000 thousand as of June 30, 2008. As stated in Note 2 to the financial statements, this company was consolidated by the Parent Company using the proportionate consolidation method.

## 22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of June 30, 2009, the Parent Company had the following guarantees for affiliates' loans:

	<b>Amount</b>
AKMC	<u>US\$ 18,600 thousand</u>
Netstar	<u>NT\$ 220,000 thousand</u>
Advansus Corp.	<u>NT\$ 100,000 thousand</u>

## 23. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	June 30			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets - current	\$ 13,506	\$ 13,506	\$ 1,719,788	\$ 1,719,788
Available-for-sale financial assets - noncurrent	1,997,119	1,997,119	3,432,473	3,432,473
<u>Liabilities</u>				
Long-term bank loans (current portion included)	29,250	29,250	111,550	111,550
<u>Derivative financial instruments location</u>				
Financial assets at fair value through profit or loss - current				
Foreign (foreign corporation operating in domestic district included)	1,234	1,234	116	116
Financial liabilities at fair value through profit or loss - current				
Domestic	4,930	4,930	112	112
Foreign (foreign corporation operating in domestic district included)	6,529	6,529	1,433	1,433

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

- 1) For financial instruments such as cash and notes and accounts receivables, receivables from related parties, other receivables, restricted assets - current, short-term bank loans, accounts payables and refundable deposits, the carrying amounts of these financial instruments approximate their fair values.
- 2) Fair values of available-for-sale financial assets were based on their quoted market price.
- 3) The fair value of the long-term bank loans (including current portion) is determined using the present value based of the projected cash flows discounted at interest rates for similar long-term debts.
- 4) Fair values of derivatives were determined using the quoted market prices, using valuation techniques incorporating estimates and assumptions that are consistent with those prevailing in the market.



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

	<u>Based on the Quoted Market Price</u>		<u>Estimated Using Valuation Techniques</u>	
	<u>June 30</u>		<u>June 30</u>	
	2009	2008	2009	2008
<u>Asset</u>				
Financial assets at fair value through profit or loss - current	\$ -	\$ -	\$ 1,234	\$ 116
Available-for-sale financial assets - current	13,506	1,719,788	-	-
Available-for-sale financial assets - noncurrent	1,997,119	3,432,473	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current	-	-	11,459	1,545

- d. As of June 30, 2009 and 2008, financial assets exposed to fair value risk from interest rate fluctuation amounted to \$2,020,989 thousand and \$944,487 thousand, respectively. As of June 30, 2009 and 2008, financial liabilities exposed to fair value risk from interest rate fluctuation amounted to \$94,860 thousand and \$562,269 thousand, respectively. As of June 30, 2009 and 2008, financial assets exposed to cash flow risk from interest rate fluctuation amounted to \$1,238,101 thousand and \$786,229 thousand, respectively.
- e. The Parent Company recognized unrealized gain of \$265,504 thousand and loss of \$615,099 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 2009 and 2008, respectively. The Parent Company also recognized unrealized gain of \$706 thousand and \$2,058 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees for the six months ended June 30, 2009 and 2008, respectively.
- f. Financial risks
- 1) Market risk. The derivative financial instruments categorized as financial assets at fair value through profit or loss are mainly used to hedge exchange rate fluctuations of foreign currency-denominated assets and liabilities. Thus, the market risk of derivatives will be offset by the gain or loss on the exchange rate fluctuations of hedged assets and liabilities. Available-for-sale financial assets held by the Group are mainly mutual funds and publicly traded stocks. Thus, price fluctuations in the open market would result in changes in fair values of these financial instruments.
  - 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Parent 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 Group has sufficient operating capital to meet cash needs upon settlements of derivative financial instruments. Therefore, the cash flow risk is low. In addition, for long-term equity-method investments (mutual funds and publicly traded stocks), the Group keeps liquidity reserves, which are available on a short-term basis. Additionally, the contracted forward rate is decided on the contract starting dates. Thus, the cash flow risk on forward contracts is low.

## 24. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 22 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Parent Company and its investees and on investment in Mainland China.
- b. Investments in mainland China
  - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of June 30, 2009, accumulated inward remittance of earnings as of June 30, 2008 and upper limit on investment: Table 8 attached.
  - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 22 and Tables 1, 2, 5 and 6.
- c. Intercompany relationships and significant intercompany transactions: Please see Table 10 attached.

TABLE 1

## ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED  
SIX MONTHS ENDED JUNE 30, 2009

(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 (Note 1)	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		
0	ACL	AKR	Accounts receivable - related parties	\$ 48,100 (KRW1,850,000 thousand)	\$ 48,100 (KRW1,850,000 thousand)	5%	Service intercourse	Sale \$124,349	Financing need	\$ -	-	-	\$ 98,430 (Note B)	\$ 98,430 (Note B)
0	ACL	Feng Sang Enterprise Co., Ltd.	Other receivables	50,000	50,000	2.5%	Service intercourse	Sale 200,000	Financing need	-	-	-	200,000 (Note E)	200,000 (Note E)
1	AEU	ADL	Accounts receivable - related parties	32,403 (EUR 700 thousand)	32,403 (EUR 700 thousand)	4%	Short-term financing	-	Financing need	-	-	-	1,115,115 (Note C)	2,230,231 (Note C)
2	SHHQ	ACN	Accounts receivable - related parties	56,902 (RMB 11,847 thousand)	56,902 (RMB 11,847 thousand)	2%	Short-term financing	-	Financing need	-	-	-	144,093 (Note D)	2,230,231 (Note D)
3	ACN	AKMC	Accounts receivable - related parties	100,250 (RMB 20,872 thousand)	96,806 (RMB 20,155 thousand)	2%	Short-term financing	-	Financing need	-	-	-	144,093 (Note D)	2,230,231 (Note D)
4	ANA	AESC	Accounts receivable - related parties	98,430 (US\$ 3,000 thousand)	98,430 (US\$ 3,000 thousand)	2%	Short-term financing	-	Financing need	-	-	-	1,115,115 (Note C)	2,230,231 (Note C)
4	ANA	AKMC	Accounts receivable - related parties	98,430 (US\$ 3,000 thousand)	98,430 (US\$ 3,000 thousand)	2%	Short-term financing	-	Financing need	-	-	-	1,115,115 (Note C)	2,230,231 (Note C)
5	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Accounts receivable - related parties	93,507	52,574	-	Service intercourse	Purchase 323,661	Service intercourse	-	-	-	323,661 (Note E)	323,661 (Note E)
5	Netstar Technology Co., Ltd.	LANSONIC (BVI)	Accounts receivable - related parties	3,618	3,618	-	Short-term financing	-	Financing need	-	-	-	1,115,115 (Note C)	2,230,231 (Note C)
6	Broadwin Technology, Inc.	Netstar Technology Co., Ltd.	Accounts receivable - related parties	40,000	40,000	2%	Short-term financing	-	Financing need	-	-	-	1,115,115 (Note C)	2,230,231 (Note C)
7	Advantech Fund-A	Netstar Technology Co., Ltd.	Accounts receivable - related parties	60,000	60,000	2%	Short-term financing	-	Financing need	-	-	-	1,115,115 (Note C)	2,230,231 (Note C)

Notes: A. The exchange rate was EUR1=NT\$46.29; US\$1=NT\$32.81; RMB1= NT\$4.8031; KRW1=NT\$0.026.

B. Based on the resolution of the board of directors of Advantech Co., Ltd. (ACL), the maximum amount of financing provided by ACL was US\$3,000 thousand.

C. The maximum amount of financing and the maximum amount of financing to individual counter-party that can be provided by the financier are 20% and 10% of the parent company's net asset value, respectively.

D. 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 will be handled over the Citibank account of ACN.

E. The maximum amount of financing for service transactions is equal to the amount provided in the recent year and the confirmed service intercourse to be in the future.

F. All intercompany investments and investment gain (loss) have been eliminated.

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## ENDORSEMENT/GUARANTEE PROVIDED

SIX MONTHS ENDED JUNE 30, 2009

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

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statements (%)	Maximum Collateral/Guarantee Amounts Allowable
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	AKMC	Indirect subsidiary	\$ 1,115,115 (Note A)	\$ 610,266 ( US\$ 18,600 thousand )	\$ 610,266 ( US\$ 18,600 thousand )	\$ -	5.47	\$ 3,345,346 (Note B)
		Netstar Technology Co., Ltd.	Indirect subsidiary	1,115,115 (Note A)	220,000	220,000	-	1.97	3,345,346 (Note B)
		Advansus Corp.	Equity-method investee	1,115,115 (Note A)	100,000	100,000	-	0.90	3,345,346 (Note B)

Note: A. 10% of the Company's net asset value.

B. 30% of the Company's net asset value.

C. The exchange rate was US\$1.00=NT\$32.81.

TABLE 3

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

JUNE 30, 2009

(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2009				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	32,606,500	\$ 1,885,222	100.00	\$ 1,885,222	Note A
	ATC	"	"	32,750,000	1,728,867	100.00	1,728,867	Note A
	Advansus Corp.	"	"	18,000,000	190,960	50.00	190,960	Note A
	Advantech Fund-A	"	"	70,000,000	627,209	100.00	627,209	Note A
	Axiomtek	"	"	21,353,345	331,037	27.96	331,037	Note A
	AEU	"	"	9,572,024	363,480	100.00	363,480	Note A
	ASG	"	"	1,450,000	66,159	100.00	66,159	Note A
	AAU	"	"	500,204	87,377	100.00	87,377	Note A
	AJP	"	"	1,200	111,996	100.00	111,996	Note A
	AYS	"	"	12,300,000	86,632	100.00	86,632	Note A
	AMY	"	"	2,000,000	40,196	100.00	40,196	Note A
	AHG	"	"	30	17,544	30.00	17,544	Note A
	AIMS	"	"	500,000	5,912	100.00	5,912	Note A
	AHK	"	Other liability - others	999,999	(6,568)	100.00	(6,568)	Notes A and C
ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	45,698,339	1,946,749	1.08	1,946,749	Note B	
SGA	"	"	1,556,064	50,370	7.19	50,370	Note B	
Advantech Fund-A	<u>Stock</u>							
	Netstar Technology Co., Ltd.	Investee	Long-term equity investments	19,829,222	204,577	79.32	204,577	Note A
	BCM Embedded Computer Inc.	"	"	4,500,000	20,942	100.00	20,942	Note A
	Broadwin Technology, Inc.	"	"	6,851,782	110,284	70.08	110,284	Note A
	Avalue Technology Inc.	-	Financial assets carried at cost - noncurrent	3,165,000	88,637	8.71	88,637	-
	Superior Technology Co., Ltd.	-	"	1,095,910	33,441	13.22	33,441	-
	COBAN Research and Technologies, Inc.	-	"	600,000	33,257	7.00	33,257	-
Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - current	206,192	13,506	-	13,506	Note B	
ATC	<u>Stock</u>							
	ATC (HK)	Investee	Long-term equity investments	35,650,001	1,237,932	100.00	1,237,932	Note A
ATC (HK)	<u>Shares</u>	"	"	-	1,238,127	100.00	1,238,127	Note A
AKMC								
AYS	<u>Shares</u>							
	ADMC	"	"	-	63,130	100.00	63,130	Note A

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2009				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
AAC (BVI)	<u>Stock</u> ANA	Investee	Long-term equity investments	10,952,606	\$ 995,937	100.00	\$ 995,937	Note A
	AAC (HK)	"	"	15,230,001	890,266	100.00	890,266	Note A
ANA	<u>Stock</u> ABR	-	Financial assets carried at cost - noncurrent	375,192	6,310	16.72	6,310	-
AAC (HK)	<u>Shares</u> ACN	Investee	Long-term equity investments	-	508,593	100.00	508,593	Note A
	SHHQ	"	"	-	87,807	100.00	87,807	Note A
	AiSC	"	"	-	271,045	100.00	271,045	Note A
	AXA	"	"	-	21,867	100.00	21,867	Note A
ACN	<u>Shares</u> Hangzhou Advantofine Automation Co., Ltd.	"	"	-	4,632	50.00	4,632	Note A
AEU	<u>Stock</u> AESC	"	"	8,314,280	122,639	100.00	122,639	Note A
	ADL	"	"	1,142,000	(29,073)	100.00	(29,073)	Note A
	APL	"	"	6,530	29,755	92.89	29,755	Note A
ASG	<u>Stock</u> ATH	"	"	30,000	5,960	30.00	5,960	Note A
	APN	"	"	570,570	5,417	55.00	5,417	Note A
	AKL	"	"	418,000	3,570	55.00	3,570	Note A
	Netstar Technology Co., Ltd.	<u>Stock</u> LANSONIC (BVI)	Investee	Other liability - others	3,527,529	(25,520)	94.83	(25,520)
	Jan Hsiang Electronics Co., Ltd.	"	Long-term equity investments	1,520,000	14,423	76.00	14,423	Note A
	Lantech Communications Inc.	"	Other liability - others	1,159,500	-	77.30	-	Note A
Broadwin Technology, Inc.	<u>Stock</u> Broadwin Technology Inc.	Investee	Long-term equity investments	5,643,650	19,873	100.00	19,873	Note A
LANSONIC (BVI)	<u>Shares</u> Netstar Electronics Corporation	"	Other liability - others	-	HK\$(25,729)	100.00	HK\$(25,729)	Notes A and C

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

Note B: Market value was based on the closing price on June 30, 2009.

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

Note D: All intercompany investments and investment gain (loss) have been eliminated.

(Concluded)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 SIX MONTHS ENDED JUNE 30, 2009  
 (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")	Stock Advansus Corp.	Long-term equity investments	-	Subsidiary	30,000,000	\$ 303,998	-	\$ -	12,000,000	\$ 120,000 (Note)	\$ 120,000 (Note)	\$ -	18,000,000	\$ 190,960

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

## ADVANTECH CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SIX MONTHS ENDED JUNE 30, 2009  
(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.	ANA	Indirect subsidiary	Sale	\$ (1,125,791 )	(23 )	Set for 45 days a month	\$ -	-	\$ 31,708	2	
	AESC	Indirect subsidiary	Sale	(675,585 )	(14 )	Set for 45 days a month	-	-	351,813	21	
	ACN	Indirect subsidiary	Sale	(954,330 )	(19 )	Set for 45 days a month	-	-	420,315	25	
	AiSC	Indirect subsidiary	Sale	(413,272 )	(8 )	Set for 45 days a month	-	-	223,900	13	
	AKR	The Company is the AKR's director	Sale	(124,362 )	(3 )	Set for 45 days a month	-	-	83,580	5	
	ATC	Subsidiary	Purchase	1,687,206	52	Set for 60 days a month	-	-	(675,040)	(61 )	
	Advansus Corp.	Subsidiary	Purchase	483,918	15	Set for 30 days a month	-	-	(89,032)	(8 )	
	AYS	Subsidiary	Purchase	114,948	4	Set for 90 days a month	-	-	(38,972)	(4 )	
ATC	Advantech Co., Ltd.	Parent company	Sale	(1,687,206 )	(100)	Set for 60 days a month	-	-	675,040	97	
Advansus Corp.	Advantech Co., Ltd.	Parent company	Sale	(483,918 )	(34 )	Set for 30 days a month	-	-	89,032	26	
AYS	Advantech Co., Ltd.	Parent company	Sale	(114,948 )	(100)	Set for 90 days a month	-	-	38,972	100	
ANA	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,125,791	77	Set for 45 days a month	-	-	(31,708 )	(91 )	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	675,585	67	Set for 45 days a month	-	-	(351,813 )	(75 )	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	954,330	82	Set for 45 days a month	-	-	(420,315 )	(76 )	
AiSC	Advantech Co., Ltd.	Ultimate parent company	Purchase	413,272	65	Set for 45 days a month	-	-	(223,900 )	(55 )	
AKR	Advantech Co., Ltd.	The Company is the AKR's director	Purchase	124,362	65	Set for 45 days a month	-	-	(83,580 )	(54 )	
Advansus Corp.	AKMC	Related enterprise	Sale	(615,255 )	(44 )	Set for 30 days after a month	-	-	161,943	46	
AKMC	Advansus Corp.	Related enterprise	Purchase	615,255	45	Set for 30 days after a month	-	-	(161,943 )	(34 )	
ACN	AiSC	Related enterprise	Sale	(130,323 )	(9 )	Set for 90 days a month	-	-	134,746	18	
AiSC	ACN	Related enterprise	Purchase	130,323	21	Set for 90 days a month	-	-	(134,746 )	(33 )	
AKMC	ATC	Related enterprise	Sale	(1,361,089 )	(96 )	Set for 30 days after a month	-	-	204,401	86	
ATC	AKMC	Related enterprise	Purchase	1,361,089	100	Set for 30 days after a month	-	-	(204,401 )	(100)	

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



**ADVANTECH CO., LTD. AND SUBSIDIARIES**

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

**JUNE 30, 2009**

**(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.	ACN	Indirect subsidiary	\$ 420,315	4.34	\$ -	-	\$ 180,949	\$ -
	AESC	Indirect subsidiary	351,813	3.21	-	-	94,271	-
	AiSC	Indirect subsidiary	223,900	7.38	-	-	90,548	-
ATC	Advantech Co., Ltd.	Parent company	675,040	5.49	-	-	267,842	-
AKMC	ATC	Subsidiary	204,401	11.67	-	-	204,255	-
ACN	AiSC	Indirect subsidiary	134,746	3.80	-	-	24,216	-

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

TABLE 7

## ADVANTECH CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
SIX MONTHS ENDED JUNE 30, 2009  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2009			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 2009	December 31, 2008	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	AAC (BVI)	BVI	Investment holding company	\$ 1,078,934	\$ 1,078,934	32,606,500	100.00	\$ 1,885,222	\$ 101,230	\$ 99,896	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,044,818	1,044,818	32,750,000	100.00	1,728,867	152,675	156,548	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	180,000	300,000	18,000,000	50.00	190,960	13,456	6,962	Equity-method investee
	AEU	Helmond, the Netherlands	Investment holding company	426,930	426,930	9,572,024	100.00	363,480	(53,843)	(53,843)	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	General investment	700,000	700,000	70,000,000	100.00	627,209	1,330	1,330	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	269,222	269,222	21,353,345	27.96	331,037	59,847	16,812	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	66,159	(4,555)	(4,555)	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	87,377	6,059	6,059	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	111,996	(18,033)	(18,033)	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	51,662	51,662	12,300,000	100.00	86,632	(4,910)	(4,080)	Subsidiary
	AMY	Kuala Lumpur, Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	40,196	248	248	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	17,544	-	-	Equity-method investee
	AIMS	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,912	101	101	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(6,568)	(2,384)	(2,384)	Subsidiary (Note A)
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei	Production and sale of industrial automation products	242,668	212,272	19,829,222	79.32	204,577	7,224	5,389	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei	Telecommunications equipment and electronic parts manufacturing	45,500	30,500	4,500,000	100.00	20,942	(9,344)	(9,344)	Indirect subsidiary
	Broadwin Technology, Inc.	Taipei, Taiwan	Assembly and production of computers	99,783	99,783	6,851,782	70.08	110,284	5,027	3,526	Indirect subsidiary
ATC	ATC (HK)	Hong Kong	Investment holding company	1,026,430	1,026,430	35,650,001	100.00	1,237,932	(34,385)	(34,385)	Indirect subsidiary
ATC (HK)	AKMC	Kunshan, China	Production and sale of components of industrial automation products	1,026,430	1,026,430	-	100.00	1,238,127	(34,385)	(34,385)	Indirect subsidiary
AYS	ADMC	Guangzhou, China	Production and sale of components of industrial automation products	51,662	51,662	-	100.00	63,130	(9,455)	(9,455)	Indirect subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	995,937	13,989	13,989	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment holding company	539,146	539,146	15,230,001	100.00	890,266	87,322	87,322	Indirect subsidiary
AAC (HK)	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	508,593	91,428	91,428	Indirect subsidiary
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	96,750	-	100.00	87,807	(3,481)	(3,481)	Indirect subsidiary
	AISC	Shanghai, China	Sale of industrial automation products	257,040	257,040	-	100.00	271,045	5,234	5,234	Indirect subsidiary
	AXA	Xi'an, China	Development and production of software products	32,960	32,960	-	100.00	21,867	(5,693)	(5,693)	Indirect subsidiary
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processes and sale of peripherals	6,660	6,660	-	50.00	4,632	696	348	Equity-method investee
AEU	AESC	Eindhoven, the Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	122,639	(12,755)	(12,755)	Indirect subsidiary
	ADL	Munich, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	(29,073)	(46,018)	(46,018)	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	65,300	92.89	29,755	3,671	3,410	Indirect subsidiary
ASG	APN	Penang, Malaysia	Sale of industrial automation products	8,181	8,181	570,570	55.00	5,453	-	-	Indirect subsidiary
	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	5,960	(2,066)	(620)	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	3,594	-	-	Indirect subsidiary
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd.	Taipei	Electronic parts and components manufacturing	11,500	11,500	1,520,000	76.00	14,423	844	642	Indirect subsidiary
	Lantech Communications Inc.	Taipei	Retail sale of electronic materials	11,595	11,595	1,159,500	77.30	-	-	-	Indirect subsidiary
	LANSONIC (BVI)	Akara Building 24 DeCastro Street, Wickhams Cay I, Road Fown Tortola, British Virgin Islands	General investment	101,188	101,188	3,527,529	94.83	(25,520)	HK\$ 2,157	HK\$ 2,157	Indirect subsidiary (Note A)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2009			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				June 30, 2009	December 31, 2008	Shares	Percentage of Ownership	Carrying Value			
LANSONIC (BVI)	Netstar Electronics Corporation (Dongguan)	Guangzhou, China	Network and UPS product manufacture business	HK\$ 2,935	HK\$ 2,935	-	100.00	HK\$ (25,729)	HK\$ 2,160	HK\$ 2,160	Indirect subsidiary (Note A)
Broadwin Technology, Inc.	Broadwin Technology Inc.	San Ramon, USA	Sale of webaccess software	22,491	22,491	5,643,650	100	19,873	(102)	(102)	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 unaudited, except those of ATC, ACN, AKMC and AiSC.

Note C: All intercompany investments and investment gain (loss) have been eliminated.

(Concluded)

TABLE 8

## ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA  
SIX MONTHS ENDED JUNE 30, 2009

(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, 2009	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2009	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of June 30, 2009	Accumulated Inward Remittance of Earnings as of June 30, 2009
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$35,650 thousand	Indirect	\$ 1,026,953 (US\$ 31,300 thousand)	\$ -	\$ -	\$ 1,026,953 (US\$ 31,300 thousand)	100%	\$ (34,385)	\$ 1,238,127	\$ -
Yan Hua Xing Ye Electronic (SHHQ)	Sale of industrial automation products	US\$3,000 thousand	Indirect	98,430 (US\$ 3,000 thousand)	-	-	98,430 (US\$ 3,000 thousand)	100%	(3,481)	87,807	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$4,230 thousand	Indirect	174,943 (US\$ 5,332 thousand)	-	-	174,943 (US\$ 5,332 thousand)	100%	91,428	508,593	368,620 (US\$11,235 thousand)
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US\$1,400 thousand	Indirect	(Note C)	-	-	(Note C)	100%	(9,455)	63,130	-
Shanghai Advantech Intelligent Services Co., Ltd.	Production and sale of industrial automation products	US\$8,000 thousand	Indirect	262,480 (US\$ 8,000 thousand)	-	-	262,480 (US\$ 8,000 thousand)	100%	5,234	271,045	-
Xi'an Advantech Software Ltd.	Development and production of software products	US\$1,000 thousand	Indirect	(Note D)	-	-	-	100%	(5,693)	21,867	-

Accumulated Investment in Mainland China as of June 30, 2009	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,569,368 (US\$47,832 thousand) (Note E)	\$2,378,725 (US\$72,500 thousand)	\$6,737,287 (Note G)

(Continued)

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

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 22 to the financial statements and Tables 1, 2, 5 and 6.

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

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

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

Note F: The exchange rate was US\$1.00=NT\$32.81.

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

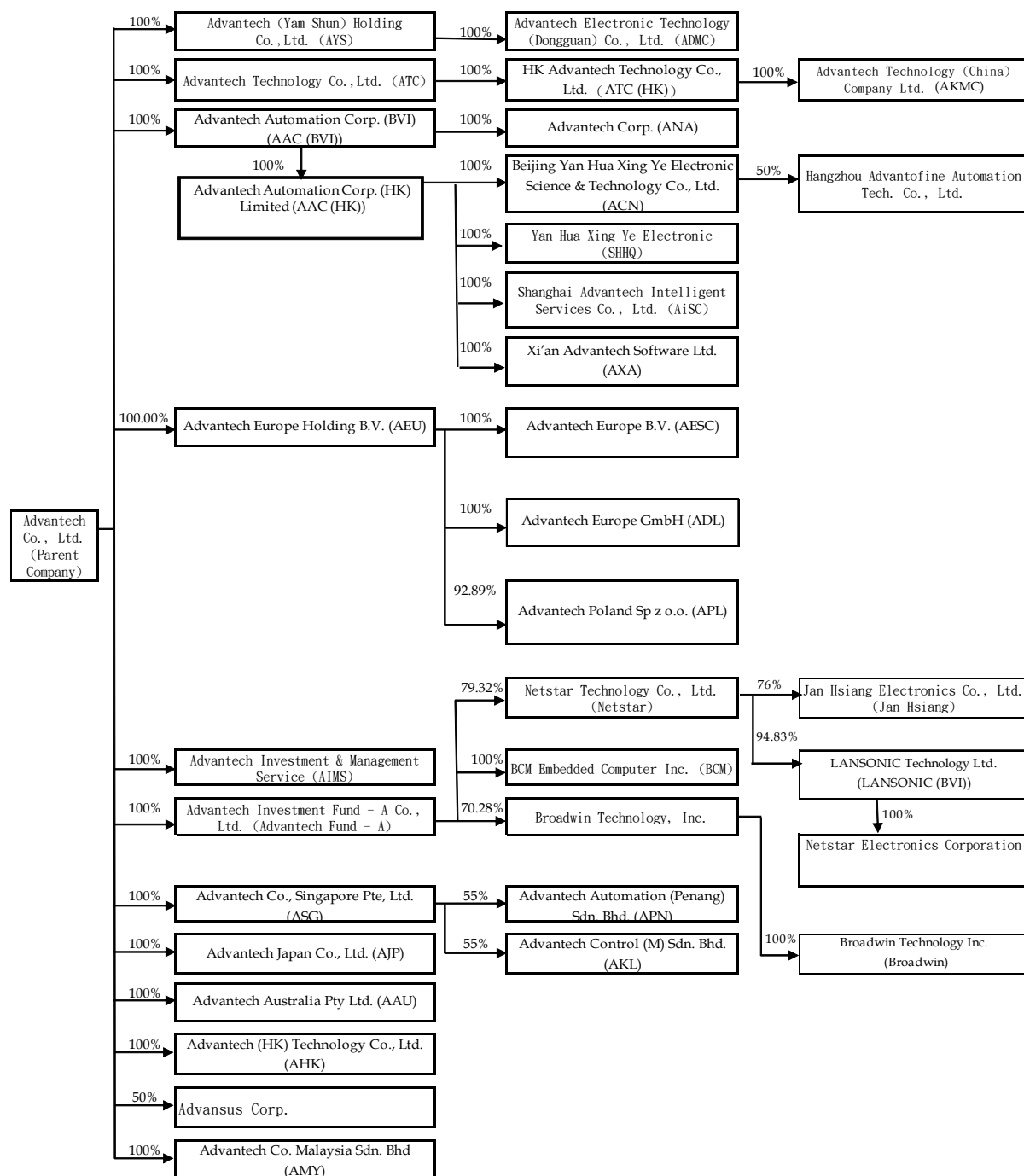
(Concluded)

**TABLE 9**

**ADVANTECH CO., LTD. AND SUBSIDIARIES**

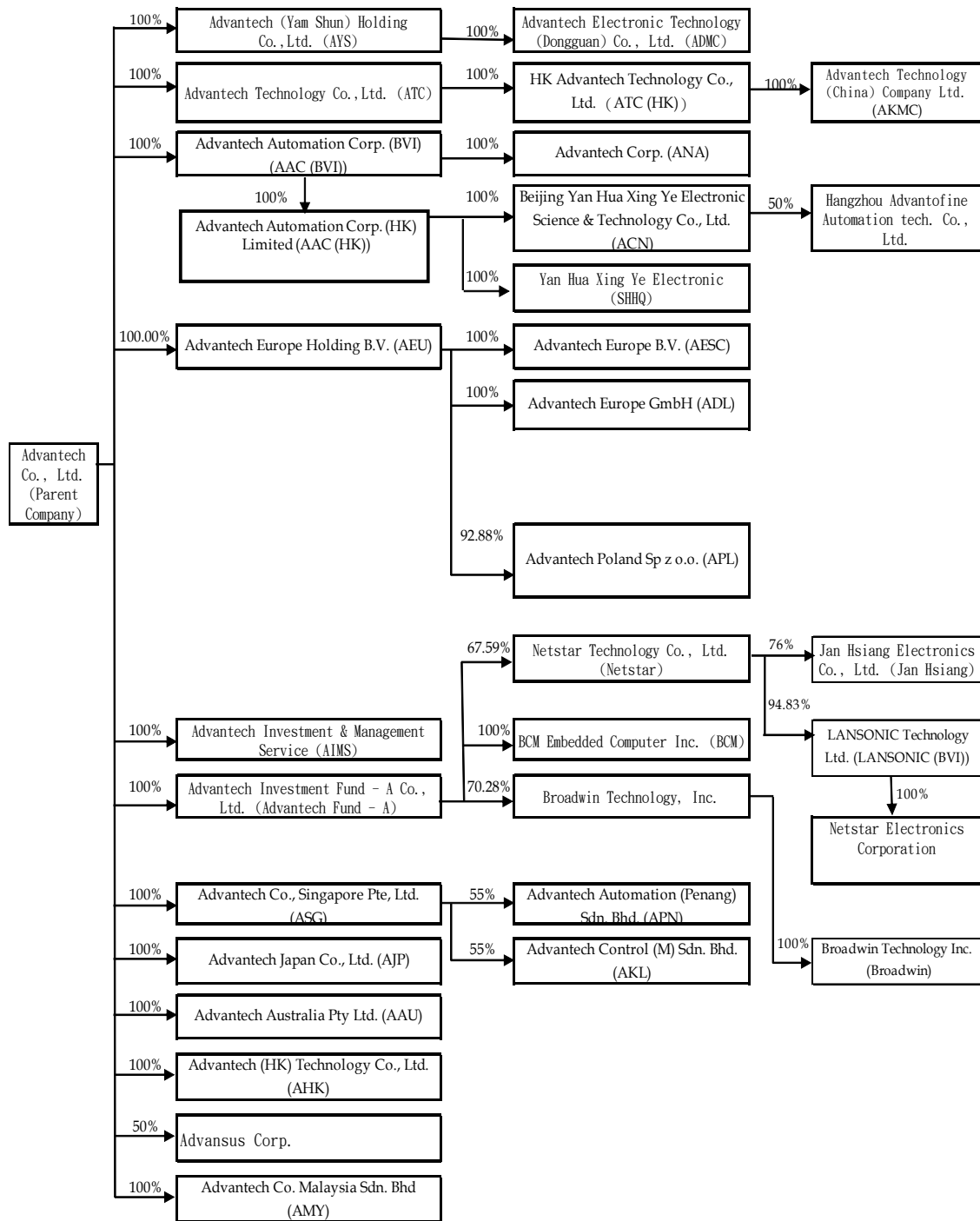
**ORGANIZATION CHART  
JUNE 30, 2009 AND 2008**

Intercompany relationships and percentages of ownership as of June 30, 2009 are shown below:



Note: Advansus Corp. and Hangzhou Advantofine Automation Tech. Co., Ltd. were consolidated using the proportionate consolidated method.

Intercompany relationships and percentages of ownership as of June 30, 2008 are shown below:



Note: Advansus Corp. and Hangzhou Advantofine Automation Tech. Co., Ltd. were consolidated using the proportionate consolidated method.

## ADVANTECH CO., LTD. AND SUBSIDIARIES

## SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
	<u>June 30, 2009</u>						
0	Advantech Co., Ltd.	AESC	1	Sales	\$ 675,585	Normal	9%
		AESC	1	Accounts receivable - related parties	355,524	30 days	2%
		AESC	1	Purchase	934	Normal	-
		AESC	1	Accounts payable - related parties	717	30 days	-
		ACN	1	Sales	954,330	Normal	13%
		ACN	1	Accounts receivable - related parties	420,278	45 days	3%
		ACN	1	Purchase	1,532	Normal	-
		ACN	1	Accounts payable - related parties	355	30 days	-
		ATC	1	Purchase	1,687,206	Normal	23%
		ATC	1	Accounts payable - related parties	675,040	60 days	4%
		ATC	1	Royalty revenue	84,394	Normal	1%
		AKMC	1	Sales	42,601	Normal	1%
		AKMC	1	Accounts receivable - related parties	10,833	45 days	-
		AKMC	1	Accounts payable - related parties	34	60 days	-
		AAU	1	Sales	56,022	Normal	1%
		AAU	1	Accounts receivable - related parties	12,538	60-90 days	-
		AAU	1	Purchase	6	Normal	-
		AAU	1	Accounts payable - related parties	16	90 days	-
		ASG	1	Sales	32,755	Normal	-
		ASG	1	Accounts receivable - related parties	6,030	60-90 days	-
		ASG	1	Purchase	11	Normal	-
		ASG	1	Accounts payable - related parties	114	60-90 days	-
		AJP	1	Sales	97,502	Normal	1%
		AJP	1	Accounts receivable - related parties	28,790	60-90 days	-
		AJP	1	Accounts payable - related parties	164	60-90 days	-
		AJP	1	Purchase	87	Normal	-
		Advansus Corp.	1	Sales	4,121	Normal	-
		Advansus Corp.	1	Accounts receivable - related parties	4,321	60-90 days	-
		Advansus Corp.	1	Purchase	483,918	Normal	7%
		Advansus Corp.	1	Accounts payable - related parties	89,032	60-90 days	1%
		Advansus Corp.	1	Rental revenue	3,510	Normal	-
		Advansus Corp.	1	Other revenue	4,173	Normal	-
		Advansus Corp.	1	Rental expense	6,312	Normal	-
		AIMS	1	Rental revenue	150	Normal	-
		AIMS	1	Accounts receivable - related parties	9	60-90 days	-

(Continued)



Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		BCM Embedded Computer Inc.	1	Rental revenue	\$ 390	Normal	-
		BCM Embedded Computer Inc.	1	Accounts receivable - related parties	112	30 days	-
		BCM Embedded Computer Inc.	1	Accounts payable - related parties	23	30 days	-
		BCM Embedded Computer Inc.	1	Purchase	201	Normal	-
		BCM Embedded Computer Inc.	1	Sales	144	Normal	-
		Advantech Fund - A	1	Rental revenue	18	Normal	-
		Advantech Fund - A	1	Accounts receivable - related parties	3	5th of every month	-
		Broadwin Technology, Inc.	1	Sales	2,119	Normal	-
		Broadwin Technology, Inc.	1	Accounts receivable - related parties	1,500	60 days	-
		Broadwin Technology, Inc.	1	Purchase	222	Normal	-
		Broadwin Technology, Inc.	1	Accounts payable - related parties	3,718	60 days	-
		ADL	1	Purchase	27	Normal	-
		ADL	1	Accounts receivable - related parties	1,337	30 days	-
		ADL	1	Accounts payable - related parties	256	30 days	-
		AMY	1	Sales	7,619	Normal	-
		AMY	1	Accounts receivable - related parties	2,116	45 days	-
		AMY	1	Accounts payable - related parties	5,089	60 days	-
		AMY	1	Purchase	60	Normal	-
		APL	1	Sales	5,166	Normal	-
		APL	1	Accounts receivable - related parties	5,081	45 days	-
		APL	1	Accounts payable - related parties	1,117	30 days after invoice date	-
		APL	1	Purchase	2	Normal	-
		Netstar Technology Co., Ltd.	1	Purchase	19,100	Normal	-
		Netstar Technology Co., Ltd.	1	Accounts payable - related parties	7,551	60 days	-
		Netstar Technology Co., Ltd.	1	Sales	17	90 days	-
		Netstar Technology Co., Ltd.	1	Accounts receivable - related parties	17	90 days	-
		Jan Hsiang	1	Purchase	7,322	Normal	-
		Jan Hsiang	1	Accounts payable - related parties	1,728	60 days	-
		Jan Hsiang	1	Sales	15	Normal	-
		AYS	1	Purchase	114,948	Normal	2%
		AYS	1	Accounts payable - related parties	38,972	90 days	-
		AiSC	1	Sales	413,272	Normal	6%
		AiSC	1	Accounts receivable - related parties	223,900	45 days	1%
		ADMC	1	Sales	2	Normal	-
		ANA	1	Sales	1,125,791	Normal	16%
		ANA	1	Purchase	27,766	Normal	-
		ANA	1	Accounts receivable - related parties	31,789	45 days	-
		ANA	1	Accounts payable - related parties	6,800	45 days	-
		AHK	1	Purchase	373	Normal	-
		AHK	1	Accounts receivable - related parties	56	45 days	-
1	ANA	Advantech Co., Ltd.	2	Sales	27,766	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	6,800	45 days	-
		Advantech Co., Ltd.	2	Purchase	1,125,791	Normal	16%
		Advantech Co., Ltd.	2	Accounts payable - related parties	31,789	45 days	-
		ASG	3	Sales	259	Normal	-
		ASG	3	Accounts receivable - related parties	21	15 days after invoice date	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		AESC	3	Sales	\$ 4,282	Normal	-
		AESC	3	Accounts receivable - related parties	99,681	60-90 days	1%
		AESC	3	Purchase	2,222	Normal	-
		AESC	3	Interest revenue	671	Normal	-
		ATC	3	Accounts receivable - related parties	1,955	60-90 days	-
		ATC	3	Sales	682	Normal	-
		AAU	3	Sales	13	Normal	-
		AAU	3	Accounts receivable - related parties	2	60-90 days	-
		ACN	3	Sales	854	Normal	-
		ACN	3	Accounts payable - related parties	503	Note E	-
		AKMC	3	Accounts receivable - related parties	98,430	30 days after invoice date	1%
		AKMC	3	Interest revenue	363	Per quarter	-
		AJP	3	Sales	187	Normal	-
		AJP	3	Accounts receivable - related parties	5	15 days after invoice date	-
		AJP	3	Accounts payable - related parties	100	60 days after invoice date	-
		Advansus Corp.	3	Accounts payable - related parties	40	Prompt payment	-
		Advansus Corp.	3	Purchase	783	Normal	-
2	AESC	Advantech Co., Ltd.	2	Sales	934	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	717	30 days	-
		Advantech Co., Ltd.	2	Purchase	675,585	Normal	9%
		Advantech Co., Ltd.	2	Accounts payable - related parties	355,524	30 days	2%
		ADL	3	Sales	8,550	Normal	-
		ADL	3	Commission expense	188,706	Normal	3%
		ADL	3	Accounts receivable - related parties	103,523	30 days after invoice date	1%
		ADL	3	Accounts payable - related parties	60,592	30 days after invoice date	-
		APL	3	Purchase	24,799	Normal	-
		APL	3	Accounts payable - related parties	14,972	30 days after invoice date	-
		ANA	3	Sales	2,222	Normal	-
		ANA	3	Purchase	4,282	Normal	-
		ANA	3	Interest expense	671	Normal	-
		ANA	3	Accounts payable - related parties	99,681	60-90 days	1%
		AAU	3	Sales	21	Normal	-
		ASG	3	Purchase	40	30 days after invoice date	-
		ASG	3	Accounts payable - related parties	40	30 days	-
		AISC	3	Sales	2,313	Normal	-
		ACN	3	Sales	947	Normal	-
3	ACN	Advantech Co., Ltd.	2	Sales	1,532	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	355	30 days	-
		Advantech Co., Ltd.	2	Purchase	954,330	Normal	13%
		Advantech Co., Ltd.	2	Accounts payable - related parties	420,278	45 days	3%
		ANA	3	Purchase	854	Normal	-
		ANA	3	Accounts receivable - related parties	503	90 days after invoice date	-
		AHK	3	Sales	11	Note E	-
		AHK	3	Accounts receivable - related parties	5,939	60-90 days	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		AKMC	3	Purchase	\$ 9,171	Normal	-
		AKMC	3	Accounts payable - related parties	3,205	60-90 days	-
		AKMC	3	Sales	7,708	Normal	-
		AKMC	3	Rental expense	1,938	Normal	-
		AKMC	3	Accounts receivable - related parties	99,755	60-90 days	1%
		AKMC	3	Interest revenue	1,224	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Accounts payable - related parties	2,247	60-90 days	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Sales discount	1,953	Normal	-
		SHHQ	3	Accounts receivable - related parties	21,923	60-90 days	-
		SHHQ	3	Sales	70,717	Normal	1%
		SHHQ	3	Purchase	50	Normal	-
		SHHQ	3	Interest expense	369	Normal	-
		SHHQ	3	Accounts payable - related parties	56,906	60-90 days	-
		AXA	3	Accounts receivable - related parties	9,954	Prompt collection	-
		AXA	3	Accounts payable - related parties	80	90 days after invoice date	-
		AISC	3	Accounts receivable - related parties	135,144	25th of every month	1%
		AISC	3	Sales	130,323	Normal	2%
		AISC	3	Purchase	26,732	Normal	-
		AISC	3	Accounts payable - related parties	15,184	25th of every month	-
		AAU	3	Accounts receivable - related parties	356	30th of every month	-
		AAU	3	Sales	2,440	Normal	-
		BCM Embedded Computer Inc.	3	Accounts receivable - related parties	1,187	Prompt collection	-
		AJP	3	Accounts payable - related parties	503	60 days after invoice date	-
		AAC(BVI)	3	Dividend payable	2,065	Prompt payment	-
		AEU	3	Accounts receivable - related parties	377	60-90 days	-
		AEU	3	Sales	1,300	Normal	-
		AESC	3	Purchase	947	Normal	-
4	ATC	Advantech Co., Ltd.	2	Accounts receivable - related parties	675,040	60 days	4%
		Advantech Co., Ltd.	2	Royalty expense	84,394	Normal	1%
		Advantech Co., Ltd.	2	Sales	1,687,206	Normal	23%
		AKMC	3	Purchase	1,361,089	Normal	19%
		AKMC	3	Accounts payable - related parties	204,401	60-90 days	1%
		AKMC	3	Sales	267	Normal	-
		AKMC	3	Accounts receivable - related parties	261	60-90 days	-
		ANA	3	Purchase	682	Normal	-
		ANA	3	Accounts payable - related parties	1,955	60-90 days	-
		ADL	3	Purchase	5,625	Normal	-
		ADL	3	Accounts payable - related parties	6,143	7 days after invoice date	-
5	AKMC	Advantech Co., Ltd.	2	Purchase	42,601	Normal	1%
		Advantech Co., Ltd.	2	Accounts payable - related parties	10,833	45 days	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	34	60 days	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		ACN	3	Purchase	\$ 7,708	Normal	-
		ACN	3	Rental revenue	1,938	Normal	-
		ACN	3	Sales	9,171	Normal	-
		ACN	3	Accounts receivable - related parties	3,205	60-90 days	-
		ACN	3	Accounts payable - related parties	99,755	60-90 days	1%
		ACN	3	Interest expense	1,224	Normal	-
		AAU	3	Sales	306	Normal	-
		AAU	3	Accounts receivable - related parties	51	Prompt collection	-
		ADMC	3	Accounts receivable - related parties	35	60-90 days	-
		ADMC	3	Sales	1,139	Normal	-
		ATC	3	Accounts payable - related parties	261	60-90 days	-
		ATC	3	Sales	1,361,089	Normal	19%
		ATC	3	Purchase	267	Normal	-
		ATC	3	Accounts receivable - related parties	204,401	60-90 days	1%
		AiSC	3	Accounts receivable - related parties	29,140	Prompt collection	-
		AiSC	3	Sales	42,798	Normal	1%
		AiSC	3	Purchase	1,041	Normal	-
		AiSC	3	Accounts payable - related parties	846	30 days	-
		ANA	3	Accounts payable - related parties	98,430	30 days after invoice date	1%
		ANA	3	Interest expense	363	Per quarter	-
		Advansus Corp.	3	Accounts payable - related parties	161,943	60-90 days	1%
		Advansus Corp.	3	Purchase	615,255	Normal	9%
6	ADMC	Advantech Co., Ltd.	2	Purchase	2	Normal	-
		AYS	3	Sales	112,526	Normal	2%
		AYS	3	Accounts receivable - related parties	15,377	60-90 days	-
		AKMC	3	Accounts payable - related parties	35	60-90 days	-
		AKMC	3	Purchase	1,139	Normal	-
7	APL	Advantech Co., Ltd.	2	Purchase	5,166	Normal	-
		Advantech Co., Ltd.	2	Sales	2	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	5,081	45 days	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	1,117	30 days after invoice date	-
		AESC	3	Sales	24,799	Normal	-
		AESC	3	Accounts receivable - related parties	14,972	30 days after invoice date	-
8	AEU	ACN	3	Accounts payable - related parties	377	60-90 days	-
		ACN	3	Purchase	1,300	Normal	-
		ADL	3	Accounts receivable - related parties	76,145	30 days after invoice date	-
		ADL	3	Interest revenue	1,552	30 days after invoice date	-
9	ADL	Advantech Co., Ltd.	2	Sales	27	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	256	30 days	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	1,337	30 days	-
		ATC	3	Sales	5,625	Normal	-
		ATC	3	Accounts receivable - related parties	6,143	7 days after invoice date	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		AESC	3	Commission revenue	\$ 188,706	Normal	3%
		AESC	3	Purchase	8,550	Normal	-
		AESC	3	Accounts receivable - related parties	60,592	30 days after invoice date	-
		AESC	3	Accounts payable - related parties	103,523	30 days after invoice date	1%
		AEU	3	Accounts payable - related parties	76,145	30 days after invoice date	-
		AEU	3	Interest expense	1,552	30 days after invoice date	-
10	ASG	Advantech Co., Ltd.	2	Accounts receivable - related parties	114	60-90 days	-
		Advantech Co., Ltd.	2	Purchase	32,755	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	6,030	60-90 days	-
		Advantech Co., Ltd.	2	Sales	11	Normal	-
		AMY	3	Accounts receivable - related parties	196	30 days	-
		AMY	3	Sales	457	Normal	-
		AMY	3	Purchase	7	45 days after invoice date	-
		AESC	3	Accounts receivable - related parties	40	30 days	-
		AESC	3	Sales	40	30 days after invoice date	-
		AAU	3	Sales	1,484	Normal	-
		ANA	3	Accounts payable - related parties	21	15 days after invoice date	-
		ANA	3	Purchase	259	Normal	-
11	AJP	Advantech Co., Ltd.	2	Sales	87	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	164	60-90 days	-
		Advantech Co., Ltd.	2	Purchase	97,502	Normal	1%
		Advantech Co., Ltd.	2	Accounts payable - related parties	28,790	60-90 days	-
		ANA	3	Purchase	187	Normal	-
		ANA	3	Accounts payable - related parties	5	15 days after invoice date	-
		ANA	3	Accounts receivable - related parties	100	60 days after invoice date	-
		ACN	3	Accounts receivable - related parties	503	60 days after invoice date	-
12	AAU	Advantech Co., Ltd.	2	Purchase	56,022	Normal	1%
		Advantech Co., Ltd.	2	Accounts payable - related parties	12,538	60-90 days	-
		Advantech Co., Ltd.	2	Sales	6	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	16	90 days	-
		AKMC	3	Purchase	306	Normal	-
		AKMC	3	Accounts payable - related parties	51	Prompt payment	-
		AESC	3	Purchase	21	Normal	-
		ANA	3	Purchase	13	Normal	-
		ANA	3	Accounts payable - related parties	2	60-90 days	-
		AMY	3	Purchase	23	30 days after invoice date	-
		ASG	3	Purchase	1,484	Normal	-
		ACN	3	Accounts payable - related parties	356	30th of every month	-
		ACN	3	Purchase	2,440	Normal	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
13	Advansus Corp.	Advantech Co., Ltd.	2	Sales	\$ 483,918	Normal	7%
		Advantech Co., Ltd.	2	Accounts receivable - related parties	89,032	60-90 days	1%
		Advantech Co., Ltd.	2	Purchase	4,121	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	4,321	60-90 days	-
		Advantech Co., Ltd.	2	Rental expense	3,510	Normal	-
		Advantech Co., Ltd.	2	Rental revenue	6,312	Normal	-
		Advantech Co., Ltd.	2	Other expense	4,173	Normal	-
		ANA	3	Accounts receivable - related parties	40	Prompt collection	-
		ANA	3	Sales	783	Normal	-
		AKMC	3	Accounts receivable - related parties	161,943	60-90 days	1%
		AKMC	3	Sales	615,255	Normal	9%
		BCM Embedded Computer Inc.	3	Accounts receivable - related parties	3,789	60-90 days	-
		BCM Embedded Computer Inc.	3	Sales	14,795	Normal	-
		Netstar Technology Co., Ltd.	3	Sales	47	Normal	-
14	AIMS	Advantech Co., Ltd.	2	Rental expense	150	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	9	60-90 days	-
15	Advantech Fund - A	Advantech Co., Ltd.	2	Rental expense	18	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	3	5th of every month	-
		Netstar Technology Co., Ltd.	3	Interest revenue	204	Per quarter	-
		Netstar Technology Co., Ltd.	3	Accounts receivable - related parties	60,000	Per quarter	-
16	AMY	Advantech Co., Ltd.	2	Sales	60	Normal	-
		Advantech Co., Ltd.	2	Purchase	7,619	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	2,116	45 days	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	5,089	60 days	-
		ASG	3	Purchase	457	Normal	-
		ASG	3	Accounts payable - related parties	196	30 days	-
		ASG	3	Sales	7	45 days after invoice date	-
		AAU	3	Sales	23	30 days after invoice date	-
17	SHHQ	AHK	3	Accounts receivable - related parties	8,760	60 days	-
		AiSC	3	Accounts receivable - related parties	170	25th of every month	-
		AiSC	3	Accounts payable - related parties	1,387	60 days after invoice date	-
		ACN	3	Purchase	70,717	Normal	1%
		ACN	3	Accounts payable - related parties	21,923	60-90 days	-
		BCM Embedded Computer Inc.	3	Accounts receivable - related parties	78	Prompt collection	-
		ACN	3	Accounts receivable - related parties	56,906	60-90 days	-
		ACN	3	Sales	50	Normal	-
		ACN	3	Interest revenue	369	Normal	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
18	Netstar Technology Co., Ltd.	Advantech Co., Ltd.	2	Sales	\$ 19,100	Normal	-
		Advantech Co., Ltd.	2	Purchase	17	90 days	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	7,551	60 days	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	17	90 days	-
		Advantech Fund - A	3	Interest expense	204	Per quarter	-
		Advantech Fund - A	3	Accounts payable - related parties	60,000	Per quarter	-
		Broadwin Technology, Inc.	3	Interest expense	200	Per quarter	-
		Broadwin Technology, Inc.	3	Accounts payable - related parties	40,000	Per quarter	-
		Advansus Corp.	3	Purchase	47	Normal	-
19	Jan Hsiang	Advantech Co., Ltd.	2	Sales	7,322	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	1,728	60 days	-
		Advantech Co., Ltd.	2	Purchase	15	Normal	-
20	AYS	Advantech Co., Ltd.	2	Sales	114,948	Normal	2%
		Advantech Co., Ltd.	2	Accounts receivable - related parties	38,972	90 days	-
		ADMC	3	Purchase	112,526	Normal	2%
		ADMC	3	Accounts payable - related parties	15,377	60-90 days	-
21	BCM Embedded Computer Inc.	Advantech Co., Ltd.	2	Rental expense	390	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	112	30 days	-
		Advantech Co., Ltd.	2	Purchase	144	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	23	30 days	-
		Advantech Co., Ltd.	2	Sales	201	Normal	-
		Advansus Corp.	3	Accounts payable - related parties	3,789	60-90 days	-
		Advansus Corp.	3	Purchase	14,795	Normal	-
		SHHQ	3	Accounts payable - related parties	78	Prompt payment	-
		ACN	3	Accounts payable - related parties	1,187	Prompt payment	-
AISC	3	Accounts payable - related parties	450	Prompt payment	-		
22	Broadwin Technology, Inc.	Advantech Co., Ltd.	2	Purchase	2,119	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	3,718	60 days	-
		Advantech Co., Ltd.	2	Sales	222	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	1,500	60 days	-
		Netstar Technology Co., Ltd.	3	Interest revenue	200	Per quarter	-
		Netstar Technology Co., Ltd.	3	Accounts receivable - related parties	40,000	Per quarter	-
23	AHK	Advantech Co., Ltd.	2	Sales	373	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	56	45 days	-
		ACN	3	Accounts payable - related parties	5,939	60-90 days	-
		ACN	3	Purchase	11	Normal	-
		SHHQ	3	Accounts payable - related parties	8,760	60 days	-
		AISC	3	Accounts payable - related parties	572	30 days	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
24	AiSC	Advantech Co., Ltd.	2	Purchase	\$ 413,272	Normal	6%
		Advantech Co., Ltd.	2	Accounts payable - related parties	223,900	60 days	1%
		AKMC	3	Sales	1,041	Normal	-
		AKMC	3	Purchase	42,798	Normal	1%
		AKMC	3	Accounts payable - related parties	29,140	Prompt payment	-
		AKMC	3	Accounts receivable - related parties	846	30 days	-
		SHHQ	3	Accounts payable - related parties	170	25th of every month	-
		SHHQ	3	Accounts receivable - related parties	1,387	60 days after invoice date	-
		AESC	3	Purchase	2,313	Normal	-
		ACN	3	Sales	26,732	Normal	-
		ACN	3	Accounts receivable - related parties	15,184	25th of every month	-
		ACN	3	Purchase	130,323	Normal	2%
		ACN	3	Accounts payable - related parties	135,144	25th of every month	1%
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Accounts receivable - related parties	19,423	60 days after invoice date	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Sales	35,568	60 days after invoice date	-
		AHK	3	Accounts receivable - related parties	572	30 days	-
BCM Embedded Computer Inc.	3	Accounts receivable - related parties	450	Prompt collection	-		
25	Hangzhou Advantofine Automation Tech. Co., Ltd.	ACN	3	Accounts receivable - related parties	2,247	60-90 days	-
		ACN	3	Purchase discount	1,953	Normal	-
		AiSC	3	Accounts payable - related parties	19,423	60 days after invoice date	-
		AiSC	3	Purchase	35,568	60 days after invoice date	-
26	AXA	ACN	3	Accounts receivable - related parties	80	90 days after invoice date	-
		ACN	3	Accounts payable - related parties	9,954	Prompt collection	-
27	AAC(BVI)	ACN	3	Dividend receivables	2,065	Prompt collection	-
0	June 30, 2008 Advantech Co., Ltd.	AC	1	Sales	1,468,927	Normal.	17%
		AC	1	Receivables from related parties	254,668	45 days.	1%
		AC	1	Purchase	14,873	Normal.	-
		AC	1	Payables to related parties	3,026	45 days.	-
		AESC	1	Sales	1,083,417	Normal.	12%
		AESC	1	Receivables from related parties	721,837	30 days.	4%
		AESC	1	Purchase	897	Normal.	-
		AESC	1	Payables to related parties	248	30 days.	-
		ACN	1	Sales	1,311,344	Normal.	15%
		ACN	1	Receivables from related parties	605,867	45 days.	3%
		ACN	1	Purchase	3,058	Normal.	-
		ACN	1	Payables to related parties	542	30 days.	-

(Continued)



Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		ATC	1	Dividend receivable	\$ 300,000	Prompt collection.	2%
		ATC	1	Receivables from related parties	25,965	Prompt collection.	-
		ATC	1	Purchase	1,834,303	Normal.	21%
		ATC	1	Payables to related parties	653,206	60 days.	4%
		ATC	1	Royalty income	92,087	Normal.	1%
		AKMC	1	Sales	15,227	Normal.	-
		AKMC	1	Receivables from related parties	65,628	45 days.	-
		AAU	1	Sales	70,993	Normal.	1%
		AAU	1	Receivables from related parties	25,346	60-90 days.	-
		ASG	1	Sales	55,785	Normal.	1%
		ASG	1	Receivables from related parties	11,696	60-90 days.	-
		ASG	1	Purchase	3,643	Normal.	-
		ASG	1	Payables to related parties	3,584	60-90 days.	-
		AJP	1	Sales	141,946	Normal.	2%
		AJP	1	Receivables from related parties	49,197	60-90 days.	-
		AJP	1	Purchase	59	Normal.	-
		AJP	1	Payables to related parties	38	60-90 days.	-
		Advansus Corp.	1	Sales	3,938	Normal.	-
		Advansus Corp.	1	Receivables from related parties	1,669	60-90 days.	-
		Advansus Corp.	1	Purchase	283,129	Normal.	3%
		Advansus Corp.	1	Payables to related parties	55,045	60-90 days.	-
		Advansus Corp.	1	Rental revenue	1,810	Normal.	-
		AIMS	1	Rental revenue	150	Normal.	-
		AIMS	1	Receivables from related parties	52	60-90 days.	-
		BCM Embedded Computer Inc.	1	Rental revenue	205	Normal.	-
		BCM Embedded Computer Inc.	1	Receivables from related parties	47	30 days.	-
		Advantech Fund - A	1	Rental revenue	18	Normal.	-
		Broadwin Technology, Inc.	1	Sales	2,637	Normal.	-
		Broadwin Technology, Inc.	1	Receivables from related parties	2,690	60 days.	-
		Broadwin Technology, Inc.	1	Purchase	670	Normal.	-
		Broadwin Technology, Inc.	1	Payables to related parties	338	60 days.	-
		ADL	1	Receivables from related parties	528	30 days.	-
		ADL	1	Purchase	146	Normal.	-
		ADL	1	Payables to related parties	61	30 days.	-
		SHHQ	1	Receivables from related parties	4,484	45 days.	-
		AMY	1	Sales	16,905	Normal.	-
		AMY	1	Receivables from related parties	7,460	45 days.	-
		AMY	1	Purchase	40	Normal.	-
		AMY	1	Payables to related parties	38	60 days.	-
		APL	1	Sales	4,991	Normal.	-
		APL	1	Receivables from related parties	28,850	45 days.	-
		APL	1	Payables to related parties	7	30 days after invoice date.	-
		Netstar Technology Co., Ltd.	1	Purchase	10,393	Normal.	-
		Netstar Technology Co., Ltd.	1	Payables to related parties	2,683	60 days.	-
		Jan Hsiang	1	Sales	12	Normal.	-
		Jan Hsiang	1	Purchase	11,353	Normal.	-
		Jan Hsiang	1	Payables to related parties	1,981	60 days.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		AYS	1	Receivables from related parties	\$ 212	30 days.	-
		AYS	1	Purchase	265,229	Normal.	3%
		AYS	1	Payables to related parties	144,032	90 days.	1%
		ADMC	1	Sales	13	Normal.	-
		ADMC	1	Receivables from related parties	755	45 days.	-
1	AC	Advantech Co., Ltd.	2	Sales	14,873	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	3,026	45 days.	-
		Advantech Co., Ltd.	2	Purchase	1,468,927	Normal.	17%
		Advantech Co., Ltd.	2	Payables to related parties	254,668	45 days.	1%
		ASG	3	Sales	644	Normal.	-
		ASG	3	Receivables from related parties	211	15 days after invoice date.	-
		AESC	3	Sales	1,584	Normal.	-
		AESC	3	Receivables from related parties	893	60-90 days.	-
		AESC	3	Purchase	69	Normal.	-
		ATC	3	Sales	1,370	Normal.	-
		ATC	3	Receivables from related parties	161	60-90 days.	-
		AMY	3	Sales	8	Normal.	-
		AAU	3	Sales	81	Normal.	-
		AAU	3	Receivables from related parties	11	60-90 days.	-
		AJP	3	Sales	4	Normal.	-
		ACN	3	Purchase	202	Normal.	-
		ACN	3	Sales	378	Normal.	-
2	AESC	Advantech Co., Ltd.	2	Sales	897	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	248	30 days.	-
		Advantech Co., Ltd.	2	Purchase	1,083,417	Normal.	12%
		Advantech Co., Ltd.	2	Payables to related parties	721,837	30 days.	4%
		ADL	3	Commission expense	230,072	Normal.	3%
		ADL	3	Sales	1,609	Normal.	-
		ADL	3	Receivables from related parties	265	30 days after invoice date.	-
		ADL	3	Payables to related parties	76,496	30 days after invoice date.	-
		AIT	3	Sales	4,799	Normal.	-
		AIT	3	Commission expense	36,649	Normal.	-
		AIT	3	Receivables from related parties	21,142	30 days after invoice date.	-
		AIT	3	Payables to related parties	2,647	45 days after invoice date.	-
		AEU	3	Receivables from related parties	42	30 days after invoice date.	-
		AEU	3	Payables to related parties	120	30 days after invoice date.	-
		APL	3	Sales	502	Normal.	-
		APL	3	Payables to related parties	9,724	30 days after invoice date.	-
		APL	3	Receivables from related parties	1,273	30 days after invoice date.	-
		AC	3	Sales	69	Normal.	-
		AC	3	Purchase	1,584	Normal.	-
		AC	3	Payables to related parties	893	60-90 days.	-
		AAU	3	Sales	35	Normal.	-
		ACN	3	Sales	160	Normal.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		AKMC	3	Sales	\$ 52	Normal.	-
		ASG	3	Sales	6	Normal.	-
		ASG	3	Payables to related parties	5	30 days.	-
3	ACN	Advantech Co., Ltd.	2	Sales	3,058	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	542	30 days.	-
		Advantech Co., Ltd.	2	Purchase	1,311,344	Normal.	15%
		Advantech Co., Ltd.	2	Payables to related parties	605,867	45 days.	3%
		AEU	3	Receivables from related parties	157	60-90 days.	-
		AEU	3	Sales	228	Normal.	-
		AESC	3	Purchase	160	Normal.	-
		ADMC	3	Receivables from related parties	23	60-90 days.	-
		AC	3	Purchase	378	Normal.	-
		AC	3	Sales	202	Normal.	-
		AJP	3	Sales	17	Normal.	-
		AKMC	3	Receivables from related parties	2,684	60-90 days.	-
		AKMC	3	Purchase	12,296	Normal.	-
		AKMC	3	Payables to related parties	5,888	60-90 days.	-
		AKMC	3	Sales	6,858	Normal.	-
		AKMC	3	Rental expense	1,799	Normal.	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Receivables from related parties	17,707	60-90 days.	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Sales	32,469	Normal.	-
		ASG	3	Purchase	21	Normal.	-
		SHHQ	3	Purchase	514	Normal.	-
		SHHQ	3	Payables to related parties	48,880	60-90 days.	-
		SHHQ	3	Sales	256,021	Normal.	3%
		SHHQ	3	Receivables from related parties	55,635	60-90 days.	-
		AHK	3	Sales	6	Normal.	-
		AHK	3	Receivables from related parties	5,474	60-90 days.	-
4	ATC	Advantech Co., Ltd.	2	Sales	1,834,303	Normal.	21%
		Advantech Co., Ltd.	2	Receivables from related parties	653,206	60 days.	4%
		Advantech Co., Ltd.	2	Payables to related parties	25,965	Prompt collection.	-
		Advantech Co., Ltd.	2	Royalty expense	92,087	Normal.	1%
		Advantech Co., Ltd.	2	Dividend payable	300,000	Prompt payment.	2%
		AKMC	3	Purchase	1,482,766	Normal.	17%
		AKMC	3	Sales	2,441	Normal.	-
		AKMC	3	Payables to related parties	237,698	60-90 days.	1%
		AKMC	3	Receivables from related parties	4,804	60-90 days.	-
		AC	3	Purchase	1,370	Normal.	-
		AC	3	Payables to related parties	161	60-90 days.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
5	AKMC	Advantech Co., Ltd.	2	Purchase	\$ 15,227	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	65,628	45 days.	-
		ACN	3	Purchase	6,858	Normal.	-
		ACN	3	Rental revenue	1,799	Normal.	-
		ACN	3	Sales	12,296	Normal.	-
		ACN	3	Receivables from related parties	5,888	60-90 days.	-
		ACN	3	Payables to related parties	2,684	60-90 days.	-
		AAU	3	Receivables from related parties	135	Prompt collection.	-
		AAU	3	Sales	352	Normal.	-
		AKL	3	Receivables from related parties	61	Prompt collection.	-
		AKL	3	Sales	80	Normal.	-
		APN	3	Receivables from related parties	40	Prompt collection.	-
		APN	3	Sales	41	Normal.	-
		ASG	3	Receivables from related parties	79	45 days after invoice date.	-
		ASG	3	Sales	173	Normal.	-
		ADMC	3	Receivables from related parties	15,326	60-90 days.	-
		ADMC	3	Sales	22,509	Normal.	-
		AESC	3	Purchase	52	Normal.	-
		ATC	3	Purchase	2,441	Normal.	-
		ATC	3	Payables to related parties	4,804	60-90 days.	-
		ATC	3	Sales	1,482,766	Normal.	17%
		ATC	3	Receivables from related parties	237,698	60-90 days.	1%
		SHHQ	3	Receivables from related parties	27	60-90 days.	-
Advansus Corp.	3	Payables to related parties	184,469	60-90 days.	1%		
Advansus Corp.	3	Purchase	527,836	Normal.	6%		
6	ADMC	Advantech Co., Ltd.	2	Purchase	13	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	755	45 days.	-
		ACN	3	Payables to related parties	23	60-90 days.	-
		AKMC	3	Purchase	22,509	Normal.	-
		AKMC	3	Payables to related parties	15,326	60-90 days.	-
		AYS	3	Sales	232,716	Normal.	3%
		AYS	3	Receivables from related parties	88,353	60-90 days.	-
7	APL	Advantech Co., Ltd.	2	Purchase	4,991	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	28,850	45 days.	-
		Advantech Co., Ltd.	2	Receivables from related parties	7	30 days after invoice date.	-
		ADL	3	Receivables from related parties	8	30 days after invoice date.	-
		ADL	3	Maintenance revenue	23,288	Normal.	-
		AESC	3	Receivables from related parties	9,724	30 days after invoice date.	-
		AESC	3	Payables to related parties	1,273	30 days after invoice date.	-
AESC	3	Purchase	502	Normal.	-		
8	ASG	Advantech Co., Ltd.	2	Sales	3,643	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	3,584	60-90 days.	-
		Advantech Co., Ltd.	2	Purchase	55,785	Normal.	1%
		Advantech Co., Ltd.	2	Payables to related parties	11,696	60-90 days.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		ACN	3	Sales	\$ 21	Normal.	-
		AMY	3	Other revenue	56	Normal.	-
		AMY	3	Sales	40	Normal.	-
		AESC	3	Purchase	6	Normal.	-
		AESC	3	Receivables from related parties	5	30 days.	-
		AC	3	Purchase	644	Normal.	-
		AC	3	Payables to related parties	211	15 days after invoice date.	-
		AAU	3	Sales	81	Normal.	-
		AKMC	3	Payables to related parties	79	45 days after invoice date.	-
		AKMC	3	Purchase	173	Normal.	-
9	AJP	Advantech Co., Ltd.	2	Sales	59	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	38	60-90 days.	-
		Advantech Co., Ltd.	2	Purchase	141,946	Normal.	2%
		Advantech Co., Ltd.	2	Payables to related parties	49,197	60-90 days.	-
		ACN	3	Purchase	17	Normal.	-
		AC	3	Purchase	4	Normal.	-
10	AAU	Advantech Co., Ltd.	2	Purchase	70,993	Normal.	1%
		Advantech Co., Ltd.	2	Payables to related parties	25,346	60-90 days.	-
		AKMC	3	Payables to related parties	135	Prompt payment.	-
		AKMC	3	Purchase	352	Normal.	-
		ASG	3	Purchase	81	Normal.	-
		AESC	3	Purchase	35	Normal.	-
		AC	3	Purchase	81	Normal.	-
		AC	3	Payables to related parties	11	60-90 days.	-
11	ADL	Advantech Co., Ltd.	2	Sales	146	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	61	30 days.	-
		Advantech Co., Ltd.	2	Payables to related parties	528	30 days.	-
		APL	3	Payables to related parties	8	30 days after invoice date.	-
		APL	3	Maintenance expense	23,288	Normal.	-
		AESC	3	Receivables from related parties	76,496	30 days after invoice date.	-
		AESC	3	Payables to related parties	265	30 days after invoice date.	-
		AESC	3	Purchase	1,609	Normal.	-
		AESC	3	Commission revenue	230,072	Normal.	3%
12	Advansus Corp.	Advantech Co., Ltd.	2	Sales	283,129	Normal.	3%
		Advantech Co., Ltd.	2	Receivables from related parties	55,045	60-90 days.	-
		Advantech Co., Ltd.	2	Purchase	3,938	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	1,669	60-90 days.	-
		Advantech Co., Ltd.	2	Rental expense	1,810	Normal.	-
		AKMC	3	Receivables from related parties	184,469	60-90 days.	1%
		AKMC	3	Sales	527,836	Normal.	6%
		BCM Embedded Computer Inc.	3	Receivables from related parties	322	60-90 days.	-
		BCM Embedded Computer Inc.	3	Sales	4,990	Normal.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
13	AIMS	Advantech Co., Ltd. Advantech Co., Ltd.	2	Rental expense	\$ 150	Normal.	-
			2	Payables to related parties	52	60-90 days.	-
14	Advantech Fund - A	Advantech Co., Ltd.	2	Rental expense	18	Normal.	-
15	AMY	Advantech Co., Ltd. Advantech Co., Ltd. Advantech Co., Ltd. Advantech Co., Ltd. AC ASG ASG	2	Sales	40	Normal.	-
			2	Receivables from related parties	38	60 days.	-
			2	Purchase	16,905	Normal.	-
			2	Payables to related parties	7,460	45 days.	-
			3	Purchase	8	Normal.	-
			3	Purchase	40	Normal.	-
			3	Other expense	56	Normal.	-
16	AEU	ACN ACN AESC AESC	3	Payables to related parties	157	60-90 days.	-
			3	Purchase	228	Normal.	-
			3	Payables to related parties	42	30 days after invoice date.	-
			3	Receivables from related parties	120	30 days after invoice date.	-
17	SHHQ	Advantech Co., Ltd. AKMC ACN ACN ACN ACN	2	Payables to related parties	4,484	45 days.	-
			3	Payables to related parties	27	60-90 days.	-
			3	Sales	514	Normal.	-
			3	Receivables from related parties	48,880	60-90 days.	-
			3	Purchase	256,021	Normal.	3%
			3	Payables to related parties	55,635	60-90 days.	-
18	AIT	AESC AESC AESC AESC	3	Commission revenue	36,649	Normal.	-
			3	Purchase	4,799	Normal.	-
			3	Payables to related parties	21,142	30 days after invoice date.	-
			3	Receivables from related parties	2,647	45 days after invoice date.	-
19	Netstar Technology Co., Ltd.	Advantech Co., Ltd. Advantech Co., Ltd.	2	Sales	10,393	Normal.	-
			2	Receivables from related parties	2,683	60 days.	-
20	Jan Hsiang	Advantech Co., Ltd. Advantech Co., Ltd. Advantech Co., Ltd.	2	Sales	11,353	Normal.	-
			2	Receivables from related parties	1,981	60 days.	-
			2	Purchase	12	Normal.	-
21	APN	AKMC AKMC	3	Payables to related parties	40	Prompt payment.	-
			3	Purchase	41	Normal.	-
22	AKL	AKMC AKMC	3	Payables to related parties	61	Prompt payment.	-
			3	Purchase	80	Normal.	-

(Continued)

Number	Company Name	Counter Party	Flow of Transaction (Note A)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
23	AYS	Advantech Co., Ltd.	2	Sales	\$ 265,229	Normal.	3%
		Advantech Co., Ltd.	2	Receivables from related parties	144,032	90 days.	1%
		Advantech Co., Ltd.	2	Payables to related parties	212	30 days.	-
		ADMC	3	Purchase	232,716	Normal.	3%
		ADMC	3	Payables to related parties	88,353	60-90 days.	-
24	BCM Embedded Computer Inc.	Advantech Co., Ltd.	2	Rental expense	205	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	47	30 days.	-
		Advansus Corp.	3	Payables to related parties	322	60-90 days.	-
		Advansus Corp.	3	Purchase	4,990	Normal.	-
25	Broadwin Technology, Inc.	Advantech Co., Ltd.	2	Sales	670	Normal.	-
		Advantech Co., Ltd.	2	Receivables from related parties	338	60 days.	-
		Advantech Co., Ltd.	2	Purchase	2,637	Normal.	-
		Advantech Co., Ltd.	2	Payables to related parties	2,690	60 days.	-
26	AHK	ACN	3	Payables to related parties	5,474	60-90 days.	-
		ACN	3	Purchase	6	Normal.	-
27	Hangzhou Advantofine Automation Tech. Co., Ltd.	ACN	3	Payables to related parties	17,707	60-90 days.	-
		ACN	3	Purchase	32,469	Normal.	-

Note A: Significant transactions between parent company and its subsidiaries or among subsidiaries are numbered as follows:

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

Note B: Flow of related-party transactions is as follows:

1. From parent company Advantech Co., Ltd. to its subsidiary.
2. Subsidiary to its parent company, Advantech Co., Ltd.
3. Among subsidiaries.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of June 30, 2009 and 2008, respectively; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the six months ended June 30, 2009 and 2008, respectively.

Note D: All intercompany transactions have been eliminated.

Note E: On the first day of the month immediately following the transaction month.

(Concluded)