

Advantech Co., Ltd.

**Financial Statements for the Three Months Ended
March 31, 2004 and 2003
Together with Independent Accountants' Review Report**

Readers are advised that the original version of these financial statements is in Chinese. This English translation is solely for the readers' convenience. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

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 March 31, 2004 and 2003 and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our reviews.

With the exception of the matter described in the following paragraph, we conducted our review in accordance with generally accepted auditing standards No. 36, "Review of Financial Statements," in 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 disclosed in Note 6 to the financial statements, Advantech Co., Ltd. has investments accounted for by the equity method. As of March 31, 2004 and 2003, these investments had a carrying value of NT\$3,001,103 thousand and NT\$2,060,725 thousand, respectively. For the three months ended March 31, 2004 and 2003, the related net investment gain of NT\$262,937 thousand and net investment loss of NT\$36,321 thousand, respectively, were based on unreviewed financial statements for the same period.

Based on our review, with the exception of the matter described in the preceding paragraph, we are not aware of any material modifications that should be made to the financial statements as of and for the three months ended March 31, 2004 and 2003 for them to be in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers and generally accepted accounting principles in the Republic of China.

April 16, 2004

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

ADVANTECH CO., LTD.

BALANCE SHEETS

MARCH 31, 2004 AND 2003

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

(Review, Not Audited)

ASSETS	2004		2003		LIABILITIES AND SHAREHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 3)	\$ 77,552	1	\$ 498,530	6	Notes payable	\$ 14,167	-	\$ 31,570	-
Short-term investments (Notes 2 and 4)	1,960,983	21	1,524,298	19	Accounts payable	461,275	5	399,093	5
Notes receivable (Note 2)	56,892	1	44,662	1	Payables to related parties (Note 16)	695,691	7	209,261	3
Accounts receivable—net of allowance for doubtful accounts of \$16,160 in 2004 and \$13,620 in 2003 (Note 2)	381,073	4	291,680	4	Income tax payable (Notes 2 and 12)	52,825	1	233,093	3
Receivables from related parties (Notes 2 and 16)	1,128,740	12	1,017,230	13	Accrued expenses	176,906	2	108,494	1
Inventories—net (Notes 2 and 5)	739,900	8	696,100	9	Bonds payable—current portion (Notes 2 and 9)	1,029,819	11	-	-
Deferred income tax assets—current (Notes 2 and 12)	30,063	-	34,767	-	Other current liabilities (Note 19)	<u>53,152</u>	<u>1</u>	<u>58,643</u>	<u>1</u>
Other current assets (Note 19)	<u>222,257</u>	<u>3</u>	<u>60,805</u>	<u>1</u>	Total current liabilities	<u>2,483,835</u>	<u>27</u>	<u>1,040,154</u>	<u>13</u>
Total current assets	<u>4,597,460</u>	<u>50</u>	<u>4,168,072</u>	<u>53</u>	BONDS PAYABLE—Net of current portion (Notes 2 and 9)	-	-	<u>1,004,001</u>	<u>13</u>
LONG-TERM EQUITY INVESTMENTS (Notes 2, 6 and 10)					OTHER LIABILITIES				
Equity method	3,001,103	33	2,060,725	26	Accrued pension liabilities (Notes 2 and 15)	115,656	1	99,706	1
Cost method	<u>20,000</u>	<u>-</u>	<u>28,798</u>	<u>1</u>	Deferred income tax liabilities—noncurrent (Notes 2 and 12)	74,923	1	-	-
Total long-term equity investments	<u>3,021,103</u>	<u>33</u>	<u>2,089,523</u>	<u>27</u>	Deferred income (Note 2)	211,489	2	190,957	2
PROPERTIES (Notes 2 and 7)					Miscellaneous (Note 2)	<u>2,998</u>	<u>-</u>	<u>41,442</u>	<u>1</u>
Cost					Total other liabilities	<u>405,066</u>	<u>4</u>	<u>332,105</u>	<u>4</u>
Land	571,456	6	549,214	7	Total liabilities	<u>2,888,901</u>	<u>31</u>	<u>2,376,260</u>	<u>30</u>
Buildings and equipment	792,839	8	760,751	10	SHAREHOLDERS' EQUITY (Notes 2, 9, 10 and 11)				
Machinery and equipment	209,955	2	182,791	2	Capital stock, \$10 par value				
Furniture and fixtures	60,202	1	56,836	1	Authorized—500,000 thousand shares				
Miscellaneous equipment	<u>95,964</u>	<u>1</u>	<u>93,299</u>	<u>1</u>	Issued—337,728 thousand shares in 2004 and 286,242 thousand shares in 2003	<u>3,377,279</u>	<u>37</u>	<u>2,862,423</u>	<u>36</u>
Total cost	1,730,416	18	1,642,891	21	Capital surplus				
Accumulated depreciation	<u>295,956</u>	<u>3</u>	<u>239,306</u>	<u>3</u>	Issue of stock in excess of par value	463,189	5	250,773	3
Advances for equipment to be acquired	<u>1,434,460</u>	<u>15</u>	<u>1,403,585</u>	<u>18</u>	From long-term equity investments	<u>33,845</u>	<u>1</u>	<u>46,098</u>	<u>1</u>
Net properties	<u>1,435,750</u>	<u>15</u>	<u>1,407,841</u>	<u>18</u>	Total capital surplus	<u>497,034</u>	<u>6</u>	<u>296,871</u>	<u>4</u>
OTHER ASSETS					Retained earnings				
Properties leased to others (Notes 2 and 8)	69,200	1	122,186	2	Legal reserve	520,089	5	396,678	5
Deferred income taxes—net (Notes 2 and 12)	-	-	26,144	-	Unappropriated earnings	<u>1,906,029</u>	<u>21</u>	<u>1,841,132</u>	<u>24</u>
Certificates of deposit—restricted (Note 17)	2,400	-	2,400	-	Total retained earnings	<u>2,426,118</u>	<u>26</u>	<u>2,237,810</u>	<u>29</u>
Miscellaneous	<u>94,129</u>	<u>1</u>	<u>18,247</u>	<u>-</u>	Cumulative translation adjustments	<u>30,710</u>	<u>-</u>	<u>61,049</u>	<u>1</u>
Total other assets	<u>165,729</u>	<u>2</u>	<u>168,977</u>	<u>2</u>	Total shareholders' equity	<u>6,331,141</u>	<u>69</u>	<u>5,458,153</u>	<u>70</u>
TOTAL ASSETS	<u>\$9,220,042</u>	<u>100</u>	<u>\$7,834,413</u>	<u>100</u>	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$9,220,042</u>	<u>100</u>	<u>\$7,834,413</u>	<u>100</u>

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

(See Deloitte & Touche review report dated April 16, 2004)

English Translation of Financial Statements Originally Issued in Chinese

ADVANTECH CO., LTD.

**STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Review, Not Audited)**

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Note 2)				
Sales (Note 16)	\$ 1,867,593	99	\$ 1,512,969	101
Sales returns and allowances	<u>6,986</u>	<u>-</u>	<u>21,751</u>	<u>2</u>
Net sales	1,860,607	99	1,491,218	99
Other operating revenues	<u>14,095</u>	<u>1</u>	<u>9,473</u>	<u>1</u>
Total operating revenues	1,874,702	100	1,500,691	100
OPERATING COSTS (Notes 13 and 16)	<u>1,297,456</u>	<u>69</u>	<u>932,112</u>	<u>62</u>
GROSS PROFIT	577,246	31	568,579	38
REALIZED PROFITS ON INTERCOMPANY SALES (Note 2)	<u>13,053</u>	<u>-</u>	<u>50,068</u>	<u>3</u>
ADJUSTED GROSS PROFIT	<u>590,299</u>	<u>31</u>	<u>618,647</u>	<u>41</u>
OPERATING EXPENSES (Note 13)				
Marketing	61,171	3	65,335	4
Administration	46,120	2	52,268	3
Research and development	<u>85,504</u>	<u>5</u>	<u>84,043</u>	<u>6</u>
Total operating expenses	<u>192,795</u>	<u>10</u>	<u>201,646</u>	<u>13</u>
OPERATING INCOME	<u>397,504</u>	<u>21</u>	<u>417,001</u>	<u>28</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees—net (Notes 2 and 6)	262,937	14	-	-
Foreign exchange gain—net (Notes 2 and 19)	17,085	1	-	-
Gain on disposal of investments	7,807	1	9,047	1
Interest	309	-	798	-
Reversal of allowance for losses on inventories	-	-	20,277	1
Other income (Note 16)	<u>4,442</u>	<u>-</u>	<u>12,021</u>	<u>1</u>
Total nonoperating income	<u>292,580</u>	<u>16</u>	<u>42,143</u>	<u>3</u>
NONOPERATING EXPENSES AND LOSSES				
Provision for losses on inventories	17,249	1	-	-
Interest	10,447	1	10,649	1
Losses on disposal of scrap inventories	3,432	-	17,646	1
Equity in net loss of investees—net (Notes 2 and 6)	-	-	36,321	2

(Continued)

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	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Foreign exchange loss—net (Notes 2 and 19)	\$ -	-	\$ 19,148	1
Other expenses (Notes 13 and 19)	<u>500</u>	-	<u>7,532</u>	<u>1</u>
Total nonoperating expenses	<u>31,628</u>	<u>2</u>	<u>91,296</u>	<u>6</u>
INCOME BEFORE INCOME TAX	658,456	35	367,848	25
INCOME TAX (Notes 2 and 12)	<u>99,000</u>	<u>5</u>	<u>72,000</u>	<u>5</u>
NET INCOME	<u>\$ 559,456</u>	<u>30</u>	<u>\$ 295,848</u>	<u>20</u>
	<u>2004</u>		<u>2003</u>	
	<u>Pre-tax</u>	<u>After-tax</u>	<u>Pre-tax</u>	<u>After-tax</u>
EARNINGS PER SHARE (Note 14)				
Primary earnings per share	<u>\$ 1.95</u>	<u>\$ 1.66</u>	<u>\$ 1.10</u>	<u>\$ 0.88</u>
Diluted earnings per share	<u>\$ 1.88</u>	<u>\$ 1.59</u>	<u>\$ 1.08</u>	<u>\$ 0.87</u>

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

(See Deloitte & Touche review report dated April 16, 2004)

(Concluded)

English Translation of Financial Statements Originally Issued in Chinese

ADVANTECH CO., LTD.

**STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)
(Review, Not Audited)**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 559,456	\$ 295,848
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,082	17,534
Provision (reversal) of allowance for losses on inventories	17,249 (20,277)
Losses on disposal of scrap inventories	3,432	17,646
Equity in net loss (gain) of investees—net	(262,937)	36,321
Loss on disposal of properties—net	54	14
Accrued pension liabilities	2,592	3,565
Interest-premium on convertible bonds	10,390	10,581
Deferred income taxes	46,142	23,119
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Short-term investments	(542,702)	(277,874)
Notes receivable	(209)	18,565
Accounts receivable	(17,962)	37,812
Receivables from related parties	(73,205)	(25,901)
Inventories	(151,570)	(1,900)
Other current assets	(16,782)	(11,077)
Increase (decrease) in:		
Notes payable	12,800	19,730
Accounts payable	42,539 (93,238)
Payables to related parties	94,308	77,980
Income tax payable	52,825	48,797
Accrued expenses	17,338 (9,049)
Other current liabilities	(13,122)	(61,839)
Deferred income	(<u>13,053</u>)	(<u>50,068</u>)
Net cash (used in) provided by operating activities	(<u>214,335</u>)	<u>56,289</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of long-term equity investments	(57)	(39,132)
Acquisition of properties	(3,981)	(4,577)
Increase in other assets	(<u>74,366</u>)	(<u>2,728</u>)
Net cash used in investing activities	(<u>78,404</u>)	(<u>46,437</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in other liabilities	-	(<u>490</u>)

(Continued)

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	<u>2004</u>	<u>2003</u>
NET INCREASE (DECREASE) IN CASH	(\$ 292,739)	\$ 9,362
CASH, BEGINNING OF PERIOD	<u>370,291</u>	<u>489,168</u>
CASH, END OF PERIOD	<u>\$ 77,552</u>	<u>\$ 498,530</u>
SUPPLEMENTARY INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 57</u>	<u>\$ 68</u>
Income tax paid	<u>\$ 33</u>	<u>\$ 84</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Conversion of bonds into capital stock and capital surplus	<u>\$ 16,191</u>	<u>\$ 47,114</u>
Current portion of corporate bonds payable	<u>\$ 1,029,819</u>	<u>\$ -</u>
Retired treasury stock	<u>\$ 210,736</u>	<u>\$ -</u>

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

(See Deloitte & Touche review report dated April 16, 2004)

(Concluded)

English Translation of Financial Statements Originally Issued in Chinese

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

Advantech Co., Ltd. (the "Company") manufactures and sells embedded personal computers (PCs), industrial automation products, industrial computers and panel PCs. Its stock has been listed on the Taiwan Stock Exchange since December 13, 1999.

As of March 31, 2004 and 2003, the Company had 834 and 739 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements conform to the Guidelines for Securities Issuers' Financial Reporting for Public Companies and accounting principles generally accepted in the ROC.

The Company estimates for allowance for doubtful accounts, provision for losses on inventories depreciation of properties, pension cost and warranty liabilities. Because of the uncertainty of circumstances, however, estimates may differ from the actual outcome.

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

Current and Noncurrent Assets and Liabilities

Assets consumed or used up within one year are classified as current. Liabilities repaid or settled within one year are classified as current. All other assets and liabilities are classified as noncurrent.

Short-term Investments

Short-term investments consist of convertible bonds and open-end mutual funds. The investments are carried at the lower of aggregate cost or market value. If the aggregate carrying value of the investments exceeds their total market value, an allowance for losses is recognized and charged to current year's income. Any annual recovery of the market value to the extent of the original carrying value is recognized as income. Costs of investments sold are determined using the first-in, first-out method.

For open-end mutual funds, market values are based on the net asset values of the open-end mutual funds on the balance sheet date and for convertible bonds, on the reference price of over-the-counter securities.

Allowance for Doubtful Accounts

Allowances for doubtful accounts are provided on the basis of a review of the collectibility of individual notes and accounts receivable.

Inventories

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

(See the accountants' review report.)

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

Long-term Equity Investments

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

Investments accounted for by the equity method are carried at cost on the acquisition date and subsequently adjusted for the Company's proportionate share in the investees' earnings or losses and changes in capital surplus. Cash dividends received are recognized as a reduction of the carrying value of investments. The negative carrying value of investments due to equity in losses recognized that exceeded the original investment acquisition costs are recorded as part of other liabilities. The difference between investment acquisition cost and the Company's equity in an investee's net assets when an investment is acquired or when the equity method is first adopted, is amortized over five years. If an investee issues additional shares and the Company subscribes for these shares at a percentage different from its current equity in the investee, the resulting increase in the Company's equity in the 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 less than majority-owned investees, the Company's equity in their net income or net loss is recognized in the following year on the basis of the current year's equity if the current year's financial statements are not available.

The profit from the Company's sale of products to its subsidiaries is wholly deferred, but only the profit in proportion to the Company's equity is deferred for those investees that are not majority-owned. The deferred profits are recognized as part of other liabilities. Profit from the sale of products by investees to the Company or by one investee to another is deferred on the basis of equity in the investee and credited against the investment. All of these profits are realized on the subsequent sale of related products to third parties.

Investments in shares of stock of companies in which the Company owns less than 20% of their outstanding common stock and do not exercise significant influence over their operating and financial decisions are accounted for by the cost method. For investments in stocks with no quoted market prices, an allowance is recognized to reflect an other than temporary decline in value below carrying value and is charged to current income. Cash dividends received in the year the investment is made are accounted for as a reduction of the carrying value of the investment and are recognized as investment income in subsequent years.

For both equity-method and cost-method investments, stock dividends received are recorded only as an increase in the number of shares held but are not recognized as investment income.

Costs of investments sold are determined using the weighted-average method.

Properties and Properties Leased to Others

Properties and properties leased to others are stated at cost less accumulated depreciation. Major 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, 5 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 that have reached their full residual value but are still being used by the Company are depreciated over their newly estimated service lives.

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

Revenue Recognition

Sales revenues 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.

If customers' payments are due a year after a sales transaction is made, revenue is recognized on the basis of the fair value of the transaction price (which includes commercial and volume discounts negotiated with the buyer by the Company) calculated at interest rates for similar transactions. In these transactions, the fair value and the actual payments approximate the transaction price.

Pension Costs

The Company has a defined benefit pension plan. Pension payments are based on the number of service years and average salary of the last six months before retirement.

Pension costs are recognized on the basis of actuarial calculations. Unrecognized net transition obligations and actuarial gain or loss are amortized using the straight-line method over 19 years and the average remaining service years of employees, respectively. When plan curtailment or settlement occurs, the curtailment and settlement gains or losses should be recognized as part of the net pension cost for the period.

Convertible Bonds

To convert bonds to common shares, the Company uses the book value approach, which involves writing off the recognized interest-premium and par value of the convertible bonds. The common stock exchange certificate (capital stock) should be valued at the net written-off carrying amount, and the difference of this amount from the par value of the common stock exchange certificate (capital stock) should be recognized as additional paid-in capital.

Treasury Stock

The Company accounts for the cost of purchasing its outstanding stock as a deduction to arrive at shareholders' equity.

Upon disposal of the treasury stock, the sales proceeds in excess of the cost is accounted for as capital surplus—treasury stock. If the sales proceeds are less than the cost, the difference is accounted for as a reduction of the remaining balance of capital surplus—treasury stock. If the remaining balance of capital surplus—treasury stock is insufficient to cover the difference, the remainder is recorded as a reduction of retained earnings.

If treasury stock is retired, the weighted-average cost of the retired treasury stock is written off to offset the par value and the capital surplus premium, if any, of the stock retired. If the weighted-average cost written off exceeds the sum of both the par value and the capital surplus premium, the difference is accounted for as a reduction in capital surplus—treasury stock of the same type or as a reduction of retained earnings for any deficiency where capital surplus—treasury stock of the same type is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of both the par value and premium, if any, of the stock retired, the difference is accounted for as an increase in capital surplus—treasury stock of the same type.

Income Tax

The Company applies and inter-period allocation for income tax. Deferred tax assets are recognized for the tax effects of deductible temporary differences, unused loss carryforwards and investment tax credit, 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 trainings and stock investments 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 rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of different foreign exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the year of settlement. At year-end, the balances of foreign-currency assets and liabilities 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.

Derivative Transactions

A forward exchange contract used for nontrading purposes should be adjusted at the rate prevailing as of the balance sheet date. Any exchange gain or loss should be recognized in the current period. Any gain or loss from hedging an identifiable foreign currency commitment should be deferred to the actual sales transaction date and recorded as an adjustment to the transaction price. But if the deferred exchange loss will result in a loss in the subsequent accounting period due to a lower selling price, the exchange loss should not be deferred. A forward exchange contract used for trading purposes should be adjusted on the balance sheet date at the forward rate available for the remaining maturity of the contract. Any exchange gain or loss should be recognized as current gain or loss.

On balance sheet dates, receivables or payables on open forward contracts are restated at prevailing spot rates, and the resulting differences are recognized as income or loss. Also, the receivables and payables related to the forward contracts are netted out, and the resulting amount is presented as either an asset or a liability.

The notional amounts of foreign-currency option contracts used for trading purposes and nontrading purposes are not recognized as assets or liabilities on the contract dates. However, amounts received on options written are recognized as liabilities, and amounts paid on options bought are recognized as assets. These amounts are amortized using the straight-line method over the terms of the contracts and charged to current income. Gains or losses on the exercise of the options are recognized as current gains or losses.

3. CASH

	March 31	
	2004	2003
Cash on hand	\$ 133	\$ 193
Checking and demand deposits	51,039	185,639
Time deposits: Interest—0.99% in 2004 and 1.18%-1.28% in 2003	<u>26,380</u>	<u>312,698</u>
	<u>\$ 77,552</u>	<u>\$ 498,530</u>

4. SHORT-TERM INVESTMENTS

	March 31	
	2004	2003
Mutual funds	\$ 1,950,983	\$ 1,514,298
Convertible bonds	<u>10,000</u>	<u>10,000</u>
	<u>\$ 1,960,983</u>	<u>\$ 1,524,298</u>

5. INVENTORIES—NET

	March 31	
	2004	2003
Finished goods	\$ 270,687	\$ 269,221
Work in process	287,119	257,706
Materials and supplies	<u>293,057</u>	<u>275,426</u>
	850,863	802,353
Allowance for losses	(<u>110,963</u>)	(<u>106,253</u>)
	<u>\$ 739,900</u>	<u>\$ 696,100</u>

6. LONG-TERM EQUITY INVESTMENTS

	March 31			
	2004		2003	
<u>Equity method</u>	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Advantech Technology Co., Ltd.	\$ 915,803	100.00	\$ 502,711	100.00
Advantech Automation Corp. (BVI)	595,658	100.00	257,622	100.00
Axiomtek Co., Ltd.	490,153	63.37	243,635	30.20
Yin Hsin Investment Co., Ltd.	289,696	100.00	296,564	100.00
Advantech Europe Holding B.V.	269,456	100.00	-	-
Advantech Technologies Co., Ltd.	154,523	43.00	146,197	43.00
Advantech Co. Singapore Pte, Ltd.	82,134	100.00	66,444	100.00
Advantech Japan Co., Ltd.	69,213	100.00	43,535	100.00
Advantech Australia Pty Ltd.	66,809	100.00	44,514	100.00
Advantech Italia S.p.A.	26,586	55.00	25,031	55.00
Advantech IBHA Technologies Inc.	16,634	13.29	20,093	13.29
Advantech Hungary Ltd.	9,320	30.00	9,192	30.00
Advantech Development Co., Ltd.	6,775	100.00	-	100.00
Advantech Investment & Management Service	4,984	100.00	-	-

(Continued)

	March 31			
	2004		2003	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Advantech Brasil S/A	\$ 3,159	60.00	\$ 4,424	60.00
Advantech (H.K.) Technology Co., Ltd.	200	100.00	289	100.00
Advantech Europe B.V.	-	-	167,260	100.00
Advantech America Corp.	-	-	98,817	100.00
Advantech Technologies, Inc.	-	-	90,690	100.00
Advantech Benelux B.V.	-	-	27,116	70.00
Advantech (UK) Ltd.	-	-	9,133	100.00
Advantech Europe GmbH	-	-	7,458	100.00
Advantech France S.A.	-	-	-	100.00
	<u>3,001,103</u>		<u>2,060,725</u>	
<u>Cost method</u>				
Silicon Motion Inc. (formerly Feiya Technology Corp.)	20,000	0.63	20,000	0.63
Yin-Jia Technology Co., Ltd.	-	-	8,798	18.00
	<u>20,000</u>		<u>28,798</u>	
	<u>\$ 3,021,103</u>		<u>\$ 2,089,523</u>	

The calculation of the carrying values of the equity-method investments and the equity in their net income or net loss was based on the current period's unreviewed financial statements. The accounting for recognition of equity in Advantech Hungary Ltd. net income or net loss was subsequent year.

The combined ownership of the Company and its subsidiaries in Advantech IBHA Technologies Inc. (Advantech IBHA) exceeds 50% of Advantech IBHA's outstanding common stock. Thus, the investment in Advantech IBHA is accounted for by the equity method.

7. PROPERTIES

Accumulated depreciation was as follows:

	March 31	
	2004	2003
Buildings and equipment	\$ 52,810	\$ 35,329
Machinery and equipment	128,249	101,696
Furniture and fixtures	39,903	35,325
Miscellaneous equipment	74,994	66,956
	<u>\$ 295,956</u>	<u>\$ 239,306</u>

Depreciation expenses were \$15,141 thousand and \$15,166 thousand for the three months ended March 31, 2004 and March 31, 2003, respectively.

8. PROPERTIES LEASED TO OTHERS

	March 31	
	2004	2003
Cost		
Land	\$ 35,085	\$ 57,328
Buildings and equipment	<u>38,604</u>	<u>70,486</u>
	73,689	127,814
Accumulated depreciation	<u>4,489</u>	<u>5,628</u>
	<u>\$ 69,200</u>	<u>\$ 122,186</u>

9. BONDS

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
<u>March 31, 2004</u>			
Unsecured convertible bonds	\$ 918,100	\$ -	\$ 918,100
Interest-premium on convertible bonds	<u>111,719</u>	<u>-</u>	<u>111,719</u>
	<u>\$ 1,029,819</u>	<u>\$ -</u>	<u>\$ 1,029,819</u>
<u>March 31, 2003</u>			
Unsecured convertible bonds	\$ -	\$ 932,600	\$ 932,600
Interest-premium on convertible bonds	<u>-</u>	<u>71,401</u>	<u>71,401</u>
	<u>\$ -</u>	<u>\$ 1,004,001</u>	<u>\$ 1,004,001</u>

On July 19, 2001, the Company issued domestic unsecured convertible bonds with aggregate face value of \$1,000,000 thousand (or \$100 thousand face value per unit), which were listed on the Taiwan Stock Exchange on July 31, 2001. These bonds will mature on July 18, 2006 and will be redeemed at 112.4864% of their face value on July 19, 2004 or 119.2519% of their face value on July 19, 2005. The bonds are convertible to capital stock at an agreed conversion price between October 19, 2001 and July 8, 2006 under certain conditions. As of March 31, 2003, bonds with aggregate face value of \$81,900 thousand had been converted to 1,315 thousand shares.

10. SHAREHOLDERS' EQUITY

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 only be used 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 stockholdings, and capitalized amounts should be within certain limits.

The Company's Articles of Incorporation provide that legal reserve should be set aside at 10% of annual net income less any accumulated losses. In addition, a special reserve may be made according to relevant laws or the regulating authorities' requirements. The remainder of the income should be appropriated in the following order:

- a. 3% to 12% as bonus to employees. For stock bonuses, employees may include affiliate companies' employees who meet certain criteria as determined by the Company's board of directors;
- b. 1% as remuneration to directors and supervisors.

These appropriations and other allocations of earnings, together with the distributable unappropriated earnings of prior years, should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

The special reserve should be equivalent to the debit balance of any shareholders' equity account other than the deficit. The balance of the special reserve is adjusted according to the debit balance of the relevant shareholders' equity account.

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. It is the Company's policy to distribute less than 90% of the distributable earnings as dividends. 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.

On March 25, 2004, the board of directors' proposal and May 2, 2003, the shareholders approved the board of directors' proposals dated March 19, 2003 on the appropriation of the 2002 and 2001 earnings. The bonus to employees, directors and supervisors was distributed as follows:

	<u>Appropriation Earnings</u>		<u>Dividends Share</u> <u>(Dollars)</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Legal reserve	\$ 107,242	\$ 123,411	\$ -	\$ -
Cash dividends	844,320	429,363	2.50	1.50
Stock dividends	168,864	429,363	0.50	1.50
Bonus to directors and supervisors	9,652	11,107	-	-
Bonus to employees—stock	55,000	55,214	-	-
Bonus to employees—cash	<u>41,518</u>	<u>55,856</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,226,596</u>	<u>\$ 1,104,314</u>	<u>\$ 3.00</u>	<u>\$ 3.00</u>

The Company's capital stock were increase 2,860 thousand and 7,132 thousand though which were converted from bonds, and related capital surplus were increase 13,331 thousand and 39,982 thousand, respectively.

Under a board of directors' proposal dated March 26, 2003, the Company's strategic alliance with Axiomtek Co., Ltd. was approved. Shares were swapped at this ratio: 1 Company share for 2.6 shares of Axiomtek Co., Ltd. The Company issued 6,604 thousand common shares to exchange for 17,170 common shares (45.36% of the issued stock) of Axiomtek Co., Ltd. The effective date of the swap was April 28, 2003, which was approved by the Securities and Futures Commission (SFC).

On April 1, 2003, the SFC 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 will be granted certain percentage option within two and four years of the grant date, and options granted up to six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT\$51.00. Until the end of March 31, 2004, no options were exercised.

11. TREASURY STOCKS

<u>Reason for Repurchase</u>	Unit: In Thousand Shares		
	<u>January 1, 2004</u>	<u>Decrease</u>	<u>March 31 2004</u>
<u>March 31 of 2004</u>			
Maintaining the Company's credit and shareholders' equity	<u>3,862</u>	<u>3,862</u>	<u>-</u>

Under a board of directors' proposal dated February 5, 2004, the Company decided to retired the treasury stock 3,862 thousand shares, means 210,736 thousand. The effective date of the retired was March 23, 2004, and it would reduce 38,620 thousand of capital, 5,297 thousand of issue of stock in excess of par value and 166,819 thousand of unappropriated earnings.

The Securities and Exchange Law limits the number of shares of treasury stock a company may acquire to 10% of the total shares issued. It also limits the total acquisition cost of those shares to the sum of retained earnings, additional paid-in capital from issue of stock in excess of par value and realized capital surplus. In addition, the Company should not pledge treasury stocks nor exercise, before stock reissuance, shareholders' rights on those stocks.

12. INCOME TAX

- a. The reconciliation of the income tax (statutory rate) on income before income tax and income tax currently payable is as follows:

	<u>March 31</u>	
	<u>2004</u>	<u>2003</u>
Tax on pretax income at 25% statutory rate	\$ 164,604	\$ 91,952
Add (deduct) tax effects of:		
Permanent differences	(6,577)	(3,810)
Temporary differences	(25,367)	(10,634)
Tax-exempt income	(26,953)	-
Investment tax credit	(<u>52,849</u>)	(<u>28,627</u>)
Income tax currently payable	<u>\$ 52,858</u>	<u>\$ 48,881</u>

- b. Income tax expense consisted of:

	<u>March 31</u>	
	<u>2004</u>	<u>2003</u>
Income tax payable	\$ 52,858	\$ 48,881
Income tax expense—deferred	<u>46,142</u>	<u>23,119</u>
Income tax expense (shown in the statements of income)	<u>\$ 99,000</u>	<u>\$ 72,000</u>

c. Net deferred income taxes as of March 31, 2004 and 2003 consisted of the following:

	March 31	
	2004	2003
Current		
Allowance for loss on inventories	\$ 27,741	\$ 26,563
Investment tax credit	7,210	-
Unrealized foreign exchange loss (gain)	(4,911)	8,181
Others	<u>23</u>	<u>23</u>
Deferred income tax assets	<u>\$ 30,063</u>	<u>\$ 34,767</u>
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of investees	\$ 49,246	\$ 104,972
Investment tax credits	48,204	-
Deferred income	36,850	48,410
Pension cost	28,914	24,927
Interest-premium on convertible bonds	<u>27,930</u>	<u>17,850</u>
	191,144	196,159
Valuation allowance	<u>(77,176)</u>	<u>(87,622)</u>
	<u>113,968</u>	<u>108,537</u>
Deferred income tax liabilities:		
Accumulated equity in the net gain of foreign investees	(173,197)	(35,200)
Allowance for tax-deductible equity in net loss of foreign investees	<u>(15,694)</u>	<u>(47,193)</u>
	<u>(188,891)</u>	<u>(82,393)</u>
Net deferred income tax assets (liabilities)	<u>(\$ 74,923)</u>	<u>\$ 26,144</u>

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

The ICA balances were \$133,211 thousand and \$239,613 thousand as of March 31, 2004 and 2003, respectively.

The ratio of the ICA to the earnings generated starting January 1, 1998 (creditable tax ratio) as of March 31, 2003 was 9.30%. The actual creditable tax ratio for earnings as of March 31, 2002, which were distributed in 2003, was 29.50%.

The creditable tax ratio should be based on the balance in the ICA on the date of dividend distribution. Thus, the expected creditable ratio for the 2003 earnings may differ from the actual ratio depending on the ICA balance on the dividend distribution date.

The information on the Company's deductible income tax is as follows:

<u>Legislation</u>	<u>Deductible Item</u>	<u>Tax Credits Obtained</u>	<u>Unused Tax Credits</u>
<u>March 31 of 2004</u>			
Statute for Upgrading Industries	R&D and training expenses	\$ 108,263	\$ 55,414
<u>March 31 of 2003</u>			
Statute for Upgrading Industries	R&D and training expenses	28,627	-

The balance of unappropriated retained earnings as of March 31, 2004 and 2003 included earnings of \$81,329 thousand generated up to March 31, 1997.

Income tax returns through 2001 (except 1999) had been examined and cleared by the tax authorities.

The Company expects to get a five-year tax exemption on the income from an industry network server production, for which an investment plan was started in 2003. The plan was approved by the Industrial Development Bureau of the Ministry of Economic Affairs in February 2004 and by the Ministry of Finance in December 2004.

13. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	For the Three Months Ended March 31					
	2004			2003		
	Included in Cost of Goods Sold	Included in Operating Expenses	Total	Included in Cost of Goods Sold	Included in Operating Expenses	Total
Personnel expenses						
Payroll	\$ 38,429	\$ 100,677	\$ 139,106	\$ 35,154	\$ 108,327	\$ 143,481
Insurance	2,979	6,423	9,402	2,706	6,456	9,162
Pension	1,242	3,607	4,849	1,349	4,485	5,834
Others	1,620	3,801	5,421	1,556	2,652	4,208
Depreciation	8,695	6,262	14,957	8,576	6,250	14,826
Amortization	222	2,719	2,941	148	2,220	2,368
	<u>\$ 53,187</u>	<u>\$ 123,489</u>	<u>\$ 176,676</u>	<u>\$ 49,489</u>	<u>\$ 130,390</u>	<u>\$ 179,879</u>

Expenses for properties leased to others, which were \$184 thousand for the three months ended March 31, 2004 and \$340 thousand for the three months ended March 31, 2003, respectively (included in nonoperating expenses—other expenses), were not included in the above depreciation expenses.

14. EARNINGS PER SHARE

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

	Amount (Numerator)		Shares (Denominator) (Thousand)	Earnings Per Share	
	Pretax	After-tax		Pretax	After-tax
For the three months ended March 31, 2004					
Primary EPS	\$ 658,456	\$ 559,456	337,632	<u>\$ 1.95</u>	<u>\$ 1.66</u>
The impact of dilutive potential common stock					
Employ stock option	-	-	634		
Convertible bonds	10,390	7,792	18,204		
Diluted EPS	<u>\$ 668,846</u>	<u>\$ 567,248</u>	<u>356,470</u>	<u>\$ 1.88</u>	<u>\$ 1.59</u>

(Continued)

	<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>
For the three months ended <u>March 31, 2003</u>					
Primary EPS	\$ 367,848	\$ 295,848	334,461	<u>\$ 1.10</u>	<u>\$ 0.88</u>
The impact of dilutive potential common stock					
Convertible bonds	<u>10,581</u>	<u>7,936</u>	<u>15,353</u>		
Diluted EPS	<u>\$ 378,429</u>	<u>\$ 303,784</u>	<u>349,814</u>	<u>\$ 1.08</u>	<u>\$ 0.87</u>

The EPS was retroactively adjusted for the stock dividends declared. Thus, pretax and after-tax primary EPS decreased from NT\$1.29 to NT\$1.10 and from NT\$1.03 to \$0.88 in the three month ended 2003, respectively, and pretax and after-tax diluted EPS decreased from NT\$1.26 to NT\$1.08 and from \$1.01 to \$0.87, respectively.

15. PENSION PLAN

The Company has a pension plan for all regular employees, which provides benefits based on length of service and average basic pay of the six months before retirement.

The Company makes monthly contributions, equal to 2% of salaries, to a pension fund, which is administered by a pension plan committee and deposited in the committee's name in the Central Trust of China.

Summary of the pension is as follows:

	<u>March 31</u>	
	<u>2004</u>	<u>2003</u>
Pension	<u>\$ 4,849</u>	<u>\$ 5,834</u>
Contributions	<u>\$ 2,257</u>	<u>\$ 2,269</u>
Balance, end of period	<u>\$ 54,352</u>	<u>\$ 44,616</u>

16. RELATED-PARTY TRANSACTIONS

a. Related parties

	<u>Relationship with the Company</u>
Yin Hsin Investment Co., Ltd. (Yin Hsin)	Equity-method investee
Advantech IBHA Technologies Inc. (Advantech IBHA)	Equity-method investee
Axiomtek Co., Ltd. (Axiomtek)	Equity-method investee
Advantech Investment & Management Service (AIMS)	Equity-method investee
Advantech Europe Holding B.V. (AEU)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee

(Continued)

Relationship with the Company

Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
Advantech Technologies Co., Ltd. (AKR)	Equity-method investee
Advantech Development Co., Ltd. (ADCL)	Equity-method investee
Advantech Technologies, Inc. (ATI)	Equity-method investee (liquidated on March 31, 2003)
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech Italia S.p.A. (AIT)	Equity-method investee
Advantech Brasil S/A (ABR)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech America Corp. (AASC)	Equity-method investee (liquidated on March 31, 2003)
Advantech Automation Corp. (BVI) [AAC (BVI)]	Equity-method investee
Advantech Automation Corp., Ltd. (AACB)	Equity-method investee of AAC (BVI)
Advantech France S.A. (AFR)	Equity-method investee before June 2003 (became investee of AEU in June 2003 through the reorganization of the Company's investment structure)
Advantech Europe GmbH (ADL)	Equity-method investee before June 2003 (became investee of AEU in June 2003 through the reorganization of the Company's investment structure)
Advantech (UK) Ltd. (AUK)	Equity-method investee before June 2003 (became investee of AEU in June 2003 through the reorganization of the Company's investment structure)
Advantech Benelux B.V. (ABB)	Equity-method investee before November 2004 (became investee of AEU in November 2003 through the reorganization of the Company's investment structure)
Advantech Europe B.V. (AESC)	Equity-method investee before June 2003 (became investee of AEU in June 2003 through the reorganization of the Company's investment structure)
Innova Tech & Management Consultant Inc. (Innova)	Equity-method investee of Yin Hsin
Broadwed Automation Co., Ltd. (Broadwed Automation)	Equity-method investee of Yin Hsin
Yan Hong Technology Co., Ltd. (Yan Hong)	Investee of Advantech IBHA before October 2004 (merged with Advantech IBHA)
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC
Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. (AGZ)	Equity-method investee of ADCL
Advantech Automation Corp. (AAC)	Equity-method investee of AACB
Advantech Control (M) Sdn. Bhd. (AKL)	Equity-method investee of AACB
Advantech Automation (Penang) Sdn. Bhd. (APN)	Equity-method investee of AACB
Advan Automation Co., Ltd. (AAJP)	Equity-method investee of AACB
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AACB

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

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<u>For the three months ended March 31</u>				
1) Sales				
AAC	\$ 414,005	22	\$ -	-
AESC	358,362	19	239,964	16
ACN	258,397	14	-	-
AKR	62,756	4	54,318	4
Axiomtek	62,724	3	50,723	3
AJP	61,118	3	58,322	4
ASG	39,583	2	22,330	1
AUK	21,482	1	6,200	-
AAU	16,875	1	15,299	1
AKMC	12,211	1	49,156	3
APN	11,017	1	4,252	-
AASC	-	-	265,866	18
ADCL	-	-	249,728	17
ATI	-	-	22,691	1
Others	<u>22,795</u>	<u>1</u>	<u>33,661</u>	<u>3</u>
	<u>\$ 1,341,325</u>	<u>72</u>	<u>\$ 1,072,510</u>	<u>71</u>
2) Purchase of materials and supplies				
ATC	\$ 550,551	39	\$ 211,485	24
Others	<u>8,273</u>	<u>1</u>	<u>8,775</u>	<u>1</u>
	<u>\$ 558,824</u>	<u>40</u>	<u>\$ 220,260</u>	<u>25</u>
3) Service revenues (part of nonoperating income)				
ATC	\$ 709	-	\$ 757	1
AESC	-	-	1,038	3
ATI	-	-	1,038	3
Others	<u>225</u>	<u>-</u>	<u>1,383</u>	<u>3</u>
	<u>934</u>	<u>-</u>	<u>4,216</u>	<u>10</u>
4) Rental revenues (part of nonoperating income)				
Broadwed Automation	195	-	195	1
Axiomtek	116	-	-	-
Advantech IBHA	60	-	60	-
Yan Hong	<u>-</u>	<u>-</u>	<u>60</u>	<u>-</u>
	<u>371</u>	<u>-</u>	<u>315</u>	<u>1</u>
	<u>\$ 1,305</u>	<u>-</u>	<u>\$ 4,531</u>	<u>11</u>

(Continued)

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<u>At end of three months</u>				
5) Receivables				
AESC	\$ 368,158	33	\$ 388,640	38
AAC	290,143	26	-	-
ACN	225,775	20	-	-
Axiomtek	59,002	5	46,550	5
AKR	43,365	4	28,263	3
AJP	43,236	4	39,511	4
ASG	25,940	2	13,341	1
AUK	24,416	2	11,333	1
AKL	11,944	1	3,727	-
AKMC	7,664	1	45,320	4
AAU	6,691	-	11,320	1
ADCL	-	-	195,352	19
AASC	-	-	194,092	19
ATI	-	-	14,975	2
Others	<u>22,406</u>	<u>2</u>	<u>24,806</u>	<u>3</u>
	<u>\$ 1,128,740</u>	<u>100</u>	<u>\$ 1,017,230</u>	<u>100</u>
6) Payables				
Accounts				
ATC	\$ 675,195	97	\$ 159,609	76
Advantech IBHA	17,232	3	17,736	9
Others	<u>1,254</u>	<u>-</u>	<u>3,647</u>	<u>2</u>
	<u>693,681</u>	<u>100</u>	<u>180,992</u>	<u>87</u>
Others—discounts payable				
AAC	1,750	-	6,174	3
AFR	-	-	6,070	3
ADL	<u>-</u>	<u>-</u>	<u>15,385</u>	<u>7</u>
	<u>1,750</u>	<u>-</u>	<u>27,629</u>	<u>13</u>
Others—payments on behalf of others				
Others	<u>260</u>	<u>-</u>	<u>640</u>	<u>-</u>
	<u>\$ 695,691</u>	<u>100</u>	<u>\$ 209,261</u>	<u>100</u>

Rent contracts with related-parties were based on market prices and made under normal terms. Product sales transactions were conducted under normal terms. The payment terms for related parties were 60 to 90 days, except for AESC, AUK, ATC, AKL and Advantech IBHA, for which payment terms were based on the investees' operating conditions. Terms for third parties were 30 to 60 days.

17. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged or mortgaged as collaterals for court requirements for confiscating assets to settle uncollectible accounts:

	<u>2004</u>	<u>2003</u>
Certificates of deposits	<u>\$ 2,400</u>	<u>\$ 2,400</u>

18. COMMITMENTS

As of March 31, 2004, the Company had the following significant commitments:

- a. Royalty payments under an agreement with IBM Corporation (IBM) for the use of certain IBM-patented motherboards and personal data processing systems. The royalty payable is US\$450 thousand in 2004.
- b. Guarantees for affiliates' loans:

	<u>Amount</u>
AAC	\$ 231,525
ACN	132,300
AIT	89,430
AUK	34,866
AFR	15,488
Advantech IBHA	<u>13,230</u>
	<u>\$ 516,839</u>

19. FINANCIAL INSTRUMENTS

- a. Outstanding contract amounts and credit risk

<u>Financial Instruments</u>	<u>March 31</u>			
	<u>2004</u>		<u>2003</u>	
	<u>Contract Amount (Thousands)</u>	<u>Credit Risk</u>	<u>Contract Amount (Thousands)</u>	<u>Credit Risk</u>
<u>For trading purposes</u>				
Foreign-currency option	\$ -	-	EUR\$ 23,327	-
	-	-	US\$ 75,678	-
<u>For nontrading purposes</u>				
Forward contracts—sell	US\$ 65,000	-	-	-
	EUR\$ 5,600	-	EUR\$ 11,480	-
Forward contracts—buy	US\$ 500	-	US\$ 1,500	-
Foreign-currency option	-	-	EUR\$ 32,673	-
	-	-	US\$ 10,922	-

The Company is exposed to credit risk on counter-parties default on foreign-currency option and forward contracts on maturity. To manage this risk, the Company transacts only with domestic financial institutions with good credit ratings. Thus, no material losses resulting from counter-party defaults are anticipated.

- b. Market risk

The Corporation is exposed to market risk arising from adverse exchange rate fluctuations on the forward exchange and foreign-currency option contracts. The Corporation used these contracts to hedge the effects of adverse exchange rate fluctuations on foreign-currency net assets or liabilities. The contracts will be settled at net or nominal amounts. Thus, the market risk is not material.

For contracts used for trading purposes, the Company used value-at-risk to evaluate market risk. The value-at-risk refers to the potential losses on financial instruments or investments in specific periods at predetermined confidence intervals. The Company calculated value-at-risk according to the historical price fluctuations of all financial assets and liabilities.

The value-at-risk of the Company was calculated according to potential loss per day of the financial instrument, and the confidence interval was stated at the daily exchange rate for the financial assets and liabilities to a 95% level of confidence. Based on this assumption, there is a 5% chance that the loss on the financial instrument will exceed the exchange rate for the day.

c. Liquidity risk, cash-flow risk and uncertainty of amount and term of future cash demand

The payments required for the forward contracts outstanding as of March 31, 2004 were JPY\$53,840 thousand, EUR\$5,600 thousand and US\$65,000 thousand, for which the Company will receive payments of US\$7,342 thousand and NT\$2,175,134 thousand in September 2004. Also, the payments required for all the foreign-currency option and forward contracts outstanding as of March 31, 2003 were EUR\$11,480 thousand and JPY\$177,960 thousand, for which the Company received payments of US\$13,520 thousand in September 2003. Management believes it has sufficient operating capital to meet those requirements. Thus, there is no fund-raising risk. There is also no material cash-flow risk because the exchange rates for foreign-currency option and forward contracts are fixed.

As of March 31, 2003, the expected cash flow demand for foreign-currency options and forward contracts used for trading purposes was as follows:

<u>Period</u>	<u>Amount</u>
Within one year	<u>\$ 332,989</u>

The Company's derivative financial instruments which contain cash flow risk as of March 31, 2003, are as follows:

<u>Item</u>	<u>Contract Amounts (Thousands)</u>
Foreign-currency option	EUR\$ 23,327 US\$ 75,678

d. Purpose of derivative financial instruments and strategies to meet the purpose

The Company used derivative financial instruments for nontrading purposes. Foreign-currency option and forward contracts were entered into to hedge the effect of foreign-currency fluctuations on net assets and liabilities. The Company periodically evaluated the effectiveness of the instruments.

e. Financial statement presentation

Net receivables of \$27,346 thousand as of March 31, 2004 on all forward contract was shown as part of other current assets and \$16,133 thousand as of March 31, 2003 on all forward contracts was shown as part of other current liabilities. Foreign exchange gains and losses for the years ended March 31, 2004 and 2003 were \$50,968 thousand and \$16,887 thousand, respectively.

For the three months ended March 31, 2003, the Company realized premium expenses (part of nonoperating expense—others) of \$7,178 thousand, on all foreign-currency options—written. For the three months ended March 31, 2003, foreign-exchange losses were \$16,247 thousand.

On foreign-currency options—written, the Company realized premium expenses and income (part of nonoperating expense—others) of \$4,984 thousand for the three months ended March 31, 2003. Foreign-exchange losses were \$11,280 thousand for the three months ended March 31, 2003.

f. Fair values of financial instruments

	March 31			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash	\$ 77,552	\$ 77,552	\$ 498,530	\$ 498,530
Short-term investments	1,960,983	1,962,805	1,524,298	1,526,324
Notes receivable	56,892	56,892	44,662	44,662
Accounts receivable	381,073	381,073	291,680	291,680
Receivables from related parties	1,128,740	1,128,740	1,017,230	1,017,230
Long-term equity investments	3,021,103	3,010,667	2,089,523	2,073,053
Certificates of deposit	2,400	2,400	2,400	2,400
Liabilities				
Notes payable	14,167	14,167	31,570	31,570
Accounts payable	461,275	461,275	399,093	399,093
Payables to related parties	695,691	695,691	209,261	209,261
Corporate bonds payable (including current portion)	1,029,819	1,200,783	1,004,001	1,073,329
<u>Derivative financial instruments</u>				
Forward contracts	27,346	27,346	(16,133)	(16,133)
Foreign-currency options—premium in advance	-	-	-	-

The methods and assumptions used in estimating fair values are as follows:

- 1) Cash, notes receivable and payable and accounts receivable and payable: The carrying values reported in the balance sheet approximate the fair values of these assets.
- 2) Short-term and long-term equity investments: Fair values are based on quoted market prices, or on carrying values if quoted market prices are not available.
- 3) Listed bonds: Fair values are based on quoted market prices.
- 4) Certificates of deposit: Fair values are based on carrying values.
- 5) Forward exchange contracts: Fair values are computed at forward rates on contract settlement dates.
- 6) Forward exchange contracts and premiums in advance on foreign-currency options: Fair values are based on carrying values.

20. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 19 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Commission for the Company and investees and on investment in Mainland China.
- b. Investments in mainland China
 - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of March 31, 2004, accumulated inward remittance of earnings as of March 31, 2004 and upper limit on investment: Table 8 (attached)
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 16 and 18 and Tables 2, 3, 5, 6, 7 and 8.

ADVANTECH CO., LTD. AND INVESTEEES

FINANCING PROVIDED
FOR THE YEAR ENDED MARCH 31, 2004
(In Thousands of New Taiwan Dollars)

No.	Financier	Counterparty	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Nature of Financing (Note A)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing that Can Be Provided by the Financier
											Item	Value		
1	Axiomtek Co., Ltd.	Axiomtek Technology Deutschland GmbH	Other receivables	\$ 4,132 (EUR\$ 100) thousand	\$ 4,025 (EUR\$ 100) thousand	-	1	\$ 4,179	-	-	-	\$ -	\$ 141,247 (Note C)	\$ 282,494 (Note B)
2	AEU	ABB	Receivables from related parties	30,855 (EUR\$ 750) thousand	26,163 (EUR\$ 650) thousand	2.5%	2	-	Financing need	-	-	-	38,269 (Note E)	76,537 (Note D)
		ADL	Receivables from related parties	30,855 (EUR\$ 750) thousand	22,138 (EUR\$ 550) thousand	2.5%	2	-	Financing need	-	-	-		
		AFR	Receivables from related parties	12,396 (EUR\$ 300) thousand	12,075 (EUR\$ 300) thousand	2.5%	2	-	Financing need	-	-	-		
		AUK	Receivables from related parties	16,456 (EUR\$ 400) thousand	11,673 (EUR\$ 290) thousand	2.5%	2	-	Financing need	-	-	-		

Notes: A. Nature of Financing:

1. The borrower is the Corporation's related party.
2. There is a need for short-term financing.

B. 40% of net asset value of Axiomtek Co., Ltd.

C. 20% of net asset value of Axiomtek Co., Ltd.

D. 30% of net asset value of AEU.

E. 15% of net asset value of AEU.

ADVANTECH CO., LTD. AND INVESTEES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED MARCH 31, 2004**

(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statements	Maximum Collateral/Guarantee Amounts Allowable (Note)
		Name	Nature of Relationship						
0	Advantech Co., Ltd.	AAC	Subsidiary of a wholly owned subsidiary	\$ 506,592 (Note B)	\$ 300,870 (US\$ 9,000) thousand	\$ 231,525 (US\$ 7,000) thousand	-	4%	\$ 1,023,912 (Note A)
		ACN	Subsidiary of a wholly owned subsidiary		133,720 (US\$ 4,000) thousand	132,300 (US\$ 4,000) thousand	-	2%	
		AIT	Subsidiary		91,828 (EUR\$2,200) thousand	89,430 (EUR\$2,200) thousand	-	1%	
		AUK	Subsidiary of a wholly owned subsidiary		56,858 (consist of GBP\$80) thousand	34,866 (consist of GBP\$80) thousand	-	1%	
		AFR	Subsidiary of a wholly owned subsidiary		15,903 (EUR\$ 381) thousand	15,488 (EUR\$ 381) thousand	-	-	
		Advantech IBHA	Subsidiary		13,372 (US\$ 400) thousand	13,230 (US\$ 400) thousand	-	-	
1	Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	Subsidiary	141,247 (Note D)	83,575 (US\$ 2,500) thousand	82,688 (US\$ 2,500) thousand	-	12%	353,118 (Note C)

Note A: 30% of the Company's authorized capital stock.

Note B: 15% of the Company's authorized capital stock.

Note C: 50% of net asset value of Axiomtek Co., Ltd.

Note D: 20% of net asset value of Axiomtek Co., Ltd.

TABLE 3

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

MARCH 31, 2004

(Amounts in Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2003				Note	
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value		
Advantech Co., Ltd.	<u>Common stock</u>								
	ATC	Investee	Long-term equity investments	12,550,000	\$ 915,803	100.00	\$ 915,803	(Note A)	
	AAC (BVI)	Investee	Long-term equity investments	21,603,485	595,658	100.00	595,658	(Note A)	
	Axiomtek Co., Ltd.	Investee	Long-term equity investments	26,592,258	490,153	63.37	490,153	(Note A)	
	Yin Sin Co., Ltd.	Investee	Long-term equity investments	29,999,994	289,696	100.00	289,696	(Note A)	
	AEU	Investee	Long-term equity investments	8,018,152	269,456	100.00	269,456	(Note A)	
	AKR	Investee	Long-term equity investments	4,429,210	154,523	43.00	154,523	(Note A)	
	ASG	Investee	Long-term equity investments	1,450,000	82,134	100.00	82,134	(Note A)	
	AJP	Investee	Long-term equity investments	1,200	69,213	100.00	69,213	(Note A)	
	AAU	Investee	Long-term equity investments	500,204	66,809	100.00	66,809	(Note A)	
	AIT	Investee	Long-term equity investments	24,750	26,586	55.00	26,586	(Note A)	
	Advantech IBHA Inc.	Investee	Long-term equity investments	1,994,000	16,634	13.29	16,634	(Note A)	
	AHG	Investee	Long-term equity investments	30	9,320	30.00	9,320	(Note A)	
	ADCL	Investee	Long-term equity investments	500,000	6,775	100.00	6,775	(Note A)	
	AIMS	Investee	Long-term equity investments	500,000	4,984	100.00	4,984	(Note A)	
	ABR	Investee	Long-term equity investments	971,055	3,159	60.00	3,159	(Note A)	
	AHK	Investee	Long-term equity investments	999,999	200	100.00	200	(Note A)	
	Silicon Motion Inc.	-	Long-term equity investments	500,000	20,000	0.63	9,564	(Note A)	
		<u>Funds</u>							
		High Yield Securities Investment Trust Fund	-	Short-term investments	18,821,816.01	261,815	-	261,838	(Note B)
		Increment Securities Investment Trust Fund	-	Short-term investments	17,837,118.33	261,373	-	261,383	(Note B)
		President Jamesbond Fund	-	Short-term investments	16,320,566.50	242,724	-	242,744	(Note B)
		Barits Bond Fund	-	Short-term investments	17,062,416.10	199,951	-	200,007	(Note B)
		PCAPrudential Well Pool Fund	-	Short-term investments	16,463,099.40	198,988	-	199,037	(Note B)
		Capital High Yield Fund	-	Short-term investments	17,317,299.90	194,814	-	194,887	(Note B)
		ABN Amro Bond Fund	-	Short-term investments	12,658,829.79	183,758	-	183,818	(Note B)
		UBS Taiwan Bond Fund	-	Short-term investments	7,452,567.85	106,837	-	106,865	(Note B)
		Capital High Yield Fund	-	Short-term investments	7,785,635.10	100,829	-	101,076	(Note B)
		PCAUnique Fund	-	Short-term investments	5,514,551.20	81,398	-	81,426	(Note B)
		TIIM High Yield Fund	-	Short-term investments	5,174,470.44	61,316	-	61,316	(Note B)
		BIAM Money Market Fund	-	Short-term investments	88,728.48	33,090	-	33,956	(Note B)
		Capital Cash Reserves Fund	-	Short-term investments	1,548,305.00	22,013	-	22,025	(Note B)
		ABN AMRO Income Fund	-	Short-term investments	137,046.38	2,077	-	2,077	(Note B)
	<u>Convertible bonds</u>								
	Sysage Technology Convertible Bonds	-	Short-term investments	100	10,000	-	10,350	(Note D)	

(Continued)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2003				Note	
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value		
Axiomtek Co., Ltd.	<u>Common stock</u>								
	Axiom Technology Inc. U.S.A.	Investee	Long-term equity investments	23,418	\$ 216,573	100.00	\$ 216,573	(Note A)	
	Axiomtek Technology Deutschland GmbH	Investee	Long-term equity investments	-	5,409	100.00	5,409	(Note A)	
	Axiom Technology (BVI) Co., Ltd.	Investee	Long-term equity investments	210,000	4,640	100.00	4,640	(Note A)	
	Axiomtek SAS	Investee	Long-term equity investments	-	4,242	100.00	4,242	(Note A)	
	Axiom Technology Trading (BVI) Co., Ltd.	Investee	Long-term equity investments	100,000	1,318	100.00	1,318	(Note A)	
	Alextek Company Limited, Ltd.	-	Long-term equity investments	190	1,823	19.00	1,617	(Note A)	
		<u>Funds</u>							
	United Money Fund	-	Short-term investments	46,318.76	16,595	-	16,778	(Note B)	
	United Bond Fund	-	Short-term investments	440,000.00	5,538	-	5,538	(Note B)	
Yin Hsin Co., Ltd.	<u>Common stock</u>								
	Advantech IBHA Inc.	Investee	Long-term equity investments	10,000,000	82,981	66.67	82,981	(Note A)	
	Broadwed Automation Co., Ltd.	Investee	Long-term equity investments	2,000,000	21,749	33.33	21,749	(Note A)	
	Innova Tech & Management Consultant Inc.	Investee	Long-term equity investments	1,250,000	14,899	26.32	14,899	(Note A)	
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	8,608	30.00	8,608	(Note A)	
	Superior Technology Co., Ltd.	-	Long-term equity investments	874,960	33,442	10.00	23,286	(Note A)	
	Web Point Co., Ltd.	-	Long-term equity investments	400,000	28,000	1.00	2,739	(Note A)	
	Baoruh Electronic Co., Ltd.	-	Long-term equity investments	1,064,342	18,285	8.06	10,936	(Note A)	
	Unibase Information Corp.	-	Long-term equity investments	75,000	2,250	10.34	116	(Note A)	
	Chunghwa Telecom Co., Ltd.	-	Short-term investments	200,000	21,300	-	11,300	(Note C)	
		<u>Funds</u>							
		PCA Prudential Well Pool Fund	-	Short-term investments	2,200,268.50	26,558	-	26,601	(Note B)
		Fuh-hwa Bond Fund	-	Short-term investments	1,133,373.80	14,418	-	14,490	(Note B)
		Capital Cash Reserves Fund	-	Short-term investments	1,204,586.30	13,491	-	13,556	(Note B)
	TIIM High Yield Fund	-	Short-term investments	1,138,774.54	13,425	-	13,494	(Note B)	
ATC	<u>Common stock</u>								
	AKMC	Investee	Long-term equity investments	-	404,458	100.00	404,458	(Note A)	
ADCL	<u>Common stock</u>								
	AGZ	Investee	Other liabilities	-	(3,592)	100.00	(3,592)	(Note A)	
TTC	<u>Common stock</u>								
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	8,741	100.00	8,741	(Note A)	
AAC (BVI)	<u>Common stock</u>								
	AACB	Investee	Long-term equity investments	21,594,307	593,541	100.00	593,541	(Note A)	
AACB	<u>Common stock</u>								
	AAC	Investee	Long-term equity investments	10,952,606	469,107	100.00	469,107	(Note A)	
	ACN	Investee	Long-term equity investments	-	101,249	100.00	101,249	(Note A)	
	APN	Investee	Long-term equity investments	570,570	7,621	55.00	7,621	(Note A)	
	AKL	Investee	Long-term equity investments	418,000	7,461	55.00	7,461	(Note A)	
	AAG	Investee	Long-term equity investments	2,000	3,426	100.00	3,426	(Note A)	
	AAJP	Investee	Other liabilities	400	(2,177)	37.74	(2,177)	(Note A)	
	Visual Systems GmbH	-	Long-term equity investments	-	754	20.00	754	(Note A)	

(Continued)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2003				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
AEU	<u>Common stock</u>							
	AESC	Investee	Long-term equity investments	8,314,280	\$ 62,020	100.00	\$ 62,020	(Note A)
	AFR	Investee	Long-term equity investments	2,000,000	31,786	100.00	31,786	(Note A)
	ABB	Investee	Long-term equity investments	45,378	29,224	100.00	29,224	(Note A)
	AUK	Investee	Long-term equity investments	600,000	21,033	100.00	21,033	(Note A)
	ADL	Investee	Long-term equity investments	742,000	8,263	100.00	8,263	(Note A)

Note A: Market values were based on unreviewed financial statements.

Note B: Market values were based on the net asset values of the-open-end mutual funds on the March 31, 2004.

Note C: Market value was based on the average closing price in March 2004.

Note D: Market value was based on the reference price of over-the-counter securities of the convertible bonds on the March 31, 2004.

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
FOR THE YEAR ENDED MARCH 31, 2004
(Amounts in Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name	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.	Common stock													
	High Yield Securities Investment Trust Fund	Short-term investments	-	-	14,503,844.93	\$ 200,964	23,139,787.05	\$ 321,815	18,821,815.97	\$ 261,816	\$ 260,964	\$ 852	18,821,816.01	\$ 261,815
	Increment Securities Investment Trust Fund	Short-term investments	-	-	13,737,879.86	200,514	21,936,356.81	321,373	17,837,118.34	261,373	260,514	859	17,837,118.33	261,373
	President Jamesbond Fund	Short-term investments	-	-	13,541,257.60	200,633	20,637,446.30	306,824	17,858,137.40	265,524	264,733	791	16,320,566.50	242,724
	Barits Bond Fund	Short-term investments	-	-	4,033,927.30	47,113	52,591,123.20	615,546	39,562,634.40	463,316	462,708	608	17,062,416.10	199,951
	PCAPrudential Well Pool Fund	Short-term investments	-	-	15,236,756.70	183,512	25,699,358.90	310,478	24,473,016.20	295,778	295,002	776	16,463,099.40	198,988
	Capital Cash Reserves Fund	Short-term investments	-	-	17,317,299.90	193,810	17,317,299.90	194,814	17,317,299.90	194,814	193,810	1,004	17,317,299.90	194,814
	ABN Amro Bond Fund	Short-term investments	-	-	-	-	26,151,211.06	379,458	13,492,381.27	195,858	195,700	158	12,658,829.79	183,758
	UBS Taiwan Bond Fund	Short-term investments	-	-	8,414,116.15	120,293	25,751,950.89	368,707	26,713,499.19	382,557	382,163	394	7,452,567.85	106,837
	Capital High Yield Fund	Short-term investments	-	-	6,546,461.40	84,075	7,785,635.10	100,829	6,546,461.40	84,829	84,075	754	7,785,635.10	100,829

ADVANTECH CO., LTD. AND INVESTEES

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED MARCH 31, 2004
(Amounts 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.	AAC AESC	Subsidiary of a wholly owned subsidiary Subsidiary	Sale	(\$ 414,005)	(22)	60-90 days	\$ -	-	\$ 290,143	18	
			Sale	(358,362)	(19)	Depending on its operating condition	-	-	368,158	23	
	ACN ATC	Subsidiary of a wholly owned subsidiary Subsidiary	Sale	(258,397)	(14)	60-90 days	-	-	225,775	14	
			Purchase	550,551	39	Depending on its operating condition	-	-	(675,195)	(58)	

ADVANTECH CO., LTD. AND INVESTEES

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

MARCH 31, 2004

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (%)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Advantech Co., Ltd.	AESC	Subsidiary	\$ 368,158	3.97	\$ -	-	\$ -	\$ -
	AAC	Subsidiary of a wholly owned subsidiary	290,143	5.83	-	-	115,554	-
	ACN	Subsidiary of a wholly owned subsidiary	225,775	4.79	-	-	3,286	-

TABLE 7

ADVANTECH CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED MARCH 31, 2004
(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				March 31, 2004	March 31, 2003	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	ATC	BVI	Sale of industrial automation products	\$ 427,781	\$ 427,781	12,550,000	100.00	\$ 915,803	\$ 182,508	\$ 182,508	Subsidiary
	AAC (BVI)	BVI	Investment holding company	725,043	724,987	21,603,485	100.00	595,658	35,260	35,378	Subsidiary
	Axiomtek Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	438,964	438,964	26,592,258	63.37	490,153	34,119	17,932	Subsidiary
	Yin Hsin Co., Ltd.	Taipei, Taiwan	General investment	300,000	300,000	29,999,994	100.00	289,696	2,490	2,490	Subsidiary
	AEU	Helmond, the Netherlands	Investment holding company	308,079	308,079	8,018,152	100.00	269,456	(5,193)	(5,161)	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	51,646	51,646	4,429,210	43.00	154,523	13,644	4,750	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	82,134	4,009	4,009	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	66,809	6,568	6,771	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	69,213	9,198	9,198	Subsidiary
	AIT	Milano, Italy	Sale of industrial automation products	21,360	21,360	24,750	55.00	26,586	3,841	1,054	Subsidiary
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	19,940	19,940	1,994,000	13.29	16,634	(2,158)	(287)	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	9,320	-	-	Equity-method investee (Note 1)
	AIMS	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	4,984	70	91	Subsidiary
	ABR	Sam Paulo, Brazil	Sale of industrial automation products	15,374	15,374	971,055	60.00	3,159	(196)	(117)	Subsidiary
	ADCL	BVI	Sale of industrial automation products	16,395	16,395	500,000	100.00	6,775	4,389	4,389	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	200	(68)	(68)	Subsidiary
	Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	U.S.A.	Sale of industrial automation products	121,050	121,050	23,418	100.00	216,573	25,261	22,135
Axiomtek Technology Deutschland GmbH		Germany	Sale of industrial automation products	14,770	14,770	-	100.00	5,409	260	260	Subsidiary of a wholly owned subsidiary
Axiom Technology (BVI) Co., Ltd.		BVI	Holding company	6,626	6,626	210,000	100.00	4,640	(3,167)	(3,167)	Subsidiary of a wholly owned subsidiary
Axiomtek SAS		France	Sale of industrial automation products	9,832	9,832	-	100.00	4,242	(1,311)	(1,311)	Subsidiary of a wholly owned subsidiary
Axiom Technology Trading (BVI) Co., Ltd.		BVI	Holding company	3,075	3,075	100,000	100.00	1,318	(1,328)	(1,328)	Subsidiary of a wholly owned subsidiary
Yin Hsin Co., Ltd.	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	100,000	100,000	10,000,000	66.67	82,981	(2,158)	(1,389)	Subsidiary of a wholly owned subsidiary
	Broadwed Automation Co., Ltd.	Taipei, Taiwan	Production and sale of communications equipment and automation system	20,000	20,000	2,000,000	33.33	21,749	-	-	Equity-method investee of a subsidiary
	Innova Tech & Management Consultant Inc.	Taipei	Sale and consultant of information system integration	15,000	15,000	1,250,000	26.32	14,899	-	-	Equity-method investee of a subsidiary (Note 1)
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	8,608	-	-	Equity-method investee of a subsidiary
ATC	AKMC	Kunshan	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	404,458	(499)	(499)	Subsidiary of a wholly owned subsidiary
ADCL	AGZ	Guangzhou	Sale of industrial automation products	6,151	6,151	-	100.00	(3,592)	4,389	4,389	Subsidiary of a wholly owned subsidiary (Note 2)
TTC	Kunshan Timson Tech Co., Ltd.	Kunshan	Processes and sale of peripherals	30,222	30,222	-	100.00	28,693	-	-	Subsidiary of a wholly owned subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				March 31, 2004	March 31, 2003	Shares	Percentage of Ownership	Carrying Value			
AAC (BVI)	AACB	Bermuda	Investment holding company	\$ 724,731	\$ 724,731	21,594,307	100.00	\$ 593,541	\$ 35,314	\$ 35,314	Subsidiary of a wholly owned subsidiary
AACB	AAC	Sunnyvale, USA	Assembly and sale of industrial automation products	504,179	504,179	10,952,606	100.00	469,107	27,497	24,767	Subsidiary of a wholly owned subsidiary (Note 5)
	ACN	Beijing	Sale of industrial automation products	185,356	185,356	-	100.00	101,249	9,588	9,559	Subsidiary of a wholly owned subsidiary
	APN	Penang, Malaysia	Sale of industrial automation products	4,656	4,656	570,570	55.00	7,621	880	484	Subsidiary of a wholly owned subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	3,411	3,411	418,000	55.00	7,461	655	360	Subsidiary of a wholly owned subsidiary
	AAG	Leinf- Echterdingen, Germany	Sale of industrial automation products	2,457	2,457	2,000	100.00	3,426	-	-	Subsidiary of a wholly owned subsidiary
	AAJP	Tokyo, Japan	Sale of industrial automation products	5,990	5,990	400	37.74	(2,177)	683	258	Equity-method investee of a wholly owned subsidiary (Note 2)
AEU	AESC	Helmond, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	62,020	(10,964)	(10,964)	Subsidiary of a wholly owned subsidiary
	AFR	Paris, France	Sale of industrial automation products	1,788	1,788	2,000,000	100.00	31,786	(2,049)	(4,191)	Subsidiary of a wholly owned subsidiary
	ABB	Roosendaal, The Netherlands	Sale of industrial automation products	29,160	29,160	45,378	100.00	29,224	2,345	36	Subsidiary
	AUK	Milton Keynes, England	Sale of industrial automation products	13,373	13,373	600,000	100.00	21,033	10,478	10,305	Subsidiary of a wholly owned subsidiary
	ADL	Duesseldorf, Germany	Sale of industrial automation products	28,816	28,816	742,000	100.00	8,263	1,451	89	Subsidiary of a wholly owned subsidiary

Note 1: Equity in investees' net income or net loss is recognized in the subsequent year using the equity method.

Note 2: The carrying value is shown as part of other liabilities.

Note 3: The calculation of investment gain (loss) was based on unreview financial statements of the Company incorporated in Taiwan

ADVANTECH CO., LTD. AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED MARCH 31, 2004

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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, 2004	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2004	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Value as of March 31, 2004	Accumulated Inward Remittance of Earnings as of March 31, 2004	Accumulated Investment in Mainland China as of March 31, 2004	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								
Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd.	Sale of industrial automation products	US\$200 thousand	Indirect	\$ 6,151	\$ -	\$ -	\$ 6,151	100%	\$ 4,389	(\$ 3,592)	\$ -	\$ 609,223	US\$250,000 thousand	\$ 2,399,342
Advantech Technology (China) Company Ltd.	Production and sale of components of industrial automation products	US\$12,000 thousand	Indirect	409,393	-	-	409,393	100%	(499)	404,458	-	-		
Kunshan Timson Tech Co., Ltd.	Processes and sale of peripherals	US\$900 thousand	Indirect	8,323	-	-	8,323	30%	-	8,108	-	-		
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Sale of industrial automation products	US\$4,230 thousand	Indirect	185,356	-	-	185,356	100%	9,559	101,249	-	-		

Note 1: The calculation of investment gain (loss) was based on the unreviewed financial statements of the parent company incorporated in Taiwan.

Note 2: 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 Notes 16 and 18 to the financial statements and Tables 2, 3, 5, 6, and 7.