

Advantech Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2005 and 2004 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Advantech Co., Ltd. and subsidiaries as of December 31, 2005 and 2004 and the related consolidated 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. However, as disclosed in Note 2 to the financial statements, we did not audit the financial statements of these subsidiaries as of and for the years ended December 31, 2005 and 2004. The total assets of these subsidiaries were 17.97% (NT\$2,772,746 thousand) and 31.82% (NT\$3,429,631 thousand) of the Company's consolidated total assets as of December 31, 2005 and 2004, respectively. The operating revenues of these subsidiaries were 66.08% (NT\$8,238,708 thousand) and 65.52% (NT\$8,769,354 thousand) of the Company's consolidated operating revenues in 2005 and 2004, respectively. Also, as disclosed in Note 6 to the financial statements, we did not audit the financial statements of equity-method investees as of and for the years ended December 31, 2005 and 2004. The carrying values of these investments were 3.31% (NT\$510,772 thousand) and 2.86% (NT\$307,790 thousand) of the Company's consolidated total assets as of December 31, 2005 and 2004, respectively. The equity in the investees' net gain was 1.39% (NT\$37,979 thousand) and 0.52% (NT\$13,398 thousand) of the Company's consolidated income before income tax in 2005 and 2004, respectively. The consolidated financial statements of these subsidiaries or investees were audited by other auditors whose reports have been furnished to us, our opinion, insofar as it relates to the subsidiaries and investees' amounts included herein, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and 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 the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Advantech Co., Ltd. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines for Securities Issuers' Financial Reporting for Public Companies and accounting principles generally accepted in the Republic of China.

As disclosed in Note 2 to the financial statements, Advantech Co., Ltd. and subsidiaries adopted revised SFAS No. 7 "Consolidated Financial Statements", to prepare the consolidated financial statements. In 2005, the consolidated entities include the accounts of investees in which Advantech Co., Ltd. has a controlling interest. And in 2004, the consolidated entities only include the accounts of all directly and indirectly majority owned subsidiaries of Advantech Co., Ltd.'s ownership percentage is more than 50% and the investee's individual total assets or operating revenues were more than 10% of Advantech Co., Ltd.'s total assets or operating revenues.

March 9, 2006

Notice to Readers

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

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

ASSETS	2005		2004		LIABILITIES AND SHAREHOLDERS' EQUITY	2005		2004	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 3)	\$ 2,517,834	16	\$ 1,705,872	16	Short-term bank loans (Notes 9 and 19)	\$ 460,017	3	\$ 506,783	5
Short-term investments (Notes 2 and 4)	1,595,165	11	2,199,328	21	Notes payable	10,128	-	87,199	1
Notes receivable (Note 2)	190,330	1	105,834	1	Accounts payable	1,179,585	8	586,049	5
Accounts receivable, net of allowance for doubtful accounts of \$29,969 in 2005 and \$53,246 in 2004 (Note 2)	1,613,836	11	1,410,421	13	Payables to related parties (Note 18)	463	-	14,439	-
Receivables from related parties (Notes 2 and 18)	52,101	-	139,372	1	Income tax payable (Notes 2 and 15)	69,087	-	177,437	1
Inventories, net (Notes 2 and 5)	2,300,817	15	1,535,992	14	Accrued expenses	492,953	3	317,407	3
Deferred income tax assets - current (Notes 2 and 15)	32,716	-	102,031	1	Corporate bonds payable - current portion (Notes 2 and 10)	8,900	-	291,452	3
Prepayments and other current assets (Note 21)	283,217	2	320,856	3	Other current liabilities (Note 21)	413,850	3	287,812	3
Total current assets	8,586,016	56	7,519,706	70	Total current liabilities	2,634,983	17	2,268,578	21
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 6)					LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Equity method	520,146	3	323,717	3	Long-term bank loans payable (Notes 11 and 19)	71,293	1	136,877	1
Cost method	3,519,099	23	101,282	1	OTHER LIABILITIES				
Prepayments for long-term equity investments	9,844	-	39,963	-	Accrued pension liabilities (Notes 2 and 12)	110,948	1	125,309	1
Total long-term equity investments	4,049,089	26	464,962	4	Deferred income tax liabilities - noncurrent (Notes 2 and 15)	70,180	-	132,287	1
PROPERTIES (Notes 2, 7 and 19)					Deferred income (Note 2)	9,103	-	21,524	1
Cost					Miscellaneous (Notes 2 and 6)	19,292	-	12,527	-
Land	758,963	5	760,124	7	Total other liabilities	209,523	1	291,647	3
Buildings and equipment	1,270,811	8	1,164,792	11	Total liabilities	2,915,799	19	2,697,102	25
Machinery and equipment	462,974	3	353,867	3	SHAREHOLDERS' EQUITY				
Furniture and fixtures	256,056	2	502,219	5	Capital stock, \$10 par value				
Miscellaneous equipment	165,475	1	216,025	2	Authorized - 500,000 thousand shares				
Total cost	2,914,279	19	2,997,027	28	Issued - 448,900 thousand shares in 2005 and 374,296 thousand shares in 2004	4,489,003	29	3,742,962	35
Accumulated depreciation	616,772	4	654,133	6	Capital surplus				
Advances for equipment acquisition	125,532	1	17,990	-	Paid-in capital in excess of par value	4,342,204	28	1,072,211	10
Net properties	2,423,039	16	2,360,884	22	Long-term equity investments	50,365	1	14,990	-
GOODWILL (Note 2)					Total capital surplus	4,392,569	29	1,087,201	10
	30,363	-	127,079	1	Retained earnings				
OTHER ASSETS					Legal reserve	843,346	6	627,331	6
Properties leased to others (Notes 2, 8 and 19)	68,818	-	73,290	1	Special reserve	19,661	-	-	-
Refundable deposits	33,584	-	34,984	-	Unappropriated earnings	2,688,544	17	2,280,132	21
Deferred charges, net (Note 2)	137,210	1	154,026	2	Total retained earnings	3,551,551	23	2,907,463	27
Certificates of deposit - restricted (Note 19)	4,100	-	4,900	-	Cumulative translation adjustments	39,481	-	(19,661)	-
Miscellaneous	94,150	1	37,747	-	Total shareholders' equity of parent company	12,472,604	81	7,717,965	72
Total other assets	337,862	2	304,947	3	MINORITY INTEREST				
TOTAL	\$ 15,426,369	100	\$ 10,777,578	100		37,966	-	362,511	3
					Total shareholders' equity	12,510,570	81	8,080,476	75
					TOTAL	\$ 15,426,369	100	\$ 10,777,578	100

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

(With Deloitte & Touche audit report dated March 9, 2006)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2005 AND 2004

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

	2005		2004	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 18)				
Sales	\$ 12,488,026	100	\$ 13,437,236	100
Sales returns and allowances	<u>181,642</u>	<u>1</u>	<u>300,114</u>	<u>2</u>
Net sales	12,306,384	99	13,137,122	98
Other operating revenues	<u>160,678</u>	<u>1</u>	<u>246,212</u>	<u>2</u>
Total operating revenues	12,467,062	100	13,383,334	100
OPERATING COSTS (Notes 2, 16 and 18)	<u>6,793,575</u>	<u>54</u>	<u>7,588,288</u>	<u>57</u>
GROSS PROFIT	5,673,487	46	5,795,046	43
REALIZED (DEFERRED) PROFITS ON INTERCOMPANY SALES (Note 2)	<u>12,613</u>	<u>-</u>	<u>(9,216)</u>	<u>-</u>
ADJUSTED GROSS PROFIT	<u>5,686,100</u>	<u>46</u>	<u>5,785,830</u>	<u>43</u>
OPERATING EXPENSES (Notes 16 and 18)				
Marketing	668,024	5	800,241	6
Administration	1,845,238	15	1,788,611	13
Research and development	<u>548,820</u>	<u>5</u>	<u>530,674</u>	<u>4</u>
Total operating expenses	<u>3,062,082</u>	<u>25</u>	<u>3,119,526</u>	<u>23</u>
OPERATING INCOME	<u>2,624,018</u>	<u>21</u>	<u>2,666,304</u>	<u>20</u>
NONOPERATING INCOME AND GAINS				
Interest	26,410	-	8,977	-
Equity in net income of investees, net (Notes 2 and 6)	37,862	-	-	-
Gain on disposal of investments	163,263	2	31,463	-
Foreign exchange gain, net (Notes 2 and 21)	-	-	12,990	-
Other income (Notes 18 and 21)	<u>129,837</u>	<u>1</u>	<u>74,175</u>	<u>1</u>
Total nonoperating income and gains	<u>357,372</u>	<u>3</u>	<u>127,605</u>	<u>1</u>

(Continued)

	2005		2004	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest	\$ 30,302	-	\$ 47,977	-
Equity in net loss on investees, net (Notes 2 and 6)	-	-	1,178	-
Impairment loss on long-term equity investments (Note 2)	-	-	14,000	-
Foreign exchange loss, net (Notes 2 and 21)	68,941	-	-	-
Provision for losses on inventories	85,464	1	99,258	1
Other expenses (Note 16)	<u>55,173</u>	<u>1</u>	<u>43,452</u>	<u>-</u>
Total nonoperating expenses and losses	<u>239,880</u>	<u>2</u>	<u>205,865</u>	<u>1</u>
INCOME BEFORE INCOME TAX	2,741,510	22	2,588,044	20
INCOME TAX (Notes 2 and 15)	<u>298,383</u>	<u>2</u>	<u>365,017</u>	<u>3</u>
CONSOLIDATED NET INCOME	<u>\$ 2,443,127</u>	<u>20</u>	<u>\$ 2,223,027</u>	<u>17</u>
ATTRIBUTABLE TO:				
Controlling interest	\$ 2,429,803	20	\$ 2,160,155	16
Minority interest income	<u>13,324</u>	<u>-</u>	<u>62,872</u>	<u>1</u>
	<u>\$ 2,443,127</u>	<u>20</u>	<u>\$ 2,223,027</u>	<u>17</u>
	2005		2004	
	Pre-tax	After-tax	Pre-tax	After-tax
CONSOLIDATED EARNINGS PER SHARE (Note 17)				
Consolidated basic earnings per share	<u>\$ 6.82</u>	<u>\$ 6.05</u>	<u>\$ 6.67</u>	<u>\$ 5.57</u>
Consolidated diluted earnings per share	<u>\$ 6.76</u>	<u>\$ 5.99</u>	<u>\$ 6.46</u>	<u>\$ 5.38</u>

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

(With Deloitte & Touche audit report dated March 9, 2006)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

	Capital Stock		Capital Surplus (Notes 2, 13 and 14)			Retained Earnings (Notes 2, 13 and 14)				Cumulative Translation Adjustments (Note 2)	Treasury Stocks (Notes 2 and 14)	Minority Interest in Subsidiaries	Total Shareholders' Equity
	Issued (Notes 10, 13 and 14)		Paid-in Capital in Excess of Par Value	From Long-term Equity Investments	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total				
	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)	\$ 298,693	\$ 6,114,815
Appropriation of 2003 earnings													
Legal reserve	-	-	-	-	-	107,242	-	(107,242)	-	-	-	-	-
Bonus to employees	5,500	55,000	-	-	-	-	-	(96,518)	(96,518)	-	-	-	(41,518)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(9,652)	(9,652)	-	-	-	(9,652)
Stock dividends - 5%	16,886	168,864	-	-	-	-	-	(168,864)	(168,864)	-	-	-	-
Cash dividends - \$2.5 per share	-	-	-	-	-	-	-	(844,320)	(844,320)	-	-	-	(844,320)
Consolidated net income in 2004	-	-	-	-	-	-	-	2,160,155	2,160,155	-	-	62,872	2,223,027
Conversion of bonds into capital stock	14,468	144,679	622,353	-	622,353	-	-	-	-	-	-	-	767,032
Decrease in carrying value of equity investment due to change in equity in investee	-	-	-	(18,929)	(18,929)	-	-	-	-	-	-	-	(18,929)
Increase in paid-in capital from equity investment due to change in equity in investee	-	-	-	74	74	-	-	-	-	-	-	-	74
Write off of treasury stock	(3,862)	(38,620)	(5,297)	-	(5,297)	-	-	(166,819)	(166,819)	-	210,736	-	-
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	(102,824)	-	-	(102,824)
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	(8,175)	-	-	(8,175)
Effect of change due to change in shareholders' equity of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	946	946
BALANCE, DECEMBER 31, 2004	374,296	3,742,962	1,072,211	14,990	1,087,201	627,331	-	2,280,132	2,907,463	(19,661)	-	362,511	8,080,476
Appropriation of 2004 earnings													
Legal reserve	-	-	-	-	-	216,015	-	(216,015)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	19,661	(19,661)	-	-	-	-	-
Bonus to employees	5,000	50,000	-	-	-	-	-	(192,448)	(192,448)	-	-	-	(142,448)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(19,245)	(19,245)	-	-	-	(19,245)
Stock dividends - 5%	18,738	187,383	-	-	-	-	-	(187,383)	(187,383)	-	-	-	-
Cash dividends - \$3.7 per share	-	-	-	-	-	-	-	(1,386,639)	(1,386,639)	-	-	-	(1,386,639)
Consolidated net income in 2005	-	-	-	-	-	-	-	2,429,803	2,429,803	-	-	13,324	2,443,127
Conversion of bonds into capital stock	5,203	52,025	230,527	-	230,527	-	-	-	-	-	-	-	282,552
Issuance of shares to acquire long-term equity investments	44,893	448,933	3,016,828	-	3,016,828	-	-	-	-	-	-	-	3,465,761
Employee stock options	770	7,700	22,638	-	22,638	-	-	-	-	-	-	-	30,338
Decrease in capital surplus and translation adjustments due to disposal long-term investment	-	-	-	(5,415)	(5,415)	-	-	-	-	(4,319)	-	-	(9,734)
Increase in carrying value of equity investment due to change in equity in investee	-	-	-	40,790	40,790	-	-	-	-	-	-	-	40,790
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	21,077	-	-	21,077
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	42,384	-	-	42,384
Effect of change in consolidated entities since 2005	-	-	-	-	-	-	-	-	-	-	-	(333,884)	(333,884)
Effect of change due to change in shareholders' equity of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(3,985)	(3,985)
BALANCE, DECEMBER 31, 2005	448,900	\$ 4,489,003	\$ 4,342,204	\$ 50,365	\$ 4,392,569	\$ 843,346	\$ 19,661	\$ 2,688,544	\$ 3,551,551	\$ 39,481	\$ -	\$ 37,966	\$ 12,510,570

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

(With Deloitte & Touche audit report dated March 9, 2006)

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2005 AND 2004 (In Thousands of New Taiwan Dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 2,443,127	\$ 2,223,027
Depreciation and amortization	202,321	232,948
Provision (reversal of allowance) for bad debts	(23,277)	57,940
Provision (reversal of allowance) for decline in value of short-term investments	908	(13,765)
Provision for losses on inventories	85,464	99,258
Losses (gains) on disposal of properties, net	(10,921)	1,360
Impairment loss on long-term equity investments	-	14,000
Gain on sale of long-term equity investments	(163,152)	-
Equity in net loss (gain) of investees, net	(37,862)	1,178
Cash dividends from equity-method investees	50,884	7,428
Accrued pension liabilities	(14,361)	3,066
Interest premium on convertible bonds	-	23,318
Deferred income taxes	18,708	64,578
Net changes in operating assets and liabilities		
Notes receivable	(84,496)	45,442
Accounts receivable	(180,138)	(61,216)
Accounts receivable from related parties	87,271	(76,185)
Inventories	(851,514)	(59,931)
Prepayment and other current assets	37,639	145,199
Notes payable	(77,071)	17,916
Accounts payable	593,536	(117,982)
Accounts payable to related parties	(13,976)	14,439
Income tax payable	(108,350)	134,652
Accrued expenses	175,546	(34,719)
Other current liabilities	31,509	(30,894)
Deferred income	(12,421)	9,216
Net cash provided by operating activities	<u>2,149,374</u>	<u>2,700,273</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in short-term investments	603,255	(599,864)
Acquisition of long-term equity investments	(28,989)	(121,829)
Proceeds from sale of long-term equity investments	393,403	-
Proceeds from sale of properties	30,921	3,467
Acquisition of properties	(234,625)	(315,750)
Increase in deferred charges	(13,693)	(92,091)
Decrease (increase) in certificates of deposit	800	(2,500)
Increase in other assets	(55,003)	(11,163)
Net cash provided by (used in) investing activities	<u>696,069</u>	<u>(1,139,730)</u>

(Continued)

	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of corporate bonds	\$ -	\$ (454)
Increase (decrease) in short-term bank loans	(46,766)	73,382
Decrease in long-term loans payable	(65,584)	(25,899)
Increase in other liabilities	-	2,371
Stock options for employees	30,338	-
Cash dividends paid	(1,386,639)	(844,320)
Payment of bonus to employees and remuneration to directors and supervisors	(67,164)	(12,183)
Decrease in minority equity	<u>(3,985)</u>	<u>(17,909)</u>
Net cash used in financing activities	<u>(1,539,800)</u>	<u>(825,012)</u>
EFFECT OF CHANGE IN CONSOLIDATED ENTITIES	<u>(552,823)</u>	-
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>59,142</u>	<u>(86,330)</u>
NET INCREASE (DECREASE) IN CASH	811,962	649,201
CASH, BEGINNING OF YEAR	<u>1,705,872</u>	<u>1,056,671</u>
CASH, END OF YEAR	<u>\$ 2,517,834</u>	<u>\$ 1,705,872</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 18,630</u>	<u>\$ 24,322</u>
Income tax paid	<u>\$ 370,970</u>	<u>\$ 165,787</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Issuance of shares to acquire minority equity in ASUSTek Computer Inc.	<u>\$ 3,465,761</u>	<u>\$ -</u>
Reclassification of properties leased to others to properties	<u>\$ 8,945</u>	<u>\$ 38,479</u>
Conversion of bonds into capital stock and capital surplus	<u>\$ 282,552</u>	<u>\$ 767,032</u>
Bonus to employee	<u>\$ 94,529</u>	<u>\$ 55,496</u>
Treasury stock retired	<u>\$ -</u>	<u>\$ 210,736</u>

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

(With Deloitte & Touche audit report dated March 9, 2006)

(Concluded)

ADVANTECH CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004

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

1. ORGANIZATION AND OPERATIONS

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

As of December 31, 2005 and 2004, the Parent Company and the consolidated subsidiaries (collectively, the "Group") had 2,181 and 2,628 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Group's financial statements have been prepared in conformity with the Guidelines for Securities Issuers' Financial Reporting for Public Companies and accounting principles generally accepted in the ROC. In preparing financial statements in conformity with these guidelines and principles, the Group is required to make certain estimates and assumptions that could affect the amounts of the allowance for doubtful accounts, provision for losses on inventories, depreciation of properties and properties leased to others, pension cost, warranty liabilities, assets impairment and income tax. Actual results could differ from these estimates.

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

Basis for Consolidation

The Parent Company prepared consolidated financial statements according to full-disclosure purposes, the Company prepared consolidated financial statements as of and for the year ended December 31, 2004, which included direct and indirect subsidiaries, except Axiomtek Technology Deutschland GmbH, Axiom Technology (BVI) Co., Ltd., Axiomtek SAS and Axiom Technology Trading (BVI) Co., Ltd., which had no material influence on the consolidated financial statements. As required by the revised R.O.C. Statement of Financial Accounting Standards No. 7 "Consolidated Financial Statements", starting from 2005, consolidated financial statements should include direct and indirect subsidiaries in which the Parent Company has controlling interest or has voting right over 50%. The consolidated entities include the Parent Company and its all subsidiaries in 2005. All significant intercompany accounts and transactions have been eliminated from the consolidated financial statements.

The organization charts of intercompany relationships and percentages of ownership as of December 31, 2005 and 2004, please see Table 10 attached. The name, locations and other information of investees, please see Table 8 attached.

As shown in the accompanying consolidated financial statements, Advantech Europe Holding B.V., Advantech Europe B.V., Advantech Europe Business Center GmbH (before is Advantech Europe GmbH), Advantech France S.A., Advantech (UK) Ltd., Advantech Benelux B.V., Advantech Italia S.P.A., Advantech Europe Design Center GmbH, Advantech Co., Singapore Pte, Ltd., Advantech Automation (Penang) Sdn. Bhd., Advantech Control (M) Sdn. Bhd., Advantech Corp., Advantech Brazil S/A, Advantech Australia Pty, Ltd., Advantech Japan Co., Ltd. in 2005 and 2004, and Axiometek Co., Ltd., Axiom Technology Inc. U.S.A., Axiom Technology (BVI) Co., Ltd., Axiom Technology Trading (BVI) Co., Ltd., Axiomtek SAS, Axiomtek Technology Deutschland GmbH, Axiometek (Shenzhen) Co., Ltd.

and Etherwan Systems Inc. in 2005 (only included the net income of these entities before the Parent Company lost controlling interest in April 2005), and Axiometek and Axiometek Technology, Inc. U.S.A. in 2004. Their financial statement were audited by other auditor, not the Parent Company's auditors.

The calculation of the investment carrying value and the Parent Company's equity in the net income of Advan IBHA Technologies Inc., Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd., Technology Co., Ltd., Advantech Automation GmbH in 2005 and 2004, and Advantech Dongguan Manufacturing Co., Ltd. in 2004, equity-method investees, was based on unaudited financial statements since each investee's capital stock was less than \$30,000 thousand and the investees' individual total operating revenues were less than \$50,000 thousand or 10% of the Parent Company's total operating revenues. The parent company considers that there were not going to be major adjustments, if the financial statements were audited by CPAs. The calculation of the carrying values of other equity-method investments and the equity in their net income or net loss were based on audited financial statements.

Current and Noncurrent Assets and Liabilities

Assets that will be consumed or used up within one year which include unrestricted cash or cash equivalents, are classified as current. Liabilities that will be 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 stocks with quoted market prices and open-end mutual funds. The investments are carried at the lower of aggregate cost or market value. Stock dividends received are recorded only as an increase in the number of shares held but are not recognized as investment income. Cash dividends received within a year from investment acquisition are accounted for as a reduction of the carrying value of the investment and are recognized as investment income in subsequent years. 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 as moving-average method.

Market values are based on average closing prices of stocks with quoted market prices of the last month of the reporting period, the net asset values of the open-end mutual funds on the balance sheet date.

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 of raw materials and supplies and net realizable value of finished goods and work in process.

Long-term Equity Investments

Investments in shares of stock of companies in which the Group owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Stock investments accounted for by the equity method are initially carried at cost and subsequently adjusted for the Group'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 the investments. Investment income (or loss) is recognized whenever the investees recognize income (or loss). The difference between the cost of the investment and the Group's equity in

the investee's net assets when an investment is acquired or when the equity method is first adopted, is amortized over five years. If an investee issues additional shares and the Group acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Group's equity in its investee's net assets is credited to capital surplus. Any decrease in the Group's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings. Upon the disposal of equity-method investments, the Group's shares in the capital surplus recognized by the investee company, if any, will be included in current income in proportion to the investments sold. However, capital surplus from an investee's property disposal is transferred to retained earnings in proportion to the value of the investments sold.

If the equity in losses recognized exceeds the original investment acquisition costs plus any advance given to an equity-method investee, the excess losses should be recognized proportionately and be recorded as part of other liabilities. But, since 2005, for equity-method investees over which the Group has controlling influence, if the equity in losses recognized exceeds the original investment acquisition costs, the Group recognizes its investee's total losses unless other investors are obligated to and have the ability to assume a portion of the losses. However, when the investees return to profitable operations, the profits should be recognized by the Group totally until the losses that were previously recognized are covered.

However, when the investees return to profitable operations, the profits should be recognized by the Group totally until the losses that were previously recognized are covered.

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

Other stock investments are accounted for by the cost method. An allowance for decline in market value of listed stocks is recognized, with the related amount debited to shareholders' equity. An allowance is recognized to reflect an other than temporary decline in value of unlisted stocks, with the related provision for losses charged to current income. Cash dividends received within a year of investment acquisition are accounted for as a reduction of the carrying value of the investment, but cash dividends received in subsequent years are recognized as dividend income.

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

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

Properties and Properties Leased to Others

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

Depreciation is computed using the straight-line method over service lives initially estimated as follows (plus one year to represent estimated salvage value): buildings and equipment, 5 to 60 years; machinery and equipment, 2 to 8 years; furniture and fixtures 2 to 5 years; and miscellaneous equipment, 2 to 5 years. Properties that have reached their full residual value but are still being used by the Group 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, consisting of computer software costs and royalties, are amortized in 2 to 8 years.

Assets Impairment

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

Goodwill

Goodwill were unamortized balances from difference between investment acquisition costs and the Group's equity in an investee's net assets which could not analysis the reason of difference, and it were amortized in 5 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 Group does not recognize as sales those transactions involving the delivery of materials to subcontractors since ownership of materials is not transferred upon delivery of materials. Allowances and the related provision for sales returns are accounted for as a deduction from gross sales, and the related costs are deducted from cost of sales as they are incurred.

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 Group) calculated at interest rates for similar transactions. In these transactions, the fair value and the actual payments approximate the transaction price.

Capital Expenditure

When benefits of expenditure will continue in future period and its amount is material will be recognized as assets, otherwise recognized as expenses.

Pension Costs

For a defined benefit pension plan of the Parent Company and Axiomtek, net periodic pension costs are recognized on the basis of actuarial calculation. Unrecognized net transition obligations and unrecognized pension gains or losses are amortized using the straight-line method over 15 to 19 years and the average remaining service of employees. For a defined contribution pension plan, on contribution basis throughout the employees' service period.

If the pension plans are revised, the prior service costs (a) of the defined benefit pension plan are amortized using the straight-line method over the average years from the revision date to conform with the date of benefit vesting, and (b) the prior service costs of the defined contribution pension plan are recognized as part of the net pension cost for the period.

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

Some consolidated entities, which are mainly in investments, have either very few or even no staff including domestic subsidiaries, Yin Hsin, Advantech IBHA, AIMS before the Labor Pension Act is enforced and foreign subsidiaries ATC, ADCL, AEU, AAC (BVI), AACB and AAG. These companies have no pension plans and thus do not contribute to pension funds and do not recognize pension costs.

Except for these companies, the remaining companies all contribute to pension funds and recognize pension costs based on local government regulations.

Convertible Bonds

To convert bonds to common shares, the Parent 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 carrying amount net of the write-offs, 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 Parent 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 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 of capital surplus - treasury stock or as a reduction of retained earnings if capital surplus - treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of both the par value and any premium of the stock retired, the difference is accounted for as an increase in capital surplus - treasury stock of the same type.

Income Tax

The Group 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.

Translation of Foreign-currency Financial Statements and Foreign-currency Transactions

R.O.C. SFAS No. 14, "Accounting for Foreign-currency Translation", applies to foreign subsidiaries that use the local currency as their functional currency. The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - current rate at year-end; shareholders' equity - historical rate; income and expenses - average rate during the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

Foreign-currency transactions (except derivative transactions) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of different foreign exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the year of settlement. At year-end, the balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are recorded as follows: Equity-method stock investments - as cumulative translation adjustments under shareholders' equity; other assets and liabilities - as credits or charges to current income.

Derivative Transactions

Forward exchange contracts entered into for hedging purposes are recorded in New Taiwan dollars using the spot rates on the starting dates of the contracts. The resulting difference, computed using the foreign currency amount of the contract multiplied by the difference between the contracted forward rate and the spot rate on the contract starting dates is amortized and recognize over the terms of contract. A forward exchange contract used for hedging purposes should be adjusted at the rate prevailing as of the balance sheet date.

The receivables and payables related to the forward contracts are netted out, and the resulting amount is presented as either an asset or liability.

3. CASH

	<u>December 31</u>	
	2005	2004
Cash on hand	\$ 1,741	\$ 2,155
Checking and demand deposits	1,008,455	937,928
Time deposits: Interest - 1.25%-4.20% in 2005 and 0.45%-2.00% in 2004	<u>1,507,638</u>	<u>765,789</u>
	<u>\$ 2,517,834</u>	<u>\$ 1,705,872</u>

As of December 31, 2005 and 2004, information about foreign deposits are shown as follows:

	<u>December 31</u>	
	2005	2004
Hong Kong (included US\$316 and HK\$138 in 2005 and US\$23 thousand and HK\$139 thousand in 2004)	<u>\$ 11</u>	<u>\$ 1,301</u>

4. SHORT-TERM INVESTMENTS

December 31

	2005	2004
Mutual funds	\$ 1,582,402	\$ 2,186,447
Listing company stocks	<u>21,300</u>	<u>21,300</u>
	1,603,702	2,207,747
Allowance for losses	<u>8,537</u>	<u>8,419</u>
	<u>\$ 1,595,165</u>	<u>\$ 2,199,328</u>

5. INVENTORIES, NET

	<u>December 31</u>	
	2005	2004
Finished goods	\$ 950,523	\$ 767,374
Work in process	450,829	322,368
Materials and supplies	948,492	566,219
Inventories in transit	<u>164,336</u>	<u>111,001</u>
	2,514,180	1,766,962
Allowance for losses	<u>213,363</u>	<u>230,970</u>
	<u>\$ 2,300,817</u>	<u>\$ 1,535,992</u>

6. LONG-TERM EQUITY INVESTMENTS

	<u>December 31</u>			
	2005		2004	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
<u>Equity method</u>				
Listed				
Axiomtek Co., Ltd.	\$ 369,596	37.25	\$ -	-
Unlisted				
Advantech Technologies Co., Ltd.	128,622	27.47	174,033	43.00
Advantech Hungary Ltd.	12,554	30.00	11,105	30.00
Timson Tech Co.	7,843	30.00	7,325	30.00
Advantech Corporation (Thailand) Co., Ltd.	1,531	30.00	833	30.00
Etherwan System, Inc.	-	-	44,991	19.90
Broadwed Automation Co., Ltd.	-	-	24,375	33.33
Hi-top Industrial Co., Ltd.	-	-	22,894	30.00
Axiom Technology Trading (BVI) Co., Ltd.	-	-	16,170	100.00
Innova Tech & Management Consultant Inc.	-	-	14,804	24.99
Axiomtek Technology Deutschland GmbH	-	-	5,662	100.00
Axiomtek SAS	-	-	1,525	100.00
Axiom Technology (BVI) Co., Ltd.	-	-	-	100.00
Advan Automation Co., Ltd.	-	-	-	37.74
	<u>150,550</u>		<u>323,717</u>	

(Continued)

	<u>December 31</u>	
	2005	2004
	% of	% of

	Carrying Value	Owner- ship	Carrying Value	Owner- ship
Long-term stock investments accounted for by equity method	<u>\$ 520,146</u>		<u>\$ 323,717</u>	
<u>Cost method</u>				
Listed				
ASUSTek Computer Inc.	3,465,761	1.33	-	-
Firich Enterprise Co., Ltd.	<u>19,145</u>	0.92	<u>-</u>	<u>-</u>
	<u>3,484,906</u>		<u>-</u>	
Emerging				
Silicon Motion Inc.	<u>-</u>	-	<u>20,000</u>	0.54
Unlisted				
Superior Technology Co., Ltd.	33,442	4.25	33,442	13.43
Visual Systems GmbH	751	20.00	724	20.00
Baoruh Electronic Co., Ltd.	-	-	18,285	8.06
Web Point Information Technology Co., Ltd.	-	-	14,000	1.00
Marekmicro GmbH	-	-	10,758	19.87
Unibase Information Corp.	-	-	2,250	10.34
Alextek Company Limited, Ltd.	<u>-</u>	-	<u>1,823</u>	19.00
	<u>34,193</u>		<u>81,282</u>	
Long-term stock investments accounted by cost method	<u>3,519,099</u>		<u>101,282</u>	
<u>Prepayments for long-term equity investments</u>				
Advantech Poland S.P.Z.O.O.	9,844	-	-	-
Etherwan System Inc.	<u>-</u>		<u>39,963</u>	<u>-</u>
	<u>9,844</u>		<u>39,963</u>	
	<u>\$ 4,049,089</u>		<u>\$ 464,962</u>	

After including prepayments for long-term investments, the Group's equity in Etherwan System Inc. (Etherwan) exceeded 20% of Etherwan's outstanding common stock. Thus, the investment in Etherwan was accounted for by the equity method.

The Group owned 20% of Visual System GmbH's outstanding common stock. However, this investment was accounted for by the cost method because the Group had no material influence on Visual Systems GmbH.

The calculation of the investment carrying value and the Parent Company's equity in the net income of equity-method investees, Advantech Technologies Co., Ltd., Advantech Hungary Ltd. in 2005 and 2004; and Axiometek Co., Ltd. in 2005; and Etherwan System, Inc., Hi-top Industrial Co., Ltd., Innova Tech & Management Consultatant Inc. in 2004, were audited by other CPAs.

Also, the calculation of the investment carrying value and the Parent Company's equity in the net income of Timson Tech Co., and Advantech Corporation (Tailand) Co., Ltd. in 2005 and 2004. Advan Automation Co., Ltd., Axiom Technology (BVI) Co., Ltd., Axiom Technology Trading (BVI) Co., Ltd., Axiometek SAS and Axiometek Technology Deutschland GmbH in 2004, was based on unaudit financial statements since each investee's capital stock was less than \$30,000 thousand and the investees' individual total operating revenues were less than \$50,000 thousand or 10% of the Parent Company's total operating revenues. The Parent Company considers that there were not going to be major adjustments, if the financial statement were audited by CPA's. The equity in Advantech Hungary Ltd.'s net income or net loss was recognized in the subsequent year's financial statements of the Parent Company during 2004, but is recognized in the current year since 2005.

The Parent Company recognizes investment loss for the investments in Axiom Technology (BVI) Co., Ltd and Advan Automation Co., Ltd. Thus, credit balance is created in the long-term investment account and included in other liabilities as of December 31, 2004. The credit balance was \$4,308 thousand.

At the meeting of the boards of directors on September 30, 2005, the directors approved a proposal for Advantech and ASUSTek to enter into a strategic alliance through a share swap. Shares were exchanged at 1.13 shares of Advantech for every share of ASUSTek. Thus, Advantech issued 44,893 thousand shares in exchange for 39,729 thousand shares of ASUSTek. This issuance of shares was approved by the Financial Supervisory commission, Executive Yuan, R.O.C. Then, the board of directors resolved December 23, 2005 as the date of issuance. The Parent Company had completed the process of a revised license from the MOEA.

Market values calculated from the average closing price of December 2005 were as follows:

	December 31, 2005
Equity accounted equity investments - listed stocks	\$ 913,418
Cost accounted equity investment - listed stocks	3,985,370

7. PROPERTIES

	December 31	
	2005	2004
Costs	<u>\$ 2,914,279</u>	<u>\$ 2,997,027</u>
Accumulated depreciation		
Buildings and equipment	153,913	125,633
Machinery and equipment	210,077	207,621
Furniture and fixtures	134,155	178,524
Miscellaneous equipment	<u>118,627</u>	<u>142,355</u>
	<u>616,722</u>	<u>654,133</u>
	2,297,507	2,342,894
Unfinished construction and advances for equipment acquisition	<u>125,532</u>	<u>17,990</u>
	<u>\$ 2,423,039</u>	<u>\$ 2,360,884</u>

Depreciation expenses were \$166,826 thousand in 2005 and \$180,730 thousand in 2004.

8. PROPERTIES LEASED TO OTHERS

	December 31	
	2005	2004
Cost		
Land	\$ 15,693	\$ 51,526
Buildings and equipment	<u>54,537</u>	<u>31,014</u>
	70,230	82,540
Accumulated depreciation	<u>1,412</u>	<u>9,250</u>
	<u>\$ 68,818</u>	<u>\$ 73,290</u>

9. SHORT-TERM LOANS

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Credit loans - Interest: 1.09%-2.97% in 2005 and 1.70%-3.85% in 2004	\$ 456,371	\$ 327,704
Secured loans - Interest: 2.70% in 2005 and 1.70%-4.00% in 2004	<u>3,646</u>	<u>179,079</u>
	<u>\$ 460,017</u>	<u>\$ 506,783</u>

10. BONDS DEU WITHIN ONE YEAR

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Unsecured convertible bonds	\$ 8,900	\$ 244,400
Interest-premium on convertible bonds	<u>-</u>	<u>47,052</u>
	<u>\$ 8,900</u>	<u>\$ 291,452</u>

On July 19, 2001, the Parent 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 upon the bondholder'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 December 31, 2005, bonds with aggregate face value of \$990,700 thousand had been converted to 20,700 thousand shares and 400 thousand had redeemed at holders' request. The convertible price was \$41.9 on December 31, 2005.

11. LONG-TERM LOANS

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
<u>December 31, 2005</u>			
Secured loans	\$ <u>-</u>	\$ <u>71,293</u>	\$ <u>71,293</u>
<u>December 31, 2004</u>			
Secured loans	\$ <u>-</u>	\$ <u>136,877</u>	\$ <u>136,877</u>

Long-term bank loans had 3.9% in 2005 and 2.50% to 3.85% in 2004. Their maturity is in February 2015.

12. PENSION PLAN

The Labor Pension Act (the "Act") was enforced on July 1, 2005. The employees of the Parent Company, Yin Hsin, Advantech IBHA, AIMS subject to the Labor Standards Law before July 1, 2005 may choose to continue to be subject to the Labor Standards Law or to be subject to the pension mechanism under this Act, with their service years accumulated until June 30, 2005 to be retained. Those hired on or after July 1, 2005 automatically become subject to the Act.

Based on the Act, the rate of monthly contributions to employees' individual pension accounts is at 6% of the employees' monthly wages. For these contributions, the Parent Company and subsidiaries recognized a pension cost \$17,377 thousand from July 1, 2005 to December 31, 2005.

Under the Labor Standard Laws, benefits of the Parent Company and Axiomtek are based on length of service and average basic pay of the six months before retirement. The Parent 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.

Some consolidated entities, which are mainly in investments, have either very few or even no staff including domestic subsidiaries, Yin Hsin, Advantech IBHA, AIMS before the Labor Pension Act is enforced and foreign subsidiaries ATC, ADCL, AEU, AAC (BVI), AACB and AAG. These companies have no pension plans and thus do not contribute to pension funds and do not recognize pension costs.

Except for these companies, the remaining companies all contribute to pension funds and recognize pension costs based on local government regulations.

Other pension information is summarized as follows:

	2005	2004
a. Components of pension cost:		
Service cost	\$ 9,373	\$ 16,535
Interest cost	3,781	4,461
Projected return on plan assets	(2,281)	(2,259)
Amortization of unrecognized net transition obligation and net pension plan gains or losses	<u>(4,860)</u>	<u>(3,372)</u>
	<u>\$ 6,013</u>	<u>\$ 15,365</u>
	December 31	
	2005	2004
b. Reconciliation between the funded status of the pension plan and accrued pension liabilities:		
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	82,953	87,690
Accumulated benefit obligation	82,953	87,690
Additional benefits based on future salaries	<u>34,645</u>	<u>30,398</u>
Projected benefit obligation	117,598	118,088
Fair value of plan assets	<u>(70,952)</u>	<u>(77,667)</u>
Funded status	46,646	40,421
Unrecognized net transition obligation	(18,222)	(22,682)
Unrecognized net gain	<u>82,524</u>	<u>107,570</u>
Accrued pension liabilities	<u>\$ 110,948</u>	<u>\$ 125,309</u>

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
c. Actuarial assumptions		
Discount rate used in determining present values	3.5%	3.5%
Future salary increase rate	2.0%	1.50-2.0%
Expected rate of return on plan assets	3.5%	3.5%

d. The changes in the accrued pension liability are summarized as follows:

	<u>Years Ended December 31</u>	
	<u>2005</u>	<u>2004</u>
Balance, beginning of period	\$ 114,569	\$ 122,243
Accruals base on defined benefit pension plan	6,013	15,365
Accruals base on defined contribution pension plan	42,249	16,292
Contribution	<u>(51,883)</u>	<u>(28,591)</u>
Balance, end of period	<u>\$ 110,948</u>	<u>\$ 125,309</u>

13. 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 only to offset a deficit. Capital surplus from the issue of stock in excess of par value may be capitalized by issuing new shares to shareholders in proportion to their stockholdings, and capitalized amounts should be within certain limits.

The Parent 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 should adjusted according to the debit balance. 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. Dividends, 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 (except for treasury stocks) of the relevant shareholders' equity account.

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

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

The Parent Company operates in an industry related to computers, and its business related to network servers is new but with significant potential for growth. Thus, in formulating its dividend policy, the Parent Company takes into account the overall business and industry conditions and trends, its objective of enhancing the shareholders' long-term interest, and the sustainability of the Parent Company's growth. It is the Parent 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 Parent Company to finance future capital expenditures and working capital requirements.

On May 24, 2005 and May 27, 2004, the shareholders approved the board of directors' proposals dated on the appropriation of the 2004 and 2003 earnings. The bonus to employees, directors and supervisors was distributed as follows:

	<u>Appropriation Earnings</u>		<u>Dividend per Share</u>	
	<u>2004</u>	<u>2003</u>	<u>(Dollars)</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	142,448	41,518	-	-

The appropriation of earnings for 2004 were approved by the Financial Supervisory Commission, Executive Yuan, R.O.C. and then the board of directors resolved August 8, 2005 as the date of distributing stock dividends and cash dividends on. The Parent Company had completed the process of a revised license from the MOEA.

The basic earnings per share would have decreased from NT\$5.91 to \$5.33 in 2004 and from NT\$3.17 to NT\$2.85 in 2003 had the bonus to employees, directors and supervisors been expensed instead of being appropriated from retained earnings.

The employees' stock bonus consisted of 5,000 thousand shares and 5,500 thousand shares, which were 1.34% and 1.63%, respectively, of the outstanding common stock as of the end of 2004 and 2003, respectively.

As of March 9, 2006, the Parent Company's board of directors had not decided the appropriation of the 2005 earnings. Related information can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

On April 1, 2003, the SFB approved the Parent Company's stock option plan. There were 3,000 thousand units authorized to be issued, which may be converted to 3,000 thousand common shares. Employees may exercise a certain percentage of the option within two and four years of the grant date, and options will expire six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT\$39.40. As of December 31, 2005, there were 1,890 thousand units of effective stock options, 770 thousand units options had been exercised, and thereby 770 thousand common shares had been purchased.

14. TREASURY STOCKS

Unit: In Thousand Shares

Reason for Repurchase	January 1, 2004	Increase	Decrease	December 31, 2005
<u>2004</u>				
Maintaining the Parent Company's credit and shareholders' equity	<u>3,862</u>	<u>-</u>	<u>3,862</u>	<u>-</u>

Under a board of directors' proposal dated February 5, 2004, the Parent 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 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 Parent Company should not pledge treasury stocks nor exercise, before stock reissuance, shareholders' rights on those stocks.

15. INCOME TAX

a. The calculation of the income tax is as follows:

	2005	2004
Tax on pretax income at statutory rate	\$ 772,510	\$ 747,139
Add (deduct) tax effects of:		
Tax-exempt income	(448,957)	(115,410)
Permanent differences	20,295	(147,306)
Temporary differences	124,726	(44,506)
Loss carryforward	-	4,856
Income tax on the income calculated	<u>468,574</u>	<u>444,773</u>
Income tax (10%) on undistributed earnings	679	493
Investment tax credit	<u>(142,592)</u>	<u>(153,824)</u>
Income tax currently payable	326,661	291,442
Income tax expense - deferred	(31,654)	64,578
Adjustment of prior year's income tax	<u>3,376</u>	<u>8,997</u>
	<u>\$ 298,383</u>	<u>\$ 365,017</u>

b. Net deferred income taxes as of December 31, 2005 and 2004 consisted of the following:

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Current		
Deferred income tax assets:		
Allowance for loss on inventories	\$ 28,003	\$ 37,304
Unrealized foreign exchange gain	8,042	-
Excess provisions for doubtful accounts	6,958	3,445
Investment tax credit	-	59,884
Others	<u>12,730</u>	<u>10,001</u>
	55,733	110,634
Valuation allowance	<u>(23,017)</u>	<u>-</u>
	<u>32,716</u>	<u>110,634</u>
Deferred income tax liabilities:		
Unrealized foreign exchange gain	<u>-</u>	<u>(8,603)</u>
Net deferred income tax assets	<u>\$ 32,716</u>	<u>\$ 102,031</u>
Noncurrent		
Deferred income tax assets:		
The net loss of investees by equity method	\$ 136,324	\$ 119,712
Deferred income	49,734	45,039
Excess of pension cost	27,737	28,642
Loss carryforward	13,140	11,488
Interest premium on convertible bonds	428	31,584
Impairment loss on investment in share of stock	-	3,500
Others	<u>6,053</u>	<u>4,284</u>
	233,416	244,249
Valuation allowance	<u>(151,963)</u>	<u>(151,296)</u>
	<u>81,453</u>	<u>92,953</u>
Deferred income tax liabilities:		
The net gain of foreign investees by equity method	(135,641)	(209,217)
Allowance for tax-deductible equity in net loss of foreign investees	(15,992)	(15,694)
Others	<u>-</u>	<u>(329)</u>
	<u>(151,633)</u>	<u>(225,240)</u>
Net deferred income tax liabilities	<u>\$ (70,180)</u>	<u>\$ (132,287)</u>

The income tax rate of Parent Company and domestic subsidiaries used to recognize deferred income tax was 25%; otherwise the tax rate were according to oversea subsidiaries' decree.

Income tax payables as of December 31, 2005 and 2004 were net of prepaid income tax of \$257,574 thousand and \$114,005 thousand.

The Group's ICA balances as of December 31, 2005 and 2004 were as follows:

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Parent Company	<u>\$ 133,889</u>	<u>\$ 19,306</u>
Yin Hsin	<u>\$ 2,888</u>	<u>\$ 2,136</u>
Advantech IBHA	<u>\$ 265</u>	<u>\$ 265</u>
Axiomtek	<u>\$ -</u>	<u>\$ 1,677</u>

The balance of unappropriated retained earnings as of December 31, 2005 and 2004 were as follows:

	December 31	
	2005	2004
Parent Company	<u>\$ 81,329</u>	<u>\$ 81,329</u>

The ratio of the ICA to the earnings generated starting January 1, 1998 (creditable tax ratio) as of December 31, 2004 and the actual creditable tax ratio for earnings as of December 31, 2004, which were distributed in 2004, were as follows:

	2005	2004
Parent Company	5.14%	7.23%
Axiomtek	-%	10.73%

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.

Information on the Group's loss carryforward as of December 31, 2005 is as follows:

Loss Year	Loss Carryforward Amount	Expiry Year
Advantech IBHA		
2001	\$ 2,738	2006
2002	6,926	2007
2003	13,088	2008
2004	19,424	2009
2005	<u>10,376</u>	2010
	<u>\$ 52,507</u>	
Yin Hsin		
2005	<u>\$ 53</u>	2010

Income tax returns through 2002 had been examined and cleared by the tax authorities.

The Parent Company expects to get a five-year tax exemption on the income from an industry network server production, for which an investment plan was framed 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.

16. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	2005			2004		
	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	\$ 245,397	\$ 1,307,370	\$ 1,552,767	\$ 189,994	\$ 1,548,379	\$ 1,738,373
Insurance	19,056	99,180	118,236	15,044	111,624	126,668
Pension	8,219	40,043	48,262	5,295	26,362	31,657
Others	24,158	134,257	158,415	17,961	83,046	101,007
Depreciation	64,866	100,330	165,196	58,880	120,712	179,592
Amortization	3,768	31,727	35,495	2,701	49,517	52,218
	<u>\$ 365,464</u>	<u>\$ 1,712,907</u>	<u>\$ 2,078,371</u>	<u>\$ 289,875</u>	<u>\$ 1,939,640</u>	<u>\$ 2,229,515</u>

For properties leased to others, expenses of \$1,630 thousand and \$1,138 thousand as of December 31, 2005 and 2004, respectively (included in nonoperating expenses - other expenses), were not included in the above depreciation expenses.

17. CONSOLIDATED EARNINGS PER SHARE

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

	Amount (Numerator)		Shares (Denominator) (Thousand)	Earnings Per Share	
	Pretax	After-tax		Pretax	After-tax
<u>2005</u>					
Basic consolidated EPS	\$ 2,741,510	\$ 2,429,803	401,864	\$ 6.82	\$ 6.05
The impact of dilutive potential					
Stock options	-	-	1,193		
Convertible bonds	-	-	2,563		
Diluted consolidated EPS	<u>\$ 2,741,510</u>	<u>\$ 2,429,803</u>	<u>405,620</u>	<u>\$ 6.76</u>	<u>\$ 5.99</u>
<u>2004</u>					
Basic consolidated EPS	\$ 2,588,044	\$ 2,160,155	388,148	\$ 6.67	\$ 5.57
The impact of dilutive potential					
Stock options	-	-	1,004		
Convertible bonds	23,318	17,488	15,300		
Diluted consolidated EPS	<u>\$ 2,611,362</u>	<u>\$ 2,177,643</u>	<u>404,452</u>	<u>\$ 6.46</u>	<u>\$ 5.38</u>

The EPS was retroactively adjusted for the stock dividends declared. Thus, pretax and after-tax primary EPS decreased from NT\$7.09 to NT\$6.67 and from NT\$5.91 to \$5.57 in 2004, respectively; and pretax and after-tax diluted EPS decreased from NT\$6.86 to NT\$6.46 and from \$5.72 to \$5.38, respectively.

18. RELATED-PARTY TRANSACTIONS

a. Related parties

	<u>Relationship with the Group</u>
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Technologies Co., Ltd. (AKR)	Equity-method investee
Innova Tech & Management Consultant Inc. (Innova)	Equity-method investee of Yin Hsin (has been sold in March 2005)
Broadwed Automation Co., Ltd. (Broadwed Automation)	Equity-method investee of Yin Hsin (has been sold in March 2005)
Timson Tech Co. (TTC)	Equity-method investee of Yin Hsin
Advantech Corporation (Thailand) Co., Ltd. (ATH)	Equity-method investee of ASG
Advan Automation Co., Ltd. (AAJP)	Equity-method investee of AACB
Axiomtek Co., Ltd. (Axiomtek)	Equity-method investee
Axiom Technology (BVI) Co., Ltd.	Equity-method investee of Axiomtek
Axiomtek Technology Deutschland GmbH	Equity-method investee of Axiomtek
Axiom Technology Trading (BVI) Co., Ltd.	Equity-method investee of Axiomtek
Axiomtek SAS	Equity-method investee of Axiomtek
Hi-top Industrial Co., Ltd.	Equity-method investee of Axiomtek
Axiomtek Technology (Shen Zhen) Co., Ltd.	Equity-method investee of Axiomtek
Yang Yu Te	The director and CEO of Axiomtek
Firich Enterprise Co., Ltd.	The Company's chairman is the Firich Enterprise Co., Ltd.'s director
Mr. Andrea Zolli	Manager of AIT
Immoobiliare Verdi Srl	Manager of AIT

b. The significant transactions with the above related parties, in addition to those disclosed in Note 20 and Tables 1 and 2, are summarized as follows:

	<u>2005</u>		<u>2004</u>	
	Amount	% of Total	Amount	% of Total
<u>For the year</u>				
1) Sales				
AKR	\$ 256,619	2	\$ 287,920	3
Axiomtek	71,359	1	-	-
Axiom Technology Trading (BVI) Co., Ltd.	-	-	44,833	-
Axiomtek Technology Deutschland GmbH	-	-	34,893	-
Axiomtek SAS	-	-	29,642	-
Others	<u>7,576</u>	<u>-</u>	<u>9,942</u>	<u>-</u>
	<u>\$ 335,554</u>	<u>3</u>	<u>\$ 407,230</u>	<u>3</u>
2) Purchase of materials and supplies				
Axiomtek	\$ 4,099	-	\$ -	-
AKR	<u>862</u>	<u>-</u>	<u>1,760</u>	<u>-</u>
	<u>\$ 4,961</u>	<u>-</u>	<u>\$ 1,760</u>	<u>-</u>

(Continued)

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
3) Manufacturing expense -				
Hi-top Industrial Co., Ltd.	\$ -	-	\$ 37,161	-
4) Rental expenses (part of operating expenses)				
Yang Tu Te	\$ -	-	\$ 10,206	1
5) Sales guarantee expenses (part of operating expenses)				
Axiomtek SAS	-	-	18,142	1
Axiomtek Technology Deutschland GmbH	-	-	17,944	-
	<u>-</u>	<u>-</u>	<u>36,086</u>	<u>1</u>
6) Promotion expenses (part of operating expenses)				
Axiomtek Technology Deutschland GmbH	-	-	1,524	-
Axiomtek SAS	-	-	1,146	-
	<u>-</u>	<u>-</u>	<u>2,670</u>	<u>-</u>
	<u>\$ -</u>	<u>-</u>	<u>\$ 48,962</u>	<u>2</u>
7) Rental revenues (part of nonoperating income)				
Broadwed Automation	\$ -	-	\$ 651	-
<u>At end of year</u>				
8) Receivables				
AKR	\$ 44,786	86	\$ 65,211	47
Axiomtek	5,849	11	-	-
Axiom Technology Trading (BVI) Co., Ltd.	-	-	33,415	24
Axiomtek Technology Deutschland GmbH	-	-	17,753	13
Axiomtek SAS	-	-	14,116	10
Others	1,466	3	2,943	2
	<u>52,101</u>	<u>100</u>	<u>133,438</u>	<u>96</u>
Other receivables - financing provided				
Axiomtek Technology Deutschland GmbH	-	-	4,074	3
Axiom Technology Trading (BVI) Co., Ltd.	-	-	1,860	1
	<u>-</u>	<u>-</u>	<u>5,934</u>	<u>4</u>
	<u>\$ 52,101</u>	<u>100</u>	<u>\$ 139,372</u>	<u>100</u>

(Continued)

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
9) Payables				
Accounts				
AKR	\$ 463	100	\$ -	-
Expense payable				
Hi-top Industrial Co., Ltd.	-	-	13,896	96
Others - payments on behalf of others				
Axiomtek Technology (Shen Zhen) Co., Ltd.	-	-	543	4
	<u>\$ 463</u>	<u>100</u>	<u>\$ 14,439</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>2004</u>				
Axiomtek Technology Deutschland GmbH	\$ 4,074	\$ 6,515	-	\$ -
Axiom Technology Trading (BVI) Co., Ltd.	<u>1,860</u>	1,744	-	-
	<u>\$ 5,934</u>			

The Parent Company bought common shareholding in AEU from Mr. Andrea Zolli and Immoibiliare Verdi Srl in May 2005. The related transaction is summarized as follows:

<u>Common Stock Name</u>	<u>Shares</u>	<u>Cost</u>
AEU	<u>61,292</u>	<u>\$ 10,302</u>

To continue consolidated the Group's operation in Europe, the Parent Company signed a share exchange agreement with Mr. Andrea Zolli and Immoibiliare Verdi Srl in May 2004. The Parent Company bought up the remaining 45% of AIT's common stock from Mr. Andrea Zolli and Immoibiliare 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>

The rental amount and payment terms of the Group's lease contract with related parties were based on market prices and arm-length payment terms. Product sales transactions were conducted under normal terms, except Axiomtek's sales to Axiomtek SAS, Axiomtek Technology Deutschland GmbH, Axiom Technology Trading (BVI) Co., Ltd., terms for which were 120 days. The payment terms for related parties were 60 to 90 days. Terms for third parties were 30 to 60 days.

19. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged or mortgaged as collaterals for bank loans and as part of court requirements for confiscating assets to settle uncollectible accounts:

	2005	2004
Certificates of deposits	\$ 4,100	\$ 4,900
Properties, net	-	102,902
Properties lease to others, net	-	42,855
	<u>\$ 4,100</u>	<u>\$ 150,657</u>

20. COMMITMENTS

As of December 31, 2005, the Parent Company had the following guarantees for affiliates' loans:

Guarantees for affiliates' loans:

	Amount
AKMC	US\$ 10,000 thousand
AC	7,000 thousand
ACN	4,000 thousand
AAC (BVI)	2,000 thousand
	<u>US\$ 23,000 thousand</u>

21. FINANCIAL INSTRUMENTS

a. Outstanding contract amounts and credit risk

	December 31			
	2005		2004	
Financial Instruments	Contract Amount (Thousands)	Credit Risk	Contract Amount (Thousands)	Credit Risk
<u>For nontrading purposes</u>				
Forward contracts - sell	EUR 6,000	\$ -	EUR 500	\$ -
	US\$ -	-	US\$ 16,000	9,210
<u>Location</u>				
Domestic	EUR 3,000	\$ -	US\$ 10,000	\$ 5,744
Foreign (foreign corporation operating in domestic district included)	EUR 3,000	-	EUR 500	-
			US\$ 6,000	3,466

The Parent Company is exposed to credit risk if counter-parties default on their contractual obligations. Credit risk represents the positive net settlement amount of those contracts with positive fair values at the balance sheet date. The positive net settlement amount represents the loss to be incurred by the Parent Company if the counter-parties breached the contracts. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.

b. Market risk

The Parent Company entered forward contracts into to hedge the effect of foreign-currency fluctuations on net assets and liabilities. Gains or losses from these hedging instruments are likely to be offset by gains or losses from the hedged items. Thus, market price risk is believed to be low.

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

The Parent Company entered forward contracts into to hedge the effect of foreign-currency fluctuations on net assets and liabilities. The payments required for the forward contracts outstanding as of December 31, 2005 were EUR6,000 thousand, for which the Parent Company will receive payments of US\$7,125 thousand before February 28, 2006. 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.

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

The Parent 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 Parent Company periodically evaluated the effectiveness of the instruments.

e. Financial statement presentation

Net payables (were shown as part of other current liabilities and advance receipts) of \$489 thousand as of December 31, 2005 and net receivables (were shown as part of prepayment and other current assets) of \$8,375 thousand as of December 31, 2004 on all forward contracts for nontrading purposes. Foreign exchange losses for the years ended December 31, 2005 and 2004 were \$744 thousand and \$29,798 thousand, respectively.

f. Fair values of financial instruments

	December 31			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash	\$ 2,517,834	\$ 2,517,834	\$ 1,705,872	\$ 1,705,872
Short-term investments	1,595,165	1,597,163	2,199,328	2,199,328
Notes receivable	190,330	190,330	105,834	105,834
Accounts receivable	1,613,836	1,613,836	1,410,421	1,410,421
Accounts receivable from related parties	52,101	52,101	139,372	139,372
Long-term equity investments	4,049,089	5,093,375	464,962	424,908
Refundable deposits	33,584	33,584	34,984	34,984
Certificates of deposit	4,100	4,100	4,900	4,900

(Continued)

	December 31			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Short-term bank loans	\$ 460,017	\$ 460,017	\$ 506,783	\$ 506,783
Notes payable	10,128	10,128	87,199	87,199
Accounts payable	1,179,585	1,179,585	586,049	586,049
Accounts payable to related parties	463	463	14,439	14,439
Current portion corporate bonds payable	8,900	17,711	291,452	392,091
Long-term bank loans	71,293	71,293	136,877	136,877
<u>Derivative financial instruments</u>				
Forward contracts	(489)	(489)	8,375	8,375

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

- 1) Cash, notes and accounts receivable, receivables from related parties, refundable deposits, bank loans - short-term, notes and accounts payable, payables to related parties, refundable deposits and certificates of deposit: 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 contracts: Fair values are determined individually on the basis of forward exchange rate and information provided by the bank.

22. ADDITIONAL DISCLOSURES

- a. In addition to those mentioned in Note 20 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Parent Company and investees.
- b. Investments in mainland China
 - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of December 31, 2005, accumulated inward remittance of earnings as of December 31, 2005 and upper limit on investment: Please see Table 8 attached.
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 21 and Tables 2, 6, 7, 10 and 11.
- c. Intercompany relationships and significant intercompany transactions: Please see Table 11 attached.

23. SEGMENT INFORMATION

- a. Industry: The Group is engaged only in a single industry: The manufacture and sale of embedded computing boards, applied panel computing, industrial automation and industrial and network computing,
- b. Foreign operations: Please see Table 12 attached.
- c. Export sales

Geographic Area	2005	2004
Asia	\$ 3,858,020	\$ 3,810,138
Europe	2,885,334	3,259,585
America	<u>4,574,551</u>	<u>4,118,240</u>
	<u>\$ 11,317,905</u>	<u>\$ 11,187,963</u>

- d. Major customers

No single customer accounted for at least 10% of the Group's sales.

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2005
(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	AAC (BVI)	ACN	Receivables from related parties	\$ 65,700 (US\$ 2,000 thousand)	\$ 32,850 (US\$ 1,000 thousand)	2.5%	2	\$ -	Financing need	\$ -	-	\$ -	\$ 106,446 (Note B)	\$ 212,932 (Note C)
2	AEU	AEBC	Receivables from related parties	25,337 (EUR 650 thousand)	25,337 (EUR 650 thousand)	2.5%	2	-	Financing need	-	-	-	33,483 (Note D)	66,966 (Note E)
		AEDC	Receivables from related parties	3,898 (EUR 100 thousand)	3,898 (EUR 100 thousand)	2.5%	2	-	Financing need	-	-	-	33,483 (Note D)	66,966 (Note E)
		ABB	Receivables from related parties	11,694 (EUR 300 thousand)	-	2.5%	2	-	Financing need	-	-	-	-	-
		AUK	Receivables from related parties	3,508 (EUR 90 thousand)	-	2.5%	2	-	Financing need	-	-	-	-	-
		AIT	Receivables from related parties	3,898 (EUR 100 thousand)	-	2.5%	2	-	Financing need	-	-	-	-	-
3	AESC	AEU	Receivables from related parties	9,745 (EUR 250 thousand)	9,745 (EUR 250 thousand)	2.5%	2	-	Financing need	-	-	-	8,934 (Note F)	17,868 (Note G)
		AEBC	Receivables from related parties	9,745 (EUR 250 thousand)	9,745 (EUR 250 thousand)	2.5%	2	-	Financing need	-	-	-	8,934 (Note F)	17,868 (Note G)
4	AACB	ACN	Receivables from related parties	65,700 (US\$ 2,000 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. 15% of net asset value of AAC (BVI).

C. 30% of net asset value of AAC (BVI).

D. 15% of net asset value of AEU.

E. 30% of net asset value of AEU.

F. 15% of net asset value of AESC.

G. 30% of net asset value of AESC.

H. The exchange rate in 2005 were US\$1=NT\$32.85; EUR1=NT\$38.98.

I. All financing transactions among subsidiaries have been write-off.

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2005
(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.	AKMC	Indirect subsidiary	\$ 673,350	\$ 328,500 (US\$ 10,000 thousand)	\$ 328,500 (US\$ 10,000 thousand)	\$ -	6	\$ 1,346,701 (Note C)
		AC	Indirect subsidiary	(Note A)	229,950 (US\$ 7,000 thousand)	229,950 (US\$ 7,000 thousand)	-		
		ACN	Indirect subsidiary		131,400 (US\$ 4,000 thousand)	131,400 (US\$ 4,000 thousand)	-		
		AAC (BVI)	Subsidiary		65,700 (US\$ 2,000 thousand)	65,700 (US\$ 2,000 thousand)	-		
		AIT	Indirect subsidiary		38,980 (EUR 1,000 thousand)	-	-		
		AUK	Indirect subsidiary		34,538 (Including £ 80 thousand and \$30,000 thousand)	-	-		
		AACB	Indirect subsidiary		65,700 (US\$ 2,000 thousand)	-	-		
1	AEU	AEDC	Subsidiary	43,372 (Note B)	10,720 (EUR 275 thousand)	10,720 (EUR 275 thousand)	-	4.8	86,744 (Note D)

Note: A. 15% of the Company's issued capital stock.

B. 15% of AEU's issued capital stock.

C. 30% of the Company's issued capital stock.

D. 30% of AEU's issued capital stock.

E. The exchange rate in 2005 were US\$1=NT\$32.85, EUR1=NT\$38.98, GBP1=NT\$56.72.

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Issuer Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2005				Note	
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value		
Advantech Co., Ltd.	<u>Common stock</u>								
	AAC (BVI)	Investee	Long-term equity investments	21,606,500	\$ 955,493	100.00	\$ 955,493	Note A	
	ATC	Investee	Long-term equity investments	13,450,000	521,862	100.00	521,862	Note A	
	Axiomtek Co., Ltd.	Investee	Long-term equity investments	22,376,732	369,596	37.25	913,418	Note C	
	Yin Hsin Co., Ltd.	Investee	Long-term equity investments	29,999,994	256,108	100.00	256,108	Note A	
	AEU	Investee	Long-term equity investments	9,253,331	222,732	96.67	222,732	Note A	
	AKR	Investee	Long-term equity investments	2,829,210	128,622	27.47	128,622	Note A	
	ASG	Investee	Long-term equity investments	1,450,000	88,074	100.00	88,074	Note A	
	AJP	Investee	Long-term equity investments	1,200	74,486	100.00	74,486	Note A	
	AAU	Investee	Long-term equity investments	500,204	73,802	100.00	73,802	Note A	
	AHG	Investee	Long-term equity investments	30	12,554	30.00	12,554	Note A	
	Advantech IBHA Inc.	Investee	Long-term equity investments	1,994,000	11,647	13.29	11,647	Note A	
	Advantech Investment & Management Service	Investee	Long-term equity investments	500,000	5,360	100.00	5,360	Note A	
	ABR	Investee	Other liabilities	971,055	(19,145)	60.00	(19,145)	Notes A and D	
	AHK	Investee	Other liabilities	999,999	(893)	100.00	(893)	Notes D and E	
	Firich Enterprise Co., Ltd.	(Note F)	Long-term equity investments	334,360	19,145	0.92	69,326	Note C	
	ASUSTek Computer Inc.	-	Long-term equity investments	39,728,557	3,465,761	1.33	3,916,044	Note C	
		<u>Funds</u>							
		NITC Bond Fund	-	Short-term investments	2,226,456.07	361,291	-	361,314	Note B
		ABN AMRO Income Fund	-	Short-term investments	19,198,556.89	298,000	-	299,221	Note B
		ABN AMRO Bond Fund	-	Short-term investments	12,151,168.46	180,568	-	180,581	Note B
		Mega Diamond Bond Fund	-	Short-term investments	8,766,210.88	99,500	-	99,511	Note B
		ABN AMRO Select Bond Fund	-	Short-term investments	8,289,805.60	92,668	-	92,675	Note B
		AIG Taiwan Bond Fund	-	Short-term investments	6,339,161.68	79,725	-	79,732	Note B
		Dresdner Bond Dam Fund	-	Short-term investments	6,149,013.35	70,272	-	70,278	Note B
		Fuh-Hwa Albatross Fund	-	Short-term investments	4,497,974.70	50,081	-	50,087	Note B
		Fubon Chi-Hsiang I Fund	-	Short-term investments	3,572,061.96	46,132	-	46,137	Note B
	Fuhwa Bond Fund	-	Short-term investments	2,377,857.39	30,006	-	30,009	Note B	
	Fubon Ju-I II Fund	-	Short-term investments	2,059,786.70	29,603	-	29,606	Note B	
	Fubon Chi-Hsiang III Fund	-	Short-term investments	2,717,812.31	28,424	-	28,427	Note B	
Yin Hsin Co., Ltd.	<u>Common stock</u>								
	Advantech IBHA Inc.	Investee	Long-term equity investments	10,000,000	58,312	66.67	58,312	Note A	
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	7,843	30.00	7,843	Note E	
	Superior Technology Co., Ltd.	-	Long-term equity investments	913,470	33,442	12.92	33,442	Note E	
	Chunghwa Telecom Co., Ltd.	-	Short-term investments	200,000	21,300	-	11,414	Note C	

(Continued)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2005				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech IBHA Inc.	<u>Funds</u> ABN AMRO Bond Fund	-	Short-term investments	9,809,277.03	\$ 144,380	-	\$ 145,784	Note B
	<u>Funds</u> ABN AMRO Income Fund	-	Short-term investments	4,715,360.85	69,451	-	70,076	Note B
	<u>Funds</u> ABN AMRO Select Bond Fund	-	Short-term investments	206,730.58	2,301	-	2,311	Note B
Timson Tech Co.	<u>Common stock</u> Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	26,257	100.00	26,257	Note E
ATC	<u>Common stock</u> AKMC	Investee	Long-term equity investments	-	524,938	100.00	524,938	Note A
	<u>Common stock</u> ADMC	Investee	Long-term equity investments	-	40,795	100.00	40,795	Note A
AAC (BVI)	<u>Common stock</u> AC	Investee	Long-term equity investments	10,952,606	674,125	100.00	674,125	Note A
	<u>Common stock</u> Visual Systems GmbH	-	Long-term equity investments	-	751	20.00	751	Note A
	<u>Common stock</u> ACN	Investee	Long-term equity investments	-	259,544	100.00	259,544	Note A
(AEU)	<u>Common stock</u> AESC	Investee	Long-term equity investments	8,314,280	59,559	100.00	59,559	Note A
	<u>Common stock</u> AUK	Investee	Long-term equity investments	600,000	29,967	100.00	29,967	Note A
	<u>Common stock</u> ABB	Investee	Long-term equity investments	295,378	40,030	100.00	40,030	Note A
	<u>Common stock</u> AEBC	Investee	Other liability	1,142,000	(17,328)	100.00	(17,328)	Note A
	<u>Common stock</u> AIT	Investee	Long-term equity investments	45,000	19,442	100.00	19,442	Note A
	<u>Common stock</u> Advantech Poland S.P. Z.O.O. (APL)	Investee	Prepaid for common stock	2,000	9,844	80.00	9,844	Note A
	<u>Common stock</u> Advantech Europe Design Center GmbH (AEDC)	Investee	Long-term equity investments	-	36,484	100.00	36,484	Note A
AEBC	AFR	Investee	Long-term equity investments	75,000	26,506	100.00	26,506	Note A
(ASG)	ATH	Investee	Long-term equity investment	15,000	1,531	30.00	1,531	Note E
	APN	Investee	Long-term equity investment	570,570	10,475	55.00	10,475	Note A
	AKL	Investee	Long-term equity investment	418,000	7,063	55.00	7,063	Note A

Note A: Net asset values were based on audited 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 2005.

Note D: The carry value is shown as part of other liabilities.

Note E: Net asset values were based on unaudited financial statements.

Note F: The Company's chairman is a director of Firich Enterprise Co., Ltd.

Note G: All investment gains or losses, long-term equity investments and net assets values of investee among subsidiaries have been write-off.

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
 YEAR ENDED DECEMBER 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 Income Fund	Short-term investments	-	-	13,265,574.67	\$ 202,077	38,643,912.18	\$ 597,233	32,710,929.96	\$ 506,064	\$ 501,310	\$ 4,754	19,198,556.89	\$ 298,000
	CITC Safe Income Fund	Short-term investments	-	-	10,092,431.10	145,564	52,251,406.70	760,010	62,343,837.80	909,006	905,574	3,432	-	-
	CITC Cash Reserves Fund	Short-term investments	-	-	13,156,427.20	149,973	64,121,037.10	736,657	77,277,464.30	889,428	886,630	2,798	-	-
	NITC Bond Fund	Short-term investments	-	-	826,740.30	132,340	12,470,175.85	2,012,897	11,070,460.08	1,786,674	1,783,946	2,728	2,226,456.07	361,291
	Fuh-Hwa Bond Fund	Short-term investments	-	-	-	-	22,826,503.60	299,095	22,826,503.60	299,419	299,095	324	-	-
	ABN AMRO Select Bond Fund	Short-term investments	-	-	27,109,853.84	299,000	86,799,813.51	964,499	105,619,861.75	1,174,008	1,170,831	3,178	8,289,805.60	92,668
	Mega Diamond Bond Fund	Short-term investments	-	-	-	-	21,834,514.21	247,000	13,068,303.33	148,089	147,500	589	8,766,210.88	99,500
	ABN AMRO Bond Fund	Short-term investments	-	-	20,385,336.74	298,900	99,474,188.42	1,469,924	107,708,356.70	1,591,284	1,588,256	3,027	12,151,168.46	180,568
	UPAMC James Bond Fund	Short-term investments	-	-	19,498,838.00	293,013	39,430,466.70	595,092	58,929,304.70	889,732	888,105	1,627	-	-
	Shin Kong-Chi-Shin Fund	Short-term investments	-	-	13,691,602.97	191,027	74,372,410.01	1,044,195	88,064,012.98	1,237,671	1,235,222	2,449	-	-
	UPAMC Home Run Bond Fund	Short-term investments	-	-	21,865,088.20	298,830	47,657,208.70	654,485	69,522,296.90	955,479	953,315	2,164	-	-
	Fuh-Hwa Albatross Fund	Short-term investments	-	-	-	-	13,493,924.10	149,766	8,995,949.40	99,966	99,685	281	4,497,974.70	50,081
	Fuhwa Bond Fund	Short-term investments	-	-	-	-	9,516,211.84	119,806	7,138,354.45	89,948	89,800	148	2,377,857.39	30,006
	Fubon Ju-I II Fund	Short-term investments	-	-	-	-	9,632,126.60	150,579	9,632,126.60	150,691	150,579	112	-	-
	AIG Taiwan Bond Fund	Short-term investments	-	-	-	-	16,672,444.02	209,225	10,333,282.34	129,769	129,500	269	6,339,161.68	79,725
	Fubon Chi-Hsiang I Fund	Short-term investments	-	-	-	-	7,840,955.69	101,132	4,268,893.73	55,132	55,000	132	3,572,061.96	46,132
	Dresdner Bond Dam Fund	Short-term investments	-	-	-	-	14,050,030.55	160,272	7,901,017.20	90,272	90,000	272	6,149,013.35	70,272
	<u>Stock</u>													
	Axiomtek Co., Ltd.	Long-term equity investments	-	Investee	30,315,174.00	508,765	1,065,558.00 Note A	57,980 Note B	9,004,000.00	270,120	197,149 Note C	115,593	22,376,732.00	369,596

Note A: From splitting stock dividends.

Note B: Gain on investment - equity method \$38,521 thousand, accumulated translation adjustment \$2,790 thousand and capital surplus increase \$16,669 thousand which result from the investee issues additional shares and the Company acquires these shares at a percentage different from its current equity in the investee.

Note C: Included disposal cost of disposal \$154,527 thousand and cash dividends of \$42,622 thousand declared at shareholders' meetings.

ADVANTECH CO., LTD. AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)**

Company Name	Property	Transaction Date	Acquisition Date	Book Value	Transaction Amount	Payment Term	Disposal Gain (Loss)	Counter-party	Nature of Relationship	Purpose of Disposal	Price Reference	Other Terms
Axiomtek Co., Ltd.	Long-term investment	April 2005	January 21, 2002	\$154,527	\$270,120	Collected	\$115,593	-	-	For Axiomtek Co., Ltd.'s listing of OTC.	Offering circular for listing OTC.	-

ADVANTECH CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 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.	ATC	Subsidiary	Purchase	\$ 2,269,559	38	Depending on its operating condition	\$ -	-	\$ (429,928)	(82)	
	AC	Indirect subsidiary	Sale	(2,057,529)	(24)	60-90 days	-	-	388,343	21	
	AESC	Indirect subsidiary	Sale	(1,759,774)	(21)	Depending on its operating condition	-	-	562,224	31	
	ACN	Indirect subsidiary	Sale	(1,353,883)	(16)	Depending on its operating condition	-	-	271,997	15	
	AJP	Subsidiary	Sale	(300,096)	(4)	60-90 days	-	-	65,969	4	
	AKR	Subsidiary	Sale	(256,619)	(3)	60-90 days	-	-	44,786	3	
	ASG	Subsidiary	Sale	(147,337)	(2)	60-90 days	-	-	22,827	1	
	AAU	Subsidiary	Sale	(104,078)	(1)	60-90 days	-	-	16,327	1	
ATC	Advantech Co., Ltd.	Parent company	Sale	(2,269,559)	(98)	Depending on its operating condition	-	-	429,928	98	
AC	Advantech Co., Ltd.	Final parent company	Purchase	2,057,529	62	60-90 days	-	-	(388,343)	(89)	
AESC	Advantech Co., Ltd.	Final parent company	Purchase	1,759,774	76	Depending on its operating condition	-	-	(562,224)	(96)	
ACN	Advantech Co., Ltd.	Final parent company	Purchase	1,353,883	65	Depending on its operating condition	-	-	(271,997)	(73)	
AJP	Advantech Co., Ltd.	Parent company	Purchase	300,096	96	60-90 days	-	-	(65,969)	(100)	
AKR	Advantech Co., Ltd.	Parent company	Purchase	256,619	32	60-90 days	-	-	(44,786)	(29)	
ASG	Advantech Co., Ltd.	Parent company	Purchase	147,337	72	60-90 days	-	-	(22,827)	(77)	
AAU	Advantech Co., Ltd.	Parent company	Purchase	104,078	76	60-90 days	-	-	(16,327)	(100)	

Note: All sales, purchases and related receivables/payables have been write-off.

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Advantech Co., Ltd.	AESC	Indirect subsidiary	\$ 562,224	3.62	\$ -	-	\$ 101,595	\$ -
	AC	Indirect subsidiary	388,343	6.58	-	-	388,343	-
	ACN	Indirect subsidiary	271,997	7.12	-	-	216,677	-
ATC	Advantech Co., Ltd.	Parent company	429,928	3.99	-	-	-	-

Note: All sales, purchases and related receivables/payables have been write-off.

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				Dec. 31, 2005	Dec. 31, 2004	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	AAC (BVI)	BVI	Investment holding company	\$ 725,144	\$ 725,044	21,606,500	100.00	\$ 955,493	\$ 233,343	\$ 232,279	Subsidiary
	ATC	BVI	Sale of industrial automation products	427,781	427,781	13,450,000	100.00	521,862	624,680	604,763	Subsidiary
	Axiomtek Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	308,586	438,964	22,376,732	37.25	369,596	191,020	38,521	Equity-method investee
	Yin Hsin Co., Ltd.	Taipei, Taiwan	General investment	300,000	300,000	29,999,994	100.00	256,108	(19,608)	(19,608)	Subsidiary
	AEU	Helmond, the Netherlands	Investment holding company	351,791	321,795	9,253,331	96.67	222,732	(67,933)	(73,370)	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	32,989	51,646	2,829,210	27.47	128,622	51,244	14,740	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	88,074	4,888	4,015	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	74,486	12,473	12,473	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	73,802	5,198	5,565	Subsidiary
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	19,940	19,940	1,994,000	13.29	11,647	(24,830)	(3,300)	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	12,554	7,761	2,328	Equity-method investee
	Advantech Investment & Management Service	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,360	126	209	Subsidiary
	ABR	Sam Paulo, Brazil	Sale of industrial automation products	15,374	15,374	971,055	60.00	(19,145)	(14,097)	(14,097)	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(893)	(984)	(984)	Subsidiary
	ADCL	BVI	Sale of industrial automation products	-	16,395	-	-	-	37	37	Subsidiary
	AIT	Milano, Italy	Sale of industrial automation products	-	31,277	-	-	-	-	-	Subsidiary (Note C)
	Yin Hsin Co., Ltd.	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	100,000	100,000	10,000,000	66.67	58,312	(24,831)	(16,356)
TTC		Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,843	151,143	45,343	Equity-method investee of a subsidiary
Innova Tech & Management Consultant Inc.		Taipei, Taiwan	Sale and consulting on information system integration	-	15,000	-	-	-	-	(54)	Equity-method investee of a subsidiary
	Broadwed Automation Co., Ltd.	Taipei, Taiwan	Production and sale of communications equipment and automation system	-	20,000	-	-	-	1,899	633	Equity-method investee of a subsidiary
ATC	AKMC	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	524,938	69,143	69,143	Indirect subsidiary
	ADMC	Guangzhou, China	Production and sale of industrial automation products	38,165	6,861	-	100.00	40,795	417	417	Indirect subsidiary
ADCL	AGZ	Guangzhou, China	Sale of industrial automation products	-	6,151	-	-	-	2,283	2,283	Indirect subsidiary
Timson Tech Co. (TTC)	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processes and sale of peripherals	30,222	30,222	-	100.00	26,257	184	184	Equity-method of a subsidiary
AAC (BVI)	AACB	Bermuda	Investment holding company	-	724,731	-	-	-	128	128	Indirect subsidiary (Note D)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2005	Dec. 31, 2004	Shares	Percentage of Ownership	Carrying Value			
AACB	AC	Sunnyvale, USA	Assembly and sale of industrial automation products	\$ 504,179	\$ 504,179	10,952,606	100.00	\$ 674,125	\$ 146,701	\$ 138,367	Indirect subsidiary (Note E)
	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	259,544	96,566	96,450	Indirect subsidiary (Note E)
	AAG	Leinf-Echterdingen, Germany	Sale of industrial automation products	-	2,457	-	-	-	-	-	Indirect subsidiary (Note F)
	APN	Penang, Malaysia	Sale of industrial automation products	-	4,656	-	-	-	302	166	Indirect subsidiary (Note G)
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	-	3,411	-	-	-	(892)	(491)	Indirect subsidiary (Note G)
	AAJP	Tokyo, Japan	Sale of industrial automation products	-	5,990	-	-	-	16	6	Equity-method investee of a indirect subsidiary (Note F)
AEU	AESC	Helmond, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	59,559	(18,927)	(18,927)	Indirect subsidiary
	AFR	Paris, France	Sale of industrial automation products	-	11,984	-	-	-	(6,828)	(15,041)	Indirect subsidiary (Note H)
	AUK	Milton Keynes, England	Sale of industrial automation products	13,373	13,373	600,000	100.00	29,967	5,849	5,191	Indirect subsidiary
	ABB	Roosendaal, The Netherlands	Sale of industrial automation products	39,565	39,565	295,378	100.00	40,030	16,823	7,972	Indirect subsidiary
	AEBC	Dusseldorf, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	(17,328)	(9,442)	(14,663)	Indirect subsidiary (Note A)
	AIT	Milano, Italy	Sale of industrial automation products	22,275	-	45,000	100.00	19,442	7,904	(1,578)	Indirect subsidiary
AEBC	AEDC	Amberg, Germany	Sale of industrial automation products	46,446	10,338	-	100.00	36,484	(6,638)	(8,570)	Indirect subsidiary
	Advantech Poland S.P. Z.O.O. (APL)	Warsaw, Poland	Sale of industrial automation products	10,285	-	2,000	80.00	9,844	-	-	Indirect subsidiary
	AFR	Paris, France	Sale of industrial automation products	26,506	-	75,000	100.00	26,506	-	-	Indirect subsidiary (Note H)
ASG	ATH	Thailand	Production of computers	1,199	1,199	15,000	30.00	1,531	2,334	700	Indirect subsidiary
	APN	Penang, Malaysia	Sale of industrial automation products	8,181	-	570,570	55.00	10,475	3,564	1,960	Indirect subsidiary (Note G)
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	-	418,000	55.00	7,063	(1,180)	(649)	Indirect subsidiary (Note G)

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

Note B: The calculation of investment gain (loss) was based on the audit financial statements.

Note C: AIT became AEU's subsidiary after reorganization.

Note D: AACB was consolidated by AAC (BVI) after reorganization.

Note E: AC and ACN became AAC (BVI)'s subsidiaries after reorganization.

Note F: AAG and AAJP were liquidated.

Note G: APN and AKL became ASG's subsidiary after reorganization.

Note H: AFR became AEBC's subsidiary after reorganization.

Note I: All investment gains or losses, long-term equity investments and net assets values of investee among subsidiaries have been write-off.

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA

YEAR ENDED DECEMBER 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 Dec. 31, 2005	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of Dec. 31, 2005	Accumulated Inward Remittance of Earnings as of Dec. 31, 2005	Accumulated Investment in Mainland China as of Dec. 31, 2005	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								
Advantech Technology (China) Company Ltd.	Production and sale of components of industrial automation products	US\$12,000 thousand	Indirect	\$ 394,200 (US\$ 12,000 thousand)	\$ -	\$ -	\$ 394,200 (US\$ 12,000 thousand)	100%	\$ 69,143	\$ 524,938	\$ -	\$ 584,796 (US\$ 17,802 thousand)	\$ 814,680 (US\$ 24,800 thousand)	\$ 4,019,139
Kunshan Timson Tech Co., Ltd.	Processes and sale of peripherals	US\$900 thousand	Indirect	8,870 (US\$ 270 thousand)	-	-	8,870 (US\$ 270 thousand)	30%	55	7,877	-	(Note D)		
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Sale of industrial automation products	US\$4,230 thousand	Indirect	175,156 (US\$ 5,332 thousand)	-	-	175,156 (US\$ 5,332 thousand)	100%	96,450	259,544	-			
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US\$1,200 thousand	Indirect	(Note C)	-	-	(Note C)	100%	417	40,795	-			

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

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. and its investees in Mainland China are described in Notes 18 and 20 to the financial statements and Tables 1, 2, 6 and 7.

Note C: Which remittance by Advantech Technology Co., Ltd.

Note D: Included outflow of original investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. (AGZ) US\$200 thousand; this company had been closed and the amount of investment was retired; and this had been approved by MOEA. If there has capitals inflow back, the Company will submit this incident to MOEA for approving and terminating this case under the regulation.

Note E: The exchange rate was US\$1=NT\$32.85.

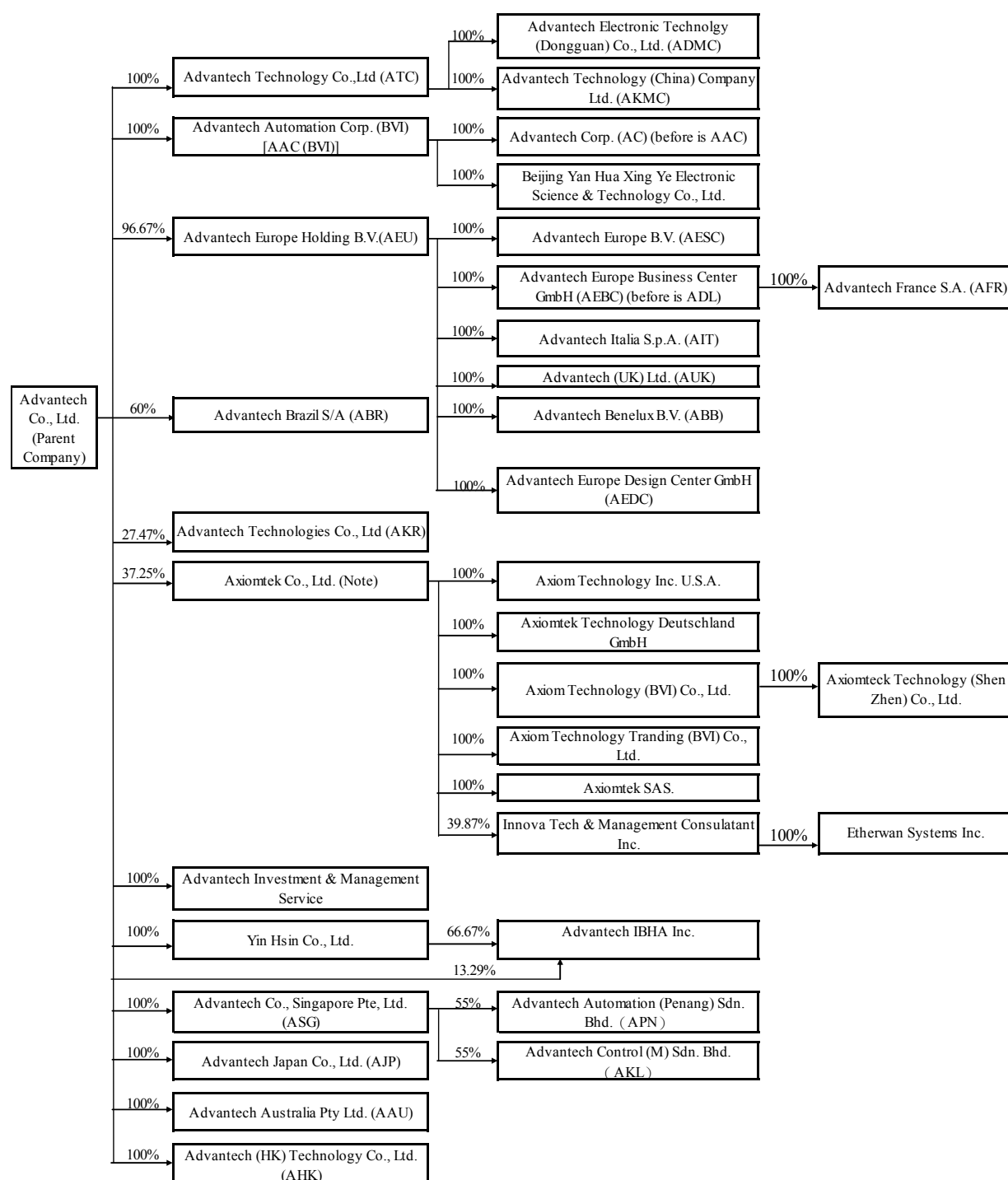
Note F: All investment gains or losses, long-term equity investments and net assets values of investee among subsidiaries have been write-off.

TABLE 10

ADVANTECH CO., LTD. AND SUBSIDIARIES

**ORGANIZATION CHART
DECEMBER 31, 2005 AND 2004**

Intercompany relationships and percentages of ownership as of December 31, 2005 are shown below:



Note: The Parent Company had lost controlling interest in Axiomtek and its investees at the end of April 2005. For the purpose of fair presentation, the consolidated financial statements still include Axiomtek's and its investees' revenues and expenses generated before April 2005.

Intercompany relationships and percentages of ownership as of December 31, 2004 are shown below:

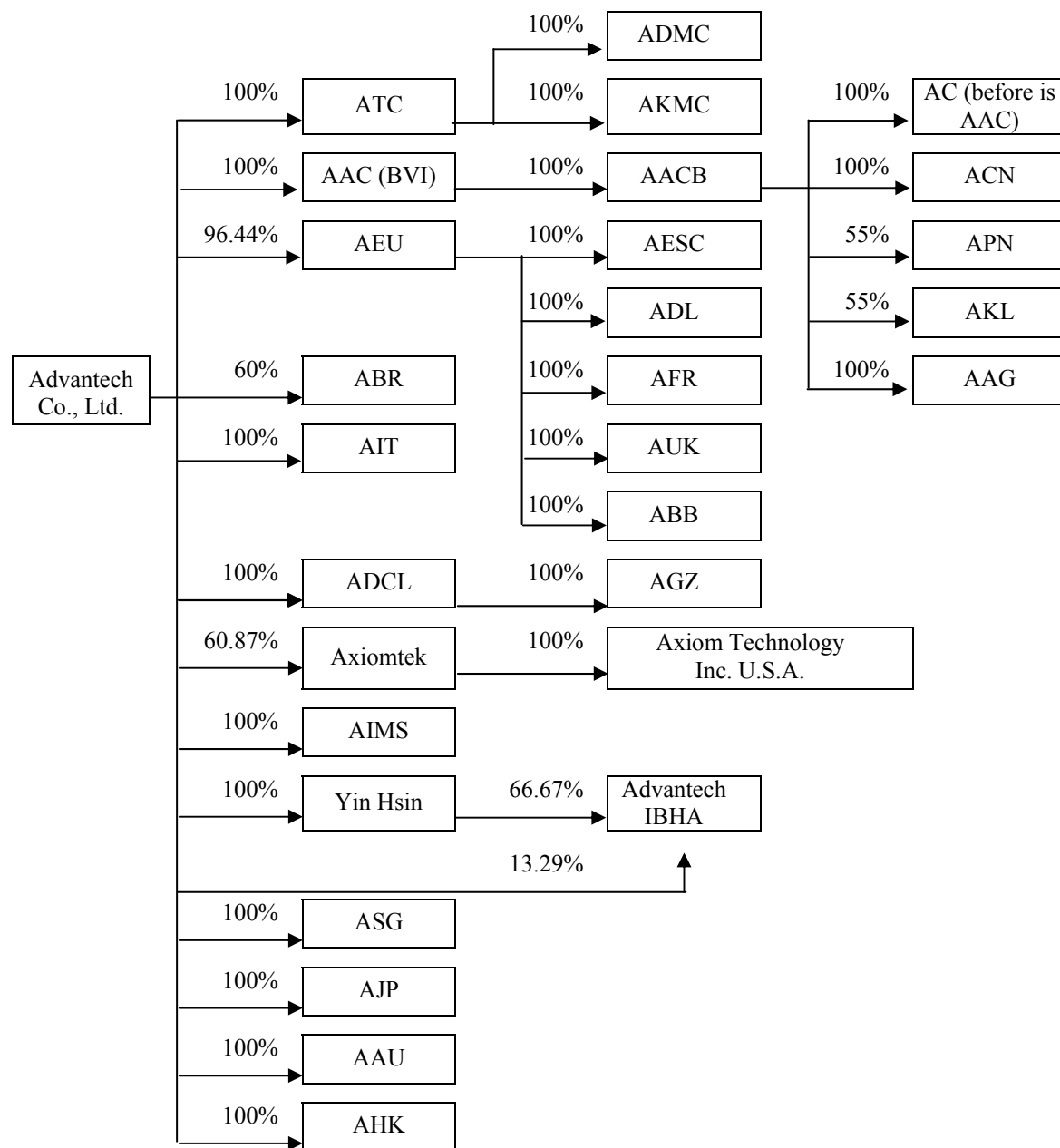


TABLE 11

ADVANTECH CO., LTD. AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS BETWEEN ADVANTECH CO., LTD AND SUBSIDIARIES
YEAR ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)**

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
0	2005 Advantech Co., Ltd.	ATC	1	Sales	\$ 22,928	Note E	0.18
		ATC	1	Purchase	2,269,559	Note E	18.20
		ATC	1	Royalty revenue	115,794	Note E	0.93
		ATC	1	Receivables from related parties - stock dividends	390,142	Note F	2.51
		ATC	1	Receivables from related parties- royalty	9,527	Note F	0.06
		ATC	1	Receivables from related parties	3,102	Note F	0.02
		ATC	1	Payables to related parties	429,928	Note F	2.76
		AKMC	1	Sales	65,044	Note E	0.52
		AKMC	1	Receivables from related parties	13,036	Note F	0.08
		ADMC	1	Sales	425	Note E	-
		ADMC	1	Receivables from related parties	6,363	Note F	0.04
		AAC (BVI)	1	Payables to related parties	33,295	Note G	0.21
		ACN	1	Sales	1,353,883	Note E	10.86
		ACN	1	Receivables from related parties	271,997	Note F	1.75
		AC	1	Sales	2,057,529	Note E	16.50
		AC	1	Purchase	23,417	Note E	0.19
		AC	1	Receivables from related parties	391,537	Note G	2.52
		AC	1	Payables to related parties	7,671	Note G	0.05
		ABB	1	Sales	188	Note E	-
		ABB	1	Receivables from related parties	39	Note G	-
AUK	1	Sales	7,287	Note E	0.06		
AUK	1	Receivables from related parties	336	Note F	-		

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details					
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)		
1	ATC	AFR	1	Receivables from related parties	\$ 564	Note G	-		
		AEBC (before is ADL)	1	Receivables from related parties	376	Note G	-		
		AEBC (before is ADL)	1	Payables to related parties	372	Note G	-		
		AESC	1	Sales	1,759,774	Note E	14.12		
		AESC	1	Receivables from related parties	563,117	Note F	3.62		
		AESC	1	Payables to related parties	866	Note F	0.01		
		AIT	1	Receivables from related parties	132	Note G	-		
		Advantech IBHA Inc.	1	Purchase	424	Note E	-		
		Advantech IBHA Inc.	1	Payables to related parties	14,563	Note F	0.09		
		Advantech Investment & Management Service	1	Rental revenues	60	Note E	-		
		Advantech Investment & Management Service	1	Receivables from related parties	20	Note G	-		
		Yin Hsin Co., Ltd.	1	Rental revenues	36	Note E	-		
		Yin Hsin Co., Ltd.	1	Receivables from related parties	9	Note G	-		
		AAU	1	Sales	104,078	Note E	0.83		
		AAU	1	Receivables from related parties	16,395	Note G	0.11		
		AJP	1	Sales	300,096	Note E	2.41		
		AJP	1	Purchase	78	Note E	-		
		AJP	1	Receivables from related parties	67,000	Note G	0.43		
		AJP	1	Payables to related parties	31	Note G	-		
		ASG	1	Sales	147,337	Note E	1.18		
		ASG	1	Receivables from related parties	22,925	Note G	0.15		
		APN	1	Sales	35,392	Note E	0.28		
		APN	1	Receivables from related parties	3,822	Note G	0.02		
		AKL	1	Sales	20,865	Note E	0.17		
		AKL	1	Receivables from related parties	3,579	Note F	0.02		
				Advantech Co., Ltd.	2	Purchase	22,928	Note E	0.18
				Advantech Co., Ltd.	2	Sales	2,269,559	Note E	18.20
				Advantech Co., Ltd.	2	Royalty expense	115,794	Note E	0.93
				Advantech Co., Ltd.	2	Payables to related parties stock dividends	390,142	Note F	2.51

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
2	AKMC	Advantech Co., Ltd.	2	Payables to related parties royalty	\$ 9,527	Note F	0.06
		Advantech Co., Ltd.	2	Payables to related parties	3,102	Note F	0.02
		Advantech Co., Ltd.	2	Receivables from related parties	429,928	Note F	2.76
		AKMC	1	Receivables from related parties	3,010	Note F	0.02
		AKMC	1	Sales	24,845	Note E	0.20
		AKMC	1	Payables to related parties	186,811	Note F	1.20
		AKMC	1	Purchase	1,230,653	Note E	9.87
		ADMC	1	Sales	94	Note E	-
		ADMC	1	Payables to related parties	97,733	Note F	0.63
		ADMC	1	Purchase	107,989	Note E	0.87
		Advantech Co., Ltd.	2	Purchase	65,044	Note E	0.52
		Advantech Co., Ltd.	2	Payables to related parties	13,036	Note F	0.08
		ACN	3	Receivables from related parties	54,185	Note F	0.35
		ACN	3	Sales	492,517	Note E	3.95
		ACN	3	Payables to related parties	69,713	Note F	0.45
		ACN	3	Purchase	232,518	Note E	1.87
		ADMC	3	Receivables from related parties	22,151	Note F	0.14
		ADMC	3	Sales	21,846	Note E	0.13
		ADMC	3	Payable to related parties	41	Note F	-
		ADMC	3	Purchase	664	Note E	0.01
ATC	2	Receivables from related parties	186,811	Note F	1.20		

		ATC	2	Sales	1,230,653	Note E	9.87
3	ADMC	ATC	2	Payables to related parties	3,010	Note F	0.02
		ATC	2	Purchase	24,845	Note E	0.20
		Advantech Co., Ltd.	2	Purchase	425	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	6,363	Note F	0.04
		ATC	2	Receivables from related parties	97,733	Note F	0.63
		ATC	2	Sales	107,989	Note E	0.87
		ATC	2	Purchase	94	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)		
				Financial Statement Account	Amount	Payment Terms			
4	AAC(BVI)	AKMC	3	Receivables from related parties	\$ 41	Note F	-		
		AKMC	3	Sales	664	Note E	0.01		
		AKMC	3	Payables to related parties	22,151	Note F	0.14		
		AKMC	3	Purchase	21,846	Note F	0.13		
		ACN	3	Sales	122	Note E	-		
		AC	3	Purchase	40	Note F	-		
		Advantech Co., Ltd.	2	Receivables from related parties	33,295	Note G	0.21		
		ACN	1	Receivables from related parties - financing	32,850	Note F	0.21		
		5	ACN	Advantech Co., Ltd.	2	Purchase	1,353,883	Note E	10.86
				Advantech Co., Ltd.	2	Payables to related parties	271,997	Note F	1.75
AKMC	3			Receivables from related parties	69,713	Note F	0.45		
AKMC	3			Sales	232,518	Note E	1.87		
AKMC	3			Payables to related parties	54,185	Note F	0.35		
AKMC	3			Purchase	492,517	Note E	3.95		
6	AC	ADMC	3	Purchase	122	Note E	-		
		AAC (BVI)	2	Payables to related parties - financing	32,850	Note F	0.21		
		Advantech Co., Ltd.	2	Purchase	2,057,529	Note E	16.50		
		Advantech Co., Ltd.	2	Sales	23,417	Note E	0.19		
		Advantech Co., Ltd.	2	Payables to related parties	391,537	Note G	2.52		
		Advantech Co., Ltd.	2	Receivables from related parties	7,671	Note G	0.05		
		AJP	3	Sales	41	Note E	-		
		APN	3	Sales	379	Note E	-		
		ASG	3	Sales	830	Note E	0.01		
		AESC	3	Sales	1,142	Note E	0.01		
7	AEU	ADMC	3	Sales	40	Note E	-		
		ABR	3	Sales	294	Note E	-		
		AEBC (before is ADL)	1	Receivables from related parties	682	Note G	-		
		AEBC (before is ADL)	1	Interest revenue	651	Note F	0.01		
		AEDC	1	Receivables from related parties	8	Note G	-		
		AEDC	1	Interest revenue	25	Note E	-		

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
8	ABB	AEBC (before is ADL)	1	Receivables from related parties - financing	\$ 25,337	Note F	0.16
		AEDC	1	Receivables from related parties - financing	3,898	Note F	0.03
		AUK	1	Interest revenue	11	Note E	-
		ABB	1	Interest revenue	166	Note E	-
		AIT	1	Interest revenue	46	Note E	-
		AESC	1	Payables to related parties	1,702	Note F	0.01
		AESC	1	Payables to related parties - financing	9,745	Note F	0.06
		Advantech Co., Ltd.	2	Purchase	188	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	39	Note G	-
		AESC	3	Receivables from related parties	14,161	Note F	0.09
		AESC	3	Commssion revenue	87,647	Note E	0.70
		AESC	3	Purchase	28,422	Note E	0.23
		AEBC (before is ADL)	3	Payables to related parties	16	Note G	-
		AEDC	3	Payables to related parties	447	Note G	-
9	AUK	AEU	2	Interest expense	166	Note E	-
		Advantech Co., Ltd.	2	Purchase	7,287	Note E	0.06
		Advantech Co., Ltd.	2	Payables to related parties	336	Note F	-
		AESC	3	Receivables from related parties	1,467	Note F	0.01
		AESC	3	Commssion revenue	43,018	Note E	0.35
		AESC	3	Payables to related parties	2,083	Note F	0.01
		AESC	3	Purchase	20,069	Note E	0.16
		AEBC (before is ADL)	3	Payables to related parties	13	Note F	-
		AEU	2	Interest expense	11	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	376	Note G	-
10	AEBC (before is ADL)	Advantech Co., Ltd.	2	Receivables from related parties	372	Note G	-
		AESC	3	Commssion revenue	133,326	Note E	1.07
		AESC	3	Payables to related parties	1,542	Note F	0.01
		AESC	3	Purchase	5,362	Note E	0.04
		AESC	3	Payables to related parties - financing	9,745	Note F	0.06
		ABB	3	Receivables from related parties	16	Note G	-

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
11	AFR	AUK	3	Receivables from related parties	\$ 13	Note F	-
		AFR	3	Receivables from related parties	27	Note G	-
		AEDC	3	Receivables from related parties	5	Note G	-
		AEDC	3	Payables to related parties	964	Note G	0.01
		AEU	2	Payables to related parties	682	Note G	-
		AEU	2	Interest expense	651	Note E	0.01
		AEU	2	Payables to related parties - financing	25,337	Note F	0.17
		Advantech Co., Ltd.	2	Payables to related parties	564	Note G	-
		AESC	3	Commission revenue	45,233	Note E	0.36
		AESC	3	Payables to related parties	196	Note F	-
12	AESC	AESC	3	Purchase	933	Note E	0.01
		AEBC(before is ADL)	3	Payables to related parties	27	Note G	-
		Advantech Co., Ltd.	2	Purchase	1,759,774	Note E	14.12
		Advantech Co., Ltd.	2	Payables to related parties	563,117	Note F	3.62
		Advantech Co., Ltd.	2	Receivables from related parties	866	Note F	0.01
		AEBC(before is ADL)	3	Receivables from related parties	1,542	Note F	0.01
		AEBC(before is ADL)	3	Sales	5,362	Note E	0.04
		AEBC(before is ADL)	3	Commssion expense	133,326	Note E	1.07
		AFR	3	Receivables from related parties	196	Note F	-
		AFR	3	Sales	933	Note E	0.01
		AFR	3	Commission expense	45,233	Note E	0.36
		AIT	3	Receivables from related parties	365	Note F	-
		AIT	3	Sales	17,796	Note E	0.14
		AIT	3	Commission expense	44,141	Note E	0.35
AUK	3	Receivables from related parties	2,083	Note F	0.01		
AUK	3	Sales	20,069	Note E	0.16		
AUK	3	Payables to related parties	1,467	Note F	0.01		
AUK	3	Commssion expense	43,018	Note E	0.35		
ABB	3	Sales	28,422	Note E	0.23		
ABB	3	Payables to related parties	14,161	Note F	0.09		

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
13	AIT	ABB	3	Commssion expense	\$ 87,647	Note E	0.70
		AEU	2	Receivables from related parties	1,702	Note F	0.01
		AEU	2	Receivables from related parties - financing	9,745	Note F	0.06
		AEDC	3	Receivables from related parties	439	Note F	-
		AC	3	Purchase	1,142	Note F	0.01
		AEBC	3	Receivables from related parties - financing	9,745	Note F	0.06
		Advantech Co., Ltd.	2	Payables to related parties	132	Note G	-
		AESC	3	Commission revenue	44,141	Note E	0.35
		AESC	3	Payables to related parties	365	Note F	-
		14	AEDC	AESC	3	Purchase	17,796
AEU	2			Interest expense	46	Note E	-
ABB	3			Receivables from related parties	447	Note G	-
AEBC (before is ADL)	3			Receivables from related parties	964	Note G	0.01
AEBC (before is ADL)	3			Payables to related parties	5	Note G	-
AEU	2			Payables to related parties	8	Note G	-
AEU	2			Interest expense	25	Note E	-
AEU	2			Payables to related parties - financing	3,898	Note F	0.03
AESC	3			Payables to related parties	439	Note F	-
15	Advantech IBHA Inc.			Advantech Co., Ltd.	2	Sales	424
		Advantech Co., Ltd.	2	Receivables from related parties	14,563	Note F	0.09
16	AIMS	Advantech Co., Ltd.	2	Rental expense	60	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	20	Note G	-
17	Yin Hsin Co., Ltd.	Advantech Co., Ltd.	2	Rental expense	36	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	9	Note G	-
18	AAU	Advantech Co., Ltd.	2	Purchase	104,078	Note E	0.83
		Advantech Co., Ltd.	2	Payables to related parties	16,395	Note G	0.11
19	AJP	Advantech Co., Ltd.	2	Purchase	300,096	Note E	2.41
		Advantech Co., Ltd.	2	Sales	78	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	67,000	Note G	0.43

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
20	ASG	Advantech Co., Ltd.	2	Receivables from related parties	\$ 31	Note G	-
		AC	3	Purchase	41	Note E	-
		Advantech Co., Ltd.	2	Purchase	147,337	Note E	1.18
		Advantech Co., Ltd.	2	Payables to related parties	22,925	Note G	0.15
		APN	1	Receivables from related parties	19	Note G	-
21	APN	AKL	1	Receivables from related parties	15	Note F	-
		AC	3	Purchase	830	Note G	0.01
		Advantech Co., Ltd.	2	Purchase	35,392	Note E	0.28
		Advantech Co., Ltd.	2	Payables to related parties	3,822	Note G	0.02
		AC	3	Purchase	379	Note G	-
22	AKL	ASG	2	Payables to related parties	19	Note G	-
		AKL	3	Purchase	48	Note E	-
		Advantech Co., Ltd.	2	Purchase	20,865	Note E	0.17
		Advantech Co., Ltd.	2	Payables to related parties	3,579	Note F	0.02
		APN	3	Sales	48	Note E	-
23	ABR <u>2004</u>	ASG	2	Payables to related parties	15	Note F	-
		AC	3	Purchase	294	Note E	-
0	Advantech Co., Ltd.	AUK	1	Sales	54,657	Note E	0.41
		AUK	1	Receivables from related parties	5,299	Note F	0.05
		ACN	1	Sales	1,139,550	Note E	8.51
		ACN	1	Receivables from related parties	108,229	Note F	1.00
		ATC	1	Sales	21,425	Note E	0.16
		ATC	1	Purchase	2,109,017	Note E	15.76
		ATC	1	Receivables from related parties	22,863	Note F	0.21
		ATC	1	Payables to related parties	708,958	Note F	6.58
		ATC	1	Administrative expense	1,315	Note E	0.01
		ATC	1	Royalty revenue	107,737	Note E	0.81
		AIT	1	Sales	1,184	Note E	0.01
		AIT	1	Receivables from related parties	488	Note G	-
		AC	1	Sales	1,624,008	Note E	12.13
		AC	1	Purchase	1,669	Note E	0.01
		AC	1	Receivables from related parties	237,117	Note G	2.20

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
		AC	1	Payables to related parties	\$ 6,158	Note G	0.06
		ADL	1	Receivables from related parties	534	Note G	-
		ADL	1	Payables to related parties	2,069	Note G	0.02
		Axiomtek Co., Ltd.	1	Receivables from related parties	19,876	Note G	0.18
		Axiomtek Co., Ltd.	1	Payables to related parties	2,304	Note G	0.02
		Axiomtek Co., Ltd.	1	Purchase	4,975	Note E	0.04
		Axiomtek Co., Ltd.	1	Sales	161,507	Note E	1.21
		Axiomtek Co., Ltd.	1	Rental revenues	116	Note E	-
		AESC	1	Sales	1,602,783	Note E	11.98
		AESC	1	Receivables from related parties	410,226	Note F	3.81
		AESC	1	Purchase	950	Note E	0.01
		AKMC	1	Sales	59,813	Note E	0.45
		AKMC	1	Purchase	7	Note E	-
		AKMC	1	Receivables from related parties	23,753	Note F	0.22
		APN	1	Sales	33,226	Note E	0.25
		APN	1	Receivables from related parties	1,217	Note G	0.01
		AKL	1	Sales	36,246	Note E	0.27
		AKL	1	Receivables from related parties	4,714	Note F	0.04
		AAU	1	Sales	90,361	Note E	0.68
		AAU	1	Receivables from related parties	6,249	Note G	0.06
		ABR	1	Sales	32,175	Note E	0.24
		ABR	1	Receivables from related parties	11,019	Note G	0.10
		ASG	1	Sales	158,647	Note E	1.19
		ASG	1	Receivables from related parties	10,275	Note G	0.10
		AJP	1	Sales	249,493	Note E	1.86
		AJP	1	Receivables from related parties	44,288	Note G	0.41
		Advantech IBHA Inc.	1	Sales	14,675	Note E	0.11
		Advantech IBHA Inc.	1	Purchase	21,798	Note E	0.16
		Advantech IBHA Inc.	1	Receivables from related parties	2,631	Note F	0.02
		Advantech IBHA Inc.	1	Rental revenues	140	Note E	-
		Advantech IBHA Inc.	1	Administrative expense	525	Note E	-
		Advantech IBHA Inc.	1	Payables to related parties	14,214	Note F	0.13

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
1	ATC	Advantech Investment & Management Service	1	Rental revenues	\$ 10	Note E	-
		Yin Hsin Co., Ltd.	1	Receivables from related parties	6	Note G	-
		Yin Hsin Co., Ltd.	1	Rental revenues	6	Note E	-
		Advantech Co., Ltd.	2	Purchase	21,425	Note E	0.16
		Advantech Co., Ltd.	2	Sales	2,109,017	Note E	15.76
		Advantech Co., Ltd.	2	Royalty revenues	107,737	Note E	0.81
		Advantech Co., Ltd.	2	Administrative expense	1,315	Note E	0.01
		Advantech Co., Ltd.	2	Receivables from related parties	708,958	Note F	6.58
		Advantech Co., Ltd.	2	Payables to related parties	22,863	Note F	0.21
		AC	3	Purchase	28	Note E	-
		AKMC	1	Sales	8,506	Note E	0.06
		AKMC	1	Purchase	1,136,599	Note E	8.49
		AKMC	1	Payables to related parties	188,957	Note F	1.75
		2	AKMC	AKMC	1	Receivables from related parties	3,388
Advantech Co., Ltd.	2			Purchase	59,710	Note E	0.45
Advantech Co., Ltd.	2			Inventories	103	Note E	-
Advantech Co., Ltd.	2			Sales	7	Note E	-
Advantech Co., Ltd.	2			Payables to related parties	23,753	Note F	0.22
ACN	3			Purchase	205,607	Note E	1.54
ACN	3			Sales	476,497	Note E	3.56
ACN	3			Receivables from related parties	13,790	Note F	0.13
ACN	3			Payables to related parties	28,036	Note F	0.26
ATC	2			Purchase	8,506	Note E	0.06
ATC	2			Sales	1,136,599	Note E	8.49
ATC	2			Payables to related parties	188,957	Note F	1.75
ATC	2			Receivables from related parties	3,388	Note F	0.03
3	AC			AGZ	3	Purchase	42
		Advantech Co., Ltd.	2	Payables to related parties	237,117	Note G	2.20
		Advantech Co., Ltd.	2	Inventories	51,384	Note E	0.38
		Advantech Co., Ltd.	2	Purchase	1,572,624	Note E	11.75
		Advantech Co., Ltd.	2	Sales	1,669	Note E	0.01
		Advantech Co., Ltd.	2	Receivables from related parties	6,158	Note G	0.06
		APN	3	Sales	749	Note E	0.01
		ASG	3	Sales	184	Note E	-
		AESC	3	Purchase	210	Note E	-
		AESC	3	Sales	1,528	Note E	0.01

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			% to Consolidated Assets/Revenue (Note C)
				Financial Statement Account	Amount	Payment Terms	
4	ACN	ATC	3	Sales	\$ 28	Note E	-
		ACN	3	Sales	261	Note E	-
		AUK	3	Sales	6	Note E	-
		Advantech Co., Ltd.	2	Purchase	1,139,550	Note E	8.51
		Advantech Co., Ltd.	2	Payables to related parties	108,229	Note F	1.00
		AKMC	3	Purchase	476,497	Note E	3.56
		AKMC	3	Receivables from related parties	28,036	Note F	0.26
		AKMC	3	Payables to related parties	13,790	Note F	0.13
		AKMC	3	Sales	205,607	Note E	1.54
		AC	3	Purchase	261	Note E	-
5	AKL	AGZ	3	Sales	30	Note E	-
		AGZ	3	Purchase	10,706	Note E	0.08
		Advantech Co., Ltd.	2	Purchase	32,497	Note E	0.24
		Advantech Co., Ltd.	2	Inventories	3,749	Note E	0.03
		Advantech Co., Ltd.	2	Payables to related parties	4,714	Note F	0.04
		ASG	3	Payables to related parties	29	Note F	-
		Advantech Co., Ltd.	2	Purchase	31,980	Note E	0.24
6	APN	Advantech Co., Ltd.	2	Inventories	1,246	Note G	0.01
		Advantech Co., Ltd.	2	Payables to related parties	1,217	Note E	0.01
		ASG	3	Purchase	33	Note E	-
		ASG	3	Payables to related parties	21	Note G	-
		AC	3	Purchase	749	Note E	0.01
7	AESC	Advantech Co., Ltd.	2	Sales	950	Note E	0.01
		Advantech Co., Ltd.	2	Purchase	1,537,751	Note E	11.49
		Advantech Co., Ltd.	2	Inventories	65,032	Note E	0.49
		Advantech Co., Ltd.	2	Payables to related parties	410,226	Note F	3.81
		AC	3	Sales	210	Note E	-
		AC	3	Purchase	1,528	Note E	0.01
8	ADL	AIT	3	Sales	93,079	Note E	0.70
		AIT	3	Purchase	15,926	Note E	0.12
		AIT	3	Receivables from related parties	432	Note F	-
		AIT	3	Payables to related parties	111	Note F	-
		Advantech Co., Ltd.	2	Receivables from related parties	2,069	Note G	0.02
		Advantech Co., Ltd.	2	Payables to related parties	534	Note G	-
		AIT	3	Receivables from related parties	79	Note G	-

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
9	AUK	Advantech Co., Ltd.	2	Purchase	\$ 54,217	Note E	0.41
		Advantech Co., Ltd.	2	Inventories	440	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	5,299	Note F	0.05
10	ABR	AC	3	Purchase	6	Note E	-
		Advantech Co., Ltd.	2	Purchase	30,410	Note E	0.23
		Advantech Co., Ltd.	2	Inventories	1,765	Note E	0.01
		Advantech Co., Ltd.	2	Payables to related parties	11,019	Note G	0.10
11	AIT	Advantech Co., Ltd.	2	Purchase	734	Note E	0.01
		Advantech Co., Ltd.	2	Inventories	450	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	488	Note G	-
		AESC	3	Sales	15,926	Note E	0.12
		AESC	3	Purchase	93,079	Note E	0.70
		AESC	3	Receivables from related parties	111	Note F	-
12	AGZ	AESC	3	Payables to related parties	432	Note F	-
		ADL	3	Payables to related parties	79	Note G	-
		ACN	3	Sales	10,706	Note E	0.08
		ACN	3	Purchase	30	Note E	-
		AKMC	3	Sales	42	Note E	-
		13	Axiomtek Co., Ltd.	Advantech Co., Ltd.	2	Sales	4,975
Advantech Co., Ltd.	2			Purchase	157,884	Note E	1.18
Advantech Co., Ltd.	2			Inventories	3,623	Note G	0.03
Advantech Co., Ltd.	2			Receivables from related parties	2,304	Note G	0.02
Advantech Co., Ltd.	2			Payables to related parties	19,876	Note G	0.18
14	AIMS	Advantech Co., Ltd.	2	Rental expense	116	Note E	-
15	Yin Hsin Co., Ltd.	Advantech Co., Ltd.	2	Rental expense	10	Note E	-
16	Advantech IBHA Inc.	Advantech Co., Ltd.	2	Rental expense	6	Note E	-
		Advantech Co., Ltd.	2	Payables to related parties	6	Note G	-
		Advantech Co., Ltd.	2	Purchase	14,623	Note E	0.11
		Advantech Co., Ltd.	2	Inventories	52	Note E	-
		Advantech Co., Ltd.	2	Sales	21,798	Note E	0.16
		Advantech Co., Ltd.	2	Receivables from related parties	14,214	Note F	0.13
		Advantech Co., Ltd.	2	Payables to related parties	2,631	Note F	0.02
		Advantech Co., Ltd.	2	Rental expense	140	Note E	-
		Advantech Co., Ltd.	2	Administrative expense	525	Note E	-

(Continued)

Number (Note A)	Company Name	Counter Party	Nature of Relationship (Note B)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Consolidated Assets/Revenue (Note C)
17	ASG	Advantech Co., Ltd.	2	Purchase	\$ 153,447	Note E	1.15
		Advantech Co., Ltd.	2	Inventories	5,200	Note G	0.05
		Advantech Co., Ltd.	2	Payables to related parties	10,275	Note G	0.10
		AAU	3	Receivables from related parties	27	Note G	-
		APN	3	Receivables from related parties	21	Note G	-
		APN	3	Sales	33	Note E	-
		AKL	3	Receivables from related parties	29	Note F	-
18	AJP	AC	3	Purchase	184	Note E	-
		Advantech Co., Ltd.	2	Purchase	245,045	Note E	1.83
		Advantech Co., Ltd.	2	Inventories	4,448	Note G	0.04
		Advantech Co., Ltd.	2	Payables to related parties	44,288	Note G	0.41
19	AAU	Advantech Co., Ltd.	2	Purchase	88,506	Note E	0.66
		Advantech Co., Ltd.	2	Inventories	1,855	Note G	0.02
		Advantech Co., Ltd.	2	Payables to related parties	6,249	Note G	0.06
		ASG	3	Payables to related parties	27	Note G	-

Note A: Significant transactions between parent company and its subsidiaries or among subsidiaries are numbered as follows:

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

Note B: Related party transactions are divided into three categories as follows:

1. Advantech Co., Ltd. to its subsidiaries.
2. Subsidiaries to its parent company, Advantech Co., Ltd.
3. Among Advantech Co., Ltd. subsidiaries.

Note C: For assets and liabilities, amount is shown as a percentage to consolidated total assets as of December 31, 2005 and 2004, respectively; while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2005 and 2004, respectively.

Note D: All intercompany transactions have been write-off.

Note E: Normal.

Note F: Depending on its operating condition.

Note G: 60-90 days.

ADVANTECH CO., LTD. AND SUBSIDIARIES

GEOGRAPHIC INFORMATION
 YEAR ENDED DECEMBER 31, 2005 AND 2004
 (In Thousands of New Taiwan Dollars)

	2005						2004							
	Taiwan	Asia	Europe	America	Oceania	Adjustments and Elimination	Consolidated	Taiwan	Asia	Europe	America	Oceania	Adjustments and Elimination	Consolidated
Sales to other than consolidated entities	\$ 2,772,506	\$ 3,300,504	\$ 2,542,151	\$ 3,659,033	\$ 192,868	\$ -	\$ 12,467,062	\$ 4,417,326	\$ 2,682,260	\$ 2,469,562	\$ 3,487,858	\$ 189,006	\$ -	\$ 13,246,012
Sales among consolidated entities	<u>5,822,905</u>	<u>3,058,461</u>	<u>336,712</u>	<u>23,417</u>	<u>-</u>	<u>(9,241,495)</u>	<u>-</u>	<u>5,421,258</u>	<u>3,947,044</u>	<u>110,165</u>	<u>4,425</u>	<u>-</u>	<u>(9,482,892)</u>	<u>-</u>
Total sales	<u>\$ 8,595,411</u>	<u>\$ 6,358,965</u>	<u>\$ 2,878,863</u>	<u>\$ 3,682,450</u>	<u>\$ 192,868</u>	<u>\$ (9,241,495)</u>	<u>\$ 12,467,062</u>	<u>\$ 9,838,584</u>	<u>\$ 6,629,304</u>	<u>\$ 2,579,727</u>	<u>\$ 3,492,283</u>	<u>\$ 189,006</u>	<u>\$ (9,482,892)</u>	<u>\$ 13,246,012</u>
Operating income	<u>\$ 1,112,655</u>	<u>\$ 1,131,799</u>	<u>\$ 286,307</u>	<u>\$ 235,857</u>	<u>\$ 8,920</u>	<u>\$ 185,192</u>	\$ 2,960,730	<u>\$ 1,702,541</u>	<u>\$ 537,434</u>	<u>\$ (53,480)</u>	<u>\$ 258,703</u>	<u>\$ 12,773</u>	<u>\$ 208,333</u>	\$ 2,666,304
Interest revenue							26,410							8,977
Equity in net income (loss) of investees, net							37,862							(1,178)
Other non-operating income and gains							293,100							118,628
Interest expense							(30,302)							(47,977)
Other non-operating expenses and losses							(209,578)							(156,710)
Income before income tax							<u>\$ 3,078,222</u>							<u>\$ 2,588,044</u>
Identifiable assets	<u>\$ 14,494,403</u>	<u>\$ 2,909,573</u>	<u>\$ 1,030,176</u>	<u>\$ 1,324,017</u>	<u>\$ 105,185</u>	<u>\$ (4,966,975)</u>	\$ 14,896,379	<u>\$ 11,574,664</u>	<u>\$ 2,360,311</u>	<u>\$ 973,425</u>	<u>\$ 907,549</u>	<u>\$ 94,018</u>	<u>\$ (5,496,069)</u>	\$ 10,413,898
Long-term investments							529,990							363,680
Total assets							<u>\$ 15,426,369</u>							<u>\$ 10,777,578</u>