

Advantech Co., Ltd.

**Financial Statements for the Six Months Ended
June 30, 2004 and 2003
Together with Independent Auditors' 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 AUDITORS' REPORT

July 28, 2004

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

We have audited the accompanying balance sheets of Advantech Co., Ltd. as of June 30, 2004 and 2003 and the related statements of income, changes in shareholders' equity 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 audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

We were unable to obtain audited financial statements supporting the Company's equity-method investments of NT\$2,908,575 thousand and NT\$2,550,916 thousand (including a credit balance NT\$46,100 thousand) as of June 30, 2004 and 2003, respectively, and the Company's equity in the investees' results of operations, which was a net income of NT\$469,926 thousand and a net loss of NT\$20,600 thousand, which were included in the net incomes for six months ended June 30, 2004 and 2003, respectively, as described in Note 6 to the financial statements.

In our opinion, except for the effect of such adjustment, if any, as might determined to be necessary had we been able to obtain sufficient evidence regarding the investments in, and equity in the net income of the foregoing investees as explained preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Advantech Co., Ltd. as of June 30, 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

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

JUNE 30, 2004 AND 2003

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

ASSETS	2004		2003		LIABILITIES AND SHAREHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 3)	\$ 128,921	1	\$ 379,547	5	Notes payable	\$ 1,297	-	\$ 25,297	-
Short-term investments (Notes 2 and 4)	2,580,676	25	1,562,739	19	Accounts payable	498,907	5	374,286	5
Notes receivable (Note 2)	50,585	1	50,193	1	Payables to related parties (Note 16)	1,022,633	10	181,973	2
Accounts receivable—net of allowance for doubtful accounts of \$16,987 in 2004 and \$113,171 in 2003 (Note 2)	409,144	4	294,836	3	Income tax payable (Notes 2 and 12)	87,386	1	117,117	1
Receivables from related parties (Notes 2 and 16)	1,434,370	14	1,060,035	13	Accrued expenses	137,846	1	128,330	2
Inventories—net (Notes 2 and 5)	820,660	8	551,768	7	Dividends and employee bonus payable (Note 10)	890,164	9	485,219	6
Deferred income tax assets—current (Notes 2 and 12)	38,515	-	30,845	-	Corporate bonds payable—current portion (Notes 2, 9 and 14)	904,397	9	-	-
Other current assets	177,137	2	83,501	1	Other current liabilities (Note 19)	105,285	1	79,194	1
Total current assets	5,640,008	55	4,013,464	49	Total current liabilities	3,647,915	36	1,391,416	17
LONG-TERM EQUITY INVESTMENTS (Notes 2, 6, 10 and 16)					CORPORATE BONDS PAYABLE—Net of current portion (Notes 2, 9 and 14)	-	-	1,014,464	12
Equity method	2,908,575	29	2,550,916	31	OTHER LIABILITIES				
Cost method	20,000	-	28,798	-	Accrued pension liabilities (Notes 2 and 15)	118,528	1	103,878	1
Total long-term equity investments	2,928,575	29	2,579,714	31	Deferred income tax liabilities—noncurrent (Notes 2 and 12)	74,048	1	-	-
PROPERTIES (Notes 2, 7 and 17)					Deferred income (Note 2)	201,521	2	204,702	3
Cost					Miscellaneous (Notes 2 and 6)	2,997	-	50,497	1
Land	577,764	6	587,473	7	Total other liabilities	397,094	4	359,077	5
Buildings and building equipment	800,812	8	797,248	10	Total liabilities	4,045,009	40	2,764,957	34
Machinery and equipment	231,952	2	189,493	2	SHAREHOLDERS' EQUITY				
Furniture and fixtures	63,958	-	61,347	1	Capital stock, \$10 par value				
Miscellaneous equipment	98,926	1	96,952	1	Authorized—500,000 thousand shares				
Total cost	1,773,412	17	1,732,513	21	Issued—340,091 thousand shares in 2004 and 292,846 thousand shares in 2003	3,400,907	33	2,928,462	35
Accumulated depreciation	308,818	3	257,305	3	Stock dividend and bonus to employees to be issued	223,864	2	484,577	6
Advances for equipment acquisition	1,694	-	6,987	-	Capital surplus				
Net properties	1,466,288	14	1,482,195	18	Issue of stock in excess of par value	574,934	6	455,155	5
OTHER ASSETS					From long-term equity investments	33,786	-	46,098	1
Properties leased to others (Notes 2 and 8)	55,399	1	50,315	1	Total capital surplus	608,720	6	501,253	6
Deferred expenses	92,186	1	12,148	-	Retained earnings				
Deferred income taxes—net (Notes 2 and 12)	-	-	82,217	1	Legal reserve	627,331	6	520,089	6
Certificates of deposit—pledged (Note 17)	4,900	-	2,400	-	Unappropriated earnings	1,224,751	12	952,928	12
Miscellaneous	5,423	-	6,415	-	Total retained earnings	1,852,082	18	1,473,017	18
Total other assets	157,908	2	153,495	2	Cumulative translation adjustments	62,197	1	76,602	1
TOTAL ASSETS	\$ 10,192,779	100	\$ 8,228,868	100	Total shareholders' equity	6,147,770	60	5,463,911	66
					TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 10,192,779	100	\$ 8,228,868	100

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

(With Deloitte & Touche auditors' report dated July 28, 2004)

English Translation of Financial Statements Originally Issued in Chinese

ADVANTECH CO., LTD.

**STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Note 2)				
Sales (Note 16)	\$ 3,867,894	100	\$ 3,218,713	101
Sales returns and allowances	<u>20,320</u>	<u>1</u>	<u>50,293</u>	<u>2</u>
Net sales	3,847,574	99	3,168,420	99
Other	<u>23,609</u>	<u>1</u>	<u>24,824</u>	<u>1</u>
Total operating revenues	3,871,183	100	3,193,244	100
OPERATING COSTS (Notes 2, 13 and 16)	<u>2,706,532</u>	<u>70</u>	<u>1,954,882</u>	<u>61</u>
GROSS PROFIT	1,164,651	30	1,238,362	39
REALIZED PROFITS ON INTERCOMPANY SALES (Note 2)	<u>20,340</u>	<u>1</u>	<u>36,323</u>	<u>1</u>
ADJUSTED GROSS PROFIT	<u>1,184,991</u>	<u>31</u>	<u>1,274,685</u>	<u>40</u>
OPERATING EXPENSES (Note 13)				
Marketing	138,781	3	138,404	4
Administration	103,412	3	96,783	3
Research and development	<u>179,275</u>	<u>5</u>	<u>179,618</u>	<u>6</u>
Total operating expenses	<u>421,468</u>	<u>11</u>	<u>414,805</u>	<u>13</u>
OPERATING INCOME	<u>763,523</u>	<u>20</u>	<u>859,880</u>	<u>27</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees—net (Notes 2 and 6)	469,926	12	-	-
Royalty revenue for patent (Note 16)	57,217	2	-	-
Gain on disposal of investments	15,158	-	17,057	-
Interest (Note 16)	469	-	2,563	-
Reversal of allowance for losses on inventories	-	-	30,517	1
Other (Notes 16 and 19)	<u>9,593</u>	<u>-</u>	<u>22,147</u>	<u>1</u>
Total nonoperating income and gains	<u>552,363</u>	<u>14</u>	<u>72,284</u>	<u>2</u>
NONOPERATING EXPENSES AND LOSSES				
Provision for losses on inventories	25,920	1	-	-
Foreign exchange loss—net (Notes 2 and 19)	21,488	1	198,871	6
Interest	20,400	-	21,230	1
Losses on disposal of scrap inventories	6,856	-	50,045	1

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Equity in net loss of investees—net (Notes 2 and 6)	\$ -	-	\$ 20,600	1
Other (Notes 13 and 19)	<u>448</u>	-	<u>31,460</u>	<u>1</u>
Total nonoperating expenses and losses	<u>75,112</u>	<u>2</u>	<u>322,206</u>	<u>10</u>
INCOME BEFORE INCOME TAX	1,240,774	32	609,958	19
INCOME TAX (Notes 2 and 12)	<u>136,000</u>	<u>3</u>	<u>98,000</u>	<u>3</u>
NET INCOME	<u>\$ 1,104,774</u>	<u>29</u>	<u>\$ 511,958</u>	<u>16</u>
	<u>2004</u>		<u>2003</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>Pretax</u>	<u>After-tax</u>
EARNINGS PER SHARE (Note 14)				
Basic earnings per share				
Net income	<u>\$ 3.67</u>	<u>\$ 3.27</u>	<u>\$ 1.81</u>	<u>\$ 1.52</u>
Pro forma EPS assuming that EPS is retroactively adjusted for stock dividend declarations	<u>\$ 3.44</u>	<u>\$ 3.06</u>	<u>\$ 1.70</u>	<u>\$ 1.43</u>
Diluted earnings per share				
Net income	<u>\$ 3.54</u>	<u>\$ 3.14</u>	<u>\$ 1.79</u>	<u>\$ 1.50</u>
Pro forma EPS assuming that EPS is retroactively adjusted for stock dividend declarations	<u>\$ 3.31</u>	<u>\$ 2.94</u>	<u>\$ 1.66</u>	<u>\$ 1.39</u>

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

(With Deloitte & Touche auditors' report dated July 28, 2004)

(Concluded)

English Translation of Financial Statements Originally Issued in Chinese

ADVANTECH CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Capital Stock				Stock Dividend and Bonus to Employees to be Issued (Note 10)	Capital Surplus (Notes 2 and 10)			Retained Earnings (Notes 2 and 10)			Cumulative Translation Adjustments (Note 2)	Treasury Stocks (Notes 2 and 11)	Total Shareholders' Equity
	Issued (Notes 9 and 10)		Entitlement certificates (Notes 2, 9 and 10)			Issue of stock in excess of par value	From long-term equity investments	Total	Legal reserve	Unappropriated earnings	Total			
	Shares (thousands)	Amount	Shares (thousands)	Amount										
BALANCE, JANUARY 1, 2004	341,304	\$3,413,039	-	\$ -	\$ -	\$455,155	\$33,845	\$489,000	\$520,089	\$1,513,392	\$2,033,481	\$91,338	(\$210,736)	\$5,816,122
Appropriation of 2003 earnings														
Legal reserve	-	-	-	-	-	-	-	-	107,242	(107,242)	-	-	-	-
Bonus to employees	-	-	-	-	55,000	-	-	-	-	(96,518)	(96,518)	-	-	(41,518)
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	-	(9,652)	(9,652)	-	-	(9,652)
Stock dividends—5%	-	-	-	-	168,864	-	-	-	-	(168,864)	(168,864)	-	-	-
Cash dividends—\$2.5 per share	-	-	-	-	-	-	-	-	-	(844,320)	(844,320)	-	-	(844,320)
Net income in the first six months of 2004	-	-	-	-	-	-	-	-	-	1,104,774	1,104,774	-	-	1,104,774
Conversion of bonds to capital stock	2,649	26,488	-	-	-	125,076	-	125,076	-	-	-	-	-	151,564
Decrease in carrying value of equity-method investment due to change in equity in investee	-	-	-	-	-	-	(59)	(59)	-	-	-	-	-	(59)
Translation adjustment	-	-	-	-	-	-	-	-	-	-	-	557	-	557
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	-	-	(29,698)	-	(29,698)
Retired treasury stock	(3,862)	(38,620)	-	-	-	(5,297)	-	(5,297)	-	(166,819)	(166,819)	-	210,736	-
BALANCE, JUNE 30, 2004	<u>340,091</u>	<u>\$3,400,907</u>	<u>-</u>	<u>\$ -</u>	<u>\$223,864</u>	<u>\$574,934</u>	<u>\$33,786</u>	<u>\$608,720</u>	<u>\$627,331</u>	<u>\$1,224,751</u>	<u>\$1,852,082</u>	<u>\$62,197</u>	<u>\$ -</u>	<u>\$6,147,770</u>
BALANCE, JANUARY 1, 2003	285,513	\$2,855,129	16	\$ 162	\$ -	\$210,791	\$46,098	\$256,889	\$396,678	\$1,545,284	\$1,941,962	\$58,353	\$ -	\$5,112,495
Appropriation of 2002 earnings														
Legal reserve	-	-	-	-	-	-	-	-	123,411	(123,411)	-	-	-	-
Bonus to employees	-	-	-	-	55,214	-	-	-	-	(111,070)	(111,070)	-	-	(55,856)
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	-	(11,107)	(11,107)	-	-	(11,107)
Stock dividends—15%	-	-	-	-	429,363	-	-	-	-	(429,363)	(429,363)	-	-	-
Cash dividends—\$1.5 per share	-	-	-	-	-	-	-	-	-	(429,363)	(429,363)	-	-	(429,363)
Net income in the first six months of 2003	-	-	-	-	-	-	-	-	-	511,958	511,958	-	-	511,958
Conversion of bonds into entitlement certificates	16	162	(16)	(162)	-	-	-	-	-	-	-	-	-	-
Conversion of entitlement certificates into capital stock	713	7,132	-	-	-	39,982	-	39,982	-	-	-	-	-	47,114
Issuance of shares on April 28, 2003 to acquire long-term equity investments	6,604	66,039	-	-	-	204,382	-	204,382	-	-	-	-	-	270,421
Translation adjustment	-	-	-	-	-	-	-	-	-	-	-	18,164	-	18,164
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	-	-	85	-	85
BALANCE, JUNE 30, 2003	<u>292,846</u>	<u>\$2,928,462</u>	<u>-</u>	<u>\$ -</u>	<u>\$484,577</u>	<u>\$455,155</u>	<u>\$46,098</u>	<u>\$501,253</u>	<u>\$520,089</u>	<u>\$ 952,928</u>	<u>\$1,473,017</u>	<u>\$76,602</u>	<u>\$ -</u>	<u>\$5,463,911</u>

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

(With Deloitte & Touche auditors' report dated July 28, 2004)

English Translation of Financial Statements Originally Issued in Chinese

ADVANTECH CO., LTD.

**STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars)**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,104,774	\$ 511,958
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	37,482	34,996
Equity in net loss (gain) of investees—net	(469,926)	20,600
Provision (reversal) of allowance for losses on inventories	25,920	(30,517)
Losses on disposal of scrap inventories	6,856	50,045
Gain on disposal of properties—net	54	14
Cash dividends from equity-method investees	8,892	6,262
Accrued pension liabilities	5,464	7,737
Interest-premium on convertible bonds	20,341	21,044
Deferred income taxes	36,814	(29,032)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Short-term investments	(1,162,395)	(316,315)
Notes receivable	6,098	13,034
Accounts receivable	(46,033)	34,656
Receivables from related parties	(50,414)	(68,706)
Inventories	(244,425)	120,273
Other current assets	21,969	(33,773)
Increase (decrease) in:		
Notes payable	(70)	34,083
Accounts payable	80,171	(118,045)
Payables to related parties	421,250	50,692
Income tax payable	87,386	(67,179)
Accrued expenses	(21,722)	(9,839)
Other current liabilities	32,080	(52,395)
Deferred income	(20,340)	(36,323)
Net cash (used in) provided by operating activities	(<u>119,774</u>)	<u>143,270</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of long-term equity investments	(56)	(224,488)
Acquisition of properties	(36,532)	(22,173)
Increase in certificates of deposit—pledged	(2,500)	(1,600)
Increase in other assets	(81,432)	(3,793)
Net cash used in investing activities	(<u>120,520</u>)	(<u>252,054</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bonus paid to employee	(1,076)	-
Decrease in other liabilities	-	(837)
Net cash used in financing activities	(<u>1,076</u>)	(<u>837</u>)

(Continued)

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	<u>2004</u>	<u>2003</u>
NET DECREASE IN CASH	(\$ 241,370)	(\$ 109,621)
CASH, BEGINNING OF PERIOD	<u>370,291</u>	<u>489,168</u>
CASH, END OF PERIOD	<u>\$ 128,921</u>	<u>\$ 379,547</u>
SUPPLEMENTARY INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 59</u>	<u>\$ 152</u>
Income tax paid	<u>\$ 2,513</u>	<u>\$ 194,212</u>
Noncash investing and financing activities		
Reclassification of properties leased to others to properties	<u>\$ 13,669</u>	<u>\$ 71,898</u>
Conversion of bonds into capital stock and capital surplus	<u>\$ 151,564</u>	<u>\$ 47,114</u>
Issuance of shares to acquire long-term equity investments	<u>\$ -</u>	<u>\$ 270,421</u>
Dividends payable, bonus to directors and supervisors, bonus to employees	<u>\$ 895,490</u>	<u>\$ 485,219</u>
Retired treasury stocks	<u>\$ 210,736</u>	<u>\$ -</u>

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

(With Deloitte & Touche auditors' report dated July 28, 2004)

(Concluded)

English Translation of Financial Statements Originally Issued in Chinese

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

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

As of June 30, 2004 and 2003, the Company had 888 and 749 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements conform to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC.

The Company estimates the 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.

Market values of open-end mutual funds are based on the net asset values of these funds on the balance sheet date, and those of convertible bonds, on the average closing price of the report period end.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is 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.

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 minority investees (less than 50% ownership), 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 does 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 within a year from the acquisition date 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 moving-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 service years 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 basic 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. If a plan is curtailed, the unrealized 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 are 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 unappropriated 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 the par value and the capital surplus premium, the difference is accounted for as a reduction of capital surplus—treasury stock or as a reduction of unappropriated retained earnings for any deficiency where capital surplus—treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of 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 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 prevailing 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

	June 30	
	2004	2003
Cash on hand	\$ 264	\$ 192
Checking and demand deposits	79,103	69,151
Time deposits: Interest—1.00% in 2004 and 0.90%-1.97% in 2003	<u>49,554</u>	<u>310,204</u>
	<u>\$ 128,921</u>	<u>\$ 379,547</u>

4. SHORT-TERM INVESTMENTS

	June 30	
	2004	2003
Mutual funds	\$ 2,570,676	\$ 1,552,739
Convertible bonds	<u>10,000</u>	<u>10,000</u>
	<u>\$ 2,580,676</u>	<u>\$ 1,562,739</u>

5. INVENTORIES—NET

	June 30	
	2004	2003
Finished goods	\$ 297,832	\$ 211,120
Work in process	326,238	219,134
Materials and supplies	316,078	215,938
Inventories in transit	<u>146</u>	<u>1,589</u>
	940,294	647,781
Allowance for losses	(<u>119,634</u>)	(<u>96,013</u>)
	<u>\$ 820,660</u>	<u>\$ 551,768</u>

6. LONG-TERM EQUITY INVESTMENTS

	June 30			
	2004		2003	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
<u>Equity method</u>				
With no quoted market prices				
Advantech Technology Co., Ltd.	\$ 738,911	100.00	\$ 524,165	100.00
Advantech Automation Corp. (BVI)	648,016	100.00	453,907	100.00
Axiomtek Co., Ltd.	521,960	63.37	532,438	75.08
Yin Hsin Investment Co., Ltd.	290,613	100.00	299,861	100.00
Advantech Europe Holding B.V.	258,283	96.20	-	-
Advantech Technologies Co., Ltd.	158,300	43.00	143,826	43.00
Advantech Co. Singapore Pte, Ltd.	84,957	100.00	70,921	100.00
Advantech Japan Co., Ltd.	68,340	100.00	47,378	100.00
Advantech Australia Pty Ltd.	60,493	100.00	56,086	100.00
Advantech Italia S.p.A.	35,232	100.00	28,477	55.00
Advantech IBHA Technologies Inc.	16,233	13.29	20,260	13.29
Advantech Hungary Ltd.	11,105	30.00	9,767	30.00
Advantech Development Co., Ltd.	8,154	100.00	-	100.00

(Continued)

	June 30			
	2004		2003	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Advantech Investment & Management Service	\$ 5,074	100.00	\$ -	100.00
Advantech Brasil S/A	2,723	60.00	4,299	60.00
Advantech (H.K.) Technology Co., Ltd.	181	100.00	255	100.00
Advantech Europe B.V.	-	-	115,197	100.00
Advantech Technologies, Inc.	-	-	107,661	100.00
Advantech America Corp.	-	-	95,586	100.00
Advantech Benelux B.V.	-	-	26,055	70.00
Advantech (UK) Ltd.	-	-	9,527	100.00
Advantech Europe GmbH	-	-	5,250	100.00
Advantech France S.A.	-	-	-	100.00
	<u>2,908,575</u>		<u>2,550,916</u>	
Cost method				
With no quoted market prices				
Silicon Motion Inc. (formerly Feiya Technology Corp.)	20,000	0.56	20,000	0.63
Yin-Jia Technology Co., Ltd.	-	-	8,798	18.00
	<u>20,000</u>		<u>28,798</u>	
	<u>\$ 2,928,575</u>		<u>\$ 2,579,714</u>	

The financial statements as of and for the periods ended June 30, 2004 and 2003 on which the calculation of the investment carrying value and the Company's equity in the net income was based, were unaudited, except for those of Advantech Hungary Ltd., which were based on audited financial statements as of and for the years ended December 31, 2003 and 2002.

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.

The investments of in Advantech Development Co., Ltd. and Advantech France S.A. as of June 30, 2003 had negative carrying values of \$7,606 thousand and \$38,494 thousand, respectively. The Company intended to support operation of the preceding companies. Until June 30, 2004, there were not any negative carrying values for the investments of in Advantech Development Co., Ltd.

As of June 30, 2004 and 2003, the equities in the net assets of cost-method investees were about \$9,237 thousand and \$12,279 thousand, respectively, based on year-end unaudited financial statements.

7. PROPERTIES

Accumulated depreciation was as follows:

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Buildings and building equipment	\$ 57,376	\$ 42,299
Machinery and equipment	132,298	108,258
Furniture and fixtures	42,151	37,463
Miscellaneous equipment	<u>76,993</u>	<u>69,285</u>
	<u>\$ 308,818</u>	<u>\$ 257,305</u>

Depreciation expenses were \$30,955 thousand in 2004 and \$30,279 thousand for the six months ended June 30, 2004 and June 30, 2003, respectively.

8. PROPERTIES LEASED TO OTHERS

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Cost		
Land	\$ 28,777	\$ 19,068
Buildings and equipment	<u>30,631</u>	<u>33,989</u>
	59,408	53,057
Accumulated depreciation	<u>4,009</u>	<u>2,742</u>
	<u>\$ 55,399</u>	<u>\$ 50,315</u>

9. BONDS

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
<u>June 30, 2004</u>			
Unsecured convertible bonds	\$ 798,300	\$ -	\$ 798,300
Interest-premium on convertible bonds	<u>106,097</u>	<u>-</u>	<u>106,097</u>
	<u>\$ 904,397</u>	<u>\$ -</u>	<u>\$ 904,397</u>
<u>June 30, 2003</u>			
Unsecured convertible bonds	\$ -	\$ 932,600	\$ 932,600
Interest-premium on convertible bonds	<u>-</u>	<u>81,864</u>	<u>81,864</u>
	<u>\$ -</u>	<u>\$ 1,014,464</u>	<u>\$ 1,014,464</u>

On July 19, 2001, the Company issued unsecured domestic convertible bonds with aggregate face value of \$1,000,000 thousand (or \$100 thousand par value), which were listed on the Taiwan Stock Exchange on July 31, 2001. These bonds will mature on July 18, 2006 and can be redeemed at 112.4864% of their face value on July 19, 2004 or 119.2519% of their face value on July 19, 2005 upon the bond holder's request. 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 June 30, 2004, bonds with aggregate face value of \$201,700 thousand had been converted to 3,678 thousand shares capital stock.

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 holdings, and capitalized amounts should be within certain limits.

The Company's Articles of Incorporation provide that legal reserve should be set aside at 10% of annual net income after appropriate income tax and offset cumulative 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.
- c. Dividend to shareholders as proposed by the board of directors.

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 paid-in capital, 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 interests, 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 May 27, 2004 and May 2, 2003, the shareholders approved the board of directors' proposals dated March 25, 2004 and March 19, 2003 on the appropriation of the 2003 and 2002 earnings. The bonus to employees, directors and supervisors was distributed as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (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 shareholders also approved the board of directors' proposal dated March 25, 2004 to increase capital from stock dividends of \$168,864 thousand and stock bonus to employees of \$55,000 thousand, (which were recorded as "stock dividend and bonus to employees to be issued"). This capital increase, which had been registered with the Securities and Futures Bureau (SFB), requires the Company to get a revised license from the MOEA.

Because of bond conversion, the Company's capital stock increased by \$26,488 thousand in 2004 and by \$7,294 thousand in 2003, also the capital surplus due to issue of stock in excess of par value increased \$125,076 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 of Axiomtek Co., Ltd. (45.36% of issued stock). The effective date of the swap was April 28, 2003, which was approved by the SFB.

On April 1, 2003, the SFB 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 options will be expired 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. As of June 30, 2004, no options had been matured.

11. TREASURY STOCKS

<u>Reason for Repurchase</u>	<u>Unit: In Thousand Shares</u>		
	<u>January 1, 2004</u>	<u>Decrease</u>	<u>June 30, 2004</u>
<u>June 30 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 retired 3,862 thousand treasury shares, which amounted to \$210,736 thousand. This retirement, effective March 23, 2004, resulted in reductions of \$38,620 thousand capital, \$5,297 thousand in capital surplus in excess of par value and \$166,819 thousand in unappropriated earnings.

The Securities and Exchange Law limits the number of issued shares a company may reacquire 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>June 30</u>	
	<u>2004</u>	<u>2003</u>
Tax on pretax income at 25% statutory rate	\$ 310,184	\$ 152,480
Add (deduct) tax effects of:		
Permanent differences	(108,617)	(8,989)
Temporary differences	20,489	(5,903)
Tax-exempt income	(41,833)	-
Investment tax credit	(90,324)	(37,549)
Income tax currently payable	<u>\$ 89,899</u>	<u>\$ 100,039</u>

- b. Income tax expense consisted of:

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Income tax payable	\$ 89,899	\$ 100,039
Income tax expense (benefit)—deferred	36,814	(29,032)
Adjustment of prior year's income tax	9,287	7,948
Income tax (10%) on undistributed earnings	-	<u>19,045</u>
Income tax expense (shown in the statements of income)	<u>\$ 136,000</u>	<u>\$ 98,000</u>

- c. Net deferred income taxes as of June 30, 2004 and 2003 consisted of the following:

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Current		
Allowance for loss on inventories	\$ 29,908	\$ 24,003
Investment tax credit	12,887	-
Unrealized foreign exchange loss (gain)	(4,911)	6,819
Others	<u>631</u>	<u>23</u>
Deferred income tax assets	<u>\$ 38,515</u>	<u>\$ 30,845</u>

(Continued)

	June 30	
	2004	2003
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of investees	\$ 125,307	\$ 124,769
Deferred income	35,029	51,846
Interest-premium on convertible bonds	30,840	20,466
Pension cost	<u>29,632</u>	<u>25,969</u>
	220,808	223,050
Valuation allowance	(<u>156,147</u>)	(<u>40,201</u>)
	<u>64,661</u>	<u>182,849</u>
Deferred income tax liabilities:		
Accumulated equity in the net gain of foreign investees	(123,015)	(53,439)
Allowance for tax-deductible equity in net loss of foreign investees	(<u>15,694</u>)	(<u>47,193</u>)
	<u>(138,709)</u>	<u>(100,632)</u>
Net deferred income tax assets (liabilities)	(<u>\$ 74,048</u>)	\$ <u>82,217</u>

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

The ICA balances were \$141,878 thousand and \$431,849 thousand as of June 30, 2004 and 2003, respectively.

The actual creditable tax ratios for earnings as of December 31, 2003 and 2002, which were distributed in 2004 and 2003, were 9.91% and 29.50%, respectively.

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>2004</u>			
Statute for Upgrading Industries	R&D and training expenses	\$ 102,276	\$ 12,887
	Purchase of automated mechanical equipment	935	-
<u>2003</u>			
Statute for Upgrading Industries	R&D and training expenses	56,594	-

The balances of unappropriated retained earnings as of June 30, 2004 and 2003 included earnings of \$81,329 thousand generated up to December 31, 1997.

Income taxes payable as of June 30, 2004 and 2003 were net of prepayments of \$2,513 thousand and \$1,967 thousand, respectively.

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 2003 and by the Ministry of Finance in December 2003.

13. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	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	\$ 79,215	\$ 202,347	\$ 281,562	\$ 67,948	\$ 210,233	\$ 278,181
Insurance	6,538	13,499	20,037	5,505	13,296	18,801
Pension	2,673	7,542	10,215	2,859	9,463	12,322
Others	5,456	7,803	13,259	4,478	7,358	11,836
Depreciation	18,067	12,572	30,639	17,018	12,948	29,966
Amortization	<u>969</u>	<u>5,558</u>	<u>6,527</u>	<u>293</u>	<u>4,424</u>	<u>4,717</u>
	<u>\$ 112,918</u>	<u>\$ 249,321</u>	<u>\$ 362,239</u>	<u>\$ 98,101</u>	<u>\$ 257,722</u>	<u>\$ 355,823</u>

For properties leased to others, expenses of \$316 thousand and \$313 thousand as of June 30, 2004 and 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) (Thousands)	Earnings Per Share	
	Pretax	After-tax		Pretax	After-tax
<u>2004</u>					
Basic EPS	\$ 1,240,774	\$ 1,104,774	338,219	<u>\$ 3.67</u>	<u>\$ 3.26</u>
Impact of dilutive potential common stock					
Employee stock options	-	-	691		
Convertible bonds	<u>20,341</u>	<u>15,256</u>	<u>17,617</u>		
Diluted EPS	<u>\$ 1,261,115</u>	<u>\$ 1,120,030</u>	<u>356,527</u>	<u>\$ 3.54</u>	<u>\$ 3.14</u>
<u>2003</u>					
Basic EPS	\$ 609,958	\$ 511,958	336,782	<u>\$ 1.81</u>	<u>\$ 1.52</u>
Impact of dilutive potential common stock					
Convertible bonds	<u>21,044</u>	<u>15,783</u>	<u>15,234</u>		
Diluted EPS	<u>\$ 631,002</u>	<u>\$ 527,741</u>	<u>352,016</u>	<u>\$ 1.79</u>	<u>\$ 1.50</u>

The numerators and denominators used in calculating pro forma EPS for potential adjustment for stock dividends declared 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>
<u>2004</u>					
Basic EPS	\$ 1,240,774	\$ 1,104,774	360,605	<u>\$ 3.44</u>	<u>\$ 3.06</u>
Impact of dilutive potential common stock					
Employee stock options	-	-	940		
Convertible bonds	<u>20,341</u>	<u>15,256</u>	<u>19,126</u>		
Diluted EPS	<u>\$ 1,261,115</u>	<u>\$ 1,120,030</u>	<u>380,671</u>	<u>\$ 3.31</u>	<u>\$ 2.94</u>
<u>2003</u>					
Basic EPS	\$ 609,958	\$ 511,958	359,122	<u>\$ 1.70</u>	<u>\$ 1.43</u>
Impact of dilutive potential common stock					
Convertible bonds	<u>21,044</u>	<u>15,783</u>	<u>20,127</u>		
Diluted EPS	<u>\$ 631,002</u>	<u>\$ 527,741</u>	<u>379,249</u>	<u>\$ 1.66</u>	<u>\$ 1.39</u>

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.

A summary of pension contributions is as follows:

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Pension expenses	<u>\$ 10,215</u>	<u>\$ 12,322</u>
Contributions	<u>\$ 4,751</u>	<u>\$ 4,585</u>
Pension fund account balance, end of period	<u>\$ 56,846</u>	<u>\$ 46,932</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
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 December 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 December 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 June 2003 (became investee of AEU in June 2003 through the reorganization of the Company’s investment structure)
Advantech Europe B.V. (AESC)	Equity-method investee before November 2003 (became investee of AEU in November 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 until September 2003 and merged with Advantech IBHA in October 2003, with Advantech IBHA as the survivor company

(Continued)

Relationship with the Company

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
Mr. Andrea Zolli	Manager of AIT
Immoobiliare Verdi Srl.	Manager of AIT

b.

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<u>For the six months ended June 30</u>				
1) Sales				
AASC	\$ 829,702	21	\$ 571,579	18
AESC	695,098	18	562,862	18
ACN	600,812	16	-	-
AJP	119,374	3	149,578	5
AKR	114,632	3	125,669	4
Axiomtek	109,118	3	95,841	3
ASG	85,257	2	65,549	2
AAU	43,352	1	41,205	1
AKMC	40,105	1	19,842	1
AUK	34,568	1	13,309	-
APN	20,811	1	-	-
AKL	20,680	1	15,001	-
ABR	15,271	-	13,839	-
ATC	8,585	-	19,092	1
Advantech IBHA	4,861	-	17,011	1
ADCL	-	-	488,596	15
ATI	-	-	47,371	2
Others	4,606	-	15,434	-
	<u>\$ 2,746,832</u>	<u>71</u>	<u>\$ 2,261,778</u>	<u>71</u>
2) Purchase of materials and supplies				
ATC	\$ 1,106,321	41	\$ 322,755	19
AKMC	3	-	71,512	4
Others	13,772	-	10,029	1
	<u>\$ 1,120,096</u>	<u>41</u>	<u>\$ 404,296</u>	<u>24</u>

(Continued)

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
3) Royalty revenue for patent (part of nonoperating income)				
ATC	\$ 57,217	11	\$ -	-
4) Interest revenue (part of nonoperating income)				
ADL	-	-	59	-
ABB	-	-	19	-
AFR	-	-	19	-
	<u>-</u>	<u>-</u>	<u>97</u>	<u>-</u>
5) Administrative (part of nonoperating income)				
ATC	1,315	-	1,478	2
AESC	-	-	2,078	3
ATI	-	-	2,078	3
Others	450	-	3,400	4
	<u>1,765</u>	<u>-</u>	<u>9,034</u>	<u>12</u>
6) Rental revenues (part of nonoperating income)				
Broadwed Automation	391	-	391	1
Axiomtek	116	-	-	-
Advantech IBHA	120	-	120	-
Yan Hong	-	-	120	-
	<u>627</u>	<u>-</u>	<u>631</u>	<u>1</u>
	<u>\$ 59,609</u>	<u>11</u>	<u>\$ 9,762</u>	<u>13</u>
<u>At end of June</u>				
7) Receivables				
Accounts receivable				
AESC	\$ 386,975	27	\$ 303,367	29
ACN	275,347	19	-	-
AAC	156,958	11	217,458	21
AJP	42,466	3	55,793	5
AKMC	37,065	3	-	-
Axiomtek	31,532	2	37,196	4
AKR	30,242	2	43,265	4
ASG	26,765	2	27,174	3
AUK	13,150	1	10,027	1
ABR	10,836	1	6,193	-
AKL	10,272	1	7,161	-
AAU	9,048	-	15,061	1
Advantech IBHA	3,307	-	6,500	-
ATC	2,690	-	8,155	1

(Continued)

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
ADCL	\$ -	-	\$ 146,020	14
ATI	-	-	9,654	1
Others	<u>10,023</u>	<u>1</u>	<u>9,451</u>	<u>1</u>
	<u>1,046,676</u>	<u>73</u>	<u>902,475</u>	<u>85</u>
Dividend receivable				
ATC	<u>330,477</u>	<u>23</u>	-	-
Royalty revenue receivable				
ATC	<u>57,217</u>	<u>4</u>	-	-
Financing receivable				
ADL	-	-	78,780	7
ABB	-	-	39,390	4
AFR	<u>-</u>	<u>-</u>	<u>39,390</u>	<u>4</u>
	<u>-</u>	<u>-</u>	<u>157,560</u>	<u>15</u>
	<u>\$ 1,434,370</u>	<u>100</u>	<u>\$ 1,060,035</u>	<u>100</u>
8) Payables				
Accounts				
ATC	\$ 1,003,816	98	\$ 90,203	49
Advantech IBHA	17,928	2	17,438	10
AKMC	3	-	63,252	35
AAC	-	-	7,154	4
Others	<u>338</u>	<u>-</u>	<u>2,256</u>	<u>1</u>
	<u>1,022,085</u>	<u>100</u>	<u>180,303</u>	<u>99</u>
Other—payments on behalf of others				
AAU	173	-	-	-
AESC	163	-	-	-
ASG	137	-	-	-
Others	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>548</u>	<u>-</u>	<u>-</u>	<u>-</u>
Others—discounts payable				
AFR	<u>-</u>	<u>-</u>	<u>1,670</u>	<u>-</u>
	<u>\$ 1,022,633</u>	<u>100</u>	<u>\$ 181,973</u>	<u>100</u>

c. Financing provided

	<u>Ending Balance</u>	<u>Maximum Balance for the Period</u>	<u>Interest Rate</u>	<u>Interest Revenue</u>
<u>For the six months ended June 30, 2003</u>				
Accounts receivable—related parties				
ADL	\$ 78,780	\$ 78,780	2.5%	\$ 59
ABB	39,390	39,390	2.5%	19
AFR	<u>39,390</u>	<u>39,390</u>	2.5%	<u>19</u>
	<u>\$ 157,560</u>	<u>\$ 157,560</u>		<u>\$ 97</u>

No financing was provided for the six months ended June 30, 2004.

d. Long-term equity investments

To continue consolidated the Company's operation in Europe, the Company signed a share exchange agreement with Mr. Andrea Zolli and Immoobiliare Verdi Srl in May 2004. The Company bought up the remaining 45% of AIT's common stock from Mr. Andrea Zolli and Immoobiliare Verdi Srl and transferred 3.8% of AEU's common stock to them. The related transaction is summarized as follows:

<u>Transfer in Common Stock Name</u>	<u>Shares</u>	<u>Transfer out Common Stock Name</u>	<u>Shares</u>	<u>Transaction Price</u>	<u>Carrying Value</u>	<u>Disposal Gain (Loss)</u>
AIT	20,250	AEU	304,985	<u>\$9,917</u>	<u>\$9,917</u>	<u>\$ -</u>

Product sales transactions were conducted under normal terms. The payment terms for related parties were 60 to 90 days, except those for AESC, AUK, ATC, AKMC, 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 as collaterals for certain tax appeals filed with tax authorities and as part of court requirements for confiscating assets to settle uncollectible accounts:

	<u>2004</u>	<u>2003</u>
Certificates of deposits	<u>\$ 4,900</u>	<u>\$ 2,400</u>

18. COMMITMENTS

As of June 30, 2004, the Company had the following Guarantees for affiliates' loans:

	<u>Amount</u>
AKMC	\$ 135,240
ACN	135,240
AAC	135,240
AIT	90,354
AUK	34,894
Advantech IBHA	<u>13,524</u>
	<u>\$ 544,492</u>

19. FINANCIAL INSTRUMENTS

a. Outstanding contract amounts and credit risk

<u>Financial Instruments</u>	June 30			
	2004		2003	
	Contract Amount (Thousands)	Credit Risk	Contract Amount (Thousands)	Credit Risk
<u>For trading purposes</u>				
Foreign-currency option	\$ -	\$ -	EUR\$ 14,324	\$ -
	-	-	US\$ 26,000	-
<u>For nontrading purposes</u>				
Forward contracts—sell	US\$ 50,000	-	US\$ 16,058	-
	EUR\$ 7,600	-	EUR\$ 11,220	-
Forward contracts—buy	-	-	EUR\$ 7,790	-
	-	-	US\$ 423	-
Foreign-currency option	-	-	EUR\$ 30,326	-
	-	-	US\$ 28,000	-

The credit risk here refers to counter-party's default on foreign-currency option and forward contracts at maturity. Since the Company transacts only with financial institutions with good credit ratings, 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 uses 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 applies value-at-risk to evaluate market risk. Value-at-risk refers to the potential losses on financial instruments or investments in specific periods at predetermined confidence intervals. The Company calculates value-at-risk according to the historical price fluctuations of all financial assets and liabilities.

The value-at-risk of the Company is 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. The value-at-risk of August 11, 2003 was \$13,129 thousand.

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 June 30, 2004 were EUR7,600 thousand and US\$50,000 thousand, for which the Company will receive payments of US\$9,138 thousand and NT\$1,657,814 thousand in November 2004. 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 June 30, 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>\$ 172,792</u>

The Company's derivative financial instruments, which carry cash flow risk as of June 30, 2003, were as follows:

<u>Item</u>	<u>Contract Amounts (Thousands)</u>
Foreign-currency option	EUR 14,324 US\$ 26,000

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 payables of \$32,298 thousand as of June 30, 2004 and \$28,914 thousand as of June 30, 2003 on all forward contracts for nontrading purpose were shown as part of other current liabilities. Foreign exchange losses and gains for the six months ended June 30, 2004 and 2003 were \$10,446 thousand and \$47,519 thousand, respectively.

For the six months ended June 30, 2003, the Company realized premium expenses and income (part of nonoperating income—others) of \$30,971 thousand on all foreign-currency options—written for nontrading purposes and foreign-exchange losses of \$166,607 thousand.

For the six months ended June 30, 2003, the Company realized foreign-exchange losses of \$5,765 thousand on all foreign-currency options—written for trading purposes.

f. Fair values of financial instruments

	<u>2004</u>		<u>2003</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Nonderivative financial instruments</u>				
Assets				
Cash	\$ 128,921	\$ 128,921	\$ 379,547	\$ 379,547
Short-term investments	2,580,676	2,582,408	1,562,739	1,563,765
Notes receivable	50,585	50,585	50,193	50,193
Accounts receivable	409,144	409,144	294,836	294,836
Receivables from related parties	1,434,370	1,434,370	1,060,035	1,060,035
Long-term equity investments	2,928,575	2,917,812	2,579,714	2,563,195
Certificates of deposit	4,900	4,900	2,400	2,400
Liabilities				
Notes payable	1,297	1,297	25,297	25,297
Accounts payable	498,907	498,907	374,286	374,286

(Continued)

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Payables to related parties	\$ 1,022,633	\$ 1,022,633	\$ 181,973	\$ 181,973
Corporate bonds payable (including current portion)	904,397	1,034,277	1,014,464	1,057,848
<u>Derivative financial instruments</u>				
Forward contracts	32,298	32,298	28,914	28,914
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 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 Bureau for the Company and its investees and on investments in Mainland China.
- b. Investments in mainland China
 - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of June 30, 2004, accumulated inward remittance of earnings as of June 30, 2004 and upper limit on investment: Table 8 (attached).
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Note 16 and Tables 2, 3, 5, 6, 7 and 8.

ADVANTECH CO., LTD. AND INVESTEEES

FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 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	\$ 4,107 (EUR 100 thousand)	\$ 4,107 (EUR 100 thousand)	-	1	\$ 10,820	Financing need	\$ -	-	\$ -	\$ 139,767 (Note C)	\$ 279,534 (Note B)
2	Advantech Europe Holding B.V. ("AEU")	Advantech Benelux B.V.	Receivables from related parties	30,803 (EUR 750 thousand)	24,642 (EUR 600 thousand)	2.5%	2	-	Financing need	-	-	-	37,931 (Note E)	75,862 (Note D)
		Advantech Europe GmbH	Receivables from related parties	30,803 (EUR 750 thousand)	12,321 (EUR 300 thousand)	2.5%	2	-	Financing need	-	-	-		
		Advantech France S.A.	Receivables from related parties	12,321 (EUR 300 thousand)	12,321 (EUR 300 thousand)	2.5%	2	-	Financing need	-	-	-		
		Advantech (UK) Ltd.	Receivables from related parties	16,428 (EUR 400 thousand)	7,803 (EUR 190 thousand)	2.5%	2	-	Financing need	-	-	-		

Notes: A. Nature of Financing:

1. The borrower is the Company'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 SIX MONTHS ENDED JUNE 30, 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. (the "Company")	Advantech Automation Corp.	Subsidiary of a wholly owned subsidiary	\$ 510,136 (Note C)	\$ 304,290 (US\$ 9,000 thousand)	\$ 135,240 (US\$ 4,000 thousand)	\$ -	2%	\$ 1,020,272 (Note A)
		Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Subsidiary of a wholly owned subsidiary		135,240 (US\$ 4,000 thousand)	135,240 (US\$ 4,000 thousand)	-	2%	
		Advantech Italia S.p.A.	Subsidiary		90,354 (EUR 2,200 thousand)	90,354 (EUR 2,200 thousand)	-	1%	
		Advantech (UK) Ltd.	Subsidiary of a wholly owned subsidiary		56,894 (Includes £80 thousand)	34,894 (Includes £80 thousand)	-	1%	
		Advantech Technology (China) Company Ltd.	Subsidiary of a wholly owned subsidiary		135,240 (US\$ 4,000 thousand)	135,240 (US\$ 4,000 thousand)	-	2%	
		Advantech IBHA Technologies Inc.	Subsidiary		13,524 (US\$ 400 thousand)	13,524 (US\$ 400 thousand)	-	-	
1	Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	Subsidiary	139,767 (Note D)	84,525 (US\$ 2,500 thousand)	84,525 (US\$ 2,500 thousand)	-	12%	349,418 (Note B)

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

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

Note C: 15% of the Company's paid-in capital stock.

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

TABLE 3

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

JUNE 30, 2004

(Amounts in Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2004				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	\$ 738,911	100.00	\$ 738,911	Note A	
	AAC (BVI)	Investee	Long-term equity investments	21,603,485	648,016	100.00	648,016	Note A	
	Axiomtek Co., Ltd.	Investee	Long-term equity investments	26,592,258	521,960	63.37	521,960	Note A	
	Yin Sin Co., Ltd.	Investee	Long-term equity investments	29,999,994	290,613	100.00	290,613	Note A	
	AEU	Investee	Long-term equity investments	7,713,167	258,283	96.20	258,283	Note A	
	Advantech Technologies Co., Ltd.	Investee	Long-term equity investments	4,429,210	158,300	43.00	158,300	Note A	
	Advantech Co. Singapore Pte, Ltd.	Investee	Long-term equity investments	1,450,000	84,957	100.00	84,957	Note A	
	Advantech Australia Pty Ltd.	Investee	Long-term equity investments	1,200	68,340	100.00	68,340	Note A	
	Advantech Japan Co., Ltd.	Investee	Long-term equity investments	500,204	60,493	100.00	60,493	Note A	
	Advantech Italia S.p.A.	Investee	Long-term equity investments	45,000	35,232	100.00	35,232	Note A	
	Advantech IBHA Inc.	Investee	Long-term equity investments	1,994,000	16,233	13.29	16,233	Note A	
	Advantech Hungary Ltd.	Investee	Long-term equity investments	30	11,105	30.00	11,105	Note A	
	ADCL	Investee	Long-term equity investments	500,000	8,154	100.00	8,154	Note A	
	Advantech Investment & Management Service	Investee	Long-term equity investments	500,000	5,074	100.00	5,074	Note A	
	Advantech Brasil S/A	Investee	Long-term equity investments	971,055	2,723	60.00	2,723	Note A	
	Advantech (H.K.) Technology Co., Ltd.	Investee	Long-term equity investments	999,999	181	100.00	181	Note A	
	Silicon Motion Inc.	-	Long-term equity investments	500,000	20,000	0.56	9,237	Note A	
		<u>Funds</u>							
		High Yield Securities Investment Trust Fund	-	Short-term investments	26,189,359.00	365,627	-	365,659	Note B
		Increment Securities Investment Trust Fund	-	Short-term investments	24,314,397.24	357,519	-	357,599	Note B
		PCAPrudential Well Pool Fund	-	Short-term investments	27,622,937.50	335,060	-	335,116	Note B
		ABN AMRO Bond Fund	-	Short-term investments	22,390,609.60	326,166	-	326,177	Note B
		President Jamesbond Fund	-	Short-term investments	19,894,325.40	296,882	-	296,959	Note B
		Barits Bond Fund	-	Short-term investments	22,066,461.30	259,530	-	259,548	Note B
		Capital High Yield Fund	-	Short-term investments	17,759,954.30	200,720	-	200,789	Note B
		UBS Taiwan Bond Fund	-	Short-term investments	10,544,998.47	151,594	-	151,623	Note B
		Capital High Yield Fund	-	Short-term investments	7,785,635.10	100,829	-	101,497	Note B
		PCAUnique Fund	-	Short-term investments	5,514,551.20	81,398	-	81,770	Note B
		TIIM High Yield Fund	-	Short-term investments	5,174,470.49	61,618	-	61,618	Note B
		Capital Cash Reserves Fund	-	Short-term investments	2,214,877.00	31,656	-	31,667	Note B
		ABN AMRO Income Fund	-	Short-term investments	137,046.38	2,077	-	2,086	Note B
		<u>Convertible bonds</u>							
		Sysage Technology Convertible Bonds	-	Short-term investments	100	10,000	-	10,300	Note D

(Continued)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2004				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	\$ 223,530	100.00	\$ 166,416	Note A
	Axiomtek Technology Deutschland GmbH	Investee	Long-term equity investments	-	4,524	100.00	4,524	Note A
	Axiom Technology (BVI) Co., Ltd.	Investee	Long-term equity investments	210,000	2,071	100.00	2,071	Note A
	Axiomtek SAS	Investee	Long-term equity investments	-	2,139	100.00	2,139	Note A
	Axiom Technology Trading (BVI) Co., Ltd.	Investee	Long-term equity investments	100,000	991	100.00	991	Note A
	Hi-top Industrial Co., Ltd.	Investee	Long-term equity investments	1,050	23,292	30.00	14,059	Note A
	Alextek Company Limited, Ltd.	-	Long-term equity investments	190	1,823	19.00	1,529	Note A
	<u>Funds</u>							
	Jihsun Bond Fund	-	Short-term investments	1,130,245.56	14,908	-	14,908	Note B
United Bond Fund	-	Short-term investments	755,297.79	9,505	-	9,505	Note B	
Yin Hsin Co., Ltd.	<u>Common stock</u>							
	Advantech IBHA Inc.	Investee	Long-term equity investments	10,000,000	81,023	66.67	81,023	Note A
	Broadwed Automation Co., Ltd.	Investee	Long-term equity investments	2,000,000	22,867	33.33	22,867	Note A
	Innova Tech & Management Consultant Inc.	Investee	Long-term equity investments	1,250,000	14,833	24.75	14,833	Note A
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	8,915	30.00	8,915	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	-	11,600	Note C
	<u>Funds</u>							
	RSIT The Digital Fund	-	Short-term investments	2,192,016.20	26,459	-	26,593	Note B
	Fuh-hwa Bond Fund	-	Short-term investments	1,133,373.80	14,418	-	14,563	Note B
	Capital Cash Reserves Fund	-	Short-term investments	1,204,586.30	13,491	-	13,619	Note B
TIIM High Yield Fund	-	Short-term investments	1,138,774.54	13,425	-	13,561	Note B	
Advantech Technology Co., Ltd. (ATC)	<u>Common stock</u>							
	Advantech Technology (China) Company Ltd.	Investee	Long-term equity investments	-	428,472	100.00	428,472	Note A
Advantech Development Co., Ltd. (ADCL)	<u>Common stock</u>							
	Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd.	Investee	Other liabilities	-	(2,444)	100.00	(2,444)	Note A
Timson Tech Co.	<u>Common stock</u>							
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	29,799	100.00	29,799	Note A
Advantech Automation Corp. (BVI) (AAC (BVI))	<u>Common stock</u>							
	AACB	Investee	Long-term equity investments	21,603,485	645,784	100.00	645,784	Note A
Advantech Automation Corp., Ltd. (AACB)	<u>Common stock</u>							
	AAC	Investee	Long-term equity investments	10,952,606	505,060	100.00	505,060	Note A
	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Investee	Long-term equity investments	-	115,729	100.00	115,729	Note A
	Advantech Automation (Penang) Sdn. Bhd.	Investee	Long-term equity investments	570,570	8,368	55.00	8,368	Note A
	Advantech Control (M) Sdn. Bhd.	Investee	Long-term equity investments	418,000	8,322	55.00	8,322	Note A

(Continued)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2004				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech Europe Holding B.V. (AEU)	Advantech Automation GmbH	Investee	Long-term equity investments	2,000	\$ 3,470	100.00	\$ 3,470	Note A
	Advan Automation Co., Ltd.	Investee	Other liabilities	400	(2,175)	37.74	(2,175)	Note A
	Visual Systems GmbH	-	Long-term equity investments	-	771	20.00	771	Note A
	<u>Common stock</u>							
	Advantech Europe B.V.	Investee	Long-term equity investments	8,314,280	66,854	100.00	66,854	Note A
	Advantech France S.A.	Investee	Long-term equity investments	75,000	36,758	100.00	36,758	Note A
	Advantech Benelux B.V.	Investee	Long-term equity investments	45,378	26,695	100.00	26,695	Note A
	Advantech (UK) Ltd.	Investee	Long-term equity investments	600,000	26,292	100.00	26,292	Note A
	Advantech Europe GmbH	Investee	Long-term equity investments	742,000	4,977	100.00	4,977	Note A

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

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

Note C: Market value was based on the average closing price in December 2003.

Note D: Market value was based on the reference price of over-the-counter securities of the convertible bonds on the balance sheet date.

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 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.	Funds													
	High Yield Securities Investment Trust Fund	Short-term investments	-	-	14,503,844.93	\$ 200,964	56,696,689.07	\$ 790,242	45,011,175.00	\$ 627,442	\$ 625,579	\$ 1,863	26,189,359.00	\$ 365,627
	Increment Securities Investment Trust Fund	Short-term investments	-	-	13,737,879.86	200,514	51,707,902.39	759,092	41,131,385.01	603,892	602,087	1,805	24,314,397.24	357,519
	PCAPrudential Well Pool Fund	Short-term investments	-	-	15,236,756.70	183,512	69,732,018.20	844,351	57,345,837.40	694,451	692,803	1,648	27,622,937.50	335,060
	ABN Amro Bond Fund	Short-term investments	-	-	-	-	58,829,877.12	855,324	36,439,267.52	530,124	529,158	966	22,390,609.60	326,166
	President Jamesbond Fund	Short-term investments	-	-	13,541,257.60	200,633	46,230,995.10	688,606	39,877,927.30	593,997	592,357	1,640	19,894,325.40	296,882
	Barits Bond Fund	Short-term investments	-	-	4,033,927.30	47,113	81,730,273.70	958,076	63,697,739.70	747,146	745,659	1,487	22,066,461.30	259,530
	Capital Cash Reserves Fund	Short-term investments	-	-	17,317,299.90	193,810	35,342,997.30	398,534	34,900,342.90	393,534	391,624	1,910	17,759,954.30	200,720
	UBS Taiwan Bond Fund	Short-term investments	-	-	8,414,116.15	120,293	85,779,789.85	1,230,969	83,648,907.53	1,200,669	1,199,668	1,001	10,544,998.47	151,594
	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
	TIIM High Yield Fund	Short-term investments	-	-	5,174,470.44	61,002	10,348,940.94	122,934	10,348,940.89	122,934	122,318	616	5,174,470.49	61,618

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
FOR THE SIX MONTHS ENDED JUNE 30, 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.	ATC	Subsidiary	Purchase	\$ 1,106,321	39	Depending on ATC's operating condition	-	-	(\$ 1,003,816)	(66)	
	AAC	Subsidiary	Sale	(829,702)	(21)	60-90 days	-	-	156,958	9	
	AESC		Sale	(695,098)	(18)	Depending on AESC's operating condition	-	-	386,975	21	
	ACN	Subsidiary of a wholly owned subsidiary	Sale	(600,812)	(16)	60-90 days	-	-	275,347	15	
	Axiomtek Co., Ltd.	Subsidiary	Sale	(109,118)	(3)	60-90 days	-	-	31,532	2	
	AJP	Subsidiary	Sale	(119,374)	(3)	60-90 days	-	-	42,466	2	
	AKR	Subsidiary	Sale	(114,632)	(3)	60-90 days	-	-	30,242	2	
Advantech Technology Co., Ltd. (ATC)	Advantech Co., Ltd.	Parent company	Sale	(1,106,321)	(98)	Depending on ATC's operating condition	-	-	1,003,816	98	
Advantech Automation Corp.	Advantech Co., Ltd.	Parent company	Purchase	829,702	69	60-90 days	-	-	(156,958)	(78)	
Advantech Europe B.V. (AESC)	Advantech Co., Ltd.	Parent company	Purchase	695,098	96	Depending on AESC's operating condition	-	-	(386,975)	(99)	
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Advantech Co., Ltd.	Parent company	Purchase	600,812	67	60-90 days	-	-	(275,347)	(76)	
Advantech Japan Co., Ltd.	Advantech Co., Ltd.	Parent company	Purchase	119,374	97	60-90 days	-	-	(42,466)	(100)	
Advantech Technologies Co., Ltd.	Advantech Co., Ltd.	Parent company	Purchase	114,632	43	60-90 days	-	-	(30,242)	(39)	
Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	Equity-method investee	Sale	(162,024)	(24)	30-91 days	-	-	67,691	9	
	Advantech Co., Ltd.	Parent company	Purchase	109,118	30	60-90 days	-	-	(31,532)	(68)	
Axiom Technology Inc. U.S.A.	Axiomtek Co., Ltd.	Parent company	Purchase	162,024	73	30-91 days	-	-	(67,691)	(81)	

ADVANTECH CO., LTD. AND INVESTEEES

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

JUNE 30, 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.	Advantech Europe B.V.	Subsidiary of a wholly owned subsidiary	\$386,975	3.75	\$ -	-	\$115,583	\$ -
	Advantech Technology Co., Ltd.	Subsidiary	390,384	0.09	-	-	389,218	-
	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Subsidiary of a wholly owned subsidiary	275,347	5.00	-	-	67,842	-
	Advantech America Corp.	Subsidiary	156,958	7.90	-	-	65,427	-

TABLE 7

ADVANTECH CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE SIX MONTHS ENDED JUNE 30, 2004
(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 3)	Note
				June 30, 2004	Dec. 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	\$ 738,911	\$ 312,863	\$ 312,863	Subsidiary
	AAC (BVI)	BVI	Investment holding company	725,043	724,987	21,603,485	100.00	648,016	73,825	74,060	Subsidiary
	Axiomtek Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	438,964	438,964	26,592,258	63.37	521,960	95,269	52,992	Subsidiary
	Yin Hsin Co., Ltd.	Taipei, Taiwan	General investment	300,000	300,000	29,999,994	100.00	290,613	3,149	3,149	Subsidiary
	AEU	Helmond, the Netherlands	Investment holding company	298,162	308,079	7,713,167	96.20	258,283	(8,920)	(8,857)	Subsidiary
	Advantech Technologies Co., Ltd. (AKR)	Seoul, Korea	Sale of industrial automation products	51,646	51,646	4,429,210	43.00	158,300	18,143	5,563	Equity-method investee
	Advantech Co. Singapore Pte, Ltd.	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	84,957	7,130	7,130	Subsidiary
	Advantech Japan Co., Ltd. (AJP)	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	68,340	9,787	9,787	Subsidiary
	Advantech Australia Pty Ltd.	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	60,493	4,603	4,995	Subsidiary
	Advantech Italia S.p.A.	Milano, Italy	Sale of industrial automation products	31,277	21,360	45,000	100.00	35,232	7,606	2,106	Subsidiary
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	19,940	19,940	1,994,000	13.29	16,233	(5,169)	(687)	Subsidiary
	Advantech Hungary Ltd.	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	11,105	5,133	1,540	Equity-method investee (Note 1)
	ADCL	BVI	Sale of industrial automation products	16,395	16,395	500,000	100.00	8,154	5,605	5,604	Subsidiary
	Advantech Investment & Management Service	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,074	139	180	Subsidiary
	Advantech Brasil S/A	Sam Paulo, Brazil	Sale of industrial automation products	15,374	15,374	971,055	60.00	2,723	(682)	(409)	Subsidiary
	Advantech (H.K.) Technology Co., Ltd.	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	181	(90)	(91)	Subsidiary
	Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	U.S.A.	Sale of industrial automation products	121,060	121,060	23,418	100.00	223,530	9,448	7,845
Axiomtek Technology Deutschland GmbH		Germany	Sale of industrial automation products	14,770	14,770	-	100.00	4,524	(641)	(641)	Subsidiary of a wholly owned subsidiary
Axiom Technology (BVI) Co., Ltd.		BVI	Holding company	6,626	6,626	210,000	100.00	2,071	(2,593)	(2,593)	Subsidiary of a wholly owned subsidiary
Axiomtek SAS		France	Sale of industrial automation products	9,832	9,832	-	100.00	2,139	(1,924)	(1,924)	Subsidiary of a wholly owned subsidiary
Hi-top Industrial Co., Ltd.		Taipei, Taiwan	Production of electronic parts	22,000	-	1,050	30.00	23,292	9,394	1,292	Equity-method investee of a subsidiary
Axiom Technology Trading (BVI) Co., Ltd.		BVI	Holding company	3,075	3,075	100,000	100.00	991	(509)	(509)	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	81,023	(5,169)	(3,347)	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	22,867	6,354	2,118	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	24.75	14,833	-	(88)	Equity-method investee of a subsidiary (Note 1)
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	8,915	(29)	(9)	Equity-method investee of a subsidiary
Advantech Technology Co., Ltd. (ATC)	Advantech Technology (China) Company Ltd.	Kunshan	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	428,472	14,411	14,411	Subsidiary of a wholly owned subsidiary
Advantech Development Co., Ltd.	Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd.	Guangzhou	Sale of industrial automation products	6,151	6,151	-	100.00	(2,444)	5,604	5,604	Subsidiary of a wholly owned subsidiary (Note 2)
Timson Tech Co. (TTC)	Kunshan Timson Tech Co., Ltd.	Kunshan	Processes and sale of peripherals	30,222	30,222	-	100.00	29,799	5	5	Subsidiary of a wholly owned subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 3)	Note
				June 30, 2004	Dec. 31, 2003	Shares	Percentage of Ownership	Carrying Value			
Advantech Automation Corp. (BVI) (AAC [BVI])	AACB	Bermuda	Investment holding company	\$ 724,731	\$ 724,731	21,603,485	100.00	\$ 645,784	\$ 73,883	\$ 73,883	Subsidiary of a wholly owned subsidiary
Advantech Automation Corp., Ltd. (AACB)	Advantech Automation Corp.	Sunnyvale, USA	Assembly and sale of industrial automation products	504,179	504,179	10,952,606	100.00	505,060	55,475	50,015	Subsidiary of a wholly owned subsidiary
	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Beijing	Sale of industrial automation products	185,356	185,356	-	100.00	115,729	21,717	21,658	Subsidiary of a wholly owned subsidiary
	Advantech Automation (Penang) Sdn. Bhd.	Penang, Malaysia	Sale of industrial automation products	4,656	4,656	570,570	55.00	8,368	1,918	1,055	Subsidiary of a wholly owned subsidiary
	Advantech Control (M) Sdn. Bhd.	Kuala Lumpur, Malaysia	Sale of industrial automation products	3,411	3,411	418,000	55.00	8,322	1,907	1,049	Subsidiary of a wholly owned subsidiary
	Advantech Automation GbmH	Leinf- Echterdingen, Germany	Sale of industrial automation products	2,457	2,457	2,000	100.00	3,470	-	-	Subsidiary of a wholly owned subsidiary
	Advan Automation Co., Ltd.	Tokyo, Japan	Sale of industrial automation products	5,990	5,990	400	37.74	(2,175)	571	216	Equity-method investee of a wholly owned subsidiary (Note 2)
Advantech Europe Holding B.V. (AEU)	AESC	Helmond, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	66,854	(6,540)	(6,540)	Subsidiary of a wholly owned subsidiary
	Advantech France S.A.	Paris, France	Sale of industrial automation products	1,788	1,788	75,000	100.00	36,758	(5,481)	(9,687)	Subsidiary of a wholly owned subsidiary
	Advantech Benelux B.V.	Roosendaal, The Netherlands	Sale of industrial automation products	29,160	29,160	45,378	100.00	26,695	1,711	(2,822)	Subsidiary of a wholly-owned subsidiary
	Advantech (UK) Ltd.	Milton Keynes, England	Sale of industrial automation products	13,373	13,373	600,000	100.00	26,292	15,667	15,323	Subsidiary of a wholly-owned subsidiary
	Advantech Europe GmbH	Duesseldorf, Germany	Sale of industrial automation products	28,816	28,816	742,000	100.00	4,977	(640)	(3,313)	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 unaudited financial statements of the investee incorporated in Taiwan.

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

**INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 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 June 30, 2004	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2004	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Value as of June 30, 2004	Accumulated Inward Remittance of Earnings as of June 30, 2004	Accumulated Investment in Mainland China as of June 30, 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%	\$ 5,604	(\$ 2,444)	\$ -	\$ 601,117 (US\$17,832 thousand)	\$ 842,750 (US\$25,000 thousand)	\$ 2,344,331
Advantech Technology (China) Company Ltd.	Production and sale of components of industrial automation products	US\$12,000 thousand	Indirect	409,393	-	-	409,393	100%	14,411	428,472	-			
Kunshan Timson Tech Co., Ltd.	Processes and sale of peripherals	US\$900 thousand	Indirect	8,323	-	-	8,323	30%	2	8,940	-			
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%	21,658	115,729	-			

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

Note 2: The significant events, prices, payment terms and unrealized gains or losses generated on the trading between Advantech Co., Ltd. and its investees in Mainland China are described in Notes 16 and 19 to the financial statements and Table 2.