

**Advantech Co., Ltd.**

**Financial Statements for the  
Three Months Ended March 31, 2005 and 2004 and  
Independent Accountants' Review Report**

## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

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

We have reviewed the accompanying balance sheets of Advantech Co., Ltd. as of March 31, 2005 and 2004, 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 issue a report on these financial statements based on our reviews.

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

As disclosed in Note 6 to the financial statements, Advantech Co., Ltd. has investments accounted for by the equity method. As of March 31, 2005 and 2004, these investments had a carrying value of NT\$3,106,658 thousand and NT\$3,001,103 thousand, respectively. The negative carrying value of these investments, which was recorded as part of other liabilities, was NT\$2,832 thousand. For the three months ended March 31, 2005 and 2004, the related net investment gains of NT\$194,553 thousand and NT\$262,937 thousand, respectively, as well as the required additional disclosures mentioned in Note 21, were based on unreviewed financial statements for the same period.

Based on our reviews, except for any adjustments that might have been determined to be necessary had the above long-term equity-method investment amounts been based on the investees' reviewed financial statements, 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, 2005 and 2004 for them to be in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

April 27, 2005

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.*

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

# ADVANTECH CO., LTD.

## BALANCE SHEETS

MARCH 31, 2005 AND 2004

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

(Reviewed, Not Audited)

ASSETS	2005		2004	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Note 3)	\$ 959,083	9	\$ 77,552	1
Short-term investments (Notes 2 and 4)	2,309,321	21	1,960,983	21
Notes receivable (Note 2)	38,853	-	56,892	1
Accounts receivable, net of allowance for doubtful accounts of \$16,600 thousand in 2005 and \$16,160 thousand in 2004 (Note 2)	314,470	3	381,073	4
Receivables from related parties (Notes 2 and 17)	1,247,670	12	1,128,740	12
Inventories, net (Notes 2 and 5)	791,961	7	739,900	8
Deferred income tax assets - current (Notes 2 and 13)	53,689	1	30,063	-
Other current assets (Notes 2 and 20)	238,596	2	222,257	3
Total current assets	5,953,643	55	4,597,460	50
<b>LONG-TERM EQUITY INVESTMENTS (Notes 2, 6 and 17)</b>				
Equity method	3,106,658	29	3,001,103	33
Cost method	19,799	-	20,000	-
Total long-term equity investments	3,126,457	29	3,021,103	33
<b>PROPERTIES (Notes 2 and 7)</b>				
Cost				
Land	624,779	6	571,456	6
Buildings and equipment	838,445	8	792,839	8
Machinery and equipment	263,702	2	209,955	2
Furniture and fixtures	81,899	1	60,202	1
Miscellaneous equipment	110,074	1	95,964	1
Total cost	1,918,899	18	1,730,416	18
Accumulated depreciation	345,626	3	295,956	3
	1,573,273	15	1,434,460	15
Advances for equipment acquisition	5,572	-	1,290	-
Net properties	1,578,845	15	1,435,750	15
<b>OTHER ASSETS</b>				
Deferred expense, net (Note 2)	86,819	1	69,200	1
Properties leased to others (Notes 2, 7 and 8)	21,450	-	88,999	1
Certificates of deposit - restricted (Note 17)	4,900	-	2,400	-
Miscellaneous	6,685	-	5,130	-
Total other assets	119,854	1	165,729	2
<b>TOTAL</b>	<b>\$ 10,778,799</b>	<b>100</b>	<b>\$ 9,220,042</b>	<b>100</b>

LIABILITIES AND SHAREHOLDERS' EQUITY	2005		2004	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Bank loan (Note 9)	\$ 381	-	\$ -	-
Notes payable	364	-	14,167	-
Accounts payable	465,757	4	461,275	5
Payables to related parties (Note 17)	966,798	9	695,691	7
Income tax payable (Notes 2 and 13)	179,398	2	52,825	1
Accrued expenses	116,545	1	176,906	2
Bonds payable - current portion (Notes 2 and 9)	265,216	2	1,029,819	11
Other current liabilities (Note 20)	95,524	1	53,152	1
Total current liabilities	2,089,983	19	2,483,835	27
<b>OTHER LIABILITIES</b>				
Accrued pension liabilities (Notes 2 and 16)	114,364	1	115,656	1
Deferred income tax liabilities - noncurrent (Notes 2 and 13)	157,418	2	74,923	1
Deferred income (Notes 2 and 17)	202,612	2	211,489	2
Miscellaneous (Notes 2 and 6)	4,284	-	2,998	-
Total other liabilities	478,678	5	405,066	4
Total liabilities	2,568,661	24	2,888,901	31
<b>SHAREHOLDERS' EQUITY (Notes 2, 10, 11 and 12)</b>				
Capital stock, \$10 par value				
Authorized - 500,000 thousand shares				
Issued - 374,767 thousand shares in 2005 and 337,728 thousand shares in 2004				
	3,747,672	35	3,377,279	37
Capital surplus				
Issue of stock in excess of par value				
	1,093,736	10	463,189	5
From long-term equity investments				
	8,341	-	33,845	1
Total capital surplus	1,102,077	10	497,034	6
Retained earnings				
Legal reserve				
	627,331	6	520,089	5
Unappropriated earnings				
	2,791,830	26	1,906,029	21
Total retained earnings	3,419,161	32	2,426,118	26
Cumulative translation adjustments				
	(58,772)	(1)	30,710	-
Total shareholders' equity	8,210,138	76	6,331,141	69
<b>TOTAL</b>	<b>\$ 10,778,799</b>	<b>100</b>	<b>\$ 9,220,042</b>	<b>100</b>

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

(With Deloitte & Touche review report dated April 27, 2005)

**ADVANTECH CO., LTD.**

**STATEMENTS OF INCOME**  
**THREE MONTHS ENDED MARCH 31, 2005 AND 2004**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	2005		2004	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 17)				
Sales	\$ 1,803,241	100	\$ 1,867,593	99
Sales returns and allowances	<u>7,792</u>	<u>1</u>	<u>6,986</u>	<u>-</u>
Net sales	1,795,449	99	1,860,607	99
Other operating revenues	<u>13,357</u>	<u>1</u>	<u>14,095</u>	<u>1</u>
Total operating revenues	1,808,806	100	1,874,702	100
OPERATING COSTS (Notes 2, 14 and 17)	<u>1,246,047</u>	<u>69</u>	<u>1,297,456</u>	<u>69</u>
GROSS PROFIT	562,759	31	577,246	31
REALIZED PROFITS ON INTERCOMPANY SALES (Note 2)	<u>10,549</u>	<u>1</u>	<u>13,053</u>	<u>-</u>
ADJUSTED GROSS PROFIT	<u>573,308</u>	<u>32</u>	<u>590,299</u>	<u>31</u>
OPERATING EXPENSES (Note 14)				
Marketing	69,198	4	61,171	3
Administration	63,017	4	46,120	2
Research and development	<u>96,953</u>	<u>5</u>	<u>85,504</u>	<u>5</u>
Total operating expenses	<u>229,168</u>	<u>13</u>	<u>192,795</u>	<u>10</u>
OPERATING INCOME	<u>344,140</u>	<u>19</u>	<u>397,504</u>	<u>21</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees, net (Notes 2 and 6)	194,553	11	262,937	14
Foreign exchange gain, net (Note 20)	-	-	17,085	1
Gain on disposal of investments	27,647	2	7,807	1
Royalty revenue (Note 17)	25,128	1	-	-
Interest	939	-	309	-
Other income (Note 17)	<u>8,817</u>	<u>-</u>	<u>4,442</u>	<u>-</u>
Total nonoperating income	<u>257,084</u>	<u>14</u>	<u>292,580</u>	<u>16</u>
NONOPERATING EXPENSES AND LOSSES				
Foreign exchange loss, net (Note 20)	28,360	2	-	-
Provision for losses on inventories	6,676	-	17,249	1
Interest	47	-	10,447	1
Other expenses (Note 14)	<u>443</u>	<u>-</u>	<u>3,932</u>	<u>-</u>
Total nonoperating expenses	<u>35,526</u>	<u>2</u>	<u>31,628</u>	<u>2</u>

(Continued)

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
INCOME BEFORE INCOME TAX	\$ 565,698	31	\$ 658,456	35
INCOME TAX (Notes 2 and 13)	<u>54,000</u>	<u>3</u>	<u>99,000</u>	<u>5</u>
NET INCOME	<u>\$ 511,698</u>	<u>28</u>	<u>\$ 559,456</u>	<u>30</u>

  

	<u>2005</u>		<u>2004</u>	
	<u>Pre-tax</u>	<u>After-tax</u>	<u>Pre-tax</u>	<u>After-tax</u>
EARNINGS PER SHARE (Note 15)				
Basic	<u>\$ 1.51</u>	<u>\$ 1.37</u>	<u>\$ 1.83</u>	<u>\$ 1.55</u>
Diluted	<u>\$ 1.49</u>	<u>\$ 1.34</u>	<u>\$ 1.76</u>	<u>\$ 1.49</u>

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

(With Deloitte & Touche review report dated April 27, 2005)

(Concluded)

**ADVANTECH CO., LTD.****STATEMENTS OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2005 AND 2004  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)**

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 511,698	\$ 559,456
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,085	18,082
Provision of allowance for losses on inventories	6,676	17,249
Losses on disposal of scrap inventories	-	3,432
Equity in net gain of investees, net	(194,553)	(262,937)
Loss on disposal of properties, net	196	54
Gain on sale of long-term equity investments	(18,714)	-
Accrued pension liabilities	(205)	2,592
Interest-premium on convertible bonds	-	10,390
Deferred income taxes	10,911	46,142
Net changes in operating assets and liabilities		
Short-term investments	(298,597)	(542,702)
Notes receivable	9,624	(209)
Accounts receivable	9,561	(17,962)
Receivables from related parties	(164,516)	(73,205)
Inventories	(157,132)	(151,570)
Other current assets	(3,136)	(16,782)
Notes payable	(455)	12,800
Accounts payable	118,796	42,539
Payables to related parties	234,465	94,308
Income tax payable	43,039	52,825
Accrued expenses	(31,213)	17,338
Other current liabilities	57,390	(13,122)
Deferred income	(10,549)	(13,053)
Net cash provided by (used in) operating activities	<u>148,371</u>	<u>(214,335)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of long-term equity investments	(19,799)	(57)
Proceeds from sale of long-term equity investments	46,499	-
Acquisition of properties	(45,117)	(3,981)
Increase in deferred expense	(60)	(74,333)
Increase in other assets	<u>(365)</u>	<u>(33)</u>
Net cash used in investing activities	<u>(18,842)</u>	<u>(78,404)</u>

(Continued)

	2005	2004
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in bank loans	\$ (4,753)	\$ -
Decrease in other liabilities	(805)	-
Bonus paid to employees	<u>(45,844)</u>	<u>-</u>
Net cash used in financing activities	<u>(51,402)</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	78,127	(292,739)
<b>CASH, BEGINNING OF PERIOD</b>	<u>880,956</u>	<u>370,291</u>
<b>CASH, END OF PERIOD</b>	<u>\$ 959,083</u>	<u>\$ 77,552</u>
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid (excluding capitalized interest)	<u>\$ 47</u>	<u>\$ 57</u>
Income tax paid	<u>\$ 50</u>	<u>\$ 33</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
The negative carrying value of investments recorded as part of other liabilities	<u>\$ 1,161</u>	<u>\$ -</u>
Reclassification of properties leased to others as properties	<u>\$ 8,945</u>	<u>\$ -</u>
Receivable from sale of long-term equity investments	<u>\$ 65,303</u>	<u>\$ -</u>
Conversion of bonds into capital stock and capital surplus	<u>\$ 26,235</u>	<u>\$ 16,191</u>
Retired treasury stock	<u>\$ -</u>	<u>\$ 210,736</u>
<b>ACQUISITION OF PROPERTIES</b>		
Payment for properties:		
Increase in properties	\$ (27,377)	\$ (3,981)
Decrease in payables on equipment	<u>(17,740)</u>	<u>-</u>
	<u>\$ (45,117)</u>	<u>\$ (3,981)</u>

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

(With Deloitte & Touche review report dated April 27, 2005)

(Concluded)

## **ADVANTECH CO., LTD.**

### **NOTES TO FINANCIAL STATEMENTS THREE MONTHS ENDED MARCH 31, 2005 AND 2004 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

---

#### **1. ORGANIZATION AND OPERATIONS**

Advantech Co., Ltd. (the "Company") manufactures and sells embedded computing boards, applied panel computing, industrial automation and industrial and network computing. Its stock has been listed on the Taiwan Stock Exchange since December 13, 1999.

As of March 31, 2005 and 2004, the Company had 959 and 834 employees, respectively.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Presentation**

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC. In preparing financial statements in conformity with these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the allowance for doubtful accounts, provision for losses on inventories, property depreciation, pension cost and warranty liabilities. Actual results could differ from these estimates.

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

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

##### **Current and Noncurrent Assets and Liabilities**

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.

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. Also the Company will recognize the losses when any evidences to reveal that the investment value were decline.

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 investment acquisition 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.

The Company would recognized the losses when properties and properties leased to other had material decline which that carrying amount of those assets exceeds their recoverable amount. The losses will

reversal and recognize income when recoverable amount about properties and properties leased to others are increase in future, which are not exceed the carrying amount if those assets have not any impairment losses.

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.

#### **Deferred Expenses**

Deferred expenses are computer software costs, which are amortized over two or three years.

#### **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.

The Labor Pension Act, a portable defined contribution type scheme, will be enforced on July 1, 2005. Employees may choose to remain to be subject to the pension mechanism under the Labor Standards Law, or to be subject to the pension mechanism under this Act, with their service years before the enforcement of the Act to be retained. Under the Act, the rate of an employer's monthly contribution to the Labor Pension Fund per month should be at least 6% of the employee's monthly wages.

#### **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 its carrying amount net of the amounts written off, 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 credits, and deferred tax liabilities are recognized for the tax effects of taxable temporary differences. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. Deferred income tax assets or liabilities are classified as current or noncurrent according to the nature of related assets or liabilities for financial reporting. But, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent depending on the expected realization date of the temporary difference.

Investment tax credits for certain equipment or technology purchases, research expenditure, employee 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 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**

Forward exchange contracts used for nontrading purposes are recorded in New Taiwan dollars as receivables or payables at spot rates on the starting dates of the contracts. On the balance sheet dates, the gains or losses on forward exchange contracts, computed by multiplying the foreign-currency amounts of the contracts by the differences between the spot rates on the contract starting dates and the spot rates on the balance sheet dates (or the spot rate last used to measure a gain or loss on that contract for an earlier period),

are recognized as current income. 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. For contracts used to hedge identifiable foreign-currency sales commitments and the contract settlement dates are ahead of the actual selling dates, any gain or loss should be deferred to the actual sales transaction date and recorded as an increase in the transaction price if the purchase price is lower than the selling price. But if the deferred exchange loss will result in a loss on actual sales due to the selling price becoming lower than the purchase price, the exchange loss should not be deferred.

On the balance sheet date, an open forward exchange contract used for trading purposes should be adjusted 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.

### 3. CASH

	<u>March 31</u>	
	<u>2005</u>	<u>2004</u>
Cash on hand	\$ 286	\$ 133
Checking and demand deposits	105,256	51,039
Time deposits: Interest - 1.00%-2.50% in 2005 and 0.99% in 2004	<u>853,541</u>	<u>26,380</u>
	<u>\$ 959,083</u>	<u>\$ 77,552</u>

On December 31, 2004, information about foreign deposits are shown as follows:

Hong Kong ( consisting of US\$23 thousand and HK\$139 thousand)	<u>\$ 1,315</u>
-----------------------------------------------------------------	-----------------

### 4. SHORT-TERM INVESTMENTS

	<u>March 31</u>	
	<u>2005</u>	<u>2004</u>
Mutual funds	\$ 2,309,321	\$ 1,950,983
Convertible bonds	<u>-</u>	<u>10,000</u>
	<u>\$ 2,309,321</u>	<u>\$ 1,960,983</u>

### 5. INVENTORIES, NET

	<u>March 31</u>	
	<u>2005</u>	<u>2004</u>
Finished goods	\$ 265,210	\$ 270,687
Work in process	313,306	287,119
Materials and supplies	<u>336,519</u>	<u>293,057</u>
	915,035	850,863
Allowance for losses	<u>(123,074)</u>	<u>(110,963)</u>
	<u>\$ 791,961</u>	<u>\$ 739,900</u>

## 6. LONG-TERM EQUITY INVESTMENTS

	March 31			
	2005		2004	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
<u>Equity method</u>				
Advantech Technology Co., Ltd.	\$ 986,171	100.00	\$ 915,803	100.00
Advantech Automation Corp. (BVI)	705,922	100.00	595,658	100.00
Axiomtek Co., Ltd.	520,724	59.09	490,153	63.37
Yin Hsin Investment Co., Ltd.	275,005	100.00	289,696	100.00
Advantech Europe Holding B.V.	254,994	96.44	269,456	100.00
Advantech Technologies Co., Ltd.	104,076	27.47	154,523	43.00
Advantech Co. Singapore Pte, Ltd.	81,442	100.00	82,134	100.00
Advantech Japan Co., Ltd.	70,190	100.00	69,213	100.00
Advantech Australia Pty Ltd.	69,906	100.00	66,809	100.00
Advantech IBHA Technologies Inc.	14,825	13.29	16,634	13.29
Advantech Hungary Ltd.	10,365	30.00	9,320	30.00
Advantech Development Co., Ltd.	7,624	100.00	6,775	100.00
Advantech Investment & Management Service	5,305	100.00	4,984	100.00
Advantech (H.K.) Technology Co., Ltd.	109	100.00	200	100.00
Advantech Brasil S/A	-	60.00	3,159	60.00
Advantech Italia S.p.A.	-	-	26,586	55.00
	<u>3,106,658</u>		<u>3,001,103</u>	
<u>Cost method</u>				
Firich Enterprise Co., Ltd.	19,799	0.98	-	-
Silicon Motion Inc. (formerly Feiya Technology Corp.)	-	-	20,000	0.63
	<u>19,799</u>		<u>20,000</u>	
	<u>\$ 3,126,457</u>		<u>\$ 3,021,103</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 recognition of equity in Advantech Hungary Ltd.'s net income or net loss is in the subsequent year because its financial statements were not timely available.

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 investment in Advantech Brasil S/A as of March 31, 2005 had a negative carrying value of \$2,382 thousand (included in other liabilities). The Company will continue recognizing proportionately its losses on this investment because it will support this investee's operations.

## 7. PROPERTIES

Accumulated depreciation was as follows:

	March 31	
	2005	2004
Buildings and equipment	\$ 72,475	\$ 52,810
Machinery and equipment	144,409	128,249
Furniture and fixtures	47,286	39,903
Miscellaneous equipment	<u>81,456</u>	<u>74,994</u>
	<u>\$ 345,626</u>	<u>\$ 295,956</u>

Depreciation expenses were \$19,511 thousand and \$15,141 thousand for the three months ended March 31, 2005 and 2004, respectively.

## 8. PROPERTIES LEASED TO OTHERS

	March 31	
	2005	2004
Cost		
Land	\$ 15,693	\$ 35,085
Buildings and equipment	<u>7,064</u>	<u>38,604</u>
	22,757	73,689
Accumulated depreciation	<u>1,307</u>	<u>4,489</u>
	<u>\$ 21,450</u>	<u>\$ 69,200</u>

## 9. BANK LOANS

The letters of credit bank loan as of March 31, 2005 were US\$12 thousand, respectively.

## 10. BONDS

	March 31	
	2005	2004
Unsecured convertible bonds	\$ 222,400	\$ 918,100
Interest-premium on convertible bonds	<u>42,816</u>	<u>111,719</u>
	<u>\$ 265,216</u>	<u>\$ 1,029,819</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, 2005, bonds with aggregate face value of \$777,200 thousand had been converted to 15,968 thousand shares and \$400 thousand had redeemed at holders' request. As of March 31, 2005, the transfer price of the convertible bonds was NT\$46.70.

## 11. 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 May 27, 2004, the shareholders approved the board of directors' proposals dated March 25, 2004 on the appropriation of the 2003 earnings and the board of directors' proposals dated April 8, 2005 on the appropriation of the 2004 earnings. The bonus to employees and remuneration to directors and supervisors were appropriated as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (Dollars)</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Legal reserve	\$ 216,015	\$ 107,242	\$ -	\$ -
Special reserve	19,661	-	-	-
Cash dividends	1,386,639	844,320	3.70	2.50
Stock dividends	187,383	168,864	0.50	0.50
Remuneration to directors and supervisors	19,245	9,652	-	-
Bonus to employees - stock	50,000	55,000	-	-
Bonus to employees - cash	<u>142,448</u>	<u>41,518</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,021,391</u>	<u>\$ 1,226,596</u>	<u>\$ 4.20</u>	<u>\$ 3.00</u>

The Company's capital stock increased by \$4,710 thousand and \$2,860 thousand because of bond conversion to stocks, and related capital surplus increased by \$21,525 thousand and \$13,331 thousand, respectively.

On April 1, 2003, the Securities and Futures Commission approved the Company's stock option plan. There were 3,000 thousand units authorized to be issued, which could be converted to 3,000 thousand common shares. Employees will be granted a certain percentage of options within two and four years of the grant date, and the grant is valid 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\$45.50. As of March 31, 2005, there were 2,840 thousand units of effective stock options, and no options were exercised.

## 12. TREASURY STOCKS

Unit: In Thousand Shares

<u>Reason for Repurchase</u>	<u>January 1, 2004</u>	<u>Decrease</u>	<u>March 31 2005</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 retire 3,862 thousand treasury shares, amounting to \$210,736 thousand. This retirement, which took effect on March 23, 2004, resulted in these reductions: paid-in capital, by \$38,620 thousand; capital surplus from the issue of stock in excess of par value, by \$5,297 thousand; and unappropriated earnings, by \$166,819 thousand.

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.

### 13. 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>2005</u>	<u>2004</u>
Tax on pretax income at 25% statutory rate	\$ 141,415	\$ 164,604
Add (deduct) tax effects of:		
Permanent differences	(28,810)	(6,577)
Temporary differences	(982)	(25,367)
Tax-exempt income	(25,686)	(26,953)
Investment tax credit	<u>(42,848)</u>	<u>(52,849)</u>
Income tax currently payable	<u>\$ 43,089</u>	<u>\$ 52,858</u>

- b. Income tax expense consisted of:

Income tax payable	\$ 43,089	\$ 52,858
Income tax expense - deferred	<u>10,911</u>	<u>46,142</u>
Income tax expense (shown in the statements of income)	<u>\$ 54,000</u>	<u>\$ 99,000</u>

- c. Net deferred income taxes as of March 31, 2005 and 2004 consisted of the following:

	<u>March 31</u>	
	<u>2005</u>	<u>2004</u>
Current		
Allowance for loss on inventories	\$ 30,769	\$ 27,741
Investment tax credit	12,880	7,210
Unrealized foreign exchange loss (gain)	6,760	(4,911)
Others	<u>3,280</u>	<u>23</u>
Deferred income tax assets	<u>\$ 53,689</u>	<u>\$ 30,063</u>
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of investees	\$ 114,706	\$ 49,246
Investment tax credits	-	48,204
Deferred income	35,227	36,850
Pension cost	31,584	28,914
Interest-premium on convertible bonds	<u>28,591</u>	<u>27,930</u>
	210,018	191,144
Valuation allowance	<u>(146,290)</u>	<u>(77,176)</u>
	<u>63,818</u>	<u>113,968</u>
Deferred income tax liabilities:		
Accumulated equity in the net gain of foreign investees	(205,120)	(173,197)
Allowance for tax-deductible equity in net loss of foreign investees	<u>(16,116)</u>	<u>(15,694)</u>
	<u>(221,236)</u>	<u>(188,891)</u>
Net deferred income tax liabilities	<u>\$ (157,418)</u>	<u>\$ (74,923)</u>

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

The ICA balances were \$67,805 thousand and \$133,211 thousand as of March 31, 2005 and 2004, respectively.

The ratio of the ICA to the earnings generated starting January 1, 1998 (creditable tax ratio) as of March 31, 2004 was 3.08%. The actual creditable tax ratio for earnings as of March 31, 2003, which were distributed in 2004, was 9.30%.

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 2004 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:

<b>Regulatory Basis of Tax Credits</b>	<b>Deductible Item</b>	<b>Tax Credits Obtained</b>	<b>Unused Tax Credits</b>
<u>March 31, 2005</u>			
Statute for Upgrading Industries	R&D and training expenses	\$ 55,728	\$ 12,880
	Purchase of automated mechanical equipment		

March 31, 2004

Statute for Upgrading Industries	R&D and training expenses	108,263	55,414
----------------------------------	---------------------------	---------	--------

The balance of unappropriated retained earnings as of March 31, 2005 and 2004 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.

#### 14. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	<b>For the Three Months Ended March 31</b>					
	<b>2005</b>			<b>2004</b>		
	<b>Included in Cost of Goods Sold</b>	<b>Included in Operating Expenses</b>	<b>Total</b>	<b>Included in Cost of Goods Sold</b>	<b>Included in Operating Expenses</b>	<b>Total</b>
Personnel expenses						
Payroll	\$ 32,345	\$ 114,030	\$ 146,375	\$ 38,429	\$ 100,677	\$ 139,106
Insurance	2,911	8,662	11,573	2,979	6,423	9,402
Pension	494	1,965	2,459	1,242	3,607	4,849
Others	2,225	4,537	6,762	1,620	3,801	5,421
Depreciation	9,953	9,518	19,471	8,695	6,262	14,957
Amortization	705	4,869	5,574	222	2,719	2,941
	<u>\$ 48,633</u>	<u>\$ 143,581</u>	<u>\$ 192,214</u>	<u>\$ 53,187</u>	<u>\$ 123,489</u>	<u>\$ 176,676</u>

Expenses for properties leased to others, which were \$40 thousand for the three months ended March 31, 2005 and \$184 thousand for the three months ended March 31, 2004, respectively (included in nonoperating expenses - other expenses), were not included in the above depreciation expenses.

## 15. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousand)</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>		<u>Pretax</u>	<u>After-tax</u>
<u>For the three months ended March 31, 2005</u>					
Basic EPS	\$ 565,698	\$ 511,698	374,669	<u>\$ 1.51</u>	<u>\$ 1.37</u>
The impact of dilutive potential common stock					
Employees' stock options	-	-	1,089		
Convertible bonds	-	-	<u>4,861</u>		
Diluted EPS	<u>\$ 565,698</u>	<u>\$ 511,698</u>	<u>380,619</u>	<u>\$ 1.49</u>	<u>\$ 1.34</u>
<u>For the three months ended March 31, 2004</u>					
Basic EPS	\$ 658,456	\$ 559,456	360,012	<u>\$ 1.83</u>	<u>\$ 1.55</u>
The impact of dilutive potential common stock					
Employees' stock options	-	-	676		
Convertible bonds	<u>10,390</u>	<u>7,792</u>	<u>19,411</u>		
Diluted EPS	<u>\$ 668,846</u>	<u>\$ 567,248</u>	<u>380,099</u>	<u>\$ 1.76</u>	<u>\$ 1.49</u>

The EPS was retroactively adjusted for the stock dividends declared. Thus, in the three months ended March 31, 2004, pretax and after-tax basic EPS decreased from NT\$1.95 to NT\$1.83 and from NT\$1.66 to NT\$1.55, respectively, and pretax and after-tax diluted EPS decreased from NT\$1.88 to NT\$1.76 and from NT\$1.59 to NT\$1.49, respectively.

## 16. 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.

Pension fund information is summarized as follows:

	<u>March 31</u>	
	<u>2005</u>	<u>2004</u>
Pension	<u>\$ 2,459</u>	<u>\$ 4,849</u>
Contributions	<u>\$ 2,664</u>	<u>\$ 2,257</u>
Balance, end of period	<u>\$ 65,429</u>	<u>\$ 54,352</u>

## 17. 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 Technology Co., Ltd. (ATC)	Equity-method investee
Advantech Italia S.p.A. (AIT)	Equity-method investee (became investee of AEU before December 2004 through the reorganization of the Company's investment structure)
Advantech Brasil S/A (ABR)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
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 of AEU
Advantech Europe GmbH (ADL)	Equity-method investee of AEU
Advantech (UK) Ltd. (AUK)	Equity-method investee of AEU
Advantech Benelux B.V. (ABB)	Equity-method investee of AEU
Advantech Europe B.V. (AESC)	Equity-method investee of AEU
Innova Tech & Management Consultant Inc. (Innova)	Equity-method investee of Yin Hsin
Broadwed Automation Co., Ltd. (Broadwed Automation)	Equity-method investee of Yin Hsin
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 Corporation (Thailand) Co., Ltd. (ATH)	Equity-method investee of ASG
Advantech Corp. (AC) (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 19 and Table 2, are summarized as follows:

	<u>2005</u>		<u>2004</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				
AC	\$ 412,567	23	\$ 414,005	22
AESC	395,654	22	358,362	19
ACN	265,622	15	258,397	14
AJP	61,274	3	61,118	3
AKR	54,148	3	62,756	4
Axiomtek	33,083	2	62,724	3
ASG	29,756	2	39,583	2
AAU	22,588	1	16,875	1
AKMC	14,727	1	12,211	1
ABR	8,664	1	6,104	-
APN	5,388	-	11,017	1
AUK	5,294	-	21,482	1
Others	<u>12,413</u>	<u>1</u>	<u>16,691</u>	<u>1</u>
	<u>\$ 1,321,178</u>	<u>73</u>	<u>\$ 1,341,325</u>	<u>72</u>
2) Purchase of materials and supplies				
ATC	\$ 490,383	37	\$ 550,551	39
Others	<u>944</u>	<u>-</u>	<u>8,273</u>	<u>1</u>
	<u>\$ 491,327</u>	<u>37</u>	<u>\$ 558,824</u>	<u>40</u>
3) Royalty revenue for patent (part of nonoperating income)				
ATC	<u>\$ 25,128</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>
4) Service revenues (part of nonoperating income)				
ATC	\$ -	-	\$ 709	-
Others	<u>-</u>	<u>-</u>	<u>225</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>934</u>	<u>-</u>
5) Rental revenues (part of nonoperating income)				
AIMS	15	-	-	-
Yin Hsin	9	-	-	-
Broadwed Automation	-	-	195	-
Axiomtek	-	-	116	-
Advantech IBHA	<u>-</u>	<u>-</u>	<u>60</u>	<u>-</u>
	<u>24</u>	<u>-</u>	<u>371</u>	<u>-</u>
	<u>\$ 24</u>	<u>-</u>	<u>\$ 1,305</u>	<u>-</u>

(Continued)

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<u>At the end of three months</u>				
6) Receivables				
Accounts				
AESC	\$ 482,341	39	\$ 368,158	33
AAC	281,187	23	290,143	26
ACN	179,803	14	225,775	20
AJP	39,711	3	43,236	4
AKR	36,073	3	43,365	4
AKMC	29,648	2	7,664	1
Axiomtek	25,567	2	59,002	5
ASG	20,029	2	25,940	2
ABR	13,453	1	-	-
AKL	4,362	-	11,944	1
AUK	4,034	-	24,416	2
Others	12,878	1	29,097	2
	<u>1,129,086</u>	<u>90</u>	<u>1,128,740</u>	<u>100</u>
Dividends				
ATC	98,973	8	-	-
AKR	8,262	1	-	-
	<u>107,235</u>	<u>9</u>	<u>-</u>	<u>-</u>
Royalty				
ATC	11,349	1	-	-
	<u>\$ 1,247,670</u>	<u>100</u>	<u>\$ 1,128,740</u>	<u>100</u>
7) Payables				
Accounts				
ATC	\$ 947,430	98	\$ 675,195	97
Advantech IBHA	13,718	1	17,232	3
Others	364	-	1,254	-
	<u>961,512</u>	<u>99</u>	<u>693,681</u>	<u>100</u>
Others - discounts payable				
AC	-	-	1,750	-
Others	221	-	260	-
	<u>221</u>	<u>-</u>	<u>2,010</u>	<u>-</u>
Others - payments on behalf of others				
AC	5,065	1	-	-
	<u>\$ 966,798</u>	<u>100</u>	<u>\$ 695,691</u>	<u>100</u>

(Concluded)

c. Long-term equity investments

The Company sold to AEU its common shareholdings in AIT in January 2004 to reorganize and integrate its subsidiaries in Europe. This sale is summarized as follows:

Marketable Securities Name and Type	Shares (Thousands)	Transaction Price	Carrying Value	Disposal Gain
-------------------------------------	--------------------	-------------------	----------------	---------------

AIT 45 \$ 22,275 \$ 21,975 \$ 300

The Company deferred the gain on the sale of long-term equity investments to AEU because AEU is an equity-method investee.

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

#### 18. ASSETS PLEDGED OR MORTGAGED

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

	2005	2004
Certificates of deposits	<u>\$ 4,900</u>	<u>\$ 2,400</u>

#### 19. COMMITMENTS

As of March 31, 2005, the Company had the following significant commitments:

a. Guarantees for affiliates' loans:

	Amount
AKMC	\$ 315,450
AC	220,815
ACN	126,180
AACB	63,090
AIT	40,870
AUK	<u>34,743</u>
	<u>\$ 801,148</u>

#### 20. FINANCIAL INSTRUMENTS

a. Outstanding contract amounts and credit risk

	March 31			
	2005		2004	
Financial Instruments	Contract Amount (Thousands)	Credit Risk	Contract Amount (Thousands)	Credit Risk
<u>For nontrading purposes</u>				
Forward contracts - sell	US\$ 30,000	\$ -	US\$ 65,000	\$ -
	EUR\$ 2,000	-	EUR\$ 5,600	-
Forward contracts - buy	-	-	US\$ 500	-

Credit risk refers to counter-parties default on forward contracts. Since the Company transacts only with domestic financial institutions with good credit ratings, no material losses on 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 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, 2005 were EUR2,000 thousand and US\$30,000 thousand, for which the Company will receive payments of US\$2,613 thousand and \$936,484 thousand in August 2005. 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 forward contracts are fixed.

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

The Company used derivative financial instruments for nontrading purposes. 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 \$9,179 thousand as of March 31, 2005 on all forward contracts was shown as part of other current liabilities and net receivables of \$27,346 thousand as of March 31, 2004 on all forward contracts was shown as part of other current assets. Foreign exchange losses and gains for the three months ended March 31, 2005 and 2004, respectively, were \$382 thousand and \$50,968 thousand, respectively.

f. Fair values of financial instruments

	March 31			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash	\$ 959,083	\$ 959,083	\$ 77,552	\$ 77,552
Short-term investments	2,309,321	2,310,040	1,960,983	1,962,805
Notes receivable	38,853	38,853	56,892	56,892
Accounts receivable	314,470	314,470	381,073	381,073
Receivables from related parties	1,247,670	1,247,670	1,128,740	1,128,740
Long-term equity investments	3,126,457	3,127,538	3,021,103	3,010,667
Certificates of deposit	4,900	4,900	2,400	2,400
Liabilities				
Bank loan	381	381	-	-
Notes payable	364	364	14,167	14,167
Accounts payable	465,757	465,757	461,275	461,275
Payables to related parties	966,798	966,798	695,691	695,691
Corporate bonds payable (including current portion)	265,216	353,616	1,029,819	1,200,783
<u>Derivative financial instruments</u>				
Forward contracts	(9,179)	(9,179)	27,346	27,346

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.

## 21. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 20 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau 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

17 and 19 and Tables 1, 2, 3, 5, 6, 7 and 8.

## ADVANTECH CO., LTD. AND INVESTEEES

## FINANCING PROVIDED

THREE MONTHS ENDED MARCH 31, 2005

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

No.	Financier	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Nature of Financing (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		
0	AACB	ACN	Receivables from related parties	\$ 63,090 (US\$ 2,000 thousand)	\$ 63,090 (US\$ 2,000 thousand)	2.5%	2	\$ -	Financing need	\$ -	-	\$ -	\$ 105,888 (Note C)	\$ 211,775 (Note B)
1	Axiomtek Co., Ltd.	Axiomtek Technology Deutschland GmbH	Other receivables	4,087 (EUR 100 thousand)	4,087 (EUR 100 thousand)	-	1	6,246	-	-	-	-	166,789 (Note E)	333,579 (Note D)
		Trading (BVI) Co., Ltd.	Other receivables	1,735 (US\$ 55 thousand)	1,735 (US\$ 55 thousand)	-	1	17,336	-	-	-	-	-	-
2	AEU	ABB	Receivables from related parties	12,261 (EUR 300 thousand)	12,261 (EUR 300 thousand)	2.5%	2	-	Financing need	-	-	-	38,908 (Note G)	77,815 (Note F)
		ADL	Receivables from related parties	26,566 (EUR 650 thousand)	26,566 (EUR 650 thousand)	2.5%	2	-	Financing need	-	-	-	-	-
		AUK	Receivables from related parties	3,678 (EUR 90 thousand)	3,678 (EUR 90 thousand)	2.5%	2	-	Financing need	-	-	-	-	-
		AIT	Receivables from related parties	4,087 (EUR 100 thousand)	4,087 (EUR 100 thousand)	2.5%	2	-	Financing need	-	-	-	-	-

Notes: A. Nature of Financing:

1. The borrower is the related party of Advantech Co., Ltd.
2. There is a need for short-term financing.

B. 30% of net asset value of AACB.

C. 15% of net asset value of AACB.

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

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

F. 30% of net asset value of AEU.

G. 15% of net asset value of AEU.

## ADVANTECH CO., LTD. AND INVESTEES

## ENDORSEMENT/GUARANTEE PROVIDED

THREE MONTHS ENDED MARCH 31, 2005

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

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, 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")	AC	Subsidiary of a wholly owned subsidiary	\$ 562,151 (Note B)	\$ 220,815 (US\$ 7,000 thousand)	\$ 220,815 (US\$ 7,000 thousand)	\$ -	3	\$ 1,124,302 (Note A)
		ACN	Subsidiary of a wholly owned subsidiary		126,180 (US\$ 4,000 thousand)	126,180 (US\$ 4,000 thousand)	-	2	
0		AIT	Subsidiary of a wholly owned subsidiary		40,870 (EUR 1,000 thousand)	40,870 (EUR 1,000 thousand)	-	1	
		AUK	Subsidiary of a wholly owned subsidiary		34,743 (NT\$30,000 thousand and GBP80 thousand)	34,743 (NT\$30,000 thousand and GBP80 thousand)	-	-	
		AACB	Subsidiary of a wholly owned subsidiary		63,090 (US\$ 2,000 thousand)	63,090 (US\$ 2,000 thousand)	-	1	
		AKMC	Subsidiary of a wholly owned subsidiary		315,450 (US\$ 10,000 thousand)	315,450 (US\$ 10,000 thousand)	-	4	
1	Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	Subsidiary	166,789 (Note D)	78,863 (US\$2,500 thousand)	78,863 (US\$2,500 thousand)	-	10	416,974 (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.

## ADVANTECH CO., LTD. AND INVESTEES

## MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

MARCH 31, 2005

(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2005				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	\$ 986,171	100.00	\$ 986,171	Note A	
	AAC (BVI)	Investee	Long-term equity investments	21,603,485	705,922	100.00	705,922	Note A	
	Axiomtek Co., Ltd.	Investee	Long-term equity investments	30,315,174	520,724	59.09	520,724	Note A	
	Yin Sin Co., Ltd.	Investee	Long-term equity investments	29,999,994	275,005	100.00	275,005	Note A	
	AEU	Investee	Long-term equity investments	8,263,167	254,994	96.44	254,994	Note A	
	AKR	Investee	Long-term equity investments	2,829,210	104,076	27.47	104,076	Note A	
	ASG	Investee	Long-term equity investments	1,450,000	81,442	100.00	81,442	Note A	
	AJP	Investee	Long-term equity investments	1,200	70,190	100.00	70,190	Note A	
	AAU	Investee	Long-term equity investments	500,204	69,906	100.00	69,906	Note A	
	Advantech IBHA Inc.	Investee	Long-term equity investments	1,994,000	14,825	13.29	14,825	Note A	
	AHG	Investee	Long-term equity investments	30	10,365	30.00	10,365	Note A	
	ADCL	Investee	Long-term equity investments	500,000	7,624	100.00	7,624	Note A	
	AIMS	Investee	Long-term equity investments	500,000	5,305	100.00	5,305	Note A	
	ABR	Investee	Other liabilities	971,055	(2,382)	60.00	(2,382)	Note A	
	AHK	Investee	Long-term equity investments	999,999	109	100.00	109	Note A	
	Firich Enterprise Co., Ltd.	-		Long-term equity investments	269,000	19,799	0.98	20,880	Note C
		<u>Funds</u>							
		ABN AMRO Select Bond Fund	-	Short-term investments	27,019,502.43	299,049	-	299,081	Note B
		ABN AMRO Bond Fund	-	Short-term investments	20,276,568.71	298,272	-	298,364	Note B
		President Home Run Fund	-	Short-term investments	19,527,116.90	267,789	-	267,851	Note B
		President James Bond Fund	-	Short-term investments	19,749,999.40	297,790	-	297,857	Note B
		ABN AMRO Income Fund	-	Short-term investments	19,445,355.29	299,233	-	299,476	Note B
	Shinong Chi-Shin Fund	-	Short-term investments	15,964,118.56	223,524	-	223,531	Note B	
	Capital high Yield Fund	-	Short-term investments	13,681,603.10	156,562	-	156,612	Note B	
	Capital Cash Reserves Fund	-	Short-term investments	12,584,074.70	182,231	-	182,294	Note B	
	NITC Bond Fund	-	Short-term investments	1,773,758.60	284,871	-	284,974	Note B	
Axiomtek Co., Ltd.	<u>Common stock</u>								
	Axiom Technology Inc. U.S.A.	Investee	Long-term equity investments	23,418	222,974	100.00	168,204	Note A	
	Axiomtek Technology Deutschland GmbH	Investee	Long-term equity investments	-	(295)	100.00	(295)	Note A	
	Axiom Technology (BVI) Co., Ltd.	Investee	Long-term equity investments	410,000	(3,304)	100.00	(3,304)	Note A	
	Axiomtek SAS	Investee	Long-term equity investments	-	(5,660)	100.00	(5,660)	Note A	
	Axiom Technology Trading (BVI) Co., Ltd.	Investee	Long-term equity investments	600,000	16,031	100.00	16,031	Note A	
	Alextek Company Limited, Ltd.	-	Long-term equity investments	190	1,823	19.00	1,552	Note A	
	Etherwan System Inc.	Investee	Long-term equity investments	4,983,270	90,661	39.87	70,871	Note A	
Hi-top Industrial Co., Ltd.	Investee	Long-term equity investments	1,050	24,663	30.00	15,861	Note A		

(Continued)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2005				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Yin Hsin Co., Ltd.	<u>Funds</u>							
	Jihsun Bond Fund	-	Short-term investments	210,450	\$ 2,808	-	\$ 2,808	
	JF	-	Short-term investments	436,939	6,002	-	6,002	
	<u>Common stock</u>							
	Advantech IBHA Inc.	Investee	Long-term equity investments	10,000,000	74,114	66.67	74,114	Note A
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	7,288	30.00	7,288	Note A
	Superior Technology Co., Ltd.	-	Long-term equity investments	874,960	33,442	13.43	31,666	Note A
	Chunghwa Telecom Co., Ltd.	-	Short-term investments	200,000	13,063	-	13,040	Note C
	<u>Funds</u>							
	ABN AMRO Bond Fund	-	Short-term investments	6,429,745.71	94,589	-	94,612	Note B
Advantech Technology Co., Ltd. (ATC)	<u>Common stock</u>							
	Advantech Technology (China) Company Ltd.	Investee	Long-term equity investments	-	437,873	100.00	437,873	Note A
	Advantech Dongguan Manufacturing Co., Ltd.	Investee	Long-term equity investments	-	6,567	100.00	6,567	Note A
Advantech Development Co., Ltd. (ADCL)	<u>Common stock</u>							
	Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd.	Investee	Other liabilities	-	(2,298)	100.00	(2,298)	Note A
Timson Tech Co.	<u>Common stock</u>							
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	24,496	100.00	24,496	Note A
Advantech Automation Corp. (BVI) (AAC (BVI))	<u>Common stock</u>							
	AACB	Investee	Long-term equity investments	21,594,307	696,139	100.00	696,139	Note A
Advantech Automation Corp., Ltd. (AACB)	<u>Common stock</u>							
	Advantech Corp.	Investee	Long-term equity investments	10,952,606	524,689	100.00	524,689	Note A
	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Investee	Long-term equity investments	-	158,679	100.00	158,679	Note A
	Advantech Control (M) Sdn. Bhd.	Investee	Long-term equity investments	418,000	7,744	55.00	7,744	Note A
	Advantech Automation GmbH	Investee	Long-term equity investments	2,000	2,666	100.00	2,666	Note A
	Advan Automation Co., Ltd.	Investee	Other liabilities	400	(2,009)	37.74	(2,009)	Note A
	Visual Systems GmbH	-	Long-term equity investments	-	720	20.00	720	Note A
Advantech Co. Singapore Pte, Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Investee	Long-term equity investments	15,000	980	30.00	980	Note A
	Advantech Automation (Penang) Sdn. Bhd.	Investee	Long-term equity investments	570,570	8,245	55.00	8,245	Note A
Advantech Europe Holding B.V. (AEU)	<u>Common stock</u>							
	Advantech Europe B.V. AESC	Investee	Long-term equity investments	8,314,280	81,353	100.00	81,353	Note A
	Advantech France S.A. AFR	Investee	Long-term equity investments	75,000	30,114	100.00	30,114	Note A
	Advantech Benelux B.V. ABB	Investee	Long-term equity investments	295,378	34,018	100.00	34,018	Note A
	Advantech (UK) Ltd. AUK	Investee	Long-term equity investments	600,000	40,644	100.00	40,644	Note A
	Advantech Europe GmbH ADL	Investee	Other liability	1,142,000	(1,156)	100.00	(1,156)	Note A
	Advantech Italia S.p.A	Investee	Long-term equity investments	45,000	19,780	100.00	19,780	Note A
	Marekmicro GmbH, Germany	Investee	Long-term equity investments	6,200	10,168	19.87	2,220	Note A

(Continued)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2005				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Axion Technology Trading (BVI) Co., Ltd.	<u>Common stock</u> Axiomtek Technology (Shen Zhen) Co., Ltd.	Investee	Long-term equity investments	-	\$ 6,126	100.00	\$ 6,126	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 March 31, 2005.

Note C: Market value was based on the average closing price in March 2005.

(Concluded)

## ADVANTECH CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL  
THREE MONTHS ENDED MARCH 31, 2005  
(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.	<u>Funds</u>													
	ABN AMRo Bond Fund	Short-term investments	-	-	20,385,336.74	\$ 298,900	20,276,568.71	\$ 298,272	20,385,336.74	\$ 299,872	\$ 298,900	\$ 972	20,276,568.71	\$ 298,272
	Capital Cash Reserves Fund	Short-term investments	-	-	10,092,431.10	145,564	14,868,623.20	215,231	12,376,979.60	179,231	178,564	667	12,584,074.70	182,231
	Capital High Yield Fund	Short-term investments	-	-	13,156,427.20	149,973	14,032,059.20	160,562	13,506,883.30	154,562	153,973	589	13,681,603.10	156,562
	President James Bond Fund	Short-term investments	-	-	19,498,838.00	293,013	21,595,138.00	325,590	21,344,176.60	321,790	320,813	977	19,749,799.40	297,790
	ABN AMRO Income Fund	Short-term investments	-	-	13,265,574.67	202,077	19,445,355.29	299,233	13,265,574.67	204,233	202,077	2,156	19,445,355.29	299,233
	President Home Run Fund	Short-term investments	-	-	21,865,088.20	298,830	23,757,583.20	325,789	26,095,554.50	357,789	356,830	959	19,527,116.90	267,789
	ABN AMRO Select Bond Fund	Short-term investments	-	-	27,109,853.84	299,000	27,019,502.43	299,049	27,109,853.84	300,049	299,000	1,049	27,019,502.43	299,049
	Shinong Chi-Shi Fund	Short-term investments	-	-	13,691,602.97	191,027	30,461,382.35	426,124	28,188,866.76	394,424	393,627	797	15,964,118.56	223,524
	NITC Bond Fund	Short-term investments	-	-	826,740.30	132,340	3,736,099.03	599,541	2,789,080.73	447,671	447,010	661	1,773,758.60	284,871

**TABLE 5**

**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  
THREE MONTHS ENDED MARCH 31, 2005  
(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.	AC	Subsidiary of a wholly owned subsidiary	Sale	\$ (412,567)	(23)	60-90 days	\$ -	-	\$ 281,187	18	
	AESC	Subsidiary of a wholly owned subsidiary	Sale	(395,654)	(22)	Depending on its operating condition	-	-	482,341	30	
	ACN	Subsidiary of a wholly owned subsidiary	Sale	(265,622)	(15)	Depending on its operating condition	-	-	179,803	11	
	ATC	Subsidiary	Purchase	490,383	37	Depending on its operating condition	-	-	(947,430)	(66)	
AC	Advantech Co., Ltd.	Parent company	Purchase	412,567	54	60-90 days	-	-	(281,187)	(63)	
AESC	Advantech Co., Ltd.	Parent company	Purchase	395,654	88	Depending on its operating condition	-	-	(482,341)	(97)	
ACN	Advantech Co., Ltd.	Parent company	Purchase	265,622	66	Depending on its operating condition	-	-	(179,803)	(62)	
ATC	Advantech Co., Ltd.	Parent company	Sale	(490,383)	(99)	Depending on its operating condition	-	-	947,430	99	
ACN	AKMC	Same parent company	Purchase	101,599	25	Depending on its operating condition	-	-	(28,768)	(10)	
ATC	AKMC	Subsidiary	Purchase	246,017	71	Depending on its operating condition	-	-	(289,741)	(80)	
AKMC	ACN	Same parent company	Sale	(101,599)	(29)	30-60 days	-	-	28,768	9	
	ATC	Parent company	Sale	(246,017)	(70)	60-90 days	-	-	289,741	91	

**ADVANTECH CO., LTD. AND INVESTEEES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**MARCH 31, 2005**

**(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 of a wholly owned subsidiary	\$ 482,341	3.55	\$ -	-	\$ 163,480	\$ -
	AC	Subsidiary of a wholly owned subsidiary	281,187	6.37	-	-	123,431	-
	ACN	Subsidiary of a wholly owned subsidiary	179,803	7.38	-	-	66,248	-
	ATC	Subsidiary of a wholly owned subsidiary	110,322 (Note)	-	-	-	110,322	-
ATC	Advantech Co., Ltd.	Parent company	947,430	2.37	-	-	472,924	-
AKMC	ATC	Parent company	289,741	1.03	-	-	95,970	-

Note: It consists of dividend receivables of \$98,973 thousand and royalty receivables of \$11,349 thousand.

## ADVANTECH CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
THREE MONTHS ENDED MARCH 31, 2005  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note	
				March 31, 2005	March 31, 2004	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	\$ 986,171	\$ 144,884	\$ 144,884	Subsidiary	
	AAC (BVI)	BVI	Investment holding company	725,044	725,041	21,603,485	100.00	705,922	22,520	22,638	Subsidiary	
	Axiomtek Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	438,964	438,964	30,315,174	59.09	520,724	29,273	13,923	Subsidiary	
	Yin Hsin Co., Ltd.	Taipei, Taiwan	General investment	300,000	300,000	29,999,994	100.00	275,005	(201)	(201)	Subsidiary	
	AEU	Helmond, the Netherlands	Investment holding company	321,795	321,795	8,263,167	96.44	254,994	3,823	3,760	Subsidiary	
	Advantech Technologies Co., Ltd. (AKR)	Seoul, Korea	Sale of industrial automation products	32,989	51,646	2,829,210	27.47	104,076	5,002	1,658	Equity-method investee	
	Advantech Co. Singapore Pte, Ltd.	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	81,442	797	797	Subsidiary	
	Advantech Japan Co., Ltd. (AJP)	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	70,190	4,959	4,959	Subsidiary	
	Advantech Australia Pty Ltd.	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	69,906	784	978	Subsidiary	
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	19,940	19,940	1,994,000	13.29	14,825	(921)	(122)	Subsidiary	
	Advantech Hungary Ltd.	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	10,365	-	-	Equity-method investee (Note A)	
	Advantech Development Co., Ltd.	BVI	Sale of industrial automation products	16,395	16,395	500,000	100.00	7,624	5	5	Subsidiary	
	Advantech Investment & Management Service	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,305	133	154	Subsidiary	
	Advantech Brasil S/A	Sam Paulo, Brazil	Sale of industrial automation products	15,374	15,374	971,055	60.00	(2,382)	1,867	1,120	Subsidiary (Note B)	
	Advantech (H.K.) Technology Co., Ltd.	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	109	-	-	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	222,974	801	19	Subsidiary of a wholly owned subsidiary
		Axiomtek Technology Deutschland GmbH	Germany	Sale of industrial automation products	14,770	14,770	-	100.00	(295)	(5,755)	(5,755)	Subsidiary of a wholly owned subsidiary
Axiom Technology (BVI) Co., Ltd.		BVI	Holding company	13,290	13,290	410,000	100.00	(3,304)	(886)	(886)	Subsidiary of a wholly owned subsidiary (Note B)	
Axiomtek SAS		France	Sale of industrial automation products	23,880	9,832	-	100.00	(5,660)	(7,173)	(7,173)	Subsidiary of a wholly owned subsidiary	
Hi-top Industrial Co., Ltd.		Taipei, Taiwan	Production of electronic parts	22,000	22,000	1,050	30.00	24,663	5,315	1,769	Equity-method investee of a subsidiary	
Axiom Technology Trading (BVI) Co., Ltd.		BVI	Holding company	19,735	19,735	600,000	100.00	16,031	(55)	(55)	Subsidiary of a wholly owned subsidiary	
Etherwan System Inc.		Taipei, Taiwan	Sale of ethernet converters	84,737	84,737	4,983,270	39.87	90,661	17,853	5,708	Equity-method investee of a subsidiary	
Yin Hsin Co., Ltd.	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	100,000	100,000	10,000,000	66.67	74,114	(921)	(555)	Subsidiary of a wholly owned subsidiary	
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,288	-	-	Equity-method investee of a subsidiary	
Advantech Technology Co., Ltd. (ATC)	Advantech Technology (China) Company Ltd.	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	437,873	17,100	17,100	Subsidiary of a wholly owned subsidiary	
	ADMC	Guangzhou, China	Production and sale of industrial automation products	6,861	6,861	-	100.00	6,567	-	-	Subsidiary of a wholly owned subsidiary	
Advantech Development Co., Ltd.	Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd.	Guangzhou, China	Sale of industrial automation products	6,151	6,151	-	100.00	(2,298)	-	-	Subsidiary of a wholly owned subsidiary (Note B)	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				March 31, 2005	March 31, 2004	Shares	Percentage of Ownership	Carrying Value			
Timson Tech Co. (TTC)	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processing and sale of peripherals	\$ 30,222	\$ 30,222	-	100.00	\$ 24,496	\$ -	\$ -	Subsidiary of a wholly owned subsidiary
Advantech Automation Corp. (BVI) (AAC (BVI))	AACB	Bermuda	Investment holding company	724,731	724,731	21,594,307	100.00	696,139	22,577	22,577	Subsidiary of a wholly owned subsidiary
Advantech Automation Corp., Ltd. (AACB)	Advantech Corp.	Sunnyvale, USA	Assembly and sale of industrial automation products	504,179	504,179	10,952,606	100.00	524,689	13,837	13,837	Subsidiary of a wholly owned subsidiary
	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	158,679	9,530	9,530	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	7,744	195	107	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	2,666	-	-	Subsidiary of a wholly owned subsidiary
	Advan Automation Co., Ltd.	Tokyo, Japan	Sale of industrial automation products	5,990	5,990	400	37.74	(2,009)	(439)	(166)	Equity-method investee of a wholly owned subsidiary (Note B)
Advantech Co. Singapore Pte, Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Thailand	Production of computers	1,199	1,199	15,000	30.00	980	(531)	(198)	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	8,245	360	198	Subsidiary of a wholly owned subsidiary
Advantech Europe Holding B.V. (AEU)	Advantech Europe B.V.	Helmond, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	81,353	(12)	(12)	Subsidiary of a wholly owned subsidiary
	Advantech France S.A.	Paris, France	Sale of industrial automation products	11,984	11,984	75,000	100.00	30,114	(6,742)	(6,742)	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	40,644	15,294	15,294	Subsidiary of a wholly-owned subsidiary
	Advantech Benelux B.V.	Roosendaal, The Netherlands	Sale of industrial automation products	39,565	39,565	295,378	100.00	34,018	371	371	Subsidiary of a wholly-owned subsidiary
	Advantech Europe GmbH	Dusseldorf, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	(1,156)	2,155	2,155	Subsidiary of a wholly-owned subsidiary
	Advantech Italia S.p.A.	Milano Italy	Sale of industrial automation products	22,275	-	45,000	100.00	19,780	(2,238)	(2,238)	Subsidiary of a wholly-owned subsidiary
Axion Technology (BVI) Co., Ltd.	Axiomtek Technology (Shen Zhen) Co., Ltd.	Guangzhou, China	Production and sale of electronic calculating machines and statistics interface card	15,474	15,474	-	100.00	6,126	(640)	(640)	Subsidiary of a wholly-owned subsidiary

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

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

(Concluded)

## ADVANTECH CO., LTD. AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA  
THREE MONTHS ENDED MARCH 31, 2005  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2005	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2005	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Value as of March 31, 2005	Accumulated Inward Remittance of Earnings as of March 31, 2005	Accumulated Investment in Mainland China as of March 31, 2005	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	\$ 6,309	\$ -	\$ -	\$ 6,309	100%	\$ -	\$ (2,298)	\$ -	\$ 568,188 (US\$ 18,012 thousand)	\$ 788,625 (US\$ 25,000 thousand)	\$ 2,963,041
Advantech Technology (China) Company Ltd.	Production and sale of components of industrial automation products	US\$12,000 thousand	Indirect	378,540	-	-	378,540	100%	17,100	437,873	-			
Kunshan Timson Tech Co., Ltd.	Processing and sale of peripherals	US\$900 thousand	Indirect	8,517	-	-	8,517	30%	-	7,349	-			
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Sale of industrial automation products	US\$4,230 thousand	Indirect	168,198	-	-	168,198	100%	9,530	158,679	-			
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US\$210 thousand	Indirect	6,624	-	-	6,624	100%	-	6,567	-			

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

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.