

**Advantech Co., Ltd.**

**Financial Statements for the  
Six Months Ended June 30, 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 balance sheets of Advantech Co., Ltd. as of June 30, 2005 and 2004, and the related statements of income, changes in shareholders' equity and cash flows for the six months ended June 30, 2005 and 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as stated in the following paragraph, 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 were unable to obtain audited financial statements supporting the Company's equity-method investments of NT\$2,781,246 thousand and NT\$2,908,575 thousand as of June 30, 2005 and 2004, respectively. The negative carrying value of these investments, which was recorded as part of other liabilities, was NT\$2,728 thousand as of June 30, 2005. The Company's equity in the investees' results of operations, consisting of net incomes of NT\$352,891 thousand and a net income of NT\$469,926 thousand included in the net incomes for six months ended June 30, 2005 and 2004, respectively, is described in Note 6 to the financial statements. Further, additional disclosures required by the Securities and Futures Bureau for the Company and its investees are described in Note 20.

In our opinion, except for the effect of such adjustment, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence on the foregoing equity-method investments and the equity in the net income of the investees, and additional disclosure required by the Securities and Futures Bureau as explained preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Advantech Co., Ltd. as of June 30, 2005 and 2004 and the results of its operations and its cash flows for the six months then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

August 4, 2005

Notice to Readers

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

# ADVANTECH CO., LTD.

## BALANCE SHEETS

JUNE 30, 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	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash (Note 3)	\$ 1,745,630	16	\$ 128,921	1	Notes payable	\$ 343	-	\$ 1,297	-
Short-term investments (Notes 2 and 4)	2,024,057	18	2,580,676	25	Accounts payable	638,805	6	498,907	5
Notes receivable (Note 2)	34,317	-	50,585	1	Payables to related parties (Note 16)	691,913	6	1,022,633	10
Accounts receivable, net of allowance for doubtful accounts of \$16,921 thousand in 2005 and \$16,987 thousand in 2004 (Note 2)	400,911	4	409,144	4	Income tax payable (Notes 2 and 12)	69,554	-	87,386	1
Receivables from related parties (Notes 2 and 16)	1,276,727	11	1,434,370	14	Accrued expenses	227,900	2	137,846	1
Inventories, net (Notes 2 and 5)	973,555	9	820,660	8	Dividends and employee bonus payable (Note 9)	1,529,087	13	890,164	9
Deferred income tax assets - current (Notes 2 and 12)	50,671	-	38,515	-	Corporate bonds payable - current portion (Notes 2, 9 and 14)	88,485	1	904,397	9
Other current assets	222,289	2	177,137	2	Other current liabilities (Note 19)	76,952	1	105,285	1
Total current assets	6,728,157	60	5,640,008	55	Total current liabilities	3,323,039	29	3,647,915	36
<b>LONG-TERM EQUITY INVESTMENTS (Notes 2, 6 and 16)</b>					<b>OTHER LIABILITIES</b>				
Equity method	2,781,246	25	2,908,575	29	Accrued pension liabilities (Notes 2 and 15)	112,334	1	118,528	1
Cost method	19,798	-	20,000	-	Deferred income tax liabilities - noncurrent (Notes 2 and 12)	180,845	2	74,048	1
Total long-term equity investments	2,801,044	25	2,928,575	29	Deferred income (Notes 2 and 16)	229,257	2	201,521	2
					Miscellaneous (Notes 2 and 6)	4,630	-	2,997	-
<b>PROPERTIES (Notes 2 and 7)</b>					Total other liabilities	527,066	5	397,094	4
Cost					Total liabilities	3,850,105	34	4,045,009	40
Land	624,779	6	577,764	6	<b>SHAREHOLDERS' EQUITY</b>				
Buildings and building equipment	837,848	7	800,812	8	Capital stock, \$10 par value				
Machinery and equipment	268,022	2	231,952	2	Authorized - 500,000 thousand shares				
Furniture and fixtures	83,942	1	63,958	-	Issued - 377,941 thousand shares in 2005 and 340,091 thousand shares in 2004	3,779,407	34	3,400,907	33
Miscellaneous equipment	88,789	1	98,926	1	Stock dividend and bonus to employees to be issued	237,383	2	223,864	2
Total cost	1,903,380	17	1,773,412	17	Capital surplus				
Accumulated depreciation	344,206	3	308,818	3	Issue of stock in excess of par value	1,238,733	11	574,934	6
	1,559,174	14	1,464,594	14	From long-term equity investments	6,701	-	33,786	-
Advances for equipment acquisition	32,656	-	1,694	-	Total capital surplus	1,245,434	11	608,720	6
Net properties	1,591,830	14	1,466,288	14	Retained earnings				
<b>OTHER ASSETS</b>					Legal reserve	843,346	8	627,331	6
Properties leased to others (Notes 2 and 8)	21,415	-	55,399	1	Special reserve	19,661	-	-	-
Deferred expenses (Note 2)	92,779	1	92,186	1	Unappropriated earnings	1,342,197	12	1,224,751	12
Certificates of deposit - pledged (Note 17)	4,900	-	4,900	-	Total retained earnings	2,205,204	20	1,852,082	18
Miscellaneous	6,701	-	5,423	-	Cumulative translation adjustments	(70,707)	(1)	62,197	1
Total other assets	125,795	1	157,908	2	Total shareholders' equity	7,396,721	66	6,147,770	60
<b>TOTAL</b>	<b>\$ 11,246,826</b>	<b>100</b>	<b>\$ 10,192,779</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 11,246,826</b>	<b>100</b>	<b>\$ 10,192,779</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated August 4, 2005)

**ADVANTECH CO., LTD.**

**STATEMENTS OF INCOME**  
**SIX MONTHS ENDED JUNE 30, 2005 AND 2004**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Note 2)				
Sales (Note 16)	\$ 3,796,391	100	\$ 3,867,894	100
Sales returns and allowances	<u>11,811</u>	<u>1</u>	<u>20,320</u>	<u>1</u>
Net sales	3,784,580	99	3,847,574	99
Other	<u>20,831</u>	<u>1</u>	<u>23,609</u>	<u>1</u>
Total operating revenues	3,805,411	100	3,871,183	100
OPERATING COSTS (Notes 2, 13 and 16)	<u>2,615,497</u>	<u>69</u>	<u>2,706,532</u>	<u>70</u>
GROSS PROFIT	1,189,914	31	1,164,651	30
REALIZED (DEFERRED) PROFITS ON INTERCOMPANY SALES (Note 2)	<u>(16,097)</u>	<u>-</u>	<u>20,340</u>	<u>1</u>
ADJUSTED GROSS PROFIT	<u>1,173,817</u>	<u>31</u>	<u>1,184,991</u>	<u>31</u>
OPERATING EXPENSES (Note 13)				
Marketing	131,326	3	138,781	3
Administrative	136,448	4	103,412	3
Research and development	<u>222,612</u>	<u>6</u>	<u>179,275</u>	<u>5</u>
Total operating expenses	<u>490,386</u>	<u>13</u>	<u>421,468</u>	<u>11</u>
OPERATING INCOME	<u>683,431</u>	<u>18</u>	<u>763,523</u>	<u>20</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees, net (Notes 2 and 6)	352,891	9	469,926	12
Gain on disposal of investments	151,868	4	15,158	-
Royalty revenue for patent (Note 16)	53,932	2	57,217	2
Interest (Note 16)	5,963	-	469	-
Other (Note 16)	<u>12,768</u>	<u>-</u>	<u>9,593</u>	<u>-</u>
Total nonoperating income and gains	<u>577,422</u>	<u>15</u>	<u>552,363</u>	<u>14</u>
NONOPERATING EXPENSES AND LOSSES				
Foreign exchange loss, net (Notes 2 and 19)	53,790	2	21,488	1
Provision for losses on inventories	6,233	-	25,920	1
Interest	94	-	20,400	-
Losses on disposal of scrap inventories	-	-	6,856	-
Other (Notes 13 and 19)	<u>4,280</u>	<u>-</u>	<u>448</u>	<u>-</u>
Total nonoperating expenses and losses	<u>64,397</u>	<u>2</u>	<u>75,112</u>	<u>2</u>

(Continued)

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
INCOME BEFORE INCOME TAX	\$ 1,196,456	31	\$ 1,240,774	32
INCOME TAX (Notes 2 and 12)	<u>113,000</u>	<u>3</u>	<u>136,000</u>	<u>3</u>
NET INCOME	<u>\$ 1,083,456</u>	<u>28</u>	<u>\$ 1,104,774</u>	<u>29</u>
	<u>2005</u>		<u>2004</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>Pretax</u>	<u>After-tax</u>
EARNINGS PER SHARE (Note 14)				
Basic earnings per share				
Net income	<u>\$ 3.19</u>	<u>\$ 2.88</u>	<u>\$ 3.44</u>	<u>\$ 3.06</u>
Pro forma EPS assuming that EPS is retroactively adjusted for stock dividend declarations	<u>\$ 3.00</u>	<u>\$ 2.71</u>	<u>\$ 3.23</u>	<u>\$ 2.87</u>
Diluted earnings per share				
Net income	<u>\$ 3.14</u>	<u>\$ 2.85</u>	<u>\$ 3.31</u>	<u>\$ 2.94</u>
Pro forma EPS assuming that EPS is retroactively adjusted for stock dividend declarations	<u>\$ 2.95</u>	<u>\$ 2.67</u>	<u>\$ 3.11</u>	<u>\$ 2.76</u>

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

(With Deloitte & Touche audit report dated August 4, 2005)

(Concluded)

**ADVANTECH CO., LTD.**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
SIX MONTHS ENDED JUNE 30, 2005 AND 2004  
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

	Capital Stock - Issued (Notes 9 and 10)		Stock Dividend and Bonus to Employees to Be Issued (Note 10)	Capital Surplus (Notes 2 and 10)			Retained Earnings (Notes 2 and 10)				Cumulative Translation Adjustments (Note 2)	Treasury Stocks (Notes 2 and 11)	Total Shareholders' Equity
				Issue of Stock in Excess of Par Value	From long-term Equity Investments	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total			
	Shares (Thousands)	Amount											
BALANCE, JANUARY 1, 2005	374,296	\$ 3,742,962	\$ -	\$ 1,072,211	\$ 14,990	\$ 1,087,201	\$ 627,331	\$ -	\$ 2,280,132	\$ 2,907,463	\$ (19,661)	\$ -	\$ 7,717,965
Appropriation of 2004 earnings													
Legal reserve	-	-	-	-	-	-	216,015	-	(216,015)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	19,661	(19,661)	-	-	-	-
Bonus to employees	-	-	50,000	-	-	-	-	-	(192,448)	(192,448)	-	-	(142,448)
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	(19,245)	(19,245)	-	-	(19,245)
Stock dividends - 5%	-	-	187,383	-	-	-	-	-	(187,383)	(187,383)	-	-	-
Cash dividends - \$3.7 per share	-	-	-	-	-	-	-	-	(1,386,639)	(1,386,639)	-	-	(1,386,639)
Net income in the first six months of 2005	-	-	-	-	-	-	-	-	1,083,456	1,083,456	-	-	1,083,456
Conversion of bonds into entitlement certificates	3,645	36,445	-	166,522	-	166,522	-	-	-	-	-	-	202,967
Decrease in capital surplus and cumulative translation adjustments due to disposal long-term investment	-	-	-	-	(5,415)	(5,415)	-	-	-	-	(8,902)	-	(14,317)
Adjustment for capital surplus from long-term stock investments accounted for by the equity method	-	-	-	-	(1,640)	(1,640)	-	-	-	-	-	-	(1,640)
Decrease in carrying value of equity-method investment due to change in equity in investee	-	-	-	-	(1,234)	(1,234)	-	-	-	-	-	-	(1,234)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	(1,264)	-	(1,264)
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	-	(40,880)	-	(40,880)
<b>BALANCE, JUNE 30, 2005</b>	<b>377,941</b>	<b>\$ 3,779,407</b>	<b>\$ 237,383</b>	<b>\$ 1,238,733</b>	<b>\$ 6,701</b>	<b>\$ 1,245,434</b>	<b>\$ 843,346</b>	<b>\$ 19,661</b>	<b>\$ 1,342,197</b>	<b>\$ 2,205,204</b>	<b>\$ (70,707)</b>	<b>\$ -</b>	<b>\$ 7,396,721</b>
BALANCE, JANUARY 1, 2004	341,304	\$ 3,413,039	\$ -	\$ 455,155	\$ 33,845	\$ 489,000	\$ 520,089	\$ -	\$ 1,513,392	\$ 2,033,481	\$ 91,338	\$ (210,736)	\$ 5,816,122
Appropriation of 2003 earnings													
Legal reserve	-	-	-	-	-	-	107,242	-	(107,242)	-	-	-	-
Bonus to employees	-	-	55,000	-	-	-	-	-	(96,518)	(96,518)	-	-	(41,518)
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	(9,652)	(9,652)	-	-	(9,652)
Stock dividends - 5%	-	-	168,864	-	-	-	-	-	(168,864)	(168,864)	-	-	-
Cash dividends - \$2.5 per share	-	-	-	-	-	-	-	-	(844,320)	(844,320)	-	-	(844,320)
Net income in the first six months of 2004	-	-	-	-	-	-	-	-	1,104,774	1,104,774	-	-	1,104,774
Conversion of bonds to capital stock	2,649	26,488	-	125,076	-	125,076	-	-	-	-	-	-	151,564
Decrease in carrying value of equity-method investment due to change in equity in investee	-	-	-	-	(59)	(59)	-	-	-	-	-	-	(59)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	557	-	557
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	-	(29,698)	-	(29,698)
Retired treasury stock	(3,862)	(38,620)	-	(5,297)	-	(5,297)	-	-	(166,819)	(166,819)	-	210,736	-
<b>BALANCE, JUNE 30, 2004</b>	<b>340,091</b>	<b>\$ 3,400,907</b>	<b>\$ 223,864</b>	<b>\$ 574,934</b>	<b>\$ 33,786</b>	<b>\$ 608,720</b>	<b>\$ 627,331</b>	<b>\$ -</b>	<b>\$ 1,224,751</b>	<b>\$ 1,852,082</b>	<b>\$ 62,197</b>	<b>\$ -</b>	<b>\$ 6,147,770</b>

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

(With Deloitte & Touche audit report dated August 4, 2005)

# ADVANTECH CO., LTD.

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2005 AND 2004 (In Thousands of New Taiwan Dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,083,456	\$ 1,104,774
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	54,389	37,482
Provision for losses on inventories	6,233	25,920
Losses on disposal of scrap inventories	-	6,856
Gain on disposal of properties, net	198	54
Equity in net gain of investees, net	(352,891)	(469,926)
Cash dividends from equity-method investees	389,790	8,892
Gain on sale of long-term equity investments	(136,705)	-
Accrued pension liabilities	(2,235)	5,464
Interest-premium on convertible bonds	-	20,341
Deferred income taxes	37,356	36,814
Net changes in operating assets and liabilities		
Short-term investments	(13,333)	(1,162,395)
Notes receivable	14,160	6,098
Accounts receivable	(76,880)	(46,033)
Receivables from related parties	(254,776)	(50,414)
Inventories	(338,283)	(244,425)
Other current assets	13,171	21,969
Notes payable	(476)	(70)
Accounts payable	291,844	80,171
Payables to related parties	(40,420)	421,250
Income tax payable	(66,805)	87,386
Accrued expenses	80,142	(21,722)
Other current liabilities	6,175	32,080
Deferred income	16,097	(20,340)
Net cash provided by (used in) operating activities	<u>710,207</u>	<u>(119,774)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of long-term equity investments	(30,100)	(56)
Proceeds from sale of long-term equity investments	316,726	-
Acquisition of properties	(72,400)	(36,532)
Increase in certificates of deposit - pledged	-	(2,500)
Increase in other assets	(383)	(81,432)
Increase in deferred expenses	(7,593)	-
Net cash provided by (used in) investing activities	<u>206,250</u>	<u>(120,520)</u>

(Continued)



	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in bank loans	\$ (5,134)	\$ -
Bonus paid to employees	(45,844)	(1,076)
Decrease in other liabilities	<u>(805)</u>	<u>-</u>
Cash used in financing activities	<u>(51,783)</u>	<u>(1,076)</u>
<b>NET DECREASE IN CASH</b>	864,674	\$ (241,370)
<b>CASH, BEGINNING OF PERIOD</b>	<u>880,956</u>	<u>370,291</u>
<b>CASH, END OF PERIOD</b>	<u>\$ 1,745,630</u>	<u>\$ 128,921</u>
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid (excluding capitalized interest)	<u>\$ 94</u>	<u>\$ 59</u>
Income tax paid	<u>\$ 142,449</u>	<u>\$ 2,513</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Cash dividend receivables from long-term equity investments	<u>\$ 46,032</u>	<u>\$ -</u>
Receivable from sale of long-term equity investments	<u>\$ 65,303</u>	<u>\$ -</u>
Reclassification of properties leased to others as properties	<u>\$ 8,945</u>	<u>\$ 13,669</u>
Conversion of bonds into capital stock and capital surplus	<u>\$ 202,967</u>	<u>\$ 151,564</u>
Payable dividends, remuneration to directors and supervisors, and bonus to employees	<u>\$ 1,557,984</u>	<u>\$ 895,490</u>
Retired treasury stocks	<u>\$ -</u>	<u>\$ 210,736</u>
<b>PROPERTY ACQUISITION</b>		
Payment for properties		
Increase in properties	\$ (52,018)	\$ (36,532)
Decrease in payables on equipment	<u>(20,382)</u>	<u>-</u>
	<u>\$ (72,400)</u>	<u>\$ (36,532)</u>

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

(With Deloitte & Touche audit report dated August 4, 2005)

(Concluded)

# ADVANTECH CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2005 AND 2004

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

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### 1. ORGANIZATION AND OPERATIONS

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

As of June 30, 2005 and 2004, the Company had 902 and 888 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

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

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

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

Unrestricted cash and cash equivalents and other assets to be converted into cash, consumed or used up within one year are classified as current. Liabilities repaid or settled within one year are classified as current. All other assets and liabilities are classified as noncurrent.

#### **Short-term Investments**

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

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

#### **Allowance for Doubtful Accounts**

Allowance for doubtful accounts is provided on the basis of a review of the collectibility of receivables.

#### **Inventories**

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

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

## **Long-term Equity Investments**

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

Investments accounted for by the equity method are carried at cost on the acquisition date and subsequently adjusted for the Company's proportionate share in the investees' earnings or losses and changes in capital surplus. Cash dividends received are recognized as a reduction of the carrying value of investments. The negative carrying value of investments due to equity in losses recognized that exceeded the original investment acquisition costs are recorded as part of other liabilities. The difference between investment acquisition cost and the Company's equity in an investee's net assets when an investment is acquired or when the equity method is first adopted, is amortized over five years. If an investee issues additional shares and the Company subscribes for these shares at a percentage different from its current equity in the investee, the resulting increase in the Company's equity in the investee's net assets is credited to capital surplus. Any decrease in the Company's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings. For less than majority-owned investees, the Company's equity in their net income or net loss is recognized in the following year on the basis of the current year's equity if the current year's financial statements are not available before 2004, and the Company's equity in their net income or net loss is recognized in the current year from 2005. The Company also recognize losses on investments with value declines.

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

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

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

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

## **Properties and Properties Leased to Others**

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

The Company recognizes losses when properties and properties leased to other materially decline and the carrying amount of those assets exceeds their recoverable amount. Asset impairment losses (except those on goodwill) are reversed and income is recognized when the recoverable amounts of properties and properties leased to others increase. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

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

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

### **Revenue Recognition**

Sales revenues are recognized when titles to products and material risks of ownerships are transferred to clients, primarily upon shipment, when the earnings process is mostly completed and profit is realized or is realizable. The Company does not recognize as sales those transactions involving the delivery of materials to subcontractors since ownership of materials is not transferred upon delivery of materials. Allowances and the related provision for sales returns are accounted for as a deduction from gross sales, and the related costs are deducted from cost of sales as they are incurred.

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

### **Capital Expenditure**

When benefits of expenditure are for a long term and the expenditure exceeds \$60 thousand, the expenditure is capitalized. Otherwise, the expenditure is expensed as it is incurred.

### **Pension Costs**

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

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

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

### **Convertible Bonds**

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

## **Treasury Stock**

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

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

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

## **Income Tax**

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

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

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

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

## **Foreign-currency Transactions**

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

## Derivative Transactions

A forward exchange contract used for nontrading purposes should be adjusted at the rate prevailing as of the balance sheet date. Any exchange gain or loss should be recognized in the current period. If a forward contract is used to hedge an identifiable foreign-currency sales/purchase commitment, the contract settlement dates are ahead of the actual sale/purchase dates, and the contract settlement rate will result in a gain on sale/purchase, the gain should be deferred to the actual sales/purchase transaction date and recorded as an increase in the transaction price. But if the contract settlement rate will result in a loss on actual sale/purchase, the exchange loss should not be deferred. A forward exchange contract used for trading purposes should be adjusted on the balance sheet date at the forward rate available for the remaining maturity of the contract. Any exchange gain or loss should be recognized as current gain or loss.

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

### 3. CASH

	<u>June 30</u>	
	<u>2005</u>	<u>2004</u>
Cash on hand	\$ 139	\$ 264
Checking and demand deposits	115,993	79,103
Time deposits: Interest - 1.05%-3.20% in 2005 and 1.00% in 2004	<u>1,629,498</u>	<u>49,554</u>
	<u>\$ 1,745,630</u>	<u>\$ 128,921</u>
Foreign-currency deposits placed overseas were as follows:		
Hong Kong (US\$23 thousand and HK\$147 thousand)		<u>\$ 1,333</u>

### 4. SHORT-TERM INVESTMENTS

	<u>June 30</u>	
	<u>2005</u>	<u>2004</u>
Mutual funds	\$ 2,024,057	\$ 2,570,676
Convertible bonds	<u>-</u>	<u>10,000</u>
	<u>\$ 2,024,057</u>	<u>\$ 2,580,676</u>

### 5. INVENTORIES, NET

	<u>June 30</u>	
	<u>2005</u>	<u>2004</u>
Finished goods	\$ 277,241	\$ 297,832
Work in process	363,178	326,238
Materials and supplies	455,767	316,078
Inventories in transit	<u>-</u>	<u>146</u>
	1,096,186	940,294
Allowance for losses	<u>122,631</u>	<u>(119,634)</u>
	<u>\$ 973,555</u>	<u>\$ 820,660</u>

## 6. LONG-TERM EQUITY INVESTMENTS

	June 30			
	2005		2004	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
<u>Equity method</u>				
With no quoted market prices				
Advantech Technology Co., Ltd.	\$ 860,572	100.00	\$ 738,911	100.00
Advantech Automation Corp. (BVI)	749,922	100.00	648,016	100.00
Axiomtek Co., Ltd.	309,550	41.54	521,960	63.37
Yin Hsin Investment Co., Ltd.	273,329	100.00	290,613	100.00
Advantech Europe Holding B.V.	222,160	97.16	258,283	96.20
Advantech Technologies Co., Ltd.	102,880	27.47	158,300	43.00
Advantech Co. Singapore Pte, Ltd.	81,176	100.00	84,957	100.00
Advantech Australia Pty Ltd.	71,204	100.00	60,493	100.00
Advantech Japan Co., Ltd.	69,891	100.00	68,340	100.00
Advantech IBHA Technologies Inc.	14,451	13.29	16,233	13.29
Advantech Hungary Ltd.	12,992	30.00	11,105	30.00
Advantech Development Co., Ltd.	7,673	100.00	8,154	100.00
Advantech Investment & Management Service	5,335	100.00	5,074	100.00
Advantech (H.K.) Technology Co., Ltd.	111	100.00	181	100.00
Advantech Brasil S/A	-	60.00	2,723	60.00
Advantech Italia S.p.A.	-	-	35,232	100.00
	<u>2,781,246</u>		<u>2,908,575</u>	
<u>Cost method</u>				
Firich Enterprise Co., Ltd.	19,798	0.98	-	-
Silicon Motion Inc. (formerly Feiya Technology Corp.)	-	-	20,000	0.56
	<u>19,798</u>		<u>20,000</u>	
	<u>\$ 2,801,044</u>		<u>\$ 2,928,575</u>	

The financial statements as of and for the six months ended June 30, 2005 and 2004 on which the calculation of the investment carrying value and the Company's equity in the net income was based, were unaudited, except those of Advantech Hungary Ltd. (AHG), which was based on audited financial statements as of and for the years ended December 31, 2003. To comply with the revised Statement of Financial Accounting Standards (SFAS) No. 5, "Long-term Investment in Equity Securities," the Company's calculation of the investment carrying value and the Company's equity in the net income was based on audited financial statements as of and for the years ended December 31, 2004, and the current period's financial statements. This accounting change had no material effect on the Company's financial statement as of and for the six months ended June 30, 2005.

The investment in Advantech Brasil S/A as of June 30, 2005 had a negative carrying value of \$2,728 thousand. The Company intended to support this investee's operations.

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

As of June 30, 2005 and 2004, the equities in the net assets of cost-method investees were about \$25,192 thousand and \$9,237 thousand, respectively, based on year-end unaudited financial statements.

The Company adopted revised SFAS No. 7 "Consolidated Financial Statements," to prepare consolidated financial statements as of and for the six months ended June 30, 2005. Thus, the Company's consolidated semiannual financial statements included all direct and indirect subsidiaries.

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. because they had no material influence on the consolidated financial statements.

## 7. PROPERTIES

Accumulated depreciation was as follows:

	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
Buildings and building equipment	\$ 76,230	\$ 57,376
Machinery and equipment	153,656	132,298
Furniture and fixtures	52,852	42,151
Miscellaneous equipment	<u>61,468</u>	<u>76,993</u>
	<u>\$ 344,206</u>	<u>\$ 308,818</u>

Depreciation expenses were \$47,240 thousand in 2005 and \$30,955 thousand for the six months ended June 30, 2005 and June 30, 2004, respectively.

## 8. PROPERTIES LEASED TO OTHERS

	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
Cost		
Land	\$ 15,693	\$ 28,777
Buildings and equipment	<u>7,063</u>	<u>30,631</u>
	22,756	59,408
Accumulated depreciation	<u>1,341</u>	<u>4,009</u>
	<u>\$ 21,415</u>	<u>\$ 55,399</u>

## 9. BONDS

	<b>June 30</b>	
	<b>2005</b>	<b>2004</b>
Unsecured convertible bonds	\$ 74,200	\$ 798,300
Interest-premium on convertible bonds	<u>14,285</u>	<u>106,097</u>
	<u>\$ 88,485</u>	<u>\$ 904,397</u>



On July 19, 2001, the Company issued unsecured domestic convertible bonds with aggregate face value of \$1,000,000 thousand (or \$100 thousand par value), which were listed on the Taiwan Stock Exchange on July 31, 2001. These bonds will mature on July 18, 2006 and can be redeemed at 112.4864% of their face value on July 19, 2004 or 119.2519% of their face value on July 19, 2005 upon the bondholders' request. The bonds are convertible to capital stock at an agreed conversion price between October 19, 2001 and July 8, 2006 under certain conditions. As of June 30, 2005, bonds with aggregate face value of \$925,400 thousand had been converted to 19,142 thousand shares and \$400 thousand in bonds had been redeemed at the holders' request. As of June 30, 2005, the conversion price of the convertible bonds was NT\$46.70.

## 10. SHAREHOLDERS' EQUITY

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

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

- a. 3% to 12% as bonus to employees. For stock bonuses, employees may include subsidiaries' 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 of the relevant shareholders' equity account.

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

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

The Company operates in an industry related to computers, and its business related to network servers is new but with significant potential for growth. Thus, in formulating its dividend policy, the Company takes into account the overall business and industry conditions and trends, its objective of enhancing the shareholders' long-term interests, and the sustainability of the Company's growth. It is the Company's policy to distribute less than 90% of the distributable earnings as dividends. The policy also requires that stock dividends be less than 75% of total dividends to retain internally generated cash within the Company to finance future capital expenditures and working capital requirements.

On May 24, 2005 and May 27, 2004, the shareholders approved the board of directors' proposals dated April 8, 2005 and March 25, 2004, respectively, on the appropriation of the 2004 and 2003 earnings. The bonus to employees and remuneration to directors and supervisors was distributed as follows:

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

The shareholders also approved the board of directors' proposal dated May 24, 2005 to increase capital from stock dividends of \$187,383 thousand and stock bonus to employees of \$50,000 thousand, (which were recorded as "stock dividend and bonus to employees to be issued"). This capital increase, which had been registered with the Securities and Futures Bureau (SFB), requires the Company to get a revised license from the Ministry of Economic Affairs.

The Company's capital stock increased by \$36,445 thousand in 2005 and by \$26,488 thousand in 2004 because of a bond conversion, and the capital surplus from the issue of stock in excess of par value increased by \$166,522 thousand and \$125,076 thousand, respectively.

On April 1, 2003, the SFB approved the Company's stock option plan. There were 3,000 thousand units authorized to be issued, which may be converted to 3,000 thousand common shares. Employees may exercise a certain percentage of the option within two and four years of the grant date, and options will expire in six years from the grant date. The stock options were issued on August 14, 2003 at the exercise price of NT\$45.50. As of June 30, 2005, there were 2,840 thousand units issued, and no options had been exercised.

## 11. TREASURY STOCKS

**Unit: In Thousand Shares**

<b>Reason for Repurchase</b>	<b>January 1, 2004</b>	<b>Decrease</b>	<b>June 30, 2004</b>
<u>June 30 of 2004</u>			
Maintaining the Company's credit and shareholders' equity	<u>3,862</u>	<u>3,862</u>	<u>-</u>

Under a board of directors' proposal dated February 5, 2004, the Company retired 3,862 thousand treasury shares, which amounted to \$210,736 thousand. This retirement, effective March 23, 2004, resulted in reductions of \$38,620 thousand in capital, \$5,297 thousand in capital surplus in excess of par value and \$166,819 thousand in unappropriated earnings.

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

## 12. INCOME TAX

- a. Income tax was calculated as follows:

	<u>June 30</u>	
	<u>2005</u>	<u>2004</u>
Tax on pretax income at 25% statutory rate	\$ 299,104	\$ 310,184
Add (deduct) tax effects of:		
Permanent differences	(94,853)	(108,617)
Temporary differences	(16,531)	20,489
Tax-exempt income	(45,542)	(41,833)
Investment tax credit	<u>(69,911)</u>	<u>(90,324)</u>
Income tax currently payable	72,267	89,899
Income tax expense - deferred	37,356	36,814
Adjustment of prior year's income tax	<u>3,377</u>	<u>9,287</u>
Income tax expense (shown in the statements of income)	<u>\$ 113,000</u>	<u>\$ 136,000</u>

- b. Net deferred income taxes as of June 30, 2005 and 2004 were as follows:

	<u>June 30</u>	
	<u>2005</u>	<u>2004</u>
Current		
Allowance for loss on inventories	\$ 30,658	\$ 29,908
Investment tax credit	11,466	12,887
Unrealized foreign exchange loss (gain)	5,868	(4,911)
Others	<u>2,679</u>	<u>631</u>
Deferred income tax assets	<u>\$ 50,671</u>	<u>\$ 38,515</u>
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of investees	\$ 122,226	\$ 125,307
Deferred income	41,888	35,029
Pension cost	28,791	29,632
Interest premium on convertible bonds	<u>31,572</u>	<u>30,840</u>
	224,477	220,808
Valuation allowance	<u>(153,798)</u>	<u>(156,147)</u>
	<u>70,679</u>	<u>64,661</u>
Deferred income tax liabilities:		
Accumulated equity in the net gain of foreign investees	(236,056)	(123,015)
Allowance for tax-deductible equity in net loss of foreign investees	<u>(15,468)</u>	<u>(15,694)</u>
	<u>(251,524)</u>	<u>(138,709)</u>
Net deferred income tax liabilities	<u>\$ (180,845)</u>	<u>\$ (74,048)</u>

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

The imputation credit account balances were \$159,043 thousand and \$141,878 thousand as of June 30, 2005 and 2004, respectively.

The actual creditable tax ratios for earnings as of December 31, 2004 and 2003, which were distributed in 2005 and 2004, respectively, were 7.23% and 9.91%, respectively.

The Company's deductible income tax is summarized as follows:

<b>Regulatory Basis Tax Credits</b>	<b>Deductible Item</b>	<b>Tax Credits Obtained</b>	<b>Unused Tax Credits</b>
<u>2005</u>			
Statute for Upgrading Industries	R&D and training expenses	\$ 76,902	\$ 11,466
	Purchase of automated mechanical equipment	4,475	-
<u>2004</u>			
Statute for Upgrading Industries	R&D and training expenses	102,276	12,887
	Purchase of automated mechanical equipment	935	-

The balances of unappropriated retained earnings as of June 30, 2005 and 2004 included earnings of \$81,329 thousand generated up to December 31, 1997.

Income taxes payable as of June 30, 2005 and 2004 were net of prepayments of \$2,713 thousand and \$2,513 thousand, respectively.

Income tax returns through 2002 (except 1999) had been examined and cleared by the tax authorities.

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

### 13. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	<u>2005</u>			<u>2004</u>		
	<b>Included in Cost of Goods Sold</b>	<b>Included in Operating Expenses</b>	<b>Total</b>	<b>Included in Cost of Goods Sold</b>	<b>Included in Operating Expenses</b>	<b>Total</b>
Personnel expenses						
Payroll	\$ 69,845	\$ 231,172	\$ 301,017	\$ 79,215	\$ 202,347	\$ 281,562
Insurance	5,542	17,237	22,779	6,538	13,499	20,037
Pension	1,033	3,885	4,918	2,673	7,542	10,215
Others	3,526	9,351	12,877	5,456	7,803	13,259
Depreciation	24,650	22,515	47,165	18,067	12,572	30,639
Amortization	<u>1,403</u>	<u>5,746</u>	<u>7,149</u>	<u>969</u>	<u>5,558</u>	<u>6,527</u>
	<u>\$ 105,999</u>	<u>\$ 289,906</u>	<u>\$ 395,905</u>	<u>\$ 112,918</u>	<u>\$ 249,321</u>	<u>\$ 362,239</u>

For properties leased to others, expenses of \$75 thousand and \$316 thousand as of June 30, 2005 and 2004, respectively (included in nonoperating expenses - other expenses), were not included in the above depreciation expenses.

#### 14. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>		<u>Pretax</u>	<u>After-tax</u>
<u>2005</u>					
Basic EPS	\$ 1,196,456	\$ 1,083,456	375,583	<u>\$ 3.19</u>	<u>\$ 2.88</u>
Impact of dilutive potential common stock					
Employee stock options	-	-	1,088		
Convertible bonds	-	-	<u>3,943</u>		
Diluted EPS	<u>\$ 1,196,456</u>	<u>\$ 1,083,456</u>	<u>380,614</u>	<u>\$ 3.14</u>	<u>\$ 2.85</u>
<u>2004</u>					
Basic EPS	\$ 1,240,774	\$ 1,104,774	360,605	<u>\$ 3.44</u>	<u>\$ 3.06</u>
Impact of dilutive potential common stock					
Employee stock options	-	-	940		
Convertible bonds	<u>20,341</u>	<u>15,256</u>	<u>19,126</u>		
Diluted EPS	<u>\$ 1,261,115</u>	<u>\$ 1,120,030</u>	<u>380,671</u>	<u>\$ 3.31</u>	<u>\$ 2.94</u>

The EPS was retroactively adjusted for the stock dividends declared. Thus, in the six months ended June 30, 2004, pretax and after-tax basic EPS decreased from NT\$3.67 to NT\$3.44 and from NT\$3.27 to NT\$3.06, respectively, and pretax and after-tax diluted EPS decreased from NT\$3.54 to NT\$3.31 and from NT\$3.14 to NT\$2.94.

The numerators and denominators used in calculating pro forma EPS for potential adjustment for stock dividends declared were as follows:

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>		<u>Pretax</u>	<u>After-tax</u>
<u>2005</u>					
Basic EPS	\$ 1,196,456	\$ 1,083,456	399,321	<u>\$ 3.00</u>	<u>\$ 2.71</u>
Impact of dilutive potential common stock					
Employee stock options	-	-	1,323		
Convertible bonds	-	-	<u>4,395</u>		
Diluted EPS	<u>\$ 1,196,456</u>	<u>\$ 1,083,456</u>	<u>405,039</u>	<u>\$ 2.95</u>	<u>\$ 2.67</u>
<u>2004</u>					
Basic EPS	\$ 1,240,774	\$ 1,104,774	384,343	<u>\$ 3.23</u>	<u>\$ 2.87</u>
Impact of dilutive potential common stock					
Employee stock options	-	-	1,002		
Convertible bonds	<u>20,341</u>	<u>15,256</u>	<u>20,385</u>		
Diluted EPS	<u>\$ 1,261,115</u>	<u>\$ 1,120,030</u>	<u>405,730</u>	<u>\$ 3.11</u>	<u>\$ 2.76</u>

## 15. PENSION PLAN

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

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

A summary of pension contributions is as follows:

	<u>June 30</u>	
	<u>2005</u>	<u>2004</u>
Pension expenses	\$ 4,918	\$ 10,215
Contributions	\$ 5,514	\$ 4,751
Pension fund account balance, end of period	\$ 68,278	\$ 56,846

## 16. RELATED-PARTY TRANSACTIONS

### a. Related parties

	<u>Relationship with the Company</u>
Yin Hsin Investment Co., Ltd. ("Yin Hsin")	Equity-method investee
Advantech IBHA Technologies Inc. ("Advantech IBHA")	Equity-method investee
Axiomtek Co., Ltd. ("Axiomtek")	Equity-method investee
Advantech Investment & Management Service (AIMS)	Equity-method investee
Advantech Europe Holding B.V. (AEU)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
Advantech Technologies Co., Ltd. (AKR)	Equity-method investee
Advantech Development Co., Ltd. (ADCL)	Equity-method investee
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech Italia S.p.A. (AIT)	Equity-method investee (before December 2004, became investee of AEU through the reorganization of the company's investment structure)
Advantech Brasil S/A (ABR)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC (BVI))	Equity-method investee
Advantech Automation Corp., Ltd. (AACB)	Equity-method investee of AAC (BVI)
Advantech France S.A. (AFR)	Equity-method investee of AEU
Advantech Europe GmbH (ADL)	Equity-method investee of AEU
Advantech (UK) Ltd. (AUK)	Equity-method investee of AEU
Advantech Benelux B.V. (ABB)	Equity-method investee of AEU
Advantech Europe B.V. (AESC)	Equity-method investee of AEU
Innova Tech & Management Consultant Inc. ("Innova")	Equity-method investee of Yin Hsin (before February 2005)

(Continued)

	<u>Relationship with the Company</u>
Broadwed Automation Co., Ltd. (“Broadwed Automation”)	Equity-method investee of Yin Hsin (before February 2005)
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC
Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. (AGZ)	Equity-method investee of ADCL (before June 2005)
Advantech Corp. (AC)	Equity-method investee of AACB
Advantech Control (M) Sdn. Bhd. (AKL)	Equity-method investee of ASG
Advantech Automation (Penang) Sdn. Bhd. (APN)	Equity-method investee of ASG
Advantech Automation GmbH (AAG)	Equity-method investee of AACB (before June 2005)
Advan Automation Co., Ltd. (AAJP)	Equity-method investee of AACB (before June 2005)
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AACB
Firich Enterprise Co., Ltd.	The director is the Company’s chairman
Mr. Andrea Zolli	Manager of AIT
Immoibiliare Verdi Srl.	Manager of AIT

(Concluded)

b.

	<u>2005</u>		<u>2004</u>	
	Amount	% of Total	Amount	% of Total
<u>Six months ended June 30</u>				
1) Sales				
AC	\$ 906,370	24	\$ 829,702	21
AESC	783,086	21	695,098	18
ACN	607,706	16	600,812	16
AJP	127,257	3	119,374	3
AKR	109,383	3	114,632	3
ASG	64,395	2	85,257	2
AAU	51,598	1	43,352	1
Axiomtek	48,619	1	109,118	3
AKMC	35,833	1	40,105	1
ABR	17,787	1	15,271	-
ATC	11,793	-	8,585	-
APN	11,732	-	20,811	1
AKL	9,284	-	20,680	1
AUK	6,784	-	34,568	1
Others	<u>3,436</u>	-	<u>9,467</u>	-
	<u>\$ 2,795,063</u>	<u>73</u>	<u>\$ 2,746,832</u>	<u>71</u>
2) Purchase of materials and supplies				
ATC	\$ 1,061,646	39	\$ 1,106,321	41
Others	<u>7,453</u>	-	<u>13,775</u>	-
	<u>\$ 1,069,099</u>	<u>39</u>	<u>\$ 1,120,096</u>	<u>41</u>

(Continued)

	2005		2004	
	Amount	% of Total	Amount	% of Total
3) Royalty revenue for patent (part of nonoperating income)				
ATC	\$ 53,932	9	\$ 57,217	11
4) Administrative (part of nonoperating income)				
ATC	-	-	1,315	-
Others	-	-	450	-
	-	-	1,765	-
5) Rental revenues (part of nonoperating income)				
AIMS	30	-	-	-
Yin Hsin	18	-	-	-
Broadwed Automation	-	-	391	-
Axiomtek	-	-	116	-
Advantech IBHA	-	-	120	-
	48	-	627	-
	\$ 53,980	9	\$ 59,609	11
<u>June 30</u>				
6) Receivables				
Notes receivable				
Innova Tech & Management Consultant Inc.	\$ 96	-	\$ -	-
Accounts receivable				
AESC	484,874	38	386,975	27
AC	342,861	27	156,958	11
ACN	219,390	17	275,347	19
AJP	41,878	4	42,466	3
AKR	33,704	3	30,242	2
ASG	26,006	2	26,765	2
AAU	13,866	1	9,048	-
AKMC	13,072	1	37,065	3
ABR	12,936	1	10,836	1
Axiomtek	12,699	1	31,532	2
ATC	3,719	-	2,690	-
AKL	2,474	-	10,272	1
Firich Enterprise Co., Ltd.	2,170	-	-	-
AUK	1,436	-	13,150	1
Advantech IBHA	-	-	3,307	-
Others	4,404	-	10,023	1
	1,215,489	95	1,046,676	73
Dividend receivable				
ATC	-	-	330,477	23
Axiomtek	46,032	4	-	-
	46,032	4	330,477	23
Royalty revenue receivable				
ATC	12,499	1	57,217	4

(Continued)



	2005		2004	
	Amount	% of Total	Amount	% of Total
Other receivable				
AESC	\$ 548	-	\$ -	-
Axiomtek	528	-	-	-
AC	414	-	-	-
Other	1,121	-	-	-
	<u>2,611</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,276,727</u>	<u>100</u>	<u>\$ 1,434,370</u>	<u>100</u>
7) Payables				
Accounts				
ATC	\$ 667,395	96	\$ 1,003,816	98
Advantech IBHA	14,493	2	17,928	2
AC	3,948	1	-	-
Others	479	-	341	-
	<u>686,315</u>	<u>99</u>	<u>1,022,085</u>	<u>100</u>
Other - payments on behalf of others				
AC	5,303	1	-	-
AAU	-	-	173	-
AESC	-	-	163	-
ASG	-	-	137	-
Others	295	-	75	-
	<u>5,598</u>	<u>1</u>	<u>548</u>	<u>-</u>
	<u>\$ 691,913</u>	<u>100</u>	<u>\$ 1,022,633</u>	<u>100</u>
				(Concluded)

c. Long-term equity investments

The Company bought AEU's common shares from Mr. Andrea Zolli and Immoibiliare Verdi Srl in May 2005. This transaction is summarized as follows:

Common Stock Name	Shares	Cost
AEU	61,292	\$ 10,302

To continue consolidating its operations in Europe, the Company sold to AEU its common shareholdings in AIT in January 2004 to reorganize and integrate its subsidiaries in Europe. This sale is summarized as follows:

Marketable Securities Name and Type	Shares (Thousands)	Transaction Price	Carrying Value	Disposal Gain
AIT	45	<u>\$ 22,274</u>	<u>\$ 21,975</u>	<u>\$ 299</u>

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

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

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

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

## 17. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged as collaterals for certain tax appeals filed with tax authorities and as part of court requirements for confiscating assets to settle uncollectible accounts:

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

## 18. COMMITMENTS

As of June 30, 2005, the Company had the following guarantees for affiliates' loans:

	<b>Amount</b>
AKMC	\$ 316,200
AC	221,340
ACN	126,480
AAC (BVI)	63,240
AIT	19,085
AUK	<u>4,569</u>
	<u>\$ 750,914</u>

## 19. FINANCIAL INSTRUMENTS

### a. Outstanding contract amounts and credit risk

<b>Financial Instruments</b>	<b>June 30</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Contract Amount (Thousands)</b>	<b>Credit Risk</b>	<b>Contract Amount (Thousands)</b>	<b>Credit Risk</b>
<u>For nontrading purposes</u>				
Forward contracts - sell	US\$ 21,000	-	US\$ 50,000	-
	EUR 6,000	-	EUR 7,600	-

Credit risk refers to the counter-party's default on currency option and forward contracts. Since the Company transacts only with financial institutions with good credit ratings, no material losses resulting from counter-party defaults are anticipated.

b. Market risk

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

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

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

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

The payments required for the forward contracts outstanding as of June 30, 2005 were EUR6,000 thousand and US\$21,000 thousand, for which the Company will receive payments of US\$8,635 thousand and NT\$652,774 thousand in October 2005. Management believes it has sufficient operating capital to meet those requirements. Thus, there is no fund-raising risk. There is also no material cash-flow risk because the exchange rates for forward contracts are fixed.

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

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

e. Financial statement presentation

Net payables of \$5,282 thousand and \$32,298 thousand as of June 30, 2005 and 2004, respectively on all forward contracts for nontrading purpose were shown as part of other current liabilities. Exchange losses in the six months ended June 30, 2005 and 2004 were \$20,552 thousand and \$10,446 thousand, respectively.

f. Fair values of financial instruments

	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash	\$ 1,745,630	\$ 1,745,630	\$ 128,921	\$ 128,921
Short-term investments	2,024,057	2,025,775	2,580,676	2,582,408
Notes receivable	34,317	34,317	50,585	50,585
Accounts receivable	400,911	400,911	409,144	409,144

(Continued)

	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Receivables from related parties	\$ 1,276,727	\$ 1,276,727	\$ 1,434,370	\$ 1,434,370
Long-term equity investments	2,801,044	2,806,438	2,928,575	2,917,812
Certificates of deposit	4,900	4,900	4,900	4,900
<b>Liabilities</b>				
Notes payable	343	343	1,297	1,297
Accounts payable	638,805	638,805	498,907	498,907
Payables to related parties	691,913	691,913	1,022,633	1,022,633
Corporate bonds payable - current	88,485	124,040	904,397	1,034,277
<u>Derivative financial instruments</u>				
Forward contracts (Concluded)	5,282	5,282	32,298	32,298

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

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

## 20. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 19 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Company and its investees.
- b. Investments in mainland China
  - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of June 30, 2004, accumulated inward remittance of earnings as of June 30, 2004 and upper limit on investment: Table 8 (attached)
  - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Note 16 and Tables 2, 3, 5, 6, 7 and 8 (attached)

## ADVANTECH CO., LTD. AND INVESTEEES

FINANCING PROVIDED  
SIX MONTHS ENDED JUNE 30, 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	Axiomtek Co., Ltd.	Axiomtek Technology Deutschland GmbH Axiomtek Technology Trading (BVI) Co., Ltd. Axiomtek SAS	Other receivables	\$ 14,258	\$ 14,258	-	1	\$ 12,471	(what is this financing need?) Financing need	\$ -	-	\$ -	\$ 146,102 (Note C)	\$ 292,211 (Note B)
			Other receivables	15,935	15,935	-	1	40,539	Financing need	-	-	-		
			Other receivables	3,320	3,320	-	1	16,212	Financing need	-	-	-		
2	Advantech Europe Holding B.V. ("AEU")	ABB  ADL  AIT  AUK	Receivables from related parties	11,451 (EUR 300 thousand)	7,634 (EUR 200 thousand)	2.5%	2	-	Financing need	-	-	-	32,105 (Note E)	64,209 (Note D)
			Receivables from related parties	24,811 (EUR 650 thousand)	24,811 (EUR 650 thousand)	2.5%	2	-	Financing need	-	-	-		
			Receivables from related parties	3,817 (EUR 100 thousand)	1,909 (EUR 50 thousand)	2.5%	2	-	Financing need	-	-	-		
			Receivables from related parties	3,435 (EUR 90 thousand)	-	2.5%	2	-	Financing need	-	-	-		
3	AACB	ACN	Receivable from related parties	63,240 (US\$ 2,000 thousand)	-	2.5%	2	-	Financing need	-	-	-	112,423 (Note G)	204,844 (Note F)
4	ACC (BVI)	ACN	Receivable from related parties	63,240 (US\$ 2,000 thousand)	63,240 (US\$ 2,000 thousand)	2.5%	2	-	Financing need	-	-	-	102,466 (Note I)	204,931 (Note H)

Notes: A. Nature of Financing:

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

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

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

D. 30% of net asset value of AEU.

E. 15% of net asset value of AEU.

F. 30% of net asset value of AACB.

G. 15% of net asset value of AACB.

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

I. 15% of net asset value of AAC (BVI).

## ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED  
SIX MONTHS ENDED JUNE 30, 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. (the "Company")	AC	Subsidiary of a wholly owned subsidiary	\$ 566,911 (Note C)	\$ 221,340 (US\$ 7,000 thousand)	\$ 221,340 (US\$ 7,000 thousand)	\$ -	6%	\$ 1,133,822 (Note A)
		ACN	Subsidiary of a wholly owned subsidiary		126,480 (US\$ 4,000 thousand)	126,480 (US\$ 4,000 thousand)	-	3%	
		AIT	Subsidiary		38,170 (EUR 1,000 thousand)	19,085 (EUR 500 thousand)	-	1%	
		AUK	Subsidiary of a wholly owned subsidiary		34,568 (Includes NT\$30,000 thousand and £80 thousand)	4,569 (£ 80 thousand)	-	1%	
		AKMC	Subsidiary of a wholly owned subsidiary		316,200 (US\$ 10,000 thousand)	316,200 (US\$ 10,000 thousand)	-	2%	
		AAC (BVI)	Subsidiary		63,240 (US\$ 2,000 thousand)	63,240 (US\$ 2,000 thousand)	-	2%	
1	Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	Subsidiary	146,106 (Note D)	78,925	78,925	-	11%	365,264 (Note B)

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

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

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

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

## ADVANTECH CO., LTD. AND INVESTEEES

## MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

JUNE 30, 2005

(In Thousands of New Taiwan Dollars)

<u>Company Holding the Securities</u>	Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2005				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech Co., Ltd.	<u>Common stock</u>							
	ATC	Investee	Long-term equity investments	12,550,000	\$ 860,572	100.00	\$ 860,572	Note A
	AAC (BVI)	Investee	Long-term equity investments	21,603,485	749,922	100.00	749,922	Note A
	Axiomtek Co., Ltd.	Investee	Long-term equity investments	21,311,174	309,550	41.54	309,550	Note A
	Yin Sin Co., Ltd.	Investee	Long-term equity investments	29,999,994	273,329	100.00	273,329	Note A
	AEU	Investee	Long-term equity investments	8,324,459	222,160	97.16	222,160	Note A
	AKR	Investee	Long-term equity investments	2,829,210	102,880	27.47	102,880	Note A
	ASG	Investee	Long-term equity investments	1,450,000	81,176	100.00	81,176	Note A
	AAU	Investee	Long-term equity investments	500,204	71,204	100.00	71,204	Note A
	AJP	Investee	Long-term equity investments	1,200	69,891	100.00	69,891	Note A
	Advantech IBHA Inc.	Investee	Long-term equity investments	1,994,000	14,451	13.29	14,451	Note A
	AHG	Investee	Long-term equity investments	30	12,992	30.00	12,992	Note A
	ADCL	Investee	Long-term equity investments	500,000	7,673	100.00	7,673	Note A
	AIMS	Investee	Long-term equity investments	500,000	5,335	100.00	5,335	Note A
	AHK	Investee	Long-term equity investments	999,999	111	100.00	111	Note A
	ABR	Investee	Other liabilities	971,055	(2,728)	60.00	(2,728)	Note A
	Firich Enterprise Co., Ltd.	-	Long-term equity investments	269,000	19,798	0.98	25,192	Note A
	<u>Funds</u>							
	ABN AMRO Select Bond Fund	-	Short-term investments	19,445,355.29	299,233	-	300,621	Note B
	President Home Run Fund	-	Short-term investments	21,713,371.20	298,696	-	298,754	Note B
	ABN AMRO Select Bond Fund	-	Short-term investments	26,731,276.48	296,781	-	296,813	Note B
	Shinong Chi-Shin Fund	-	Short-term investments	19,643,573.95	275,913	-	275,943	Note B
	ABN AMRO Bond Fund	-	Short-term investments	16,495,556.36	243,435	-	243,486	Note B
	Capital high Yield Fund	-	Short-term investments	19,865,722.50	228,124	-	228,184	Note B
	Capital Cash Reserves Fund	-	Short-term investments	14,303,845.70	207,952	-	208,027	Note B
	NITC Bond Fund	-	Short-term investments	679,095.10	109,456	-	109,460	Note B
	President James Bond Fund	-	Short-term investments	4,262,453.70	64,467	-	64,487	Note B
Axiomtek Co., Ltd.	<u>Common stock</u>							
	Axiom Technology Inc. U.S.A.	Investee	Long-term equity investments	23,418	224,647	100.00	170,659	Note A
	Etherwan System Inc.	Investee	Long-term equity investments	4,983,270	94,701	39.87	75,168	Note A
	Hi-top Industrial Co., Ltd.	Investee	Long-term equity investments	1,050	25,310	30.00	16,183	Note A
	Axiom Technology Trading (BVI) Co., Ltd.	Investee	Long-term equity investments	600,000	17,103	100.00	17,103	Note A
	Axiomtek Frances SAS	Investee	Long-term equity investments	-	6,302	100.00	6,302	Note A
	Alextek Company Limited, Ltd.	-	Long-term equity investments	190	1,823	19.00	1,333	Note A
	Axiom Technology (BVI) Co., Ltd.	Investee	Long-term equity investments	410,000	-	100.00	(3,424)	Note A
	Axiomtek Technology Deutschland GmbH	Investee	Long-term equity investments	-	-	100.00	(3,141)	Note A

(Continued)

<u>Company Holding the Securities</u>	Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2005				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Yin Hsin Co., Ltd.	<u>Common stock</u>							
	Advantech IBHA Inc.	Investee	Long-term equity investments	10,000,000	\$ 72,278	66.67	\$ 72,278	Note A
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	7,288	30.00	7,288	Note A
	Superior Technology Co., Ltd.	-	Long-term equity investments	874,960	33,442	13.43	31,666	Note A
	Chunghwa Telecom Co., Ltd.	-	Short-term investments	200,000	21,300	-	12,690	Note D
	<u>Funds</u>							
	ABN AMRO Bond Fund	-	Short-term investments	9,620,852.99	141,589	-	142,011	Note B
Advantech Technology Co., Ltd. (ATC)	<u>Common stock</u>							
	Advantech Technology (China) Company Ltd.	Investee	Long-term equity investments	-	460,765	100.00	460,765	Note A
	Advantech Dongguan Manufacturing Co., Ltd.	Investee	Long-term equity investments	-	37,846	100.00	37,846	Note A
Timson Tech Co.	<u>Common stock</u>							
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	24,555	100.00	24,555	Note A
Advantech Automation Corp. (BVI) (AAC (BVI))	<u>Common stock</u>							
	AACB	Investee	Long-term equity investments	21,594,307	748,752	100.00	748,752	Note A
Advantech Automation Corp. Ltd. (AACB)	<u>Common stock</u>							
	Advantech Corp.	Investee	Long-term equity investments	10,952,606	552,614	100.00	552,614	Note A
	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Investee	Long-term equity investments	-	173,743	100.00	173,743	Note A
	Visual Systems GmbH	-	Long-term equity investments	-	723	20.00	723	Note A
Advantech Co. Singapore Pte. Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Investee	Long-term equity investments	15,000	777	30.00	777	Note A
	Advantech Automation (Penang) Sdn. Bhd.	Investee	Long-term equity investments	570,570	8,600	55.00	8,600	Note A
	Advantech Control (M) Sdn. Bhd.	Investee	Long-term equity investments	418,000	6,610	55.00	6,610	Note A
Advantech Europe Holding B.V. (AEU)	<u>Common stock</u>							
	Advantech Europe B.V. AESC	Investee	Long-term equity investments	8,314,280	69,285	100.00	69,285	Note A
	Advantech France S.A. AFR	Investee	Long-term equity investments	75,000	23,018	100.00	23,018	Note A
	Advantech Benelux B.V. ABB	Investee	Long-term equity investments	295,378	31,624	100.00	31,624	Note A
	Advantech (UK) Ltd. AUK	Investee	Long-term equity investments	600,000	40,484	100.00	40,484	Note A
	Advantech Europe GmbH ADL	Investee	Other liability	1,142,000	(10,216)	100.00	(10,216)	Note A
	Advantech Italia S.p.A	Investee	Long-term equity investments	45,000	17,263	100.00	17,263	Note A
Marekmicro GmbH, Germany	Investee	Long-term equity investments	6,200	9,543	19.87	2,083	Note A	
Axion Technology Trading (BVI) Co., Ltd.	<u>Common stock</u>							
	Axiomtek Technology (Shen Zhen) Co., Ltd.	Investee	Long-term equity investments	-	6,300	100.00	6,300	Note A

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

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

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

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



**TABLE 4**

**ADVANTECH CO., LTD. AND INVESTEES**

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SIX MONTHS ENDED JUNE 30, 2005  
(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Advantech Co., Ltd.	<u>Funds</u>													
	ABN AMRO Bond Fund	Short-term investments	-	-	20,385,336.74	\$ 298,900	55,319,888.88	\$ 815,200	59,209,669.26	\$ 872,500	\$ 870,665	\$ 1,835	16,495,556.36	\$ 243,435
	Capital Cash Reserves Fund	Short-term investments	-	-	10,092,431.10	145,564	29,585,682.90	429,183	25,374,268.30	368,183	366,795	1,388	14,303,845.70	207,952
	Capital High Yield Fund	Short-term investments	-	-	13,156,427.20	149,973	37,557,117.90	430,686	30,847,822.60	353,686	352,535	1,151	19,865,722.50	228,124
	President James Bond Fund	Short-term investments	-	-	19,498,838.00	293,013	38,637,405.60	583,056	53,873,789.90	813,056	811,602	1,454	4,262,453.70	64,467
	ABN AMRO Income Fund	Short-term investments	-	-	13,265,574.67	202,077	19,445,355.29	299,233	13,265,574.67	204,233	202,077	2,156	19,445,355.29	299,233
	President Home Run Fund	Short-term investments	-	-	21,865,088.20	298,830	47,657,208.70	654,485	47,808,925.70	656,485	654,619	1,866	21,713,371.20	298,696
	ABN AMRO Select Bond Fund	Short-term investments	-	-	27,109,853.84	299,000	53,750,778.91	595,830	54,129,356.27	600,030	598,049	1,981	26,731,276.48	296,781
	Shinong Chi-Shi Fund	Short-term investments	-	-	13,691,602.97	191,027	55,315,953.89	775,038	49,363,982.91	691,838	690,152	1,686	19,643,573.95	275,913
	NITC Bond Fund	Short-term investments	-	-	826,740.30	132,340	4,930,850.83	791,997	5,078,496.03	816,527	814,881	1,646	679,095.10	109,456
Axiomtek Co., Ltd.	<u>Common stock</u>													
	Axiomtek co., Ltd.	Long-term investments	-	-	30,315,174.00	508,765	-	-	9,004,000.00	270,120	109,839	115,593	21,311,174	309,550
Axiomtek Co., Ltd.	<u>Barits Bond Fund</u>	Short-term investments	-	-	1,492,695.40	17,673	12,032,063.60	143,016	13,524,159.00	160,759	160,689	70	-	-

## ADVANTECH CO., LTD. AND INVESTEES

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 SIX MONTHS ENDED JUNE 30, 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 OTC listing	According to offering circular for OTC listing	-

## ADVANTECH CO., LTD. AND INVESTEEES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SIX MONTHS ENDED JUNE 30, 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	\$ 1,061,646	39	Depending on ATC's operating condition	\$ -	-	\$ (667,395)	(96)	
	AC	Subsidiary of a wholly owned subsidiary	Sale	(906,370)	(24)	60-90 days	-	-	342,861	26	
	AESC	Subsidiary of a wholly owned subsidiary	Sale	(783,086)	(21)	Depending on AESC's operating condition	-	-	484,874	36	
	ACN	Subsidiary of a wholly owned subsidiary	Sale	(607,706)	(16)	Depending on ACN's operating condition	-	-	219,390	17	
	AJP	Subsidiary	Sale	(127,257)	(3)	60-90 days	-	-	41,878	3	
	AKR	Equity-method investee	Sale	(109,383)	(3)	60-90 days	-	-	33,704	3	
Advantech Technology Co., Ltd. (ATC)	Advantech Co., Ltd.	Parent company	Sale	(1,061,646)	(98)	Depending on ATC's operating condition	-	-	667,395	87	
Advantech Corp. (AC)	Advantech Co., Ltd.	Parent company	Purchase	906,370	52	60-90 days	-	-	(342,861)	(87)	
Advantech Europe B.V. (AESC)	Advantech Co., Ltd.	Parent company	Purchase	783,086	85	Depending on AESC's operating condition	-	-	(484,874)	(93)	
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Advantech Co., Ltd.	Parent company	Purchase	607,706	61	Depending on ACN's operating condition	-	-	(219,390)	(1)	
Advantech Japan Co., Ltd. (AJP)	Advantech Co., Ltd.	Parent company	Purchase	127,257	95	60-90 days	-	-	(41,878)	(95)	
Advantech Technologies Co., Ltd. (AKR)	Advantech Co., Ltd.	Parent company	Purchase	109,383	48	60-90 days	-	-	(33,704)	(48)	
ACN	AKMC	Same parent company	Purchase	199,376	20	Depending on ACN operating condition	-	-	(21,452)	(6)	
ATC	AKMC	Subsidiary	Purchase	576,786	53	Depending on ATC operating condition	-	-	(336,810)	(85)	
AKMC	ACN	Same parent company	Sale	(199,376)	(25)	30-60 days	-	-	21,452	6	
	ATC	Parent company	Sale	(576,786)	(73)	60-90 days	-	-	336,810	92	

(Continued)

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	
Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	Equity-method investee	Sale	\$ (122,735 )	(21 )	31-90 days	\$ -	-	\$ 59,127	22	
Axiom Technology Inc. U.S.A.	Axiomtek Co., Ltd.	Parent company	Purchase	122,735	72	31-90 days	-	-	(59,127)	(83)	

(Concluded)

**ADVANTECH CO., LTD. AND INVESTEES**

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

**JUNE 30, 2005**

**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (%)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Advantech Co., Ltd.	AESC	Subsidiary of a wholly owned subsidiary	\$484,874	3.40	\$ -	-	\$ 99,242	\$ -
	ACN	Subsidiary of a wholly owned subsidiary	219,390	7.42	-	-	113,832	-
	AC	Subsidiary of a wholly owned subsidiary	342,861	6.25	-	-	118,233	-

## ADVANTECH CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
SIX MONTHS ENDED JUNE 30, 2005  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2005	June 30, 2004	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	ATC	BVI	Sale of industrial automation products	\$ 427,781	\$ 427,781	12,550,000	100.00	\$ 860,572	\$ 295,191	\$ 295,191	Subsidiary
	AAC (BVI)	BVI	Investment holding company	725,044	725,044	21,603,485	100.00	749,922	64,968	64,968	Subsidiary
	Axiomtek Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	308,586	438,964	21,311,174	41.54	309,550	44,562	5,187	Equity-method investee
	Yin Hsin Co., Ltd.	Taipei, Taiwan	General investment	300,000	300,000	29,999,994	100.00	273,329	(1,877)	(1,877)	Subsidiary
	AEU	Helmond, the Netherlands	Investment holding company	332,097	321,795	8,324,459	97.16	222,160	(27,198)	(26,345)	Subsidiary
	Advantech Technologies Co., Ltd. (AKR)	Seoul, Korea	Sale of industrial automation products	32,989	51,646	2,829,210	27.47	102,880	5,802	1,744	Equity-method investee
	Advantech Co. Singapore Pte, Ltd.	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	81,176	1,242	1,242	Subsidiary
	Advantech Japan Co., Ltd. (AJP)	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	69,891	6,237	6,237	Subsidiary
	Advantech Australia Pty Ltd.	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	71,204	2,353	2,739	Subsidiary
	AIT	Milano, Italy	Sale of industrial automation products	-	31,277	-	-	-	-	-	Subsidiary of a wholly owned subsidiary
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	19,940	19,940	1,994,000	13.29	14,451	(3,735)	(496)	Subsidiary
	Advantech Hungary Ltd.	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	12,992	9,245	2,774	Equity-method investee
	Advantech Development Co., Ltd.	BVI	Sale of industrial automation products	16,395	16,395	500,000	100.00	7,673	23	23	Subsidiary
	Advantech Investment & Management Service	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,335	143	184	Subsidiary
	Advantech Brasil S/A	Sam Paulo, Brazil	Sale of industrial automation products	15,374	15,374	971,055	60.00	(2,728)	1,874	1,124	Subsidiary (Note A)
Advantech (H.K.) Technology Co., Ltd.	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	111	1	1	Subsidiary	
Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	U.S.A.	Sale of industrial automation products	121,060	121,060	23,418	100.00	224,647	2,836	1,273	Equity-method investee
	Hi-top Industrial Co., Ltd.	Taipei, Taiwan	Production of electronic parts	22,000	22,000	1,050	30.00	25,310	6,388	2,416	Equity-method investee
	Etherwan Systems Inc.	Taipei, Taiwan	Sale of ethernet converters	84,737	84,737	4,983,270	39.87	94,701	28,615	9,747	Equity-method investee
	Axiomtek Technology Deutschland GmbH	Germany	Sale of industrial automation products	14,770	14,770	-	100.00	-	(8,673)	(8,673)	Equity-method investee
	Axiom Technology (BVI) Co., Ltd.	BVI	Holding company	19,735	19,735	600,000	100.00	17,103	975	975	Equity-method investee
	Axiomtek France SAS	France	Sale of industrial automation products	23,880	9,832	-	100.00	6,302	(8,632)	(8,632)	Equity-method investee
Axiom Technology Trading (BVI) Co., Ltd.	BVI	Holding company	13,290	13,290	410,000	100.00	-	(1,024)	(1,024)	Equity-method investee	
Yin Hsin Co., Ltd.	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	100,000	100,000	10,000,000	66.67	72,278	(3,735)	(2,391)	Subsidiary of a wholly owned subsidiary
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,288	-	-	Equity-method investee of a subsidiary
	Broadwed Automation Co., Ltd.	Taipei, Taiwan		-	20,000	-	-	-	1,899	633	Equity-method investee of a subsidiary
	Innova Tech & Management Consultant Inc.	Taipei, Taiwan		-	15,000	-	-	-	-	(54)	Equity-method investee of a subsidiary
Advantech Technology Co., Ltd. (ATC)	Advantech Technology (China) Company Ltd.	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	460,765	35,639	35,639	Subsidiary of a wholly owned subsidiary
	ADMC	Guangzhou, China	Production and sale of industrial automation products	38,165	6,861	-	100.00	37,846	-	-	Subsidiary of a wholly owned subsidiary
Advantech Development Co., Ltd.	Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd.	Guangzhou, China	Sale of industrial automation products	-	6,151	-	100.00	-	2,283	2,283	Subsidiary of a wholly owned subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2005	June 30, 2004	Shares	Percentage of Ownership	Carrying Value			
Timson Tech Co. (TTC)	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processing and sale of peripherals	\$ 30,222	\$ 30,222	-	100.00	\$ 24,555	\$ 89	\$ 89	Equity-method investee of a subsidiary
Advantech Automation Corp. (BVI) (AAC (BVI))	AACB	Bermuda	Investment holding company	724,731	724,731	21,594,307	100.00	748,752	65,055	65,055	Subsidiary of a wholly owned subsidiary
Advantech Automation Corp., Ltd. (AACB)	Advantech Corp.	Sunnyvale, USA	Assembly and sale of industrial automation products	504,179	504,179	10,952,606	100.00	552,614	44,666	39,521	Subsidiary of a wholly owned subsidiary
	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	173,743	23,927	23,870	Subsidiary of a wholly owned subsidiary
	APN	Penang, Malaysia	Sale of industrial automation products	-	4,656	-	-	-	302	166	Subsidiary of a wholly owned subsidiary
	Advantech Control (M) Sdn. Bhd.	Kuala Lumpur, Malaysia	Sale of industrial automation products	-	3,411	-	-	-	(892)	(491)	
	Advantech Automation GbmH	Leinf-Echterdingen, Germany	Sale of industrial automation products	-	2,457	-	-	-	-	-	Subsidiary of a wholly owned subsidiary
	Advan Automation Co., Ltd.	Tokyo, Japan	Sale of industrial automation products	-	5,990	-	-	-	16	6	Equity-method investee of a wholly owned subsidiary
Advantech Europe Holding B.V. (AEU)	Advantech Europe B.V.	Helmond, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	69,285	(7,507)	(7,507)	Subsidiary of a wholly owned subsidiary
	Advantech France S.A.	Paris, France	Sale of industrial automation products	11,984	11,984	75,000	100.00	23,018	(7,731)	(11,883)	Subsidiary of a wholly owned subsidiary
	Advantech Benelux B.V.	Roosendaal, The Netherlands	Sale of industrial automation products	39,565	39,565	295,378	100.00	31,624	4,501	26	Subsidiary of a wholly-owned subsidiary
	Advantech (UK) Ltd.	Milton Keynes, England	Sale of industrial automation products	13,373	13,373	600,000	100.00	40,484	16,136	15,802	Subsidiary of a wholly-owned subsidiary
	Advantech Europe GmbH	Dusseldorf, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	(10,216)	(5,024)	(7,663)	Subsidiary of a wholly-owned subsidiary
	Advantech Italia S.p.A.	Milano Italy	Sale of industrial automation products	22,275	-	45,000	100.00	17,263	(2,519)	(3,478)	Subsidiary of a wholly-owned subsidiary (Note A)
Advantech Co. Singapore Pte, Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Thailand	Production of computers	1,199	1,199	15,000	30.00	777	(44)	(14)	Subsidiary of a wholly owned subsidiary
	APN	Penang, Malaysia	Sale of industrial automation products	8,181	-	570,570	55.00	8,600	884	486	Subsidiary of a wholly owned subsidiary
	Advantech Automation (Penang) Sdn. Bhd.	Penang, Malaysia	Sale of industrial automation products	7,264	-	418,000	55.00	6,610	(1,429)	(786)	Subsidiary of a wholly owned subsidiary
Axion Technology (BVI) Co., Ltd.	Axiomtek Technology (Shen Zhen) Co., Ltd.	Guangzhou, China	Production and sale of electronic calculating machines and statistics interface card	15,474	15,474	-	100.00	6,300	(480)	(480)	Equity-method investee of a wholly owned subsidiary

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

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

(Concluded)

## ADVANTECH CO., LTD. AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA  
SIX MONTHS ENDED JUNE 30, 2005  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2005	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2005	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Value as of March 31, 2005	Accumulated Inward Remittance of Earnings as of March 31, 2005	Accumulated Investment in Mainland China as of March 31, 2005	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								
Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd.	Sale of industrial automation products	US\$200 thousand	Indirect	\$ 6,324	\$ -	\$ -	\$ 6,324	100%	\$ 2,283	\$ -	\$ -	\$ 600,843 (US\$ 19,002 thousand)	\$ 790,500 (US\$ 25,000 thousand)	\$ 2,719,016
Advantech Technology (China) Company Ltd.	Production and sale of components of industrial automation products	US\$12,000 thousand	Indirect	379,440	-	-	379,440	100%	35,639	460,765	-			
Kunshan Timson Tech Co., Ltd.	Processing and sale of peripherals	US\$900 thousand	Indirect	8,537	-	-	8,537	30%	27	7,367	-			
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Sale of industrial automation products	US\$4,230 thousand	Indirect	168,598	-	-	168,598	100%	23,870	173,743	-			
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US\$1,200 thousand	Indirect	6,640	31,304	-	37,944 (Note 3)	100%	-	37,846	-			

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

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

Note 3: The outstanding capital of Advantech Electronic Technology (Dongguan) Co., Ltd. was an outward remittance from Advantech Technology Co., Ltd.