

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

**Consolidated Financial Statements for the  
Nine Months Ended September 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 September 30, 2009 and 2008, and the related consolidated statements of income and cash flows for the nine months then ended. These financial statements are the responsibility of the Parent Company's management. Our responsibility is to express an opinion on these financial statements based on our reviews.

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

As stated in Note 2 to the financial statements, the subsidiaries' financial statements as of and for the nine months ended September 30, 2009 and 2008 had not been reviewed. As of September 30, 2009 and 2008, the total assets of these subsidiaries were 45.91% (NT\$7,170,189 thousand) and 46.70% (NT\$7,586,352 thousand) of the Parent Company's consolidated total assets, respectively. The total liabilities of these subsidiaries were 53.37% (NT\$1,754,664 thousand) and 58.95% (NT\$2,402,794 thousand) of the Parent Company's consolidated total liabilities, respectively. In the nine months ended September 30, 2009 and 2008, the operating revenues of these subsidiaries were 78.58% (NT\$8,682,125 thousand) and 75.74% (NT\$9,984,476 thousand) of the consolidated operating revenues, respectively, and the net incomes were 25.92% (NT\$335,913 thousand) and 31.07% (NT\$621,144 thousand) of the consolidated total net income, respectively. 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 nine months ended September 30, 2009 and 2008. As of September 30, 2009 and 2008, the carrying values of these investments were NT\$356,827 thousand and NT\$463,317 thousand of the consolidated total assets, respectively, and the net investment gains were NT\$23,851 thousand and NT\$9,598 thousand in the nine months ended September 30, 2009 and 2008, respectively, which were based on these investees' unreviewed financial Statements for the same reporting periods as those of the Parent Company. These investment amounts as well as additional disclosures in Note 21 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; order VI-0960064020 issued by Financial Supervisory Commission under the Executive Yuan on November 15, 2007; and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the accompanying financial statements, the Parent 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.

October 20, 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 accountants' review 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' review report and consolidated financial statements shall prevail.*

**ADVANTECH CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**SEPTEMBER 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)	\$ 2,412,009	16	\$ 1,586,536	10	Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 20)	\$ 264	-	\$ 179	-
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 20)	10,762	-	923	-	Short-term bank loans (Notes 12 and 18)	64,330	-	408,128	3
Available-for-sale financial assets - current (Notes 2, 6 and 20)	13,132	-	581,864	3	Accounts payable (Note 17)	1,408,174	9	1,487,044	9
Notes receivable	201,405	1	315,619	2	Income tax payable	65,174	1	226,576	1
Accounts receivable, net of allowance for doubtful accounts of \$46,421 thousand in 2009 and \$82,771 thousand in 2008 (Note 2)	2,202,813	14	2,278,582	14	Accrued expenses (Note 14)	935,015	6	1,015,769	6
Accounts receivable from related parties (Note 17)	107,666	1	95,554	1	Long-term bank loans - current portion (Notes 13, 18 and 20)	-	-	13,037	-
Other receivables	36,237	-	168,253	1	Advance receipts and other current liabilities	451,488	3	499,775	3
Other receivables - related parties (Note 17)	47,367	-	-	-	Total current liabilities	2,924,445	19	3,650,508	22
Inventories, net (Notes 2 and 7)	2,019,015	13	2,734,285	17	<b>LONG-TERM LIABILITIES</b>				
Deferred income tax assets - current (Note 2)	51,746	-	69,173	-	Long-term bank loans (Notes 13, 18 and 20)	-	-	92,624	1
Restricted assets - current (Note 18)	-	-	50,000	-	<b>OTHER LIABILITIES</b>				
Prepayments and other current assets	456,409	3	444,973	3	Accrued pension liabilities (Note 2)	114,004	1	112,076	1
Total current assets	7,558,561	48	8,325,762	51	Deferred income tax liabilities - noncurrent (Note 2)	243,771	1	201,106	1
<b>LONG-TERM FUNDS AND INVESTMENTS</b>					Deferred credits (Note 2)	1,583	-	9,593	-
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 20)	2,587,043	17	2,837,867	17	Others	3,741	-	9,824	-
Financial assets carried at cost - noncurrent (Notes 2 and 8)	121,894	1	155,335	1	Total other liabilities	363,099	2	332,599	2
Investments accounted for by the equity method (Notes 2 and 9)	356,827	2	463,317	3	Total liabilities	3,287,544	21	4,075,731	25
Total long-term funds and investments	3,065,764	20	3,456,519	21	<b>SHAREHOLDERS' EQUITY</b>				
<b>PROPERTIES (Notes 2, 10 and 18)</b>					Capital stock of parent company, NT\$10.00 par value				
Cost					Authorized - 600,000 thousand shares			-	-
Land	1,287,439	8	813,970	5	Issued and outstanding - 516,134 thousand shares in 2009 and 511,346 thousand shares in 2008	5,161,337	33	5,113,458	31
Buildings	2,460,520	16	1,586,599	10	Capital surplus				
Machinery and equipment	900,142	6	886,031	5	Additional paid-in capital from share issuance in excess of par	4,376,041	28	4,295,589	27
Furniture and fixtures	376,801	2	373,404	2	Treasury stock transactions	13,612	-	18,620	-
Other equipment	452,361	3	421,777	3	From long-term equity investments	59,898	-	63,408	-
Total cost	5,477,263	35	4,081,781	25	Total capital surplus	4,449,551	28	4,377,617	27
Less: Accumulated depreciation	1,425,893	9	1,264,634	7	Retained earnings				
	4,051,370	26	2,817,147	18	Legal reserve	1,927,459	13	1,673,104	10
Construction in progress and prepayment for equipment	241,603	1	1,021,145	6	Special reserve	1,135,596	7	-	-
Properties, net	4,292,973	27	3,838,292	24	Unappropriated earnings	1,294,209	8	2,350,891	15
<b>INTANGIBLE ASSETS</b>					Total retained earnings	4,357,264	28	4,023,995	25
Goodwill, net (Note 2)	292,493	2	255,592	2	Others				
Superficies (Note 2)	104,367	1	51,693	-	Cumulative translation adjustments	253,858	2	246,532	2
Deferred pension cost	7,615	-	5,961	-	Unrealized loss on financial instruments	(599,887)	(4)	(296,272)	(2)
Total intangible assets	404,475	3	313,246	2	Total other equity	(346,029)	(2)	(49,740)	(9)
<b>OTHER ASSETS</b>					Treasury stock - 14,500 thousand shares	(1,385,698)	(9)	(1,385,698)	(9)
Assets leased to others (Notes 2 and 11)	27,586	-	28,517	-	Total shareholders' equity of parent company	12,236,425	78	12,079,632	74
Refundable deposits	37,398	-	49,923	-	Minority interest	92,643	1	88,170	1
Deferred expense, net (Note 2)	229,855	2	231,274	2	Total shareholders' equity (Notes 2, 14 and 15)	12,329,068	79	12,167,802	75
Total other assets	294,839	2	309,714	2	<b>TOTAL</b>	<b>\$ 15,616,612</b>	<b>100</b>	<b>\$ 16,243,533</b>	<b>100</b>
<b>TOTAL</b>	<b>\$ 15,616,612</b>	<b>100</b>	<b>\$ 16,243,533</b>	<b>100</b>					

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

(With Deloitte &amp; Touche review report dated October 20, 2009)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 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 17)				
Sales	\$ 10,999,805	100	\$ 13,190,408	100
Sales returns and allowances	<u>166,490</u>	<u>2</u>	<u>230,431</u>	<u>2</u>
Net sales	10,833,315	98	12,959,977	98
Other operating revenues	<u>215,382</u>	<u>2</u>	<u>222,893</u>	<u>2</u>
Total operating revenues	11,048,697	100	13,182,870	100
OPERATING COSTS (Note 17)	<u>6,550,202</u>	<u>59</u>	<u>7,566,014</u>	<u>57</u>
GROSS PROFIT	4,498,495	41	5,616,856	43
REALIZED INTERCOMPANY GAINS (Note 2)	<u>7,712</u>	<u>-</u>	<u>7,989</u>	<u>-</u>
ADJUSTED GROSS PROFIT	<u>4,506,207</u>	<u>41</u>	<u>5,624,845</u>	<u>43</u>
OPERATING EXPENSES				
Marketing	1,347,065	12	1,481,186	11
Administrative	876,310	8	992,214	8
Research and development	<u>985,884</u>	<u>9</u>	<u>1,023,194</u>	<u>8</u>
Total operating expenses	<u>3,209,259</u>	<u>29</u>	<u>3,496,594</u>	<u>27</u>
OPERATING INCOME	<u>1,296,948</u>	<u>12</u>	<u>2,128,251</u>	<u>16</u>
NONOPERATING INCOME AND GAINS				
Interest income (Note 17)	11,843	-	30,594	-
Investment income recognized under the equity method, net (Notes 2 and 9)	23,851	-	9,598	-
Dividend income (Note 2)	96,934	1	105,367	1
Gain on disposal of investments, net	8,306	-	28,490	-
Foreign exchange gain, net (Note 2)	25,528	-	101,162	1
Financial instrument revaluation gain, net (Notes 2 and 5)	5,120	-	-	-
Other income	<u>65,832</u>	<u>1</u>	<u>51,054</u>	<u>-</u>
Total nonoperating income and gains	<u>237,414</u>	<u>2</u>	<u>326,265</u>	<u>2</u>

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# ADVANTECH CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

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

(Reviewed, Not Audited)

	2009		2008	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest expense	\$ 2,714	-	\$ 27,511	-
Financial instrument revaluation loss, net (Notes 2 and 5)	-	-	12,288	-
Other expenses	19,661	-	18,025	-
Total nonoperating expenses and losses	22,375	-	57,824	-
INCOME BEFORE INCOME TAX	1,511,987	14	2,396,692	18
INCOME TAX (Note 2)	215,867	2	397,546	3
CONSOLIDATED NET INCOME	\$ 1,296,120	12	\$ 1,999,146	15
ATTRIBUTABLE TO:				
Parent's shareholders	\$ 1,291,430	12	\$ 1,999,358	15
Minority interest	4,690	-	(212)	-
	\$ 1,296,120	12	\$ 1,999,146	15
	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 16)				
Basic	\$ 2.88	\$ 2.58	\$ 4.51	\$ 3.98
Diluted	\$ 2.86	\$ 2.56	\$ 4.47	\$ 3.95

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

(With Deloitte & Touche review report dated October 20, 2009)

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## ADVANTECH CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 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	\$ 1,296,120	\$ 1,999,146
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	272,284	167,378
Provision (reversal of provision) for doubtful accounts	(5,043)	24,363
Provision (reversal of provision) for loss on inventories	(12,258)	13,912
Loss on disposal of scrap inventories	108,232	68,608
Loss on disposal of properties, net	8,273	2,094
Gain on disposal of investments	(8,306)	(28,490)
Investment income recognized under the equity-method, net	(23,851)	(9,598)
Cash dividends receive from equity-method investees	38,398	-
Accrued pension liabilities	79	(1,959)
Deferred income taxes	68,170	(12,426)
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(32,184)	(657)
Notes receivable	61,106	(108,035)
Accounts receivable	(103,825)	189,447
Accounts receivable - related parties	67,164	15,935
Other receivable	98,095	(12,888)
Inventories	266,266	(349,776)
Prepayments and other current assets	(85,063)	(197,541)
Accounts payable	364,104	(23,578)
Income tax payable	(243,135)	8,554
Accrued expenses	23,019	215,638
Advance receipts and other current liabilities	161,308	116,297
Deferred credits	(7,712)	(7,989)
Net cash provided by operating activities	<u>2,311,241</u>	<u>2,068,435</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Other receivable - related parties	(47,367)	-
Acquisition of available-for-sale financial assets	-	(8,040,284)
Proceeds of the disposal of available-for-sale financial assets	406	8,832,227
Proceeds of the sale of equity-method investments	46,645	31,450
Acquisition of financial assets carried at cost	-	(96,137)
Net cash paid for the acquisition of a subsidiary	-	(13,983)
Acquisition of properties	(339,793)	(603,410)
Proceeds of the disposal of properties	2,131	694
Decrease in restricted assets	50,000	43,372
Decrease in refundable deposits	7,772	4,982

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# ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	2009	2008
Increase in deferred expenses	\$ (22,045)	\$ (54,548)
Increase in goodwill	<u>(14,226)</u>	<u>(40,799)</u>
Net cash provided by (used in) investing activities	<u>(316,477)</u>	<u>63,564</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term bank loans	(514,169)	(227,408)
Decrease in long-term bank loans	(106,232)	(12,280)
Increase (decrease) in other liabilities	(1,359)	337
Employee stock options	3,488	11,536
Cash bonus to employees and remuneration to directors and supervisors	(72,770)	(144,700)
Cash paid for acquisition of treasury stock	-	(671,826)
Cash dividends	(1,492,004)	(1,869,508)
Decrease in minority interest	<u>(16,171)</u>	<u>(9,542)</u>
Net cash used in financing activities	<u>(2,199,217)</u>	<u>(2,923,391)</u>
EFFECT OF DECREASE IN CONSOLIDATED ENTITIES	<u>5,705</u>	<u>-</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>12,229</u>	<u>(19,404)</u>
NET DECREASE IN CASH	(186,519)	(810,796)
CASH, BEGINNING OF PERIOD	<u>2,598,528</u>	<u>2,397,332</u>
CASH, END OF PERIOD	<u>\$ 2,412,009</u>	<u>\$ 1,586,536</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest paid (excluding capitalized interest)	<u>\$ 8,171</u>	<u>\$ 29,139</u>
Income tax paid	<u>\$ 304,467</u>	<u>\$ 396,968</u>

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## ADVANTECH CO., LTD. AND SUBSIDIARIES

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

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Fair value of assets and liabilities of Advantech Brazil S/A (ABR), a 60% subsidiary of Advantech Co., Ltd. acquired in July 2009, at acquisition are summarized as follows:

Accounts receivable	\$	28,611
Inventories, net		18,899
Deferred income tax assets - current		2,837
Other current assets		3,691
Properties, net		1,542
Other assets		181
Short-term bank loans		(3,760)
Accounts payable		(33,819)
Income tax payable		(8,008)
Accrued expenses		(4,694)
Other current liabilities		(10,697)
Long-term bank loans		(3,871)
Deferred income tax liabilities - noncurrent		<u>(16,692)</u>
Net		(25,780)
Percentage of equity interest		<u>60%</u>
		(15,468)
Cost in excess of book value of subsidiary acquired		<u>15,468</u>
Total		-
Less: Cash balances of ABR		<u>-</u>
Cash paid for the acquisition of ABR	\$	<u><u>-</u></u>

(Continued)

## ADVANTECH CO., LTD. AND SUBSIDIARIES

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

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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>
		<u>64,297</u>
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>
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 October 20, 2009)

(Concluded)

# ADVANTECH CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. ORGANIZATION AND OPERATIONS

Advantech Co., Ltd. (the "Parent Company") was established in September 1981 and it is a listed company. 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.

In order to improve the entire operating efficiency of the Group, the Parent Company's board of directors had resolved to merge with Advantech Investment and Management Service (AIMS) through a short-form merger. The scheduled merger date of merger July 30, 2009, with the Parent Company as the survivor entity. The Parent Company assumed all the assets and liabilities of AIMS.

As of September 30, 2009 and 2008, the Parent Company and the consolidated subsidiaries (collectively, the "Group") had 4,490 and 4,528 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-0960064020 issued on November 15, 2007 by the Financial Supervisory Commission of 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 investees in which the Parent Company has controlling interests or has voting rights of over 50%. The consolidated entities included the Parent Company and its all subsidiaries. All significant intercompany accounts and transactions have been eliminated from the consolidated financial statements.

The proportionate consolidated method was used as follows: (A) for the nine months ended September 30, 2009 - Advansus Corp.; and (b) for the nine months ended September 30, 2008, Advansus Corp. and Hangzhou Advantofine Automation Tech. Co., Ltd. All significant accounts and transactions between the Parent and these investees have been eliminated from the consolidated financial statements.

The organization chart of intercompany relationships and percentages of ownership as of September 30, 2009 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.

### **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; and 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 values 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 exceed its investment cost, the difference will be credited to depend on the proportion of noncurrent asset's (not include non-equity-method financial asset, dispose asset waiting for sale, deferred tax asset and prepay pension cost or other pension pay) fair value. If the fair value of a noncurrent asset is not enough for crediting purposes, it will recognize as extraordinary gain. If the unamortized long-term investment by the equity method acquired before January 1, 2006 exceeds the 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 Parent Company 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 is the consideration paid for acquisition in excess of the fair value of identifiable net assets acquired. It 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 for which the Group has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

## **Pension Costs**

The 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. These exchange differences are recognized as gain 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 the settlement of foreign-currency assets and liabilities are recognized as gain or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued at prevailing exchange rates, and the exchange differences are recognized as gain or loss.

If the functional currencies of equity-method investees are foreign currencies, translation adjustments will result from the translation of the investees' financial statements into the reporting currency of the Parent Company. These 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 at 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 as gain or loss if the changes in fair value are recognized as gain 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 nine months ended September 30, 2008 have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for the nine months ended September 30, 2009.

### 3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

#### 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 \$5,201 thousand and \$5,843 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 nine months ended September 30, 2009. The Group also reclassified the nonoperating loss of \$82,528 thousand to the cost of goods sold in the nine months ended September 30, 2008.

#### 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 \$175,992 thousand and \$181,476 thousand in the Parent Company's net income and consolidated net income, respectively, and of NT\$0.36 in earnings per share after income tax and before retroactive adjustment for the nine months ended September 30, 2008.

### 4. CASH

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Cash on hand	\$ 145,751	\$ 128,049
Checking and demand deposits	1,449,145	794,856
Time deposits: Interest - 0.08%-3.80% in 2009 and 0.50%-7.50 in 2008	<u>817,113</u>	<u>663,631</u>
	<u>\$ 2,412,009</u>	<u>\$ 1,586,536</u>

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

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

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
<u>Financial assets resulting from trading</u>		
Forward contracts	<u>\$ 10,762</u>	<u>\$ 923</u>
<u>Financial liabilities resulting from trading</u>		
Forward contracts	<u>\$ 264</u>	<u>\$ 179</u>

As of September 30, 2009 and 2008, the outstanding forward contracts were as follows:

	<b>Currency</b>	<b>Maturity</b>	<b>Amount (Thousands)</b>	
<u>September 30, 2009</u>				
Sell	USD/NTD	October 2009-April 2010	US\$ 20,223/ TWD	684,375
	JPY/NTD	December 2009	JPY 45,000/ TWD	16,226
	EUR/USD	October 2009	EUR 500/ USD	723
	EUR/NTD	October 2009	EUR 500/ TWD	23,521
<u>September 30, 2008</u>				
Sell	JPY/USD	October 2008	JPY 83,000/ USD	795
	EUR/USD	October 2008	EUR 2,500/ USD	3,621

The Parent Company entered into forward contract transactions for the nine months ended September 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 gains and losses arising from trading financial assets and liabilities for the nine months ended September 30, 2009 and 2008 were net gains of \$5,120 and net losses of \$12,288 thousand, respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>September 30</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Mutual funds	\$ -	\$ -	\$ 565,850	\$ -
Quoted domestic stocks				
Chunghwa Telecom Co., Ltd.	13,132	-	16,014	-
ASUSTEK Computer Inc.	-	2,527,593	-	2,837,867
Quoted overseas stocks				
SG Advantech Co., Ltd.	-	59,450	-	-
	<u>\$ 13,132</u>	<u>\$ 2,587,043</u>	<u>\$ 581,864</u>	<u>\$ 2,837,867</u>

## 7. INVENTORIES, NET

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Finished goods	\$ 757,215	\$ 1,063,368
Work in process	472,976	587,557
Materials and supplies	702,439	948,126
Inventories in transit	<u>86,385</u>	<u>135,234</u>
	<u>\$ 2,019,015</u>	<u>\$ 2,734,285</u>

As of September 30, 2009 and 2008, the provisions for loss were \$278,092 thousand and \$300,276 thousand, respectively.

The costs of goods sold pertaining to inventories as of September 30, 2009 and 2008 were \$6,550,202 thousand and \$7,566,014 thousand, respectively. In addition, for the nine months ended September 30, 2009, the foregoing amounts included reversal of provision for loss \$12,258 thousand and inventory scraps for loss of \$108,232 thousand, and for the nine months ended September 30, 2008 the foregoing amounts included provision for loss of \$13,912 thousand and inventory scraps for loss of \$68,608 thousand.

## 8. FINANCIAL ASSETS CARRIED AT COST

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Foreign unlisted common traded stocks		
Domestic		
Avalue Technology Inc.	\$ 88,637	\$ 88,637
Foreign		
Coban Research and Technologies, Inc. (US\$1,020 thousand)	33,257	33,257
Superior Technology Co., Ltd. (US\$1,068 thousand)	<u>-</u>	<u>33,441</u>
	<u>\$ 121,894</u>	<u>\$ 155,335</u>

The above investments, which had no quoted market prices in an active market and had fair values that cannot be reliably measured, were carried at their original cost.

## 9. LONG-TERM EQUITY INVESTMENTS

	September 30			
	2009		2008	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
<u>Listed</u>				
Axiomtek Co., Ltd.	\$ 335,496	27.63	\$ 337,564	28.52
<u>Unlisted</u>				
Advantech Hungary Ltd.	15,253	30.00	16,055	30.00
Advantech Corporation (Thailand) Co., Ltd.	6,078	30.00	5,925	30.00
Advantech Technologies Co., Ltd.	-	-	96,092	23.89
Timson Tech Co.	-	-	7,681	30.00
	<u>\$ 356,827</u>		<u>\$ 463,317</u>	

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

One of the Parent Company's equity-method investees, Advantech Technologies Co., Ltd. (formerly 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 Parent 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 nine months ended September 30, 2009 and 2008 were as follows:

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

The market value of the listed stocks invested in by the Parent Company, which were calculated on the basis of the closing prices of September 30, 2009 and 2008 were \$510,741 thousand and \$437,744 thousand, respectively.

## 10. PROPERTIES

Accumulated depreciation was as follows:

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Buildings	\$ 367,449	\$ 318,661
Machinery and equipment	530,058	455,273
Furniture and fixtures	251,639	237,055
Other equipment	<u>276,747</u>	<u>253,645</u>
	<u>\$ 1,425,893</u>	<u>\$ 1,264,634</u>

## 11. PROPERTIES LEASED TO OTHERS

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Cost		
Buildings	\$ 39,587	\$ 39,466
Accumulated depreciation	<u>12,001</u>	<u>10,949</u>
	<u>\$ 27,586</u>	<u>\$ 28,517</u>

## 12. SHORT-TERM BANK LOANS

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Credit loans - interest 1.84% in 2009 and 2.99%-6.72% in 2008	\$ 64,330	\$ 405,128
Secured loans - interest 3.00%	<u>-</u>	<u>3,000</u>
	<u>\$ 64,330</u>	<u>\$ 408,128</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 September 30, 2009 and 2008, the carrying values of this loan were \$64,330 thousand and \$303,241 thousand, respectively.

Netstar Technology Co., Ltd. ("Netstar"), an indirect subsidiary of the Parent Company, obtained credit materials purchase and mortgage loans from banks to meet its financing need. As of September 30, 2008, the carrying value of Netstar's loans was \$104,887 thousand. (Note 13 has more information on Netstar's loan.)

## 13. LONG-TERM BANK LOANS

	<b>Current</b>	<b>Long-term</b>	<b>Total</b>
<u>September 30, 2008</u>			
Secured loans	<u>\$ 13,037</u>	<u>\$ 92,624</u>	<u>\$ 105,661</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 September 30, 2008, the carrying value of this loan was \$68,536 thousand, and the implicit interest was 6.3%. This loan was liquidated in February 2009.

Netstar Technology Co., Ltd., an indirect subsidiary of the Parent Company, obtained a mortgage loan from a bank for its operating needs. This loan is repayable from October 2006 to October 2016 in 40 quarterly installments from January 2007. As of September 30, 2008, the carrying value of this loan was \$37,125 thousand, and the interest rate was 3.25%. This loan was liquidated in September 2009.

## **14. 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; and
- c. Dividends, as proposed by the board of directors.

For stock bonuses, employees may include subsidiaries' employees who meet certain criteria as determined by the 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 \$165,000 thousand and 270,000 thousand for the nine months ended September 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 retroactively adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the eve of the shareholders' meeting.

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

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

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

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

The appropriations of earnings for 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:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (Dollars)</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
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 on 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\$20.39 as of September 30, 2009.

All stock options that the Parent Company issued expired on August 2009, there were 2,640 thousand units of stock options exercised, which were converted to 2,640 thousand common shares.

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.

## 15. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
<u>Nine months ended September 30, 2009</u>				
For transfer to employees	<u>14,500</u>	-	-	<u>14,500</u>
<u>Nine months ended September 30, 2008</u>				
For transfer to employees	<u>14,500</u>	-	-	<u>14,500</u>
To maintain the Parent Company's credibility and shareholders' interest	-	<u>10,000</u>	<u>10,000</u>	-

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

## 16. EARNINGS PER SHARE

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

	Amount (Numerator)		Shares (Denominator) (Thousand)	Earnings Per Share	
	Pretax	After-tax		Pretax	After-tax
<u>Nine months ended September 30, 2009</u>					
Basic EPS	\$ 1,442,739	\$ 1,291,430	501,509	<u>\$ 2.88</u>	<u>\$ 2.58</u>
Impact of dilutive potential common stock					
Employee stock options	-	-	84		
Bonuses to employees	-	-	<u>2,909</u>		
Diluted EPS	<u>\$ 1,442,739</u>	<u>\$ 1,291,430</u>	<u>504,502</u>	<u>\$ 2.86</u>	<u>\$ 2.56</u>

(Continued)

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousand)</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>		<u>Pretax</u>	<u>After-tax</u>
Nine months ended September 30, 2008					
Basic EPS	\$ 2,264,392	\$ 1,999,358	501,722	\$ <u>4.51</u>	\$ <u>3.98</u>
Impact of dilutive potential common stock					
Employee stock options	-	-	168		
Bonuses to employees	-	-	4,690		
Diluted EPS	\$ <u>2,264,392</u>	\$ <u>1,999,358</u>	<u>506,580</u>	\$ <u>4.47</u>	\$ <u>3.95</u> (Concluded)

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 nine months ended September 30, 2009, pretax and after-tax basic EPS decreased from NT\$4.54 to NT\$4.51 and from NT\$4.00 to NT\$3.98, respectively, and pretax and after-tax diluted EPS decreased from NT\$4.49 to NT\$4.47 and from NT\$3.97 to NT\$3.95, respectively.

## 17. 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 until December 2008)
Advantech KR Co., Ltd. (AKR)	The Parent Company was AKR’s 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)	Equity-method investee of the Parent Company (The Parent Company had acquired control over ABR and combined ABR in consolidated report)
Mr. Peter Marek	Manager of ADL

(Continued)



	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
5) Other receivables - related parties				
Financing provided				
AKR	<u>\$ 47,367</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>
6) Payables				
Accounts				
AKR	\$ 23	96	\$ -	-
Axiomtek	<u>1</u>	<u>4</u>	<u>29</u>	<u>-</u>
	<u>\$ 24</u>	<u>100</u>	<u>\$ 29</u>	<u>-</u>

(Concluded)

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

<b>Nine Months Ended September 30, 2009</b>				
	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Interest Rate</b>	<b>Interest Income</b>
AKR	<u>\$ 49,950</u> (KRW1,850,000 thousand)	<u>\$ 47,367</u> (KRW1,750,000 thousand)	5%	<u>\$ 950</u>

The exchange rate for the above financing was KRW1.00=NT\$0.027.

In July 2009, the Parent Company acquired from Advantech International Co., Ltd. (AICL) 60% of ABR shares as an offset against AICL's payable to the Parent Company, resulting in a goodwill amounting to \$15,468 thousand.

c. Share transactions

The Parent Company bought 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 sales were conducted under normal terms. The payment terms for related parties were 30 to 90 days. Terms for third parties were 30 to 60 days.

## 18. ASSETS PLEDGED OR MORTGAGED

- a. As of September 30, 2008, an indirect subsidiary of the Parent Company, Netstar Technology Co., Ltd., had pledged the following assets for its short-term and long-term bank loans (Notes 12 and 13):

	<b>September 30, 2008</b>
Properties - land	\$ 35,506
Properties - buildings, at cost	<u>22,960</u>
	<u>\$ 58,466</u>

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

## 19. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

- a. As of September 30, 2009, the Parent Company had the following guarantees for affiliates' loans:

	<b>Amount</b>
AKMC	<u>US\$ 15,600 thousand</u>
Netstar	<u>NT\$120,000 thousand</u>
Advansus Corp.	<u>NT\$100,000 thousand</u>

- b. As of September 30, 2008, the unused amount of the L/C for purchasing, which was opened by Netstar Technology Co., Ltd., an indirect subsidiary of the Parent Company was \$4,808 thousand.
- c. As of September 30, 2009 and 2008, the guarantee notes issued by Netstar, Technology Co., Ltd. for the bank loan amounted to \$137,500 thousand and \$122,125 thousand, respectively.

## 20. FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments were as follows:

	<b>September 30</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets - current	\$ 13,132	\$ 13,132	\$ 581,864	\$ 581,864
Available-for-sale financial assets - noncurrent	2,587,043	2,587,043	2,837,867	2,837,867
<u>Liabilities</u>				
Long-term bank loans (including current portion)	-	-	105,661	105,661

(Continued)

	September 30			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Derivative financial instruments <u>by location</u>				
Financial assets at fair value through profit or loss - current				
Domestic	\$ 3,326	\$ 3,326	\$ 3	\$ 3
Foreign (foreign corporation operating in domestic district included)	7,436	7,436	920	920
Financial liabilities at fair value through profit or loss - current				
Foreign (foreign corporation operating in domestic district included)	264	264	179	179
				(Concluded)

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

- 1) For financial instruments such as cash, notes and accounts receivables, receivables from related parties, other receivables, restricted assets - current, short-term bank loans, notes and 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 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 the Group's financial assets and liabilities were based on the quoted market prices or determined using certain valuation techniques, as follows:

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	September 30		September 30	
	2009	2008	2009	2008
<u>Asset</u>				
Financial assets at fair value through profit or loss - current	\$ -	\$ -	\$ 10,762	\$ 923
Available-for-sale financial assets - current	13,132	581,864	-	-
Available-for-sale financial assets - noncurrent	2,587,043	2,837,867	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current	-	-	264	179

- d. As of September 30, 2009 and 2008, financial assets exposed to fair value risk from interest rate fluctuation amounted to \$817,113 thousand and \$713,631 thousand, respectively. As of September 30, 2009 and 2008, financial liabilities exposed to fair value risk from interest rate fluctuation amounted to \$64,330 thousand and \$513,789 thousand, respectively. As of September 30, 2009 and 2008, financial assets exposed to cash flow risk from interest rate fluctuation amounted to \$1,384,556 thousand and \$792,137 thousand, respectively.
- e. The Parent Company recognized an unrealized gain of \$855,428 thousand and a loss of \$1,209,623 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the nine months ended September 30, 2009 and 2008, respectively. The Parent Company also recognized unrealized gain of \$332 thousand and \$3,651 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees for the nine months ended September 30, 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 Group if the counter-parties breach the contracts. Contracts with positive fair values on the balance sheet date are evaluated for credit risk. Since the counter-parties to the foregoing derivative financial instruments are reputable financial institutions, management believes its exposure to default by counter-parties is low.
  - 3) Liquidity risk. The Group has sufficient operating capital to meet cash needs upon settlements of derivative financial instruments. Therefore, the cash flow risk is low. In addition, for long-term equity-method investments (mutual funds and publicly traded stocks), the Group keeps liquidity reserves, which are available on a short-term basis. Additionally, the contracted forward rate is decided on the contract starting dates. Thus, the cash flow risk on forward contracts is low.

## 21. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 17 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 September 30, 2009, accumulated inward remittance of earnings as of September 30, 2009 and upper limit on investment: Please see Table 8 attached.
  - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 17, 19 and Tables 1, 2, 5 and 6.
- c. Intercompany relationships and significant intercompany transactions: Please see Table 10 attached.

## ADVANTECH CO., LTD. AND INVESTEEES

## FINANCING PROVIDED

NINE MONTHS ENDED SEPTEMBER 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 I)	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	Other receivable - related parties	\$ 49,950 (KRW 1,850,000 thousand)	\$ 47,367 (KRW 1,750,000 thousand)	5%	Service intercourse	Sale \$167,003	Financing need	\$ -	-	-	\$ 96,495 (Note B)	\$ 96,495 (Note B)
0	ACL	Feng Sang Enterprise Co., Ltd.	Other receivables	50,000	-	2.5%	Service intercourse	Bid content 200,000	Financing need	-	-	-	200,000 (Note E)	200,000 (Note E)
1	AEU	ADL	Other receivable - related parties	32,886 (EUR 700 thousand)	32,886 (EUR 700 thousand)	4%	Short-term financing	-	Financing need	-	-	-	1,223,643 (Note C)	2,447,285 (Note C)
2	SHHQ	ACN	Other receivable - related parties	62,582 (RMB 13,283 thousand)	51,189 (RMB 10,865 thousand)	2%	Short-term financing	-	Financing need	-	-	-	141,342 (Note D)	141,342 (Note D)
3	ACN	AKMC	Other receivable - related parties	95,472 (RMB 20,264 thousand)	95,439 (RMB 20,257 thousand)	2%	Short-term financing	-	Financing need	-	-	-	141,342 (Note D)	141,342 (Note D)
4	ANA	AESC	Other receivable - related parties	96,495 (US\$ 3,000 thousand)	90,062 (US\$ 2,800 thousand)	2%	Short-term financing	-	Financing need	-	-	-	1,223,643 (Note C)	2,447,285 (Note C)
4	ANA	AKMC	Other receivable - related parties	96,495 (US\$ 3,000 thousand)	96,495 (US\$ 3,000 thousand)	2%	Short-term financing	-	Financing need	-	-	-	1,223,643 (Note C)	2,447,285 (Note C)
5	AiSC	ACN	Other receivable - related parties	99,830 (RMB 21,189 thousand)	64,490 (RMB 13,688 thousand)	2%	Short-term financing	-	Financing need	-	-	-	141,342 (Note D)	141,342 (Note D)
6	Netstar Technology Co., Ltd.	Netstar Electronics Co., Ltd.	Other receivable - related parties	93,507	63,545	-	Service intercourse	Purchase 323,661	Financing need	-	-	-	323,661 (Note E)	323,661 (Note E)
6	Netstar Technology Co., Ltd.	LANSONIC (BVI)	Other receivable - related parties	3,618	3,618	-	Short-term financing	-	Financing need	-	-	-	1,223,643 (Note C)	2,447,285 (Note C)
7	Broadwin Technology, Inc.	Netstar Technology Co., Ltd.	Other receivable - related parties	40,000	40,000	2%	Short-term financing	-	Financing need	-	-	-	1,223,643 (Note C)	2,447,285 (Note C)
8	Advantech Fund-A	Netstar Technology Co., Ltd.	Other receivable - related parties	60,000	60,000	2%	Short-term financing	-	Financing need	-	-	-	1,223,643 (Note C)	2,447,285 (Note C)

Notes: A. The exchange rate was EUR1=NT\$46.98; US\$1=NT\$32.165; RMB1= NT\$4.7114; KRW1=NT\$0.027.

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 the transactions above have been eliminated from the consolidation.

## ADVANTECH CO., LTD. AND INVESTEEES

## ENDORSEMENT/GUARANTEE PROVIDED

NINE MONTHS ENDED SEPTEMBER 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	\$ 1,223,643 (Note A)	\$ 649,894 (US\$ 20,205 thousand)	\$ 501,774 (US\$ 15,600 thousand)	\$ -	4.10	\$ 3,670,928 (Note B)
		Netstar Technology Co., Ltd.	Indirect subsidiary	1,223,643 (Note A)	220,000	120,000	-	0.98	3,670,928 (Note B)
		Advansus Corp.	Equity-method investee	1,223,643 (Note A)	100,000	100,000	-	0.82	3,670,928 (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\$32.165.

TABLE 3

## ADVANTECH CO., LTD. AND INVESTEEES

## MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

SEPTEMBER 30, 2009

(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 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	\$ 1,867,298	100.00	\$ 1,867,298	Note A
	ATC	"	"	32,750,000	1,842,442	100.00	1,842,442	Note A
	Advansus Corp.	"	"	18,000,000	205,492	50.00	205,492	Note A
	Advantech Fund-A	"	"	70,000,000	634,593	100.00	634,593	Note A
	Axiomtek	"	"	21,779,984	335,496	27.63	335,496	Note A
	AEU	"	"	9,572,024	328,250	100.00	328,250	Note A
	ASG	"	"	1,450,000	65,268	100.00	65,268	Note A
	AAU	"	"	500,204	90,309	100.00	90,309	Note A
	AJP	"	"	1,200	111,928	100.00	111,928	Note A
	AYS	"	"	12,300,000	78,822	100.00	78,822	Note A
	AMY	"	"	2,000,000	40,510	100.00	40,510	Note A
	AHG	"	"	30	15,253	30.00	15,253	Note A
	ABR	"	"	971,055	460	43.28	460	Note A
	AHK	"	Other liability - others	999,999	(6,370)	100.00	(6,370)	Notes A and C
ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	45,789,735	2,527,593	1.08	2,527,593	Note B	
SGA	-	"	1,556,064	59,450	7.19	59,450	Note B	
Advantech Fund-A	<u>Stock</u>							
	Netstar Technology Co., Ltd.	Investee	Long-term equity investments	19,829,222	203,848	79.32	203,848	Note A
	BCM Embedded Computer Inc.	"	"	4,500,000	16,534	100.00	16,534	Note A
	Broadwin Technology, Inc.	"	"	6,851,782	112,212	70.08	112,212	Note A
	Avalue Technology Inc.	-	Financial assets carried at cost - noncurrent	3,165,000	88,637	8.22	88,637	-
	COBAN Research and Technologies, Inc.	-	"	600,000	33,257	6.86	33,257	-
Chunghwa Telecom Co., Ltd.	-	Available for sale financial assets - current	226,811	13,132	-	13,132	Note B	
ATC	<u>Stock</u>							
ATC (HK)	Investee	Long-term equity investments	35,650,001	1,233,869	100.00	1,233,869	Note A	
ATC (HK)	<u>Shares</u>							
AKMC	"	"	-	1,234,088	100.00	1,234,088	Note A	
AYS	<u>Shares</u>							
ADMC	"	"	-	55,746	100.00	55,746	Note A	

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 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	\$ 972,693	100.00	\$ 972,693	Note A
	AAC (HK)	"	"	15,230,001	899,663	100.00	899,663	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	-	520,331	100.00	520,331	Note A
	SHHQ	"	"	-	85,275	100.00	85,275	Note A
	AiSC	"	"	-	277,506	100.00	277,506	Note A
	AXA	"	"	-	15,641	100.00	15,641	Note A
ACN	<u>Shares</u> Hangzhou Advantofine Automation Co., Ltd.	"	"	-	10,629	60.00	10,629	Note A
AEU	<u>Stock</u> AESC	"	"	8,314,280	114,428	100.00	114,428	Note A
	ADL	"	"	1,142,000	(62,919)	100.00	(62,919)	Note A
	APL	"	"	6,530	32,536	92.89	32,536	Note A
ASG	<u>Stock</u> ATH	"	"	30,000	6,078	30.00	6,078	Note A
	APN	"	"	570,570	5,372	55.00	5,372	Note A
	AKL	"	"	418,000	3,541	55.00	3,541	Note A
	Netstar Technology Co., Ltd.	"	"					
Netstar Technology Co., Ltd.	<u>Stock</u> LANSONIC (BVI)	"	Other liability - others	3,528,529	(34,870)	94.83	(34,870)	Notes A and C
	Jan Hsiang Electronics Co., Ltd.	"	Long-term equity investments	950,000	8,425	47.50	8,425	Note A
	Lantech Communications Inc.	"	Other liability - others	1,159,500	-	77.30	-	Note A
Broadwin Technology, Inc.	<u>Stock</u> Broadwin Technology Inc.	"	Long-term equity investments	5,643,650	20,981	100.00	20,981	Note A
LANSONIC (BVI)	<u>Shares</u> Netstar Electronics Corporation	"	Other liability - others	-	HK (26,467)	100.00	HK (26,467)	Notes A and C

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

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

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

Note D: All the transactions above have been eliminated from the consolidation.

(Concluded)

## ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 205,492

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

## ADVANTECH CO., LTD. AND INVESTEEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 NINE MONTHS ENDED SEPTEMBER 30, 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	\$ (1,681,846)	(22)	Set for 45 days a month	\$ -	-	\$ 1,592	-	
	AESC	Indirect subsidiary	Sale	(1,010,349)	(13)	Set for 45 days a month	-	-	399,008	33	
	ACN	Indirect subsidiary	Sale	(1,401,000)	(19)	Set for 45 days a month	-	-	302,612	25	
	AiSC	Indirect subsidiary	Sale	(731,930)	(10)	Set for 45 days a month	-	-	265,194	22	
	AKR	The Company is the AKR's director	Sale	(167,003)	(2)	Set for 45 days a month	-	-	58,709	5	
	AJP	Subsidiary	Sale	(140,563)	(2)	Set for 45 days a month	-	-	30,071	3	
	ATC	Subsidiary	Purchase	2,684,727	48	Set for 60 days a month	-	-	(814,782)	(85)	
	Advansus Corp.	Subsidiary	Purchase	787,613	14	Set for 30 days a month	-	-	(101,081)	(11)	
	AYS	Subsidiary	Purchase	114,948	2	Set for 90 days a month	-	-	(23,148)	(3)	
	ATC	Advantech Co., Ltd.	Parent company	Sale	(2,684,727)	(99)	Set for 60 days a month	-	-	814,782	93
Advansus Corp.	Advantech Co., Ltd.	Parent company	Sale	(787,613)	(36)	Set for 30 days a month	-	-	101,081	27	
AYS	Advantech Co., Ltd.	Parent company	Sale	(114,948)	(100)	Set for 45 days a month	-	-	23,148	100	
ANA	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,681,846	76	Set for 45 days a month	-	-	(1,592)	(2)	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,010,349	69	Set for 45 days a month	-	-	(399,008)	(80)	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	1,401,000	77	Set for 45 days a month	-	-	(302,612)	(48)	
AiSC	Advantech Co., Ltd.	Ultimate parent company	Purchase	731,930	63	Set for 45 days a month	-	-	(265,194)	(66)	
AKR	Advantech Co., Ltd.	The Company is the AKR's director	Purchase	167,003	52	Set for 45 days a month	-	-	(58,709)	(39)	
AJP	Advantech Co., Ltd.	Parent company	Purchase	140,563	94	Set for 45 days a month	-	-	(30,071)	(100)	
Advansus Corp.	AKMC	Related enterprise	Sale	(949,882)	(43)	Set for 30 days after a month	-	-	188,937	56	
	Avalue Technology Inc.	Related enterprise	Sale	(202,603)	(9)	Set for 30 days a month	-	-	29,627	9	
AKMC	Advansus Corp.	Related enterprise	Purchase	949,882	43	Set for 30 days after a month	-	-	(188,937)	(22)	
ACN	AiSC	Related enterprise	Sale	(190,905)	(9)	Set for 90 days a month	-	-	80,200	13	
AiSC	ACN	Related enterprise	Purchase	190,905	16	Set for 90 days a month	-	-	(80,200)	(20)	
AKMC	ATC	Related enterprise	Sale	(2,176,375)	(95)	Set for 30 days after a month	-	-	280,625	92	
ATC	AKMC	Related enterprise	Purchase	2,176,375	100	Set for 30 days after a month	-	-	(280,625)	(93)	
Avalue Technology Inc.	Advansus Corp.	Related enterprise	Purchase	202,603	80	Set for 30 days a month	-	-	(29,627)	(23)	

Note: All the transactions above have been eliminated from the consolidation.

## ADVANTECH CO., LTD. AND INVESTEEES

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

SEPTEMBER 30, 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.	AESC	Indirect subsidiary	\$ 399,008	3.03	\$ -	-	\$ -	\$ -
	ACN	Indirect subsidiary	302,612	4.91	-	-	98	-
	AiSC	Indirect subsidiary	265,194	7.36	-	-	65	-
ATC	Advantech Co., Ltd.	Parent company	814,782	3.29	-	-	-	-
Advansus Corp.	Advantech Co., Ltd.	Parent company	101,081	13.81	-	-	-	-
	AKMC	Related enterprise	188,937	10.64	-	-	2,807	-
AKMC	ATC	Subsidiary	280,625	17.67	-	-	-	-

Note: All the transactions above have been eliminated from the consolidation.

TABLE 7

## ADVANTECH CO., LTD. AND INVESTEEES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2009			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				September 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	\$ 1,867,298	\$ 124,640	\$ 119,316	Subsidiary
	ATC	BVI	Sale of industrial automation products	1,044,818	1,044,818	32,750,000	100.00	1,842,442	305,586	307,501	Subsidiary
	Advansus Corp.	Taipei, Taiwan	Production and sale of industrial automation products	180,000	300,000	18,000,000	50.00	205,492	45,919	21,494	Equity-method investee
	AEU	Helmond, the Netherlands	Investment holding company	426,930	426,930	9,572,024	100.00	328,250	(95,701)	(95,701)	Subsidiary
	Advantech Fund-A	Taipei, Taiwan	General investment	700,000	700,000	70,000,000	100.00	634,593	9,088	9,088	Subsidiary
	Axiomtek	Taipei, Taiwan	Production and sale of industrial automation products	269,222	269,222	21,779,984	27.63	335,496	85,660	23,997	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	65,268	(5,489)	(5,489)	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	90,309	4,189	4,189	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	111,928	(22,891)	(22,891)	Subsidiary
	AYS	Cayman Islands	Sale of industrial automation products	51,662	51,662	12,300,000	100.00	78,822	(11,263)	(10,393)	Subsidiary
	AMY	Kuala Lumpur, Malaysia	Sale of industrial automation products	35,140	35,140	2,000,000	100.00	40,510	624	624	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	15,253	683	205	Equity-method investee
	ABR	Sao Paulo, BRAZIL	Sale of industrial automation products	-	-	971,055	43.28	460	7,376	409	Subsidiary
	AIMS	Taipei, Taiwan	Investment and management service	-	5,000	-	-	-	91	91	Subsidiary
AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(6,370)	(2,295)	(2,295)	Subsidiary (Note A)	
Advantech Fund-A	Netstar Technology Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	242,668	212,272	19,829,222	79.32	203,848	6,304	4,660	Indirect subsidiary
	BCM Embedded Computer Inc.	Taipei, Taiwan	Telecommunications equipment and electronic parts manufacturing	45,500	30,500	4,500,000	100.00	16,534	(13,752)	(13,752)	Indirect subsidiary
	Broadwin Technology, Inc.	Taipei, Taiwan	Assembly and production of computers	99,783	99,783	6,851,782	70.08	112,212	7,778	5,454	Indirect subsidiary
ATC	ATC (HK)	Hong Kong	Investment holding company	1,026,430	1,026,430	35,650,001	100.00	1,233,869	(14,007)	(14,007)	Indirect subsidiary
ATC (HK)	AKMC	Kunshan, China	Production and sale of components of industrial automation products	1,026,430	1,026,430	-	100.00	1,234,088	(13,979)	(13,979)	Indirect subsidiary
AYS	ADMC	Guangzhou, China	Production and sale of components of industrial automation products	51,662	51,662	-	100.00	55,746	(15,773)	(15,773)	Indirect subsidiary
AAC (BVI)	ANA	Sunnyvale, USA	Sale and fabrication of industrial automation products	504,179	504,179	10,952,606	100.00	972,693	10,091	10,091	Indirect subsidiary
	AAC (HK)	Hong Kong	Investment holding company	539,146	539,146	15,230,001	100.00	899,663	114,630	114,630	Indirect subsidiary
AAC (HK)	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	520,331	113,613	113,613	Indirect subsidiary
	SHHQ	Shanghai, China	Sale of industrial automation products	96,750	96,750	-	100.00	85,275	(4,344)	(4,344)	Indirect subsidiary
	AISC	Shanghai, China	Sale of industrial automation products	257,040	257,040	-	100.00	277,506	17,202	17,202	Indirect subsidiary
	AXA	Xi'an, China	Development and production of software products	32,960	32,960	-	100.00	15,641	(11,650)	(11,650)	Indirect subsidiary
ACN	Hangzhou Advantofine Automation Co., Ltd.	Hangzhou, China	Processes and sale of peripherals	13,727	6,660	-	60.00	10,629	(127)	(64)	Equity-method investee
AEU	AESC	Eindhoven, the Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	114,428	(22,672)	(22,672)	Indirect subsidiary
	ADL	Munich, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	(62,919)	(78,825)	(78,825)	Indirect subsidiary
	APL	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	6,530	92.89	32,536	4,090	3,799	Indirect subsidiary
ASG	APN	Penang, Malaysia	Sale of industrial automation products	8,181	8,181	570,570	55.00	5,372	-	-	Indirect subsidiary
	ATH	Thailand	Production of computers	2,495	2,495	30,000	30.00	6,078	(1,169)	(351)	Indirect subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	3,541	-	-	Indirect subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2009			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				September 30, 2009	December 31, 2008	Shares	Percentage of Ownership	Carrying Value			
Netstar Technology Co., Ltd.	Jan Hsiang Electronics Co., Ltd. Lantech Communications Inc. LANSONIC (BVI)	Taipei, Taiwan Taipei, Taiwan Akara Building 24 DeCastro Street, Wickhams Cay I, Road Fown Tortola, British Virgin Islands	Electronic parts and components manufacturing	\$ 6,603	\$ 11,500	950,000	47.50	\$ 8,425	\$ 1,402	\$ 908	Indirect subsidiary
			Retail sale of electronic materials	11,595	11,595	1,159,500	77.30	-	-	-	Indirect subsidiary
			General investment	101,188	101,188	3,528,529	94.83	(34,870)	HK\$ 677	HK\$ 677	Indirect subsidiary (Note A)
LANSONIC (BVI)	Netstar Electronics Corporation (Dongguan)	Guangzhou, China	Network and UPS product manufacture business	HK\$ 2,935	HK\$ 2,935	-	100.00	HK\$(26,467)	HK\$ 1,302	HK\$ 1,302	Indirect subsidiary (Note A)
Broadwin Technology, Inc.	Broadwin Technology Inc.	San Ramon, USA	Sale of webaccess software	22,491	22,491	5,643,650	100.00	20,981	(1,005)	(1,005)	Indirect subsidiary

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

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

Note C: All the transactions above have been eliminated from the consolidation.

(Concluded)

TABLE 8

## ADVANTECH CO., LTD. AND INVESTEEES

## INVESTMENTS IN MAINLAND CHINA

NINE MONTHS ENDED SEPTEMBER 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 September 30, 2009	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of September 30, 2009	Accumulated Inward Remittance of Earnings as of September 30, 2009
					Outflow	Inflow					
Advantech Technology (China) Company Ltd. (AKMC)	Production and sale of components of industrial automation products	US\$35,650 thousand	Indirect	\$ 1,006,765 (US\$ 31,300 thousand)	\$ -	\$ -	\$ 1,006,765 (US\$ 31,300 thousand)	100%	\$ (13,979)	\$ 1,234,088	\$ -
Yan Hua Xing Ye Electronic (SHHQ)	Sale of industrial automation products	US\$3,000 thousand	Indirect	96,495 (US\$ 3,000 thousand)	-	-	96,495 (US\$ 3,000 thousand)	100%	(4,344)	85,275	-
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Sale of industrial automation products	US\$4,230 thousand	Indirect	171,504 (US\$ 5,332 thousand)	-	-	171,504 (US\$ 5,332 thousand)	100%	113,613	520,331	361,374 (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%	(15,773)	55,746	-
Shanghai Advantech Intelligent Services Co., Ltd.	Production and sale of industrial automation products	US\$8,000 thousand	Indirect	257,320 (US\$ 8,000 thousand)	-	-	257,320 (US\$ 8,000 thousand)	100%	17,202	277,506	-
Xi'an Advantech Software Ltd.	Development and production of software products	US\$1,000 thousand	Indirect	(Note D)	-	-	-	100%	(11,650)	15,641	-

Accumulated Investment in Mainland China as of September 30, 2009	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,538,516 (US\$47,832 thousand) (Note E)	\$2,331,963 (US\$72,500 thousand)	\$7,397,441 (Note G)

(Continued)

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

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. and its investees in Mainland China are described in Note 17 to the financial statements and Tables 1, 2, 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\$32.165.

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.

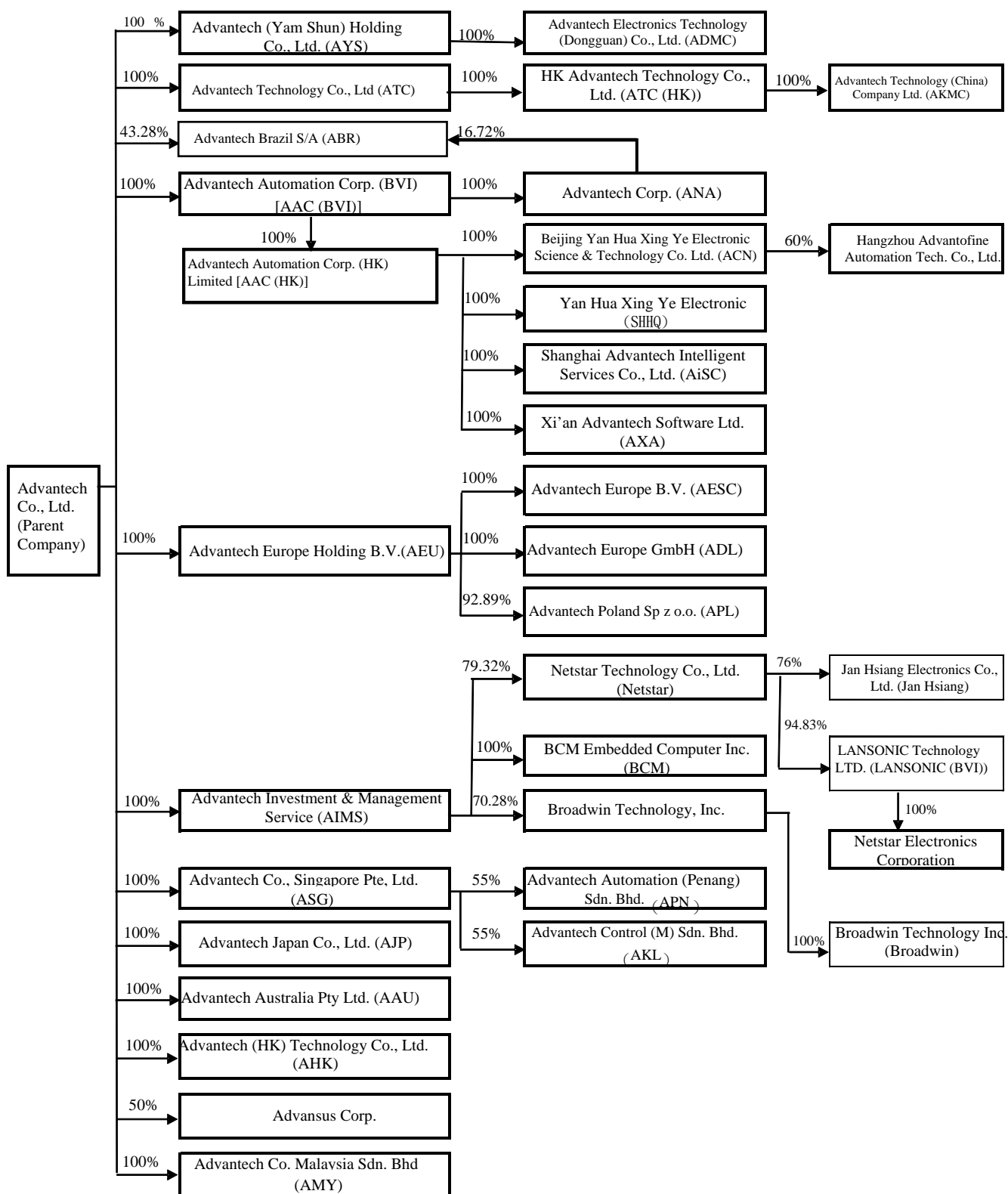
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**TABLE 9**

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

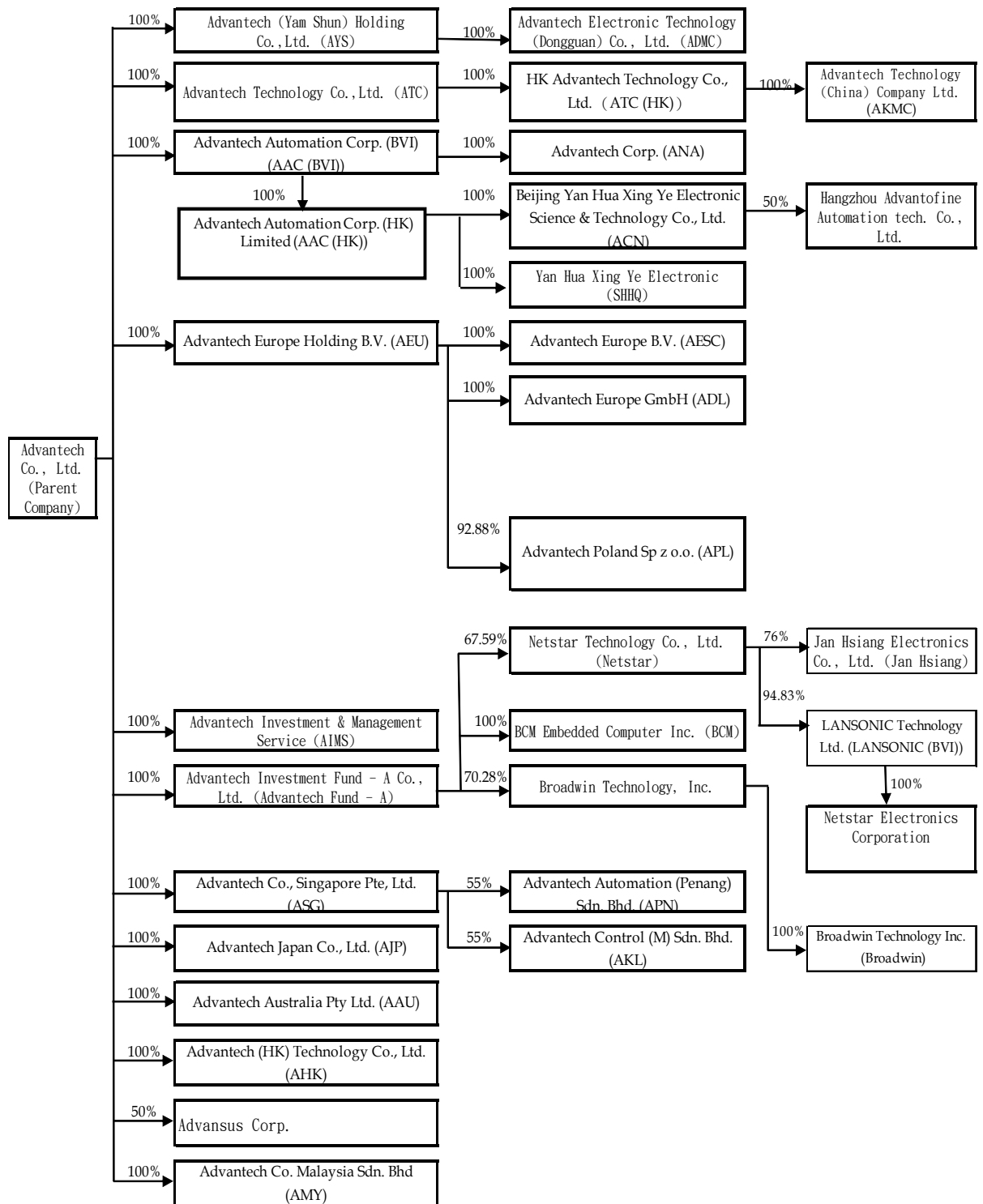
**ORGANIZATION CHART  
SEPTEMBER 30, 2009 AND 2008**

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



Note: Advansus Corp. was consolidated subjected to the proportionate consolidation method.

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



Note: Advansus Corp. and Hangzhou Advantofine Automation Tech. Co., Ltd. were subjected to the proportionate consolidation method.

## ADVANTECH CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD. AND SUBSIDIARIES  
NINE MONTHS ENDED SEPTEMBER 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>September 30, 2009</u>						
0	Advantech Co., Ltd.	AESC	1	Sales	\$ 1,010,349	Normal	13
		AESC	1	Accounts receivable - related parties	402,485	30 days	3
		AESC	1	Purchase	1,301	Normal	-
		AESC	1	Accounts payable - related parties	1	30 days	-
		ACN	1	Sales	1,401,000	Normal	18
		ACN	1	Accounts receivable - related parties	302,612	45 days	2
		ACN	1	Purchase	3,577	Normal	-
		ACN	1	Accounts payable - related parties	1,487	30 days	-
		ATC	1	Purchase	2,684,727	Normal	35
		ATC	1	Accounts payable - related parties	814,782	60 days	5
		ATC	1	Royalty revenue	134,053	Normal	2
		AKMC	1	Sales	87,205	Normal	1
		AKMC	1	Accounts receivable - related parties	92,554	45 days	1
		AKMC	1	Accounts payable - related parties	24	60 days	-
		AAU	1	Sales	78,636	Normal	1
		AAU	1	Accounts receivable - related parties	13,367	60-90 days	-
		AAU	1	Purchase	42	Normal	-
		ASG	1	Sales	47,791	Normal	1
		ASG	1	Accounts receivable - related parties	7,188	60-90 days	-
		ASG	1	Purchase	773	Normal	-
		ASG	1	Accounts payable - related parties	843	60-90 days	-
		AJP	1	Sales	140,563	Normal	2
		AJP	1	Accounts receivable - related parties	30,116	60-90 days	-
		AJP	1	Accounts payable - related parties	37	60-90 days	-
		AJP	1	Purchase	103	Normal	-
		Advansus Corp.	1	Sales	7,218	Normal	-
		Advansus Corp.	1	Accounts receivable - related parties	6,023	60-90 days	-
		Advansus Corp.	1	Purchase	787,613	Normal	10
		Advansus Corp.	1	Accounts payable - related parties	101,081	60-90 days	1
		Advansus Corp.	1	Rental revenue	5,265	Normal	-
		Advansus Corp.	1	Other revenue	8,679	Normal	-
		Advansus Corp.	1	Rental expense	9,959	Normal	-
		AIMS	1	Rental revenue	150	Normal	-
		AIMS	1	Other revenue	11	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	
		BCM Embedded Computer Inc.	1	Rental revenue	\$ 585	Normal	-
		BCM Embedded Computer Inc.	1	Accounts receivable - related parties	334	30 days	-
		BCM Embedded Computer Inc.	1	Accounts payable - related parties	90	30 days	-
		BCM Embedded Computer Inc.	1	Purchase	440	Normal	-
		BCM Embedded Computer Inc.	1	Sales	398	Normal	-
		Advantech Fund - A	1	Rental revenue	27	Normal	-
		Advantech Fund - A	1	Accounts receivable - related parties	3	5th of every month	-
		Broadwin Technology, Inc.	1	Sales	2,570	Normal	-
		Broadwin Technology, Inc.	1	Accounts receivable - related parties	1,115	60 days	-
		Broadwin Technology, Inc.	1	Purchase	402	Normal	-
		ADL	1	Purchase	75	Normal	-
		ADL	1	Accounts receivable - related parties	355	30 days	-
		ADL	1	Accounts payable - related parties	252	30 days	-
		AMY	1	Sales	13,241	Normal	-
		AMY	1	Accounts receivable - related parties	1,557	45 days	-
		AMY	1	Purchase	60	Normal	-
		APL	1	Sales	8,025	Normal	-
		APL	1	Accounts receivable - related parties	5,451	45 days	-
		APL	1	Accounts payable - related parties	1,328	30 days after invoice date	-
		APL	1	Purchase	8	Normal	-
		Netstar Technology Co., Ltd.	1	Purchase	33,132	Normal	-
		Netstar Technology Co., Ltd.	1	Accounts payable - related parties	10,348	60 days	-
		Netstar Technology Co., Ltd.	1	Sales	17	90 days	-
		Jan Hsiang	1	Accounts receivable - related parties	3	Normal	-
		Jan Hsiang	1	Purchase	12,374	Normal	-
		Jan Hsiang	1	Accounts payable - related parties	1,891	60 days	-
		Jan Hsiang	1	Sales	18	Normal	-
		AYS	1	Purchase	114,948	Normal	2
		AYS	1	Accounts payable - related parties	23,148	90 days	-
		AISC	1	Sales	731,930	Normal	10
		AISC	1	Accounts receivable - related parties	265,194	45 days	2
		ADMC	1	Sales	2	Normal	-
		ANA	1	Sales	1,681,846	Normal	22
		ANA	1	Purchase	32,028	Normal	-
		ANA	1	Accounts receivable - related parties	1,681	45 days	-
		ANA	1	Accounts payable - related parties	2,140	45 days	-
		AHK	1	Purchase	373	Normal	-
		AHK	1	Accounts receivable - related parties	51	45 days	-
		ABR	1	Accounts receivable - related parties	16,945	-	-
		ABR	1	Sales	64,904	Normal	1
1	ANA	Advantech Co., Ltd.	2	Sales	32,028	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	2,140	45 days	-
		Advantech Co., Ltd.	2	Purchase	1,681,846	Normal	22
		Advantech Co., Ltd.	2	Accounts payable - related parties	1,681	45 days	-
		ASG	3	Sales	235	Normal	-
		AEU	3	Sales	2,612	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	
		AESC	3	Sales	\$ 4,929	Normal	1
		AESC	3	Accounts receivable - related parties	91,036	60-90 days	-
		AESC	3	Purchase	2,472	Normal	-
		AESC	3	Interest revenue	1,328	Normal	-
		ATC	3	Accounts receivable - related parties	263	60-90 days	-
		ATC	3	Sales	748	Normal	-
		AAU	3	Sales	125	Normal	-
		AAU	3	Accounts receivable - related parties	110	60-90 days	-
		ACN	3	Sales	1,114	Normal	1
		AKMC	3	Accounts receivable - related parties	96,495	30 days after invoice date	-
		AKMC	3	Interest revenue	1,026	Per quarter	-
		AKL	3	Sales	22	Normal	-
		AJP	3	Sales	254	Normal	-
		Advansus Corp.	3	Purchase	1,169	Normal	-
2	AESC	Advantech Co., Ltd.	2	Sales	1,301	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	1	30 days	-
		Advantech Co., Ltd.	2	Purchase	1,010,349	Normal	13
		Advantech Co., Ltd.	2	Accounts payable - related parties	402,485	30 days	3
		ADL	3	Sales	10,382	Normal	-
		ADL	3	Commission expense	299,196	Normal	4
		ADL	3	Accounts receivable - related parties	38,421	30 days after invoice date	-
		ADL	3	Accounts payable - related parties	11,882	30 days after invoice date	-
		APL	3	Purchase	32,458	Normal	-
		APL	3	Accounts receivable - related parties	74	-	-
		APL	3	Accounts payable - related parties	19,080	30 days after invoice date	-
		AJP	3	Sales	7	Normal	-
		ANA	3	Sales	2,472	Normal	-
		ANA	3	Purchase	4,929	Normal	-
		ANA	3	Interest expense	1,328	Normal	-
		ANA	3	Accounts payable - related parties	91,036	60-90 days	1
		AAU	3	Sales	21	Normal	-
		ASG	3	Purchase	53	Normal	-
		ASG	3	Accounts payable - related parties	21	30 days	-
		AiSC	3	Sales	2,381	Normal	-
		ACN	3	Sales	963	Normal	-
3	ACN	Advantech Co., Ltd.	2	Sales	3,577	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	1,487	30 days	-
		Advantech Co., Ltd.	2	Purchase	1,401,000	Normal	18
		Advantech Co., Ltd.	2	Accounts payable - related parties	302,612	45 days	2
		ANA	3	Purchase	1,114	Normal	-
		AHK	3	Sales	11	30 days after next month	-
		AHK	3	Accounts receivable - related parties	5,828	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	\$ 18,620	Normal	-
		AKMC	3	Accounts payable - related parties	5,393	60-90 days	-
		AKMC	3	Sales	9,926	Normal	-
		AKMC	3	Rental expense	2,890	Normal	-
		AKMC	3	Accounts receivable - related parties	97,196	60-90 days	1
		AKMC	3	Interest revenue	1,675	Normal	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Sales discount	1,941	Normal	-
		SHHQ	3	Accounts receivable - related parties	323	60-90 days	-
		SHHQ	3	Sales	70,676	Normal	1
		SHHQ	3	Purchase	50	Normal	-
		SHHQ	3	Interest expense	629	Normal	-
		SHHQ	3	Accounts payable - related parties	51,245	60-90 days	-
		AXA	3	Accounts receivable - related parties	13,059	Prompt collection	-
		AXA	3	Accounts payable - related parties	35	90 days after invoice date	-
		AISC	3	Interest expense	335		-
		AISC	3	Accounts receivable - related parties	80,839	25th of every month	1
		AISC	3	Sales	190,922	Normal	3
		AISC	3	Purchase	57,167	Normal	1
		AISC	3	Accounts payable - related parties	92,805	25th of every month	1
		AAU	3	Accounts receivable - related parties	708	30th of every month	-
		AAU	3	Sales	3,119	Normal	-
		AAC(BVI)	3	Dividend payable	2,024	Prompt payment	-
		AEU	3	Accounts receivable - related parties	1,112	60-90 days	-
		AEU	3	Sales	2,232	Normal	-
		BCM Embedded Computer Inc.	3	Accounts receivable - related parties	1,888	Prompt collection	-
		AESC	3	Purchase	963	Normal	-
4	ATC	Advantech Co., Ltd.	2	Accounts receivable - related parties	814,782	60 days	5
		Advantech Co., Ltd.	2	Royalty expense	134,053	Normal	2
		Advantech Co., Ltd.	2	Sales	2,684,727	Normal	35
		AKMC	3	Purchase	2,176,562	Normal	29
		AKMC	3	Accounts payable - related parties	280,651	60-90 days	2
		AKMC	3	Sales	21,338	Normal	-
		AKMC	3	Accounts receivable - related parties	20,619	60-90 days	-
		ANA	3	Purchase	748	Normal	-
		ANA	3	Accounts payable - related parties	263	60-90 days	-
		ADL	3	Purchase	6,163	Normal	-
		ADL	3	Accounts payable - related parties	6,235	7 days after invoice date	-
5	AKMC	Advantech Co., Ltd.	2	Purchase	87,205	Normal	1
		Advantech Co., Ltd.	2	Accounts payable - related parties	92,554	45 days	1
		Advantech Co., Ltd.	2	Accounts receivable - related parties	24	60 days	-
		ACN	3	Purchase	9,926	Normal	-
		ACN	3	Rental revenue	2,890	Normal	-
		ACN	3	Sales	18,620	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	
		ACN	3	Accounts receivable - related parties	\$ 5,393	60-90 days	-
		ACN	3	Accounts payable - related parties	97,196	60-90 days	1
		ACN	3	Interest expense	1,675	Normal	-
		AAU	3	Sales	304	Normal	-
		ADMC	3	Sales	1,132	Normal	-
		ATC	3	Accounts payable - related parties	20,619	60-90 days	-
		ATC	3	Sales	2,176,562	Normal	29
		ATC	3	Purchase	21,338	Normal	-
		ATC	3	Accounts receivable - related parties	280,651	60-90 days	2
		AISC	3	Accounts receivable - related parties	22,146	Prompt collection	-
		AISC	3	Sales	98,778	Normal	1
		AISC	3	Purchase	2,353	Normal	-
		AISC	3	Accounts payable - related parties	1,236	30 days	-
		ANA	3	Accounts payable - related parties	96,495	30 days after invoice date	1
		ANA	3	Interest expense	1,026	Per quarter	-
		Netstar Electronics Corporation	3	Sales	35	Normal	-
		Netstar Electronics Corporation	3	Accounts receivable - related parties	39		-
		Netstar Electronics Corporation	3	Accounts payable - related parties	196		-
		Advansus Corp.	3	Accounts receivable - related parties	3		-
		Advansus Corp.	3	Accounts payable - related parties	188,937	Normal	1
		Advansus Corp.	3	Sales	3	Normal	-
		Advansus Corp.	3	Purchase	949,882	Normal	13
6	ADMC	Advantech Co., Ltd.	2	Purchase	2	Normal	-
		AYS	3	Sales	111,867	Normal	1
		AYS	3	Accounts receivable - related parties	15,084	60-90 days	-
		AKMC	3	Purchase	1,132	Normal	-
7	APL	Advantech Co., Ltd.	2	Purchase	8,025	Normal	-
		Advantech Co., Ltd.	2	Sales	8	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	5,451	45 days	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	1,328	30 days after invoice date	-
		AESC	3	Sales	32,458	Normal	-
		AESC	3	Accounts payable - related parties	74	Normal	-
		AESC	3	Accounts receivable - related parties	19,080	30 days after invoice date	-
8	AEU	ACN	3	Accounts payable - related parties	1,112	60-90 days	-
		ACN	3	Purchase	2,232	Normal	-
		ANA	3	Purchase	2,612	Normal	-
		ADL	3	Accounts receivable - related parties	95,399	30 days after invoice date	1
		ADL	3	Interest revenue	2,438	30 days after invoice date	-
9	ADL	Advantech Co., Ltd.	2	Sales	75	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	252	30 days	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	355	30 days	-
		ATC	3	Sales	6,163	Normal	-
		ATC	3	Accounts receivable - related parties	6,235	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	\$ 299,196	Normal	4
		AESC	3	Purchase	10,382	Normal	-
		AESC	3	Accounts receivable - related parties	11,882	30 days after invoice date	-
		AESC	3	Accounts payable - related parties	38,421	30 days after invoice date	-
		AEU	3	Accounts payable - related parties	95,399	30 days after invoice date	1
		AEU	3	Interest expense	2,438	30 days after invoice date	-
10	ASG	Advantech Co., Ltd.	2	Accounts receivable - related parties	843	60-90 days	-
		Advantech Co., Ltd.	2	Purchase	47,791	Normal	1
		Advantech Co., Ltd.	2	Accounts payable - related parties	7,188	60-90 days	-
		Advantech Co., Ltd.	2	Sales	773	Normal	-
		AMY	3	Accounts receivable - related parties	200	30 days	-
		AMY	3	Sales	823	Normal	-
		AMY	3	Purchase	7	Normal	-
		AESC	3	Accounts receivable - related parties	21	30 days	-
		AESC	3	Sales	53	Normal	-
		AAU	3	Sales	1,472	Normal	-
		ANA	3	Purchase	235	Normal	-
11	AJP	Advantech Co., Ltd.	2	Sales	103	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	37	60-90 days	-
		Advantech Co., Ltd.	2	Purchase	140,563	Normal	2
		Advantech Co., Ltd.	2	Accounts payable - related parties	30,116	60-90 days	-
		ANA	3	Purchase	254	Normal	-
		AESC	3	Purchase	7	Normal	-
12	AAU	Advantech Co., Ltd.	2	Purchase	78,636	Normal	1
		Advantech Co., Ltd.	2	Accounts payable - related parties	13,367	60-90 days	-
		Advantech Co., Ltd.	2	Sales	42	Normal	-
		AKMC	3	Purchase	304	Normal	-
		AESC	3	Purchase	21	Normal	-
		ANA	3	Purchase	125	Normal	-
		ANA	3	Accounts payable - related parties	110	60-90 days	-
		AMY	3	Purchase	23	Normal	-
		ASG	3	Purchase	1,472	Normal	-
		ACN	3	Accounts payable - related parties	708	30th of every month	-
		ACN	3	Purchase	3,119	Normal	-
13	Advansus Corp.	Advantech Co., Ltd.	2	Sales	787,613	Normal	10
		Advantech Co., Ltd.	2	Accounts receivable - related parties	101,081	60-90 days	1
		Advantech Co., Ltd.	2	Purchase	7,218	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	6,023	60-90 days	-
		Advantech Co., Ltd.	2	Rental expense	5,265	Normal	-
		Advantech Co., Ltd.	2	Rental revenue	9,959	Normal	-
		Advantech Co., Ltd.	2	Other expense	8,679	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	
		ANA	3	Sales	\$ 1,169	Normal	-
		AKMC	3	Accounts payable - related parties	3	60-90 days	-
		AKMC	3	Purchase	3	Normal	-
		AKMC	3	Accounts receivable - related parties	188,937	60-90 days	1
		AKMC	3	Sales	949,882	Normal	13
		Netstar Technology Co., Ltd.	3	Sales	1,009	Normal	-
		BCM Embedded Computer Inc.	3	Accounts receivable - related parties	4,571	60-90 days	-
		BCM Embedded Computer Inc.	3	Sales	25,966	Normal	-
		智翔公司	3	Sales	47	Normal	-
14	AIMS	Advantech Co., Ltd.	2	Rental expense	150	Normal	-
		Advantech Co., Ltd.	2	Other expense	11		-
15	Advantech Fund - A	Advantech Co., Ltd.	2	Rental expense	27	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	3	5th of every month	-
		Netstar Technology Co., Ltd.	3	Interest revenue	506	Per quarter	-
		Netstar Technology Co., Ltd.	3	Accounts receivable - related parties	60,203	Per quarter	-
16	AMY	Advantech Co., Ltd.	2	Sales	60	Normal	-
		Advantech Co., Ltd.	2	Purchase	13,241	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	1,557	45 days	-
		ASG	3	Accounts payable - related parties	200	30 days	-
		ASG	3	Sales	7	Normal	-
		AAU	3	Sales	23	Normal	-
		AHK	3	Accounts receivable - related parties	8,595	60 days	-
		AiSC	3	Accounts receivable - related parties	5,930	25th of every month	-
		AiSC	3	Accounts payable - related parties	33	60 days after invoice date	-
		ACN	3	Purchase	70,676	Normal	1
		ACN	3	Accounts payable - related parties	323	60-90 days	-
		BCM Embedded Computer Inc.	3	Accounts receivable - related parties	78	Prompt collection	-
		ACN	3	Accounts receivable - related parties	51,245	60-90 days	-
		ACN	3	Sales	50	Normal	-
		ACN	3	Interest revenue	629	Normal	-
17	Netstar Technology Co., Ltd.	Advantech Co., Ltd.	2	Sales	33,132	Normal	-
		Advantech Co., Ltd.	2	Purchase	17	90 days	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	10,348	60 days	-
		Advantech Fund - A	3	Interest expense	506	Per quarter	-
		Advantech Fund - A	3	Accounts payable - related parties	60,203	Per quarter	-
		Broadwin Technology, Inc.	3	Interest expense	400	Per quarter	-
		Broadwin Technology, Inc.	3	Accounts payable - related parties	40,200	Per quarter	-
		AKMC	3	Accounts receivable - related parties	196		-
		Advansus Corp.	3	Purchase	47	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	Jan Hsiang	Advantech Co., Ltd.	2	Sales	\$ 12,374	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	1,891	60 days	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	3	Normal	-
		Advantech Co., Ltd.	2	Purchase	18		-
19	AYS	Advantech Co., Ltd.	2	Sales	114,948	Normal	2
		Advantech Co., Ltd.	2	Accounts receivable - related parties	23,148	90 days	-
		ADMC	3	Purchase	111,867	Normal	1
		ADMC	3	Accounts payable - related parties	15,084	60-90 days	-
20	BCM Embedded Computer Inc.	Advantech Co., Ltd.	2	Rental expense	585	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	334	30 days	-
		Advantech Co., Ltd.	2	Purchase	398	Normal	-
		Advantech Co., Ltd.	2	Accounts receivable - related parties	90	30 days	-
		Advantech Co., Ltd.	2	Sales	440	Normal	-
		ACN	3	Accounts payable - related parties	1,888	Prompt payment	-
		SHHQ	3	Accounts payable - related parties	78	Prompt payment	-
		AiSC	3	Accounts payable - related parties	855	Prompt payment	-
		Advansus Corp.	3	Accounts payable - related parties	4,571	60-90 days	-
		Advansus Corp.	3	Purchase	25,966	Normal	-
21	Broadwin Technology, Inc.	Advantech Co., Ltd.	2	Purchase	2,570	Normal	-
		Advantech Co., Ltd.	2	Sales	402	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	1,115	60 days	-
		Netstar Technology Co., Ltd.	3	Interest revenue	400	Per quarter	-
		Netstar Technology Co., Ltd.	3	Accounts receivable - related parties	40,200	Per quarter	-
22	AHK	Advantech Co., Ltd.	2	Sales	373	Normal	-
		Advantech Co., Ltd.	2	Accounts payable - related parties	51	45 days	-
		ACN	3	Accounts payable - related parties	5,828	60-90 days	-
		ACN	3	Purchase	11	Normal	-
		SHHQ	3	Accounts payable - related parties	8,595	60 days	-
		AiSC	3	Accounts payable - related parties	1,475	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	
23	AiSC	Advantech Co., Ltd.	2	Purchase	\$ 731,930	Normal	10
		Advantech Co., Ltd.	2	Accounts payable - related parties	265,194	60 days	2
		AKMC	3	Sales	2,353	Normal	-
		AKMC	3	Purchase	98,778	Normal	1
		AKMC	3	Accounts payable - related parties	22,146	Prompt payment	-
		AKMC	3	Accounts receivable - related parties	1,236	30 days	-
		SHHQ	3	Accounts payable - related parties	5,930	25th of every month	-
		SHHQ	3	Accounts receivable - related parties	33	60 days after invoice date	-
		AESC	3	Purchase	2,381	Normal	-
		BCM Embedded Computer Inc.	3	Accounts receivable - related parties	855	Prompt collection	-
		CAN	3	Interest revenue	335		-
		ACN	3	Sales	57,167	Normal	1
		ACN	3	Accounts receivable - related parties	92,805	25th of every month	1
		ACN	3	Purchase	190,922	Normal	3
		ACN	3	Accounts payable - related parties	80,839	25th of every month	1
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Accounts receivable - related parties	19,953	60 days after invoice date	-
		Hangzhou Advantofine Automation Tech. Co., Ltd.	3	Sales	59,825	Normal	1
AHK	3	Accounts receivable - related parties	1,475	30 days	-		
24	Hangzhou Advantofine Automation Tech. Co., Ltd.	ACN	3	Purchase discount	1,941	Normal	-
		AiSC	3	Accounts payable - related parties	19,953	60 days after invoice date	-
		AiSC	3	Purchase	59,825	Normal	1
25	AXA	ACN	3	Accounts receivable - related parties	35	90 days after invoice date	-
		ACN	3	Accounts payable - related parties	13,059	Prompt collection	-
26	AAC(BVI)	ACN	3	Dividend receivables	2,024	Prompt collection	-
27	ABR	Advantech Co., Ltd.	2	Purchase	64,904	Prompt collection	1
		Advantech Co., Ltd.	2	Accounts payable -related parties	16,945		-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
	<u>September 30, 2008</u>						
0	Advantech Co., Ltd.	AC	1	Sales	\$ 2,216,338	Note E	17
		AC	1	Receivables from related parties	223,861	Note F	1
		AC	1	Purchase	18,877	Note E	-
		AC	1	Payables to related parties	2,843	Note F	-
		AESC	1	Sales	1,527,804	Note E	12
		AESC	1	Receivables from related parties	633,754	Note G	4
		AESC	1	Purchase	1,149	Note E	-
		AESC	1	Payables to related parties	446	Note G	-
		ACN	1	Sales	1,983,363	Note E	15
		ACN	1	Receivables from related parties	507,808	Note F	3
		ACN	1	Purchase	5,264	Note E	-
		ACN	1	Payables to related parties	677	Note G	-
		ATC	1	Dividend receivable	300,000	Note H	2
		ATC	1	Receivables from related parties	18,089	Note H	-
		ATC	1	Purchase	2,760,569	Note E	21
		ATC	1	Payables to related parties	516,771	Note I	3
		ATC	1	Royalty income	138,884	Note E	1
		AKMC	1	Sales	27,437	Note E	-
		AKMC	1	Receivables from related parties	16,733	Note F	-
		AAU	1	Sales	113,834	Note E	1
		AAU	1	Purchase	502	Note E	-
		AAU	1	Receivables from related parties	30,377	Note J	-
		AAU	1	Payables to related parties	515	Note K	-
		ASG	1	Sales	87,999	Note E	1
		ASG	1	Receivables from related parties	18,149	Note J	-
		ASG	1	Dividend receivable	22,540	Note H	-
		ASG	1	Purchase	3,643	Note E	-
		ASG	1	Payables to related parties	4	Note J	-
		AJP	1	Sales	210,047	Note E	2
		AJP	1	Receivables from related parties	43,118	Note J	-
		AJP	1	Purchase	130	Note E	-
		AJP	1	Payables to related parties	126	Note J	-
		Advansus Corp.	1	Sales	4,710	Note E	-
		Advansus Corp.	1	Receivables from related parties	957	Note J	-
		Advansus Corp.	1	Purchase	449,123	Note E	3

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		Advansus Corp.	1	Payables to related parties	\$ 57,095	Note J	-
		Advansus Corp.	1	Rental revenue	2,885	Note E	-
		AIMS	1	Rental revenue	225	Note E	-
		AIMS	1	Receivables from related parties	26	Note J	-
		BCM Embedded Computer Inc.	1	Sales	61	Note E	-
		BCM Embedded Computer Inc.	1	Rental revenue	325	Note E	-
		BCM Embedded Computer Inc.	1	Receivables from related parties	143	Note G	-
		Advantech Fund - A	1	Rental revenue	27	Note E	-
		Advantech Fund - A	1	Receivables from related parties	3	Note O	-
		Broadwin Technology, Inc.	1	Sales	5,899	Note E	-
		Broadwin Technology, Inc.	1	Receivables from related parties	2,957	Note I	-
		Broadwin Technology, Inc.	1	Purchase	724	Note E	-
		Broadwin Technology, Inc.	1	Payables to related parties	5	Note I	-
		ADL	1	Receivables from related parties	3,082	Note G	-
		ADL	1	Purchase	522	Note E	-
		ADL	1	Payables to related parties	371	Note G	-
		AMY	1	Sales	20,221	Note E	-
		AMY	1	Receivables from related parties	1,213	Note F	-
		AMY	1	Purchase	40	Note E	-
		APL	1	Sales	5,799	Note E	-
		APL	1	Purchase	6	Note E	-
		APL	1	Receivables from related parties	21,347	Note F	-
		APL	1	Payables to related parties	7	Note K	-
		Netstar Technology Co., Ltd.	1	Purchase	15,375	Note E	-
		Netstar Technology Co., Ltd.	1	Payables to related parties	3,373	Note I	-
		Jan Hsiang	1	Sales	26	Note E	-
		Jan Hsiang	1	Purchase	16,196	Note E	-
		Jan Hsiang	1	Payables to related parties	1,454	Note I	-
		Jan Hsiang	1	Receivables from related parties	9	Note G	-
		AYS	1	Purchase	395,110	Note E	3
		AYS	1	Payables to related parties	165,775	Note L	1
		ADMC	1	Sales	36	Note E	-
		ADMC	1	Receivables from related parties	1,702	Note F	-
1	AC	Advantech Co., Ltd.	2	Sales	18,877	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	2,843	Note F	-
		Advantech Co., Ltd.	2	Purchase	2,216,338	Note E	17
		Advantech Co., Ltd.	2	Payables to related parties	223,861	Note F	1
		ASG	3	Sales	442	Note E	-
		AESC	3	Sales	3,822	Note E	-
		AESC	3	Receivables from related parties	2,030	Note J	-
		AESC	3	Purchase	1,922	Note E	-
		ATC	3	Receivables from related parties	1,715	Note J	-
		AMY	3	Sales	350	Note E	-
		AMY	3	Receivables from related parties	58	Note K	-
		AAU	3	Sales	88	Note E	-
		AAU	3	Receivables from related parties	78	Note J	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		AJP	3	Sales	\$ 39	Note E	-
		AJP	3	Receivables from related parties	5	Note P	-
		AKMC	3	Sales	3,334	Note E	-
		ACN	3	Payables to related parties	1,826	Note Q	-
		ACN	3	Purchase	1,687	Note E	-
2	AESC	Advantech Co., Ltd.	2	Sales	1,149	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	446	Note G	-
		Advantech Co., Ltd.	2	Purchase	1,527,804	Note E	12
		Advantech Co., Ltd.	2	Payables to related parties	633,754	Note G	4
		ADL	3	Commission expense	341,560	Note E	3
		ADL	3	Sales	2,750	Note E	-
		ADL	3	Receivables from related parties	5,755	Note K	-
		ADL	3	Payables to related parties	85,244	Note K	-
		AIT	3	Sales	8,412	Note E	-
		AIT	3	Commission expense	50,890	Note E	-
		AIT	3	Receivables from related parties	24,142	Note K	-
		AIT	3	Payables to related parties	5,835	Note M	-
		AEU	3	Receivables from related parties	281	Note K	-
		APL	3	Sales	945	Note E	-
		APL	3	Payables to related parties	24,974	Note K	-
		APL	3	Receivables from related parties	487	Note K	-
		AC	3	Sales	1,922	Note E	-
		AC	3	Purchase	3,822	Note E	-
		AC	3	Payables to related parties	2,030	Note J	-
		AAU	3	Sales	35	Note E	-
		ACN	3	Sales	239	Note E	-
		AKMC	3	Sales	52	Note E	-
		AJP	3	Sales	34	Note E	-
		ASG	3	Sales	6	Note E	-
		ASG	3	Payables to related parties	52	Note G	-
3	ACN	Advantech Co., Ltd.	2	Sales	5,264	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	677	Note G	-
		Advantech Co., Ltd.	2	Purchase	1,983,363	Note E	15
		Advantech Co., Ltd.	2	Payables to related parties	507,808	Note F	3
		AEU	3	Receivables from related parties	2,416	Note J	-
		AEU	3	Sales	2,182	Note E	-
		AESC	3	Purchase	239	Note E	-
		AC	3	Sales	1,687	Note E	-
		AC	3	Receivables from related parties	1,826	Note Q	-
		AJP	3	Sales	17	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
		AKMC	3	Receivables from related parties	\$ 96,685	Note J	1
		AKMC	3	Purchase	31,737	Note E	-
		AKMC	3	Payables to related parties	21,283	Note J	-
		AKMC	3	Sales	13,510	Note E	-
		AKMC	3	Rental expense	2,734	Note E	-
		Hangzhou Advantofine Automation tech. Co., Ltd.	3	Receivables from related parties	13,328	Note J	-
		Hangzhou Advantofine Automation tech. Co., Ltd.	3	Sales	44,152	Note E	-
		ASG	3	Receivables from related parties	2	Note M	-
		ASG	3	Payables to related parties	6	Note M	-
		ASG	3	Sales	2	Note E	-
		ASG	3	Purchase	27	Note E	-
		SHHQ	3	Purchase	526	Note E	-
		SHHQ	3	Payables to related parties	49,565	Note J	-
		SHHQ	3	Sales	401,311	Note E	3
		SHHQ	3	Receivables from related parties	43,160	Note J	-
		AHK	3	Sales	6	Note E	-
		AHK	3	Receivables from related parties	5,815	Note J	-
4	ATC	Advantech Co., Ltd.	2	Sales	2,760,569	Note E	21
		Advantech Co., Ltd.	2	Receivables from related parties	516,771	Note I	3
		Advantech Co., Ltd.	2	Payables to related parties	18,089	Note N	-
		Advantech Co., Ltd.	2	Rental expense	138,884	Note E	1
		Advantech Co., Ltd.	2	Dividend payable	300,000	Note N	2
		AKMC	3	Purchase	2,270,583	Note E	17
		AKMC	3	Sales	2,447	Note E	-
		AKMC	3	Payables to related parties	77,396	Note J	-
		AKMC	3	Receivables from related parties	2,588	Note J	-
		AC	3	Payables to related parties	1,715	Note J	-
5	AKMC	Advantech Co., Ltd.	2	Purchase	27,437	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	16,733	Note F	-
		ACN	3	Purchase	13,510	Note E	-
		ACN	3	Rental revenue	2,734	Note E	-
		ACN	3	Sales	31,737	Note E	-
		ACN	3	Receivables from related parties	21,283	Note J	-
		ACN	3	Payables to related parties	99,685	Note J	1
		AC	3	Purchase	3,334	Note E	-
		AAU	3	Receivables from related parties	193	Note H	-
		AAU	3	Sales	636	Note E	-
		AMY	3	Receivables from related parties	29	Note H	-
		AMY	3	Sales	147	Note E	-
		ASG	3	Receivables from related parties	92	Note M	-
		ASG	3	Sales	279	Note E	-
		ADMC	3	Receivables from related parties	23,867	Note J	-
		ADMC	3	Sales	39,020	Note E	-
		AESC	3	Purchase	52	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		ATC	3	Purchase	\$ 2,447	Note E	-
		ATC	3	Payables to related parties	2,588	Note J	-
		ATC	3	Sales	2,270,583	Note E	17
		ATC	3	Receivables from related parties	77,396	Note J	-
		SHHQ	3	Receivables from related parties	8	Note J	-
		Advansus Corp.	3	Payables to related parties	117,811	Note J	1
		Advansus Corp.	3	Purchase	842,254	Note E	6
6	ADMC	Advantech Co., Ltd.	2	Purchase	36	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	1,702	Note F	-
		AKMC	3	Purchase	39,020	Note E	-
		AKMC	3	Payables to related parties	23,867	Note J	-
		AYS	3	Sales	347,489	Note E	3
		AYS	3	Receivables from related parties	88,944	Note J	1
7	APL	Advantech Co., Ltd.	2	Purchase	5,799	Note E	-
		Advantech Co., Ltd.	2	Sales	6	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	21,347	Note F	-
		Advantech Co., Ltd.	2	Receivables from related parties	7	Note K	-
		AESC	3	Receivables from related parties	24,974	Note K	-
		AESC	3	Payables to related parties	487	Note K	-
		AESC	3	Purchase	945	Note E	-
8	ASG	Advantech Co., Ltd.	2	Sales	3,643	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	4	Note J	-
		Advantech Co., Ltd.	2	Purchase	87,999	Note E	1
		Advantech Co., Ltd.	2	Payables to related parties	18,149	Note J	-
		Advantech Co., Ltd.	2	Dividend payable	22,540	Note N	-
		ACN	3	Receivables from related parties	6	Note K	-
		ACN	3	Payables to related parties	2	Note M	-
		ACN	3	Sales	27	Note E	-
		ACN	3	Purchase	2	Note E	-
		AMY	3	Other revenue	74	Note E	-
		AMY	3	Receivables from related parties	107	Note G	-
		AMY	3	Payables to related parties	11	Note G	-
		AMY	3	Sales	42	Note E	-
		AESC	3	Purchase	6	Note E	-
		AESC	3	Receivables from related parties	52	Note G	-
		AC	3	Purchase	442	Note E	-
		AAU	3	Sales	81	Note E	-
		AKMC	3	Payables to related parties	92	Note M	-
		AKMC	3	Purchase	279	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
9	AJP	Advantech Co., Ltd.	2	Sales	\$ 130	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	126	Note J	-
		Advantech Co., Ltd.	2	Purchase	210,047	Note E	2
		Advantech Co., Ltd.	2	Payables to related parties	43,118	Note J	-
		AESC	3	Purchase	34	Note E	-
		ACN	3	Purchase	17	Note E	-
		AC	3	Purchase	39	Note E	-
		AC	3	Payables to related parties	5	Note P	-
10	AAU	Advantech Co., Ltd.	2	Purchase	113,834	Note E	1
		Advantech Co., Ltd.	2	Sales	502	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	30,377	Note J	-
		Advantech Co., Ltd.	2	Receivables from related parties	515	Note K	-
		AKMC	3	Payables to related parties	193	Note N	-
		AKMC	3	Purchase	636	Note E	-
		ASG	3	Purchase	81	Note E	-
		AESC	3	Purchase	35	Note E	-
		AC	3	Purchase	88	Note E	-
		AC	3	Payables to related parties	78	Note J	-
11	ADL	Advantech Co., Ltd.	2	Sales	522	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	371	Note G	-
		Advantech Co., Ltd.	2	Payables to related parties	3,082	Note G	-
		AIT	3	Receivables from related parties	16	Note K	-
		AEU	3	Payables to related parties	1,975	Note K	-
		AESC	3	Receivables from related parties	64,484	Note K	-
		AESC	3	Payables to related parties	5,755	Note K	-
		AESC	3	Purchase	2,748	Note E	-
AESC	3	Commission revenue	335,030	Note E	3		
12	Advansus Corp.	Advantech Co., Ltd.	2	Sales	449,123	Note E	3
		Advantech Co., Ltd.	2	Receivables from related parties	57,095	Note J	-
		Advantech Co., Ltd.	2	Purchase	4,710	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	957	Note J	-
		Advantech Co., Ltd.	2	Rental expense	2,885	Note E	-
		AKMC	3	Receivables from related parties	117,811	Note J	1
		AKMC	3	Sales	842,254	Note E	6
		BCM Embedded Computer Inc. BCM Embedded Computer Inc.	3 3	Receivables from related parties Sales	3,168 10,797	Note J Note E	- -
13	AIMS	Advantech Co., Ltd.	2	Rental expense	225	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	26	Note J	-
14	Advantech Fund - A	Advantech Co., Ltd.	2	Rental expense	27	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	3	Note O	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
15	AMY	Advantech Co., Ltd.	2	Sales	\$ 40	Note E	-
		Advantech Co., Ltd.	2	Purchase	20,221	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	1,213	Note F	-
		AC	3	Purchase	350	Note E	-
		AC	3	Payables to related parties	58	Note K	-
		AKMC	3	Payables to related parties	29	Note N	-
		AKMC	3	Purchase	147	Note E	-
		ASG	3	Payables to related parties	107	Note G	-
		ASG	3	Receivables from related parties	11	Note G	-
		ASG	3	Purchase	42	Note E	-
		ASG	3	Other expense	74	Note E	-
16	AEU	ACN	3	Payables to related parties	2,416	Note J	-
		ACN	3	Purchase	2,182	Note E	-
		ADL	3	Receivables from related parties	1,975	Note K	-
		AESC	3	Payables to related parties	281	Note K	-
17	SHHQ	AKMC	3	Payables to related parties	8	Note J	-
		AHK	3	Receivables from related parties	6,294	Note I	-
		ACN	3	Sales	526	Note E	-
		ACN	3	Receivables from related parties	49,565	Note J	-
		ACN	3	Purchase	401,311	Note E	3
		ACN	3	Payables to related parties	43,160	Note J	-
18	AIT	AESC	3	Commission revenue	50,890	Note E	-
		AESC	3	Purchase	8,412	Note E	-
		AESC	3	Payables to related parties	24,142	Note K	-
		AESC	3	Receivables from related parties	5,835	Note M	-
		ADL	3	Payables to related parties	16	Note K	-
19	Netstar Technology Co., Ltd.	Advantech Co., Ltd.	2	Sales	15,375	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	3,373	Note I	-
20	Jan Hsiang	Advantech Co., Ltd.	2	Sales	16,196	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	1,454	Note I	-
		Advantech Co., Ltd.	2	Payables to related parties	9	Note G	-
		Advantech Co., Ltd.	2	Purchase	26	Note E	-
21	AYS	Advantech Co., Ltd.	2	Sales	395,110	Note E	3
		Advantech Co., Ltd.	2	Receivables from related parties	165,775	Note L	1
		ADMC	3	Purchase	347,489	Note E	3
		ADMC	3	Payables to related parties	88,944	Note J	1
22	BCM Embedded Computer Inc.	Advantech Co., Ltd.	2	Rental expense	325	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	143	Note G	-
		Advantech Co., Ltd.	2	Purchase	61	Note E	-
		Advansus Corp.	3	Payables to related parties	3,168	Note J	-
		Advansus Corp.	3	Purchase	10,797	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Flow of Transaction (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
23	Broadwin Technology, Inc.	Advantech Co., Ltd.	2	Sales	\$ 724	Note E	-
		Advantech Co., Ltd.	2	Receivables from related parties	5	Note I	-
		Advantech Co., Ltd.	2	Purchase	5,899	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	2,957	Note I	-
24	AHK	ACN	3	Payables to related parties	5,815	Note J	-
		ACN	3	Purchase	6	Note E	-
		SHHQ	3	Payables to related parties	6,294	Note I	-
25	Hangzhou Advantofine Automation tech. Co., Ltd.	ACN	3	Payables to related parties	13,328	Note J	-
		ACN	3	Purchase	44,152	Note E	-

Note A: The Parent Company and its subsidiaries are numbered as follows:

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

Note B: The flow of related-party transactions is as follows:

1. From the Parent Company to its subsidiary.
2. From the subsidiary to its Parent Company.
3. Between subsidiaries.

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

Note D: All intercompany transactions have been written off.

Note E: Normal.

Note F: 45 days.

Note G: 30 days.

Note H: Prompt collection.

Note I: 60 days.

Note J: 60-90 days.

Note K: 30 days after invoice date.

Note L: 90 days.

Note M: 45 days after invoice date.

(Continued)

Note N: Cash on delivery.

Note O: 5th of every month.

Note P: 15 days after the invoice date.

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

(Concluded)