

Advantech Co., Ltd.

**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 balance sheets of Advantech Co., Ltd. as of September 30, 2009 and 2008, and the related statements of income and cash flows for the nine months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our reviews.

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

As stated in Note 8 to the financial statements, Advantech Co., Ltd. had investments accounted for by the equity method. As of September 30, 2009 and 2008, these investments had carrying values of NT\$5,616,121 thousand and NT\$4,786,759 thousand, respectively. As of September 30, 2009 and 2008, the credit balances on the carrying values of equity-method investees were NT\$6,370 thousand and NT\$1,475 thousand, respectively. The foregoing investment amounts and the net investment gains of NT\$350,145 thousand and NT\$637,023 thousand in the nine months ended September 30, 2009 and 2008, respectively, as well as additional disclosures in Note 19 required by the Securities and Futures Bureau for the Company and its investees, were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

Based on our reviews, except for any adjustments that might have been determined to be necessary had the investees' financial statements, mentioned in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the financial statements of Advantech Co., Ltd. as of and for the nine months ended September 30, 2009 and 2008 for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the accompanying financial statements, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) 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.

We have reviewed the consolidated financial statements of Advantech Co., Ltd. and its subsidiaries as of and for the nine months ended September 30, 2009 and 2008 and have issued an qualified accountants' review report thereon dated October 20, 2009 (not presented herewith) with an explanatory paragraph.

October 20, 2009

Notice to Readers

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

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

ADVANTECH CO., LTD.
BALANCE SHEETS
SEPTEMBER 30, 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	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 4)	\$ 1,292,158	9	\$ 571,112	4	Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 18)	\$ 264	-	\$ 179	-
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 18)	10,762	-	923	-	Accounts payable	390,890	3	434,394	3
Available-for-sale financial assets - current (Notes 2, 6 and 18)	-	-	310,375	2	Accounts payable - related parties (Note 16)	957,476	6	749,490	5
Notes receivable (Note 2)	34,486	-	63,470	-	Income tax payable (Notes 2 and 13)	121,737	1	223,402	1
Accounts receivable, net of allowance for doubtful accounts of \$16,218 thousand in 2009 and \$13,932 thousand in 2008 (Note 2)	572,994	4	621,989	4	Accrued expenses (Note 11)	587,929	4	795,332	5
Accounts receivable - related parties (Notes 2 and 16)	1,206,917	8	1,564,689	11	Advance receipts and other current liabilities (Note 16)	48,764	-	84,510	1
Other receivable	33,005	-	120,323	1	Total current liabilities	2,107,060	14	2,287,307	15
Other receivable - related parties (Note 16)	57,876	-	343,341	2	OTHER LIABILITIES				
Inventories, net (Notes 2 and 7)	832,769	6	1,151,548	8	Accrued pension liabilities (Notes 2 and 10)	103,699	1	106,941	1
Deferred income tax assets - current (Notes 2 and 13)	21,810	-	33,460	-	Deferred income tax liabilities - noncurrent (Notes 2 and 13)	268,549	2	228,059	1
Prepayments and other current assets	119,176	1	55,871	-	Deferred income (Note 2)	168,606	1	278,343	2
Total current assets	4,181,953	28	4,837,101	32	Others (Notes 2 and 8)	6,370	-	1,475	-
					Total other liabilities	547,224	4	614,818	4
LONG-TERM FUNDS AND INVESTMENTS					Total liabilities	2,654,284	18	2,902,125	19
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 18)	2,587,043	17	2,837,867	19	SHAREHOLDERS' EQUITY				
Investments accounted for by the equity method (Notes 2 and 8)	5,616,121	38	4,786,759	32	Capital stock, NT\$10.00 par value				
Total long-term funds and investments	8,203,164	55	7,624,626	51	Authorized - 600,000 thousand shares				
					Issued and outstanding - 516,134 thousand shares in 2009 and 511,346 thousand shares in 2008	5,161,337	34	5,113,458	34
PROPERTIES (Notes 2 and 9)					Capital surplus				
Cost					Additional paid-in capital from share issuance in excess of par	4,376,041	29	4,295,589	29
Land	1,113,352	7	640,472	4	From treasury stock	13,612	-	18,620	-
Buildings	1,146,306	8	844,911	6	From long-term equity investments	59,898	1	63,408	-
Machinery and equipment	397,076	3	386,796	3	Total capital surplus	4,449,551	30	4,377,617	29
Furniture and fixtures	119,886	1	109,376	1	Retained earnings				
Other equipment	180,109	1	174,361	1	Legal reserve	1,927,459	13	1,673,104	11
Total cost	2,956,729	20	2,155,916	15	Special reserve	1,135,596	7	-	-
Accumulated depreciation	628,204	4	557,910	4	Unappropriated earnings	1,294,209	9	2,350,891	16
	2,328,525	16	1,598,006	11	Total retained earnings	4,357,264	29	4,023,995	27
Construction-in-progress and prepayments for equipment	54,926	-	774,789	5	Others				
Net properties	2,383,451	16	2,372,795	16	Cumulative translation adjustments	253,858	2	246,532	2
					Unrealized loss on financial instruments	(599,887)	(4)	(296,272)	(2)
OTHER ASSETS					Total others	(346,029)	(2)	(49,740)	-
Refundable deposits (Note 16)	6,263	-	7,319	-	Treasury stock - 14,500 thousand shares	(1,385,698)	(9)	(1,385,698)	(9)
Deferred expenses, net (Note 2)	115,878	1	139,916	1	Total shareholders' equity (Notes 2, 11 and 12)	12,236,425	82	12,079,632	81
Total other assets	122,141	1	147,235	1					
TOTAL	\$ 14,890,709	100	\$ 14,981,757	100	TOTAL	\$ 14,890,709	100	\$ 14,981,757	100

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

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

ADVANTECH CO., LTD.

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 16)				
Sales	\$ 7,580,000	100	\$ 9,364,126	100
Sales returns and allowances	<u>84,457</u>	<u>1</u>	<u>78,766</u>	<u>1</u>
Net sales	7,495,543	99	9,285,360	99
Other operating revenues	<u>97,419</u>	<u>1</u>	<u>114,253</u>	<u>1</u>
Total operating revenues	7,592,962	100	9,399,613	100
OPERATING COSTS (Notes 14 and 16)	<u>5,607,994</u>	<u>74</u>	<u>6,714,409</u>	<u>72</u>
GROSS PROFIT	1,984,968	26	2,685,204	28
REALIZED (UNREALIZED) INTERCOMPANY GAINS (Note 2)	<u>82,422</u>	<u>1</u>	<u>(35,188)</u>	<u>-</u>
ADJUSTED GROSS PROFIT	<u>2,067,390</u>	<u>27</u>	<u>2,650,016</u>	<u>28</u>
OPERATING EXPENSES (Note 14)				
Marketing	205,129	2	230,307	2
Administration	284,332	4	330,891	4
Research and development	<u>760,310</u>	<u>10</u>	<u>761,251</u>	<u>8</u>
Total operating expenses	<u>1,249,771</u>	<u>16</u>	<u>1,322,449</u>	<u>14</u>
OPERATING INCOME	<u>817,619</u>	<u>11</u>	<u>1,327,567</u>	<u>14</u>
NONOPERATING INCOME AND GAINS				
Interest income (Note 16)	3,896	-	10,590	-
Investment income recognized under the equity method, net (Notes 2 and 8)	350,145	5	637,023	7
Dividend income (Note 2)	91,397	1	103,888	1
Gain on sale of investments, net	-	-	19,808	-
Foreign exchange gain, net (Note 2)	18,859	-	25,701	-
Financial instrument revaluation gain, net (Notes 2 and 5)	5,120	-	-	-
Royalty revenue (Note 16)	134,053	2	138,884	2
Other income (Note 16)	<u>23,670</u>	<u>-</u>	<u>15,408</u>	<u>-</u>
Total nonoperating income and gains	<u>627,140</u>	<u>8</u>	<u>951,302</u>	<u>10</u>

(Continued)

ADVANTECH CO., LTD.

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				
Financial instrument revaluation loss, net (Notes 2 and 5)	\$ -	-	\$ 12,288	-
Other expenses	<u>2,020</u>	-	<u>2,189</u>	-
Total nonoperating expenses and losses	<u>2,020</u>	-	<u>14,477</u>	-
INCOME BEFORE INCOME TAX	1,442,739	19	2,264,392	24
INCOME TAX (Notes 2 and 13)	<u>151,309</u>	<u>2</u>	<u>265,034</u>	<u>3</u>
NET INCOME	<u>\$ 1,291,430</u>	<u>17</u>	<u>\$ 1,999,358</u>	<u>21</u>
	2009		2008	
	Pretax	After-tax	Pretax	After-tax
EARNINGS PER SHARE, NEW TAIWAN DOLLARS (Note 15)				
Basic	<u>\$ 2.88</u>	<u>\$ 2.58</u>	<u>\$ 4.51</u>	<u>\$ 3.98</u>
Diluted	<u>\$ 2.86</u>	<u>\$ 2.56</u>	<u>\$ 4.47</u>	<u>\$ 3.95</u>

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

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

(Concluded)

ADVANTECH CO., LTD.

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

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,291,430	\$ 1,999,358
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	127,564	120,985
Allowance for bad debts	8,824	4,063
Provision (reversal of provision) for loss on inventories	15,913	(6,100)
Loss on disposal of scrap inventories	42,606	57,767
Gain on disposal of long-term equity investments, net	-	(3,648)
Gain on the sale of available-for-sale financial assets, net	-	(16,160)
Loss on disposal of properties, net	392	2,094
Investment income recognized under the equity method, net	(350,145)	(637,023)
Cash dividends receive from equity-method investees	38,398	441,077
Accrued pension liabilities	(2,666)	(1,992)
Deferred income taxes	63,895	(13,838)
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(32,184)	(657)
Notes receivable	(3,581)	(13,981)
Accounts receivable	(14,974)	(29,717)
Accounts receivable - related parties	195,530	311,726
Other receivable	833	(44,413)
Other receivable - related parties	567	7,741
Inventories	107,247	(88,402)
Prepayments and other current assets	(86,873)	(29,899)
Accounts payable	93,710	(37,565)
Accounts payable - related parties	263,255	(225,073)
Income tax payable	(154,505)	35,265
Accrued expenses	187,747	241,013
Advance receipts and other current liabilities	(21,632)	(7,578)
Deferred credits	(82,422)	35,188
Net cash provided by operating activities	<u>1,688,929</u>	<u>2,100,231</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in other receivables - financing to related parties	(47,367)	-
Acquisition of available-for-sale financial assets	-	(6,738,192)
Proceeds of the disposal of available-for-sale financial assets	-	7,414,915
Acquisition of investments accounted for by the equity method	-	(419,752)
Proceeds of the disposal of equity-method investments	120,000	205,489
Cash acquired through merger	6,176	-
Proceeds of the disposal of properties	275	694

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ADVANTECH CO., LTD.

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

	2009	2008
Acquisition of properties	\$ (63,571)	\$ (444,406)
Increase in deferred expense	(10,877)	(54,548)
Decrease in refundable deposits	<u>375</u>	<u>379</u>
Net cash provided by (used in) investing activities	<u>5,011</u>	<u>(35,421)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Employee stock options	3,488	11,536
Cash bonus to employees and remuneration to directors and supervisors	(137,770)	(144,700)
Cash paid for acquisition of treasury stock	-	(671,826)
Cash dividends	<u>(1,490,598)</u>	<u>(1,869,508)</u>
Net cash used in financing activities	<u>(1,624,880)</u>	<u>(2,674,498)</u>
NET INCREASE (DECREASE) IN CASH	69,060	(609,688)
CASH, BEGINNING OF PERIOD	<u>1,223,098</u>	<u>1,180,800</u>
CASH, END OF PERIOD	<u>\$ 1,292,158</u>	<u>\$ 571,112</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Income tax paid	<u>\$ 243,364</u>	<u>\$ 241,781</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends receivable from equity-method investees	<u>\$ -</u>	<u>\$ 322,540</u>

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

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

(Concluded)

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

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

(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

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

In order to improve the entire operating efficiency of the group, the Company's board of directors had resolved to merge with Advantech Investment and Management Service (AIMS) through short-form merger. The scheduled date of merger is July 30, 2009. The Company will be the existing company and AIMS will be combined into the Company. The Company will assume all assets and liabilities of AIMS.

As of September 30, 2009 and 2008, the Company had 1,337 and 1,360 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Current and Noncurrent Assets and Liabilities

Current assets include cash, those assets held primarily for trading purposes and to be realized, sold or consumed within one year from the balance sheet date. All other assets such as 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 Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

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

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

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

Available-for-sale Financial Assets

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

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

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Publicly traded stocks - at closing prices; 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 Company does not recognize as sales those transactions involving the delivery of materials to subcontractors since ownership of materials is not transferred upon delivery of materials. Allowances and the related provision for sales returns are accounted for as a deduction from gross sales, and the related costs are deducted from cost of sales as they are incurred.

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

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

Inventories

Inventories consist of raw materials and supplies, work-in-process, and finished goods. 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.

Long-term Equity Investments

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

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

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

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

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

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

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

Properties

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

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

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

Deferred Expenses

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

Asset Impairment

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

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

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

Pension Costs

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

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

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

Treasury Stock

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

Income Tax

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

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

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

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

Foreign-currency Transactions

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

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

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

Reclassifications

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

3. ACCOUNTING CHANGES

a. Accounting for Inventories

Effective January 1, 2009, the Company 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 in net income and of NT\$0.01 in earnings per share (after income tax), respectively, for the nine months ended September 30, 2009. The Company also reclassified the nonoperating loss of \$52,978 thousand to the cost of goods sold for the nine months ended September 30, 2008.

b. Accounting for Bonuses to Employees, Directors and Supervisors

The Accounting Research and Development Foundation of the R.O.C. issued Interpretation 2007-052 which requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. This accounting change resulted in decreases of \$175,992 thousand in net income and of NT\$0.36 in earnings per share (after income tax and before unretroactively adjusted) for the nine months ended September 30, 2008.

4. CASH

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Cash on hand	\$ 1,534	\$ 1,555
Checking and demand deposits	640,344	69,711
Time deposits: Interest - 0.1%-0.575% in 2009 and 2.00%-4.23% in 2008	<u>650,280</u>	<u>499,846</u>
	<u>\$ 1,292,158</u>	<u>\$ 571,112</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	<u>September 30</u>	
	<u>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:

	Currency	Maturity	Amount (Thousands)
<u>September 30, 2009</u>			
Sell	USD/NTD	October 2009-April 2010	USD20,223/TWD684,375
	JPY/NTD	December 2009	JPY45,000/TWD16,226
	EUR/USD	October 2009	EUR500/USD723
	EUR/NTD	October 2009	EUR500/TWD23,521
<u>September 30, 2008</u>			
Sell	JPY/USD	October 2008	JPY83,000/USD795
	EUR/USD	October 2008	EUR2,500/USD3,621

The 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 Company is to avoid the major portion of the fair value risks.

Net gains and losses arising from trading financial assets or liabilities for the nine months ended September 30, 2009 and 2008 were net gains \$5,120 thousand and net losses \$12,288 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>September 30</u>		
	<u>2009</u>	<u>2008</u>	
	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Mutual funds	\$ -	\$ 310,375	\$ -
Quoted domestic stocks			
ASUSTEK Computer Inc.	2,527,593	-	2,837,867
Quoted overseas stocks			
SG Advantech Co., Ltd.	<u>59,450</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,587,043</u>	<u>\$ 310,375</u>	<u>\$ 2,837,867</u>

7. INVENTORIES, NET

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Finished goods	\$ 315,279	\$ 403,408
Work in process	194,564	317,105
Materials and supplies	314,611	411,245
Inventories in transit	<u>8,315</u>	<u>19,790</u>
	<u>\$ 832,769</u>	<u>\$ 1,151,548</u>

As of September 30, 2009 and 2008, the allowance for loss were \$98,038 thousand and \$103,047 thousand, respectively.

As of September 30, 2009 and 2008, the costs of goods sold related to inventories were \$5,607,994 thousand and \$6,714,409 thousand, respectively, which included allowance for loss of \$15,913 thousand and inventory scraps for loss of \$42,606 thousand for the nine months ended September 30, 2009, and reversal of provision for loss of \$6,100 thousand and inventory scraps for loss of \$57,767 thousand for the nine months ended September 30, 2008.

8. LONG-TERM EQUITY INVESTMENTS

	<u>September 30</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
<u>Listed</u>				
Axiomtek Co., Ltd.	<u>\$ 335,496</u>	27.63	<u>\$ 337,564</u>	28.52
<u>Unlisted</u>				
Advantech Automation Corp. (BVI)	1,867,298	100.00	1,535,050	100.00
Advantech Technology Co., Ltd.	1,842,442	100.00	1,041,582	100.00
Advantech Investment Fund-A Co., Ltd.	634,593	100.00	615,772	100.00
Advantech Europe Holding B.V.	328,250	100.00	382,525	100.00
Advansus Corp.	205,492	50.00	298,675	50.00
Advantech Japan Co., Ltd.	111,928	100.00	119,661	100.00
Advantech Australia Pty Ltd.	90,309	100.00	82,705	100.00
Advantech (Yanshun) Holding Co., Ltd.	78,822	100.00	143,658	100.00
Advantech Co. Singapore Pte, Ltd.	65,268	100.00	70,094	100.00
Advantech Co., Malaysia Sdn. Bhd.	40,510	100.00	41,414	100.00
Advantech Hungary Ltd.	15,253	30.00	16,055	30.00
Advantech Brazil S/A (ABR)	460	43.28	-	-
Advantech Technologies Co., Ltd.	-	-	96,092	23.89
Advantech Investment & Management Service	-	-	5,912	100.00
Advantech (H.K.) Technology Co., Ltd.	-	100.00	-	100.00
	<u>5,280,625</u>		<u>4,449,195</u>	
	<u>\$ 5,616,121</u>		<u>\$ 4,786,759</u>	

One of the 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 Company's percentage of ownership of SGA decreased to 10.63%. With this decrease, the Company ceased to have significant influence over SGA, and the investment in SG was thus reclassified to an available-for-sale financial asset - noncurrent.

The calculation of the investment carrying value and the Company's equity in the equity-method investees' net income was based on the investees' unreviewed financial statements as of and for the nine months ended September 30, 2009 and 2008.

Movements of the aforementioned difference allocated to goodwill for the nine months ended September 30, 2009 and 2008 were as follows:

	Nine Months Ended September 30	
	2009	2008
Cost		
Balance, beginning of period	\$ 106,724	\$ 76,944
Amount recognized on acquisition of investments	15,468	33,301
Amount derecognized on disposal of a subsidiary	-	(54)
Translation adjustment	2,565	(2,303)
Negative goodwill amortized	<u>-</u>	<u>55</u>
Balance, end of period	<u>\$ 124,757</u>	<u>\$ 107,943</u>

The Company intended to support the operations of Advantech (H.K.) Technology Co., Ltd. in the nine months ended September 30, 2009 and 2008. Under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities" of the Republic of China, if the equity in losses recognized exceeds the original investment acquisition costs plus any advances given to the investee, the Company recognizes its investee's total losses unless other investors commit to assume, and can assume, a portion of the losses. As of September 30, 2009 and 2008, there were credit balances on this investment of \$6,370 thousand and \$1,475 thousand, respectively, included in other liability - others.

The market value of the listed stock of the equity investment's market values, which was calculated on the basis of the closing price of September 30, 2009 and 2008 were \$510,741 thousand and \$437,744 thousand.

The Company has included all of its direct and indirect subsidiaries in the consolidated financial statements as of and for the nine months ended September 30, 2009 and 2008.

9. PROPERTIES

Statement of changes in properties was as follows:

	Nine Months Ended September 30, 2009				
	Beginning Balance	Acquisition	Disposal	Reclassification	Ending Balance
Properties					
Cost					
Land	\$ 1,113,352	\$ -	\$ -	\$ -	\$ 1,113,352
Buildings	1,090,516	6,267	-	49,523	1,146,306
Machinery and equipment	394,790	6,243	16,649	12,692	397,076
Furniture and fixtures	116,295	6,288	2,697	-	119,886
Other equipment	<u>166,690</u>	<u>11,187</u>	<u>1,131</u>	<u>3,363</u>	<u>180,109</u>
	<u>2,881,643</u>	<u>\$ 29,985</u>	<u>\$ 20,477</u>	<u>\$ 65,578</u>	<u>2,956,729</u>

(Continued)

Nine Months Ended September 30, 2009					
	Beginning Balance	Acquisition	Disposal	Reclassification	Ending Balance
Accumulated depreciation					
Buildings	\$ 136,218	\$ 16,475	\$ -	\$ -	\$ 152,693
Machinery and equipment	260,615	37,784	16,642	-	281,757
Furniture and fixtures	74,192	12,998	2,365	-	84,825
Other equipment	<u>87,198</u>	<u>22,587</u>	<u>856</u>	<u>-</u>	<u>108,929</u>
	<u>558,223</u>	<u>\$ 89,844</u>	<u>\$ 19,863</u>	<u>\$ -</u>	<u>628,204</u>
	2,323,420				2,328,525
Prepayments for equipment	<u>91,263</u>	<u>\$ 33,586</u>	<u>\$ -</u>	<u>\$ (69,923)</u>	<u>54,926</u>
	<u>\$ 2,414,683</u>				<u>\$ 2,383,451</u>
					(Concluded)

Nine Months Ended September 30, 2008					
	Beginning Balance	Acquisition	Disposal	Reclassification	Ending Balance
Properties					
Cost					
Land	\$ 640,472	\$ -	\$ -	\$ -	\$ 640,472
Buildings	844,911	-	-	-	844,911
Machinery and equipment	353,918	19,886	1,696	14,688	386,796
Furniture and fixtures	103,173	9,764	3,561	-	109,376
Other equipment	<u>161,675</u>	<u>18,592</u>	<u>5,906</u>	<u>-</u>	<u>174,361</u>
	<u>2,104,149</u>	<u>\$ 48,242</u>	<u>\$ 11,163</u>	<u>\$ 14,688</u>	<u>2,155,916</u>
Accumulated depreciation					
Buildings	118,896	\$ 12,397	\$ -	\$ -	131,293
Machinery and equipment	217,569	35,228	1,352	-	251,445
Furniture and fixtures	60,220	15,066	3,240	-	72,046
Other equipment	<u>87,050</u>	<u>20,150</u>	<u>4,074</u>	<u>-</u>	<u>103,126</u>
	<u>483,735</u>	<u>\$ 82,841</u>	<u>\$ 8,666</u>	<u>\$ -</u>	<u>557,910</u>
	1,620,414				1,598,006
Construction in progress and prepayments for equipment	<u>398,794</u>	<u>\$ 396,164</u>	<u>\$ -</u>	<u>\$ (20,169)</u>	<u>774,789</u>
	<u>\$ 2,019,208</u>				<u>\$ 2,372,795</u>

10. PENSION PLAN

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of employees' salaries and wages. The pension costs under the defined contribution plan were \$37,764 thousand and \$35,053 thousand for the nine months ended September 30, 2009 and 2008, respectively.

The Company has a defined benefit pension plan under the Labor Standards Law (the "Law"). Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can cumulate up to 45 based points, and the benefits are based on the average monthly salary or wage for the nine months before retirement. Under the Law, the Company accrues pension costs individually on the basis of actuarial calculations and make monthly contributions at 2% of salaries and wages to each company's pension fund, which is administered by each company's pension plan committee and deposited in the respective committees' names in the Bank of Taiwan. The pension costs under the defined benefit pension plan were \$3,272 thousand and \$4,468 thousand for the nine months ended September 30, 2009 and 2008, respectively. As of September 30, 2009 and 2008, the balances of the pension fund were \$99,970 thousand and \$90,017 thousand, respectively.

11. SHAREHOLDERS' EQUITY

Capital Surplus

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

Appropriation of Earnings and Dividend Policy

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

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

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

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

The bonus to employees and remunerations to directors and supervisors of \$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 adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the eve of the shareholders' meeting.

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

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

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

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

The appropriations of earnings for 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:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2008	2007	2008	2007
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 were 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) of the shares of the eve of the shareholders' meeting. 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 were approved by the Financial Supervisory Commission under the Executive Yuan of the ROC. The board of directors resolved August 4, 2009 as the date of distributing stock and cash dividends, and the Company had completed its revised registration from the MOEA.

On April 1, 2003, the Securities and Futures Bureau approved the Company's stock option plan. There were 3,000 thousand units authorized to be issued, which may be converted to 3,000 thousand common shares. Employees may exercise a certain percentage of the option within two and four years of the grant date, and will expire six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT\$20.39 as of September 30, 2009.

All stock options that the Company issued expired in 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 Company need not apply the accounting guideline Nos. 070, 071 and 072 for stock-based compensation issued by the Accounting Research and Development Foundation of the ROC.

12. TREASURY STOCK

(Shares in Thousands)

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

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

13. INCOME TAX

- a. Reconciliation of income tax expense based on income tax at 25% statutory income tax rates to income tax expense, and current income tax payable were as follows:

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Tax on pretax income at 25% statutory rate	\$ 360,675	\$ 566,089
Deduct tax effects of:		
Permanent differences		
Tax-exempt income	(34,507)	(216,814)
Other	(36,517)	(19,881)
Temporary differences	(100,449)	44,461
Income tax (10%) on undistributed earnings	-	25,966
Investment tax credit	<u>(100,312)</u>	<u>(122,775)</u>
Income tax currently payable	<u>\$ 88,890</u>	<u>\$ 277,046</u>

- b. Income tax expense consisted of the following:

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Income tax currently payable	\$ 88,890	\$ 277,046
Income tax expense		
Temporary differences	124,949	(13,838)
Effect of tax law changes on deferred income tax	(51,042)	-
Adjustment in valuation allowance due to changes in tax laws	(10,012)	-
Adjustments for prior years' tax	(1,476)	-
Withholding tax of dividends	<u>-</u>	<u>1,826</u>
	<u>\$ 151,309</u>	<u>\$ 265,034</u>

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Company recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a deferred income tax benefit or expense.

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

	September 30	
	2009	2008
Balance, beginning of period	\$ 276,211	\$ 188,137
Tax effect from merger	31	-
Income tax currently payable	88,890	277,046
Payment	<u>(243,395)</u>	<u>(241,781)</u>
Balance, end of period	<u>\$ 121,737</u>	<u>\$ 223,402</u>

- d. Net deferred income taxes as of September 30, 2009 and 2008 were as follows:

	September 30	
	2009	2008
Current		
Deferred income tax assets		
Allowance for loss on inventories	\$ 19,608	\$ 25,762
Unrealized product warranty reserve	4,766	7,957
Others	<u>1,760</u>	<u>5,000</u>
	<u>26,134</u>	<u>38,719</u>
Deferred income tax liabilities		
Unrealized foreign exchange gain	<u>(4,324)</u>	<u>(5,259)</u>
Deferred income tax assets, net	<u>\$ 21,810</u>	<u>\$ 33,460</u>
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of foreign investees	\$ 40,047	\$ 40,444
Investment credits	22,546	-
Deferred income	20,843	53,488
Pension cost	<u>20,797</u>	<u>26,735</u>
	104,233	120,667
Valuation allowance	<u>(62,593)</u>	<u>(40,444)</u>
	<u>41,640</u>	<u>80,223</u>
Deferred income tax liabilities:		
Accumulated equity in the net gains of foreign investees	<u>(310,189)</u>	<u>(308,282)</u>
Deferred income tax liabilities, net	<u>\$ (268,549)</u>	<u>\$ (228,059)</u>

- e. The investment tax credits unused by the Company as of September 30, 2009 were as follows:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount
Statute for Upgrading Industries	Research and development expenditures	<u>\$ 22,546</u>

f. As of September 30, 2009, the Company's five-years exemption status was as follows:

<u>Exemption Item: Investment Plan</u>	<u>Exemption Period</u>
500 MHz thin client production	From 2006 to 2010

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

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

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

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Balance of the imputation credit account (ICA)	\$ <u>23,864</u>	\$ <u>98,541</u>
The balances of unappropriated retained earnings generated before 1997	\$ <u>2,779</u>	\$ <u>81,329</u>

The actual creditable tax ratios for earnings of 2008 and 2007 were 12.24% and 9.64%.

i. Income tax returns through 2005 had been examined and cleared by the tax authorities.

14. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	<u>Nine Months Ended September 30</u>					
	<u>2009</u>			<u>2008</u>		
	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>
Personnel expenses						
Payroll	\$ 179,905	\$ 665,774	\$ 845,679	\$ 214,481	\$ 687,369	\$ 901,850
Insurance	17,884	42,613	60,497	14,920	33,178	48,098
Pension	10,498	30,538	41,036	12,254	27,267	39,521
Others	<u>13,246</u>	<u>28,366</u>	<u>41,612</u>	<u>17,391</u>	<u>34,967</u>	<u>52,358</u>
	<u>\$ 221,533</u>	<u>\$ 767,291</u>	<u>\$ 988,824</u>	<u>\$ 259,046</u>	<u>\$ 782,781</u>	<u>\$ 1,041,827</u>
Depreciation	<u>\$ 28,154</u>	<u>\$ 61,690</u>	<u>\$ 89,844</u>	<u>\$ 29,350</u>	<u>\$ 53,491</u>	<u>\$ 82,841</u>
Amortization	<u>\$ 77</u>	<u>\$ 37,643</u>	<u>\$ 37,720</u>	<u>\$ 447</u>	<u>\$ 37,697</u>	<u>\$ 38,144</u>

15. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		<u>Shares</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>(Denominator)</u> <u>(Thousand)</u>	<u>Pretax</u>	<u>After-tax</u>
Nine months ended <u>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>-</u>	<u>-</u>	<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>
Nine months ended <u>September 30, 2008</u>					
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	<u>-</u>	<u>-</u>	<u>4,690</u>		
Diluted EPS	<u>\$ 2,264,392</u>	<u>\$ 1,999,358</u>	<u>506,580</u>	<u>\$ 4.47</u>	<u>\$ 3.95</u>

The ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the 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, 2008, 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.

16. RELATED-PARTY TRANSACTIONS

a. Related parties

	<u>Relationship with the Company</u>
Advantech Investment Fund-A Co., Ltd. (“Advantech Fund-A”)	Equity-method investee
Axiomtek Co., Ltd. (“Axiomtek”)	Equity-method investee
Advantech Investment & Management Service (AIMS)	Equity-method investee (AIMS merged with the Company on July 30, 2009)
Advansus Corp.	Equity-method investee
Advantech Europe Holding B.V. (AEU)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
SG Advantech Co., Ltd. (former name: Advantech Technologies Co., Ltd.) (SGA)	The Company was SGA’s director (SGA was an equity-method investee until December 2008)
Advantech KR Co., Ltd. (AKR)	The Company’s chairman is an AKR director
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech (Yanshun) Holding Co., Ltd. (AYS)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC (BVI))	Equity-method investee
Advantech Co., Malaysia Sdn. Bhd (AMY)	Equity-method investee
Advantech Brazil S/A (ABR)	Equity-method investee
Advantech Europe GmbH (ADL)	Equity-method investee of AEU
Advantech Europe B.V. (AESC)	Equity-method investee of AEU
Advantech Poland Sp. z o.o. (APL)	Equity-method investee of AEU
Advantech Automation Corp. (H.K.) Limited (AAC (HK))	Equity-method investee of AAC (BVI)
HK Advantech Technology Co., Ltd. (ATC (HK))	Equity-method investee of ATC
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC (HK)
Advantech Electronic Technology (Dongguan) Co., Ltd. (ADMC)	Equity-method investee of AYS
Advantech Corp. (ANA)	Equity-method investee of AAC (BVI)
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AAC (HK)
Yan Hua Xing Ye Electronic (SHHQ)	Equity-method investee of AAC (HK)
Advantech Control (M) Sdn. Bhd. (AKL)	Equity-method investee of ASG
Advantech Automation (Penang) Sdn. Bhd. (APN)	Equity-method investee of ASG
Advantech Corporation (Thailand) Co. (ATH)	Equity-method investee of ASG
Netstar Technology Co., Ltd. (“Netstar”)	Equity-method investee of Advantech Fund-A
BCM Embedded Computer Inc. (BCM)	Equity-method investee of Advantech Fund-A
Broadwin Technology, Inc. (“Broadwin”)	Equity-method investee of Advantech Fund-A
Jan Hsiang Electronics Co., Ltd. (“Jan Hsiang”)	Equity-method investee of Netstar
Avalue Technology Inc. (“Avalue”)	The Company’s chairman is the Avalue Technology Inc.’s director
Mr. Peter Marek	Manager of ADL
Mr. Stavors Kostelidis	Manager of ADL
Shanghai Advantech Intelligent Services Co., Ltd. (AiSC)	Equity-method investee of AAC (HK)
Xi’an Advantech Software Ltd. (AXA)	Equity-method investee of AAC (HK)
Advantech International Co., Ltd.	The Advantech International Co., Ltd.’s owner is the second-degree relative of the Company’s chairman

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

- b. The significant transactions with the above related parties, in addition to those disclosed in Note 17 and Table 2, are summarized as follows:

	2009		2008	
	Amount	% to Total	Amount	% to Total
<u>For the nine months ended September 30</u>				
1) Sales				
ANA	\$ 1,681,846	22	\$ 2,216,338	24
ACN	1,401,000	19	1,983,363	21
AESC	1,010,349	13	1,527,804	17
AiSC	731,930	10	-	-
AKR	167,003	2	208,499	2
AJP	140,563	2	210,047	2
AKMC	87,205	1	27,437	-
AAU	78,636	1	113,834	1
ABR	64,904	1	78,087	1
ASG	47,791	1	87,999	1
ATH	18,390	-	25,239	-
AMY	13,421	-	20,221	-
Avalue	10,922	-	-	-
APL	8,025	-	5,799	-
Advansus Corp.	7,218	-	4,710	-
Axiomtek	6,816	-	7,355	-
Broadwin	2,570	-	5,899	-
BCM	398	-	-	-
ADMC	2	-	36	-
AHG	-	-	21	-
Others	47	-	106	-
	<u>\$ 5,479,036</u>	<u>72</u>	<u>\$ 6,522,794</u>	<u>69</u>

2) Purchase of materials and suppliers

ATC	\$ 2,684,727	48	\$ 2,760,569	42
Advansus Corp.	787,613	14	449,123	7
AYS	114,948	2	395,110	6
Netstar	33,132	1	15,375	-
ANA	32,028	-	18,877	-
Jan Hsiang	12,374	-	16,196	-
ACN	3,577	-	5,264	-
AESC	1,301	-	1,149	-
ASG	773	-	3,643	-
BCM	440	-	-	-
Broadwin	402	-	724	-
AHK	373	-	-	-
Axiomtek	258	-	828	-
AJP	103	-	130	-

(Continued)

	2009		2008	
	Amount	% to Total	Amount	% to Total
ADL	\$ 75	-	\$ 522	-
AAU	42	-	502	-
Others	<u>82</u>	<u>-</u>	<u>46</u>	<u>-</u>
	<u>\$ 3,672,248</u>	<u>65</u>	<u>\$ 3,668,058</u>	<u>55</u>
				(Concluded)
	2009		2008	
	Amount	% to Total	Amount	% to Total
3) Rental cost (part of operating expense)				
Advansus Corp.	<u>\$ 9,959</u>	<u>1</u>	<u>\$ -</u>	<u>-</u>
4) Royalty revenue for patent (part of nonoperating income)				
ATC	<u>\$ 134,053</u>	<u>21</u>	<u>\$ 138,884</u>	<u>15</u>
5) Rental revenues (part of nonoperating income)				
Advansus Corp.	5,265	1	2,885	-
BCM	585	-	325	-
AIMS	150	-	225	-
Advantech Fund-A	<u>27</u>	<u>-</u>	<u>27</u>	<u>-</u>
	<u>6,027</u>	<u>1</u>	<u>3,462</u>	<u>-</u>
6) Interest income (part of nonoperating income)				
AKR	<u>950</u>	<u>-</u>	<u>-</u>	<u>-</u>
7) Other revenue (part of nonoperating income)				
Advansus Corp.	8,679	2	-	-
AIMS	<u>11</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>8,690</u>	<u>2</u>	<u>-</u>	<u>-</u>
	<u>\$ 149,720</u>	<u>24</u>	<u>\$ 142,346</u>	<u>15</u>

	2009		2008	
	Amount	% to Total	Amount	% to Total
<u>At the end of nine months ended September 30</u>				
8) Accounts receivable - related parties				
Accounts				
AESC	\$ 399,008	33	\$ 626,552	40
ACN	302,612	25	507,808	33
AiSC	265,194	22	-	-
AKMC	92,493	8	16,686	1
AKR	58,709	5	38,010	3
AJP	30,071	3	41,030	3
ABR	16,828	1	18,965	1
AAU	13,248	1	30,263	2
ASG	7,147	1	17,643	1
ATH	6,015	1	4,067	-
APL	5,450	-	21,345	1
Avalue	4,129	-	-	-
ANA	1,592	-	216,608	14
AMY	1,557	-	1,213	-
Axiomtek	1,327	-	1,113	-
Advansus Corp.	805	-	558	-
Broadwin	473	-	2,957	-
BCM	256	-	-	-
ATC	-	-	18,089	1
ADMC	-	-	1,702	-
Others	3	-	80	-
	<u>\$ 1,206,917</u>	<u>100</u>	<u>\$ 1,564,689</u>	<u>100</u>
9) Other receivables - related parties				
Dividends				
ATC	\$ -	-	\$ 300,000	93
ASG	-	-	22,540	7
	-	-	<u>322,540</u>	<u>100</u>
Financing provided				
AKR	<u>47,367</u>	<u>82</u>	-	-
Other receivables				
Advansus Corp.	5,218	9	399	-
AESC	3,477	6	7,202	-
Broadwin	642	1	-	-
ADL	355	1	3,082	-
AKR	212	1	-	-
AAU	119	-	114	-
ABR	117	-	-	-
ANA	89	-	7,253	-
AKMC	61	-	47	-

(Continued)

	2009		2008	
	Amount	% to Total	Amount	% to Total
AJP	\$ 45	-	\$ 2,088	-
ASG	41	-	506	-
Others	133	-	110	-
	<u>10,509</u>	<u>18</u>	<u>20,801</u>	<u>-</u>
	<u>\$ 57,876</u>	<u>100</u>	<u>\$ 343,341</u>	<u>100</u>

(Concluded)

	2009		2008	
	Amount	% to Total	Amount	% to Total
10) Refundable deposits				
Advansus Corp.	<u>\$ 1,483</u>	<u>24</u>	<u>\$ -</u>	<u>-</u>

11) Accounts payable - related parties

Accounts	2009	% to Total	2008	% to Total
ATC	\$ 814,782	85	\$ 516,771	69
Advansus Corp.	101,081	11	57,095	8
AYS	23,148	3	165,775	22
Netstar	10,348	1	3,373	1
ANA	2,140	-	2,843	-
Jan Hsiang	1,891	-	1,454	-
ACN	1,487	-	677	-
APL	1,328	-	-	-
ASG	843	-	-	-
ADL	252	-	371	-
AJP	37	-	126	-
AESC	1	-	446	-
AAU	-	-	515	-
Others	<u>138</u>	<u>-</u>	<u>44</u>	<u>-</u>
	<u>\$ 957,476</u>	<u>100</u>	<u>\$ 749,490</u>	<u>100</u>

12) Other payables (part of other current liabilities)

ABR	<u>\$ 27</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>
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Financing to related parties was as follows (part of other receivable - related parties):

	Nine Months Ended September 30, 2009			
	Maximum Balance	Ending Balance	Interest Rate	Interest Income
AKR	<u>\$ 47,367</u> (KRW 1,850,000 thousand)	<u>\$ 47,367</u> (KRW 1,750,000 thousand)	5%	<u>\$ 950</u>

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

c. Securities transactions

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

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

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

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

17. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of September 30, 2009, the Company had the following guarantees for related parties' loans:

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

18. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	September 30			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Available-for-sale financial assets - current	\$ -	\$ -	\$ 310,375	\$ 310,375
Available-for-sale financial assets - noncurrent	2,587,043	2,587,043	2,837,867	2,837,867
<u>Derivative financial instruments 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

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

<u>Asset</u>	<u>Based on the Quoted Market Price</u>		<u>Determined Using Valuation Techniques</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Financial assets at fair value through profit or loss - current	\$ -	\$ -	\$ 10,762	\$ 923
Available-for-sale financial assets - current	-	310,375	-	-
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 interest rate risk amounted to \$650,280 thousand and \$499,846 thousand, respectively, and financial assets exposed to cash flow interest rate risk amounted to \$640,231 thousand and \$69,484 thousand, respectively.
- e. The 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 Company also recognized unrealized gains 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 Company are mainly mutual funds and publicly traded stocks. Thus, price fluctuations in the open market would result in changes in fair values of these financial instruments.
 - 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties breach the contracts. Contracts with positive fair values on the balance sheet date are evaluated for credit risk. Since the counter-parties to the foregoing derivative financial instruments are reputable financial institutions, management believes its exposure to default by counter-parties is low.

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

19. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 16 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Company and investees.
- b. Investments in mainland China
 - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of September 30, 2009, accumulated inward remittance of earnings as of September 30, 2009 and upper limit on investment: Table 8 (attached)
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 16 and 17 and Tables 1, 2, 5 and 6.

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.

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.

(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.

TABLE 5

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)	

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	Subsidiary	188,937	10.64	-	-	2,807	-
AKMC	ATC	Subsidiary	280,625	17.67	-	-	-	-

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

(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.

(Concluded)