

Advantech Co., Ltd.

**Financial Statements for the
Three Months Ended March 31, 2006 and 2005 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Advantech Co., Ltd. as of March 31, 2006 and 2005, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

As disclosed in Note 8 to the financial statements, Advantech Co., Ltd. had investments accounted for by the equity method. As of March 31, 2006 and 2005, these investments had a carrying value of NT\$3,446,889 thousand and NT\$3,106,658 thousand, respectively. As of March 31, 2006 and 2005, the negative carrying value of these investments, which was recorded as part of other liabilities, was NT\$1,169 thousand and NT\$2,382 thousand, respectively. For the three months ended March 31, 2006 and 2005, the net investment gains of NT\$205,958 thousand and NT\$194,553 thousand, respectively, as well as additional disclosures in Note 22 required by the Securities and Futures Bureau for the Company and its investees were based on unreviewed financial statements for the same reporting periods as those of the Company.

Based on our reviews, except for any adjustments that might have been determined to be necessary had the above long-term equity-method investment amounts been based on the investees' reviewed financial statements, we are not aware of any material modifications that should be made to the financial statements of Advantech Co., Ltd. as of and for the three months ended March 31, 2006 and 2005 for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3, on January 1, 2006, Advantech Co., Ltd. adopted the new Statements of Financial Accounting Standards (“Statements”) No. 34 - “Accounting for Financial Instruments” and No. 36 - “Disclosure and Presentation for Financial Instruments” and related revisions of previously released Statements.

April 20, 2006

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 review such financial statements are those generally accepted and applied in the Republic of China.

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

ADVANTECH CO., LTD.

BALANCE SHEETS

MARCH 31, 2006 AND 2005

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

(Reviewed, Not Audited)

ASSETS	2006		2005		LIABILITIES AND SHAREHOLDERS' EQUITY	2006		2005	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 4)	\$ 1,086,471	7	\$ 959,083	9	Bank loans - short-term (Note 11)	\$ -	-	\$ 381	-
Available-for-sale financial assets - current (Notes 2, 3, 6 and 21)	1,521,310	10	2,309,321	21	Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	-	-	9,179	-
Notes receivable (Note 2)	44,065	-	38,853	-	Notes payable	6	-	364	-
Accounts receivable, net of allowance for doubtful accounts of \$9,603 thousand in 2006 and \$16,600 thousand in 2005 (Note 2)	438,045	3	314,470	3	Accounts payable	510,290	3	465,757	4
Receivable from related parties (Notes 2 and 18)	1,823,988	12	1,247,670	12	Payables to related parties (Note 18)	500,683	3	966,798	9
Other financial assets - current	131,720	1	124,777	1	Income tax payable (Notes 2 and 15)	96,336	1	179,398	2
Inventories, net (Notes 2 and 7)	1,331,579	9	791,961	7	Accrued expenses	260,719	2	116,545	1
Deferred income tax assets - current (Notes 2, 15 and 21)	29,078	-	53,689	1	Bonds payable - current portion (Notes 2 and 12)	8,900	-	265,216	2
Prepayments and other current assets	57,871	-	113,819	1	Other current liabilities	134,195	1	86,345	1
Total current assets	6,464,127	42	5,953,643	55	Total current liabilities	1,511,129	10	2,089,983	19
LONG-TERM INVESTMENTS					OTHER LIABILITIES				
Equity method (Notes 2 and 8)	3,446,889	23	3,106,658	29	Accrued pension liabilities (Notes 2 and 13)	110,836	1	114,364	1
Available-for-sale financial assets - noncurrent (Notes 2, 3, 6 and 21)	3,551,091	23	19,799	-	Guarantee deposits received	954	-	1,902	-
Total long-term investments	6,997,980	46	3,126,457	29	Deferred income tax liabilities - noncurrent (Notes 2 and 15)	109,413	1	157,418	2
					Deferred income (Notes 2 and 18)	243,721	1	202,612	2
					Miscellaneous (Notes 2 and 8)	1,169	-	2,382	-
					Total other liabilities	466,093	3	478,678	5
PROPERTIES (Notes 2 and 9)					Total liabilities	1,977,222	13	2,568,661	24
Cost					SHAREHOLDERS' EQUITY (Notes 2, 3, 12 and 14)				
Land	640,472	4	624,779	6	Capital stock, \$10 par value				
Buildings and equipment	844,912	6	838,445	8	Authorized - 500,000 thousand shares				
Machinery and equipment	286,097	2	263,702	2	Issued - 448,960 thousand shares in 2006 and 374,767 thousand shares in 2005	4,489,603	29	3,747,672	35
Furniture and fixtures	79,924	-	81,899	1	Capital surplus				
Miscellaneous equipment	132,186	1	110,074	1	Paid-in capital in excess of par value	4,343,969	29	1,093,736	10
Total cost	1,983,591	13	1,918,899	18	From long-term equity investments	50,365	-	8,341	-
Accumulated depreciation	384,770	2	345,626	3	Total capital surplus	4,394,334	29	1,102,077	10
Advances for equipment acquisition	1,598,821	11	1,573,273	15	Retained earnings				
Net properties	1,601,068	11	1,578,845	15	Legal reserve	843,346	6	627,331	6
					Special reserve	19,661	-	-	-
OTHER ASSETS					Unappropriated earnings	3,360,498	22	2,791,830	26
Properties leased to others, net (Notes 2, 9 and 10)	-	-	21,450	-	Total retained earnings	4,223,505	28	3,419,161	32
Deferred expense, net (Note 2)	130,957	1	86,819	1	Others				
Certificates of deposit - pledged (Note 19)	1,600	-	4,900	-	Cumulative translation adjustments	37,767	-	(58,772)	(1)
Miscellaneous	6,465	-	6,685	-	Unrealized gains on financial instruments	79,766	1	-	-
Total other assets	139,022	1	119,854	1	Total others	117,533	1	(58,772)	(1)
					Total shareholders' equity	13,224,975	87	8,210,138	76
TOTAL	\$ 15,202,197	100	\$ 10,778,799	100	TOTAL	\$ 15,202,197	100	\$ 10,778,799	100

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

(With Deloitte & Touche review report dated April 20, 2006)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2006 AND 2005

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

(Reviewed, Not Audited)

	2006		2005	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 18)				
Sales	\$ 2,313,031	99	\$ 1,803,241	100
Sales returns and allowances	<u>5,711</u>	<u>-</u>	<u>7,792</u>	<u>1</u>
Net sales	2,307,320	99	1,795,449	99
Other operating revenues	<u>15,273</u>	<u>1</u>	<u>13,357</u>	<u>1</u>
Total operating revenues	2,322,593	100	1,808,806	100
OPERATING COSTS (Notes 2, 16 and 18)	<u>1,623,153</u>	<u>70</u>	<u>1,246,047</u>	<u>69</u>
GROSS PROFIT	699,440	30	562,759	31
REALIZED PROFITS ON INTERCOMPANY SALES (Note 2)	<u>19,414</u>	<u>1</u>	<u>10,549</u>	<u>1</u>
ADJUSTED GROSS PROFIT	<u>718,854</u>	<u>31</u>	<u>573,308</u>	<u>32</u>
OPERATING EXPENSES (Note 16)				
Marketing	63,714	3	60,376	3
Administration	72,467	3	68,875	4
Research and development	<u>131,974</u>	<u>6</u>	<u>99,917</u>	<u>6</u>
Total operating expenses	<u>268,155</u>	<u>12</u>	<u>229,168</u>	<u>13</u>
OPERATING INCOME	<u>450,699</u>	<u>19</u>	<u>344,140</u>	<u>19</u>
NONOPERATING INCOME AND GAINS				
Interest	5,126	-	939	-
Equity in net income of investees, net (Notes 2 and 8)	205,958	9	194,553	11
Gain on disposal of investments	72,958	3	27,647	2
Foreign exchange gain, net (Note 2)	19,334	1	-	-
Royalty revenue (Note 18)	31,084	2	25,128	1
Other income (Notes 3, 5 and 18)	<u>4,445</u>	<u>-</u>	<u>8,817</u>	<u>-</u>
Total nonoperating income and gains	<u>338,905</u>	<u>15</u>	<u>257,084</u>	<u>14</u>

(Continued)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2006 AND 2005

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

(Reviewed, Not Audited)

	2006		2005	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Foreign exchange loss, net (Note 2)	\$ -	-	\$ 27,978	2
Provision for losses on inventories	36,873	2	6,676	-
Loss on inventory physical	2,022	-	20	-
Other expenses (Notes 3 and 16)	<u>13</u>	<u>-</u>	<u>852</u>	<u>-</u>
Total nonoperating expenses and losses	<u>38,908</u>	<u>2</u>	<u>35,526</u>	<u>2</u>
INCOME BEFORE INCOME TAX	750,696	32	565,698	31
INCOME TAX (Notes 2 and 15)	<u>78,742</u>	<u>3</u>	<u>54,000</u>	<u>3</u>
NET INCOME	<u>\$ 671,954</u>	<u>29</u>	<u>\$ 511,698</u>	<u>28</u>
	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 17)				
Basic	<u>\$ 1.67</u>	<u>\$ 1.50</u>	<u>\$ 1.42</u>	<u>\$ 1.29</u>
Diluted	<u>\$ 1.67</u>	<u>\$ 1.49</u>	<u>\$ 1.40</u>	<u>\$ 1.27</u>

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

(With Deloitte & Touche review report dated April 20, 2006)

(Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 671,954	\$ 511,698
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,883	25,085
Provision for losses on inventories	36,873	6,676
Equity in net gain of investees, net	(205,958)	(194,553)
Loss on disposal of properties, net	-	196
Gain on sale of investments	(72,958)	(27,647)
Cash dividends from equity-method investees	195,428	-
Accrued pension liabilities	(112)	(205)
Deferred income taxes	38,889	10,911
Net changes in operating assets and liabilities		
Notes receivable	54,204	9,624
Accounts receivable	(40,513)	9,561
Receivables from related parties	(190,428)	(164,516)
Inventories	(147,628)	(157,132)
Other financial assets - current	527	-
Prepayment and other current assets	(45,914)	(3,136)
Notes payable	(6)	(455)
Accounts payable	(120,675)	118,796
Payables to related parties	(89,983)	234,465
Income tax payable	39,465	43,039
Accrued expenses	(4,992)	(31,213)
Advance receipts and other current liabilities	15,813	57,390
Deferred income	(19,414)	(10,549)
Net cash provided by operating activities	<u>140,455</u>	<u>438,035</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in available-for-sale financial assets - current	(149,019)	(289,664)
Acquisition of long-term equity investments	(500,000)	(19,799)
Proceeds from sales of available-for-sale financial assets - noncurrent	38,153	-
Proceeds from sale of long-term equity investments	1,187	46,499
Acquisition of properties	(1,134)	(45,117)
Increase in certificates of deposit - pledged	2,500	-
Increase in deferred expense	(9,136)	(60)
Decrease (increase) in other assets	<u>1,020</u>	<u>(365)</u>
Net cash used in investing activities	<u>(616,429)</u>	<u>(308,506)</u>

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ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in financial liabilities at fair value through profit or loss - current	\$ (489)	\$ 17,554
Decrease in bank loans - short-term	-	(4,753)
Decrease in guarantee deposits received	(273)	(805)
Employee stock option	2,365	-
Bonus paid to employees	(56,983)	(45,844)
Remuneration to directors and supervisors	<u>(1,500)</u>	<u>-</u>
Net cash used in financing activities	<u>(56,880)</u>	<u>(33,848)</u>
NET INCREASE (DECREASE) IN CASH	(532,854)	95,681
CASH, BEGINNING OF PERIOD	<u>1,619,325</u>	<u>880,956</u>
CASH, END OF PERIOD	<u>\$ 1,086,471</u>	<u>\$ 976,637</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ -</u>	<u>\$ 47</u>
Income tax paid	<u>\$ 388</u>	<u>\$ 50</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Credit balance of investments recorded as part of other liabilities	<u>\$ 1,169</u>	<u>\$ 2,382</u>
Reclassification of properties leased to others into properties	<u>\$ 21,344</u>	<u>\$ 8,945</u>
Receivable from sale of long-term equity investments	<u>\$ -</u>	<u>\$ 65,303</u>
Conversion of bonds into capital stock and capital surplus	<u>\$ -</u>	<u>\$ 26,235</u>

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

(With Deloitte & Touche review report dated April 20, 2006)

(Concluded)

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2006 AND 2005

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

(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

As of March 31, 2006 and 2005, the Company had 974 and 959 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 loss on inventories, depreciation of properties and properties leased to others pension cost, product warranty reserve and income tax. Actual results could differ from these estimates.

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

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

Current and Noncurrent Assets and Liabilities

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

Financial Assets/Liabilities at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets or liabilities for trading. These derivatives are initially recognized at fair value, with transaction costs expensed as incurred. After initial recognition, the derivatives are remeasured at fair value, with the changes in fair value recognized in current earnings. A regular way purchase or sale of financial assets is recognized and derecognized using trading date accounting.

Derivatives that do not meet the criteria for hedge accounting are classified as trading financial assets or liabilities. When the fair value is a positive amount, the derivative is recognized as a financial asset; when the fair value is a negative amount, the derivative is recognized as a financial liability.

Fair value is estimated using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

Available-for-Sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. When subsequently measured at fair value, the changes in fair value are excluded from earnings and reported as a separate component of shareholders' equity. The accumulated gains or losses are recognized as earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is recognized and derecognized using trading date accounting.

Cash dividends are recognized as investment income upon ex-dividend day but are accounted for as reductions of the original cost of investment if these dividends are declared on the investees' earnings before investment acquisition. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. After the receipt of stock dividends, the cost per share is recalculated on the basis of the new number of total shares.

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

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.

Allowances for doubtful accounts are provided on the basis of a periodic review of the collectibility and aging of receivables and economic circumstances.

Inventories

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

Inventories are stated at the lower of weighted-average cost or market. Market value refers to replacement value of raw materials and supplies and net realizable value of finished goods and work in process. Estimation of ending inventories includes the evaluation of the possible influences of the changes in manufacturing technologies to recognize losses on disposal of scrap inventories and may include the evaluation of scraps and slow-moving raw materials, depending on future demand for the Company's products, to recognize provision for losses on inventories.

Long-term Equity Investments

Investments in shares of stock of companies in which the Company owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Stock investments accounted for by the equity method are initially carried at cost and subsequently adjusted for the 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 the investments. Investment income (or loss) is recognized whenever the investees recognize income (or loss). If the equity in losses recognized exceeds the original investment acquisition costs plus any advance given to an equity-method investee, the excess losses should be recognized proportionately and is recorded as part of other liabilities. The difference between the cost of the investment and the Company's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted, is amortized over five years. Effective January 1, 2006, under the

revised Statement of Financial Accounting Standards, investment premiums, representing goodwill, are no longer being amortized, but the Company needs to make asset impairment tests regularly. And if there are indications that the goodwill is probably impaired, the Company also needs to make an impairment test. If the net fair value of an asset exceed its investment cost, the difference will be credited to depend on the proportion of noncurrent asset's (not include non-equity-method financial asset, dispose asset waiting for sale, differ tax asset and prepay pension cost or other pension pay) fair value. If the fair value of a noncurrent asset is not enough for crediting purposes, it will recognize as extraordinary gain. If the unamortized long-term investment by the equity method acquired before January 1, 2006 exceeds the Company's equity in the investee's equity in the investee's assets is a deferred liability will amortized depend on its remaining useful life.

If an investee issues additional shares and the Company acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Company's equity in its 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 equity-method investees over which the Company has controlling influence, if the equity in losses recognized exceeds the original investment acquisition costs, the Company recognizes its investee's total losses unless other investors commit to and have the ability to assume a portion of the losses. However, when the investees return to profitable operations, the profits should be recognized by the Company totally until its previously recognized losses are covered.

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

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

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

Properties and Properties Leased to Others

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

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

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

Deferred Expenses

Deferred expenses, consisting of computer software costs and royalties, are amortized over two or three years using the straight-line method.

Assets Impairment

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

Capital Expenditures

If an expenditure is material and will benefit a period of over one year, it will be capitalized, i.e., recognized as an asset; otherwise, it will be recognized as expense.

Pension Costs

The Company has two types of pension plans: defined benefit and defined contribution.

Under the defined benefit pension plan, net periodic pension costs are recognized on the basis of actuarial calculations, and, under the defined contribution pension plan, on contribution basis throughout the employees' service period.

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

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

Convertible Bonds

Before December 31, 2005, the book values of the convertible bonds were all issue prices. The interest-premium on bonds, which is the call price in excess of par value, is recognized as liability by the interest method from the issue date to the expiry date of the call.

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

Income Tax

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

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

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

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

Foreign-currency Transactions

Foreign currency transactions (except derivative transactions) are recorded in New Taiwan dollars at the spot rates of exchange in effect when the transactions occur.

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.

At year-end, the balances of foreign-noncurrency assets and liabilities are restated at the prevailing exchange rates, the resulting differences are recognized as current earnings or a separate component of shareholders' equity, and restated at the history rates are recognized as the rate of the trading rate.

Reclassifications

The Company reclassified some accounts of the first-quarter financial statements of 2005 to be consistent with the presentation of the first-quarter financial statements of 2006.

3. ACCOUNTING CHANGES

On January 1, 2006, the Company adopted the new Statements of Financial Accounting Standards ("Statements") No. 34 - "Accounting for Financial Instruments" (SFAS No. 34) and No. 36 - "Disclosure and Presentation for Financial Instruments" and related revisions of previously released Statements.

a. Effect of accounting changes

The Company properly categorized its financial assets and liabilities upon the adoption of the new Statements. The adjustments made to the carrying amounts of the financial instruments categorized as financial assets or financial liabilities at fair value through profit or loss or hedged financial instruments at fair value were included in the cumulative effect of changes in accounting principles; on the other hand, the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders' equity.

The effect of the accounting changes is summarized as follows:

	Recognized as Cumulative Effect of Changes in Accounting Principles (Note)	Recognized as a Separate Component of Shareholders' Equity
Financial assets or liabilities at fair value through profit or loss	\$ 104	\$ -
Available-for-sale financial assets - current	-	1,324
Available-for-sale financial assets - noncurrent	<u>-</u>	<u>619,125</u>
	<u>\$ 104</u>	<u>\$ 620,449</u>

Note: Included in nonoperating income and gains - other.

b. Reclassifications

Upon the adoption of SFAS No. 34, certain accounts in the financial statements as of and for the three months ended March 31, 2005 were reclassified to be consistent with the financial statements as of and for the three months ended March 31, 2006. However, the previously issued financial statements as of and for the three months ended March 31, 2005 need not be restated. If the same account with different valuation method, the details will describe in the notes. If there has a difficulty for practical reasons, the Company would not show the pro-forma informations.

Some accounting policies before the adoption of the new Statements are summarized as follows:

1) Short-term investments

Short-term investments that were publicly traded, easily converted to cash, and not acquired for the purpose of controlling the investees or establishing close business relationship with the investees were carried at the lower of cost or market value at the balance sheet date, with any temporary decline in value charged to current income. The market value of publicly traded stocks was determined using the average-closing prices of the last month of the reporting period.

2) Long-term equity investments

Investments in shares of stock of companies in which the Company owns less than 20% of their outstanding common stock or does not exercise significant influence over the investees are accounted for by the cost method. An allowance for decline in market value of listed stocks is recognized, with the related amount debited to shareholders' equity.

3) Forward contracts

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

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

Certain accounts in the financial statements as of and for the three months ended March 31, 2005 have been reclassified to be consistent with the classifications prescribed under the new and the revised Statements. The reclassifications of the entire, or a part of the, account balances of certain accounts are summarized as follows:

	Before Reclassification	After Reclassification
<u>Balance sheet</u>		
Short-term investments	\$ 2,309,321	\$ -
Long-term investments accounted for using cost method	19,799	-
Other current liabilities (forward contracts)	9,179	-
Available-for-sale financial assets - current	-	2,309,321
Available-for-sale financial assets - noncurrent	-	19,799
Financial liabilities at fair value through profit or loss	-	9,179
<u>Statement of income</u>		
Foreign exchange gain, net	382	-
Valuation loss on financial instruments (included in nonoperating expense and losses- other)	-	382

Effective January 1, 2006, the Company adopted the newly revised SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities" and SFAS No. 25 - "Business Combinations - Accounting Treatment Under Purchase Method", which prescribe that investment premiums, representing goodwill, be assessed for impairment at least annually instead of being amortized. This accounting change had no cumulative effect on the financial statements but resulted in increases of NT\$4,620 thousand in net income and of NT\$0.01 basic earnings per share after tax for the three months ended March 31, 2006.

4. CASH

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
Cash on hand	\$ 1,180	\$ 286
Checking and demand deposits	73,437	105,256
Time deposits: Interest - 1.34-4.61% in 2006 and 1.00-2.50% in 2005	<u>1,011,854</u>	<u>853,541</u>
	<u>\$ 1,086,471</u>	<u>\$ 959,083</u>

On March 31, 2006 and 2005, deposits overseas were as follows:

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
Hong Kong (US\$316 and HK\$138 in 2006 and US\$23 thousand and HK\$144 thousand in 2005)	<u>\$ 11</u>	<u>\$ 1,315</u>

5. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company entered into forward contract transactions in the three months ended March 31, 2006 to avoid risks on exchange rate fluctuations. The hedging strategy of the Company is to avoid the major portion of the market and liquidity risks.

Net gains arising from trading financial assets or liabilities for the three months ended March 31, 2006 were \$2,923 thousand (included in nonoperating income and gains - other).

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31			
	2006		2005	
	Current	Noncurrent	Current	Noncurrent
Mutual funds	\$ 1,521,310	\$ -	\$ 2,309,321	\$ -
Publicly traded stocks				
ASUSTEK Computer Inc.	-	3,496,113	-	-
Firich Enterprise Co., Ltd.	-	54,978	-	19,799
	<u>\$ 1,521,310</u>	<u>\$ 3,551,091</u>	<u>\$ 2,309,321</u>	<u>\$ 19,799</u>

7. INVENTORIES, NET

	March 31	
	2006	2005
Finished goods	\$ 369,703	\$ 265,210
Work in process	450,329	313,306
Materials and supplies	618,797	336,519
Inventories in transit	<u>6,654</u>	<u>-</u>
	1,445,483	915,035
Allowance for losses	<u>(113,904)</u>	<u>(123,074)</u>
	<u>\$ 1,331,579</u>	<u>\$ 791,961</u>

8. LONG-TERM EQUITY INVESTMENTS

	March 31			
	2006		2005	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
<u>Listed</u>				
Axiomtek Co., Ltd.	\$ 398,967	37.08	\$ -	-

(Continued)

	March 31			
	2006		2005	
<u>Unlisted</u>	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Advantech Automation Corp. (BVI)	\$ 1,000,288	100.00	\$ 705,922	100.00
Advantech Technology Co., Ltd.	619,244	100.00	986,171	100.00
Axiomtek Co., Ltd.	-	-	520,724	59.09
Advansus Corp.	500,000	50.00	-	-
Yin Hsin Investment Co., Ltd.	258,503	100.00	275,005	100.00
Advantech Europe Holding B.V.	258,029	96.67	254,994	96.44
Advantech Technologies Co., Ltd.	140,627	21.71	104,076	27.47
Advantech Co. Singapore Pte, Ltd.	92,515	100.00	81,442	100.00
Advantech Japan Co., Ltd.	76,205	100.00	70,190	100.00
Advantech Australia Pty Ltd.	72,448	100.00	69,906	100.00
Advantech Hungary Ltd.	12,872	30.00	10,365	30.00
Advantech IBHA Technologies Inc.	11,800	13.29	14,825	13.29
Advantech Investment & Management Service	5,391	100.00	5,305	100.00
Advantech (H.K.) Technology Co., Ltd.	-	100.00	109	100.00
Advantech Development Co., Ltd.	-	-	7,624	100.00
Advantech Brazil S/A	-	-	-	60.00
	<u>\$ 3,446,889</u>		<u>\$ 3,106,658</u>	

(Concluded)

The calculation of the carrying values of the equity-method investments and the equity in their net income or net loss was based on the investees' unreviewed financial statements for the current period.

At their meeting on September 30, 2005, the board of directors approved a proposal for Advantech and ASUSTek to enter into a strategic alliance through a share swap. Shares will be exchanged at 1.13 shares of Advantech for every share of ASUSTek. Thus, Advantech will issue 44,893 thousand shares in exchange for 39,729 thousand shares of ASUSTek. In addition, according to the proposal, the Company and ASUSTek each invested \$500,000 thousand to establish a joint venture, Advansus Corp., in January 2006.

The combined ownership of the Company and its subsidiaries in Advantech IBHA Technologies Inc. ("Advantech IBHA") exceeded 20% of Advantech IBHA's outstanding common stock as of March 31, 2006. Thus, the investment in Advantech IBHA was accounted for by the equity method.

The Company intended to support the operations of Advantech (H.K.) Technology Co., Ltd. in 2006 and Advantech Brazil S/A in 2005. Under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities" of the Republic of China, if the equity in losses recognized exceeds the original investment acquisition costs plus any advances given to the investee, the Company recognizes its investee's total losses unless other investors commit to assume, and can assume, a portion of the losses. As of March 31, 2006 and 2005, there were credit balances on this investment of \$1,169 thousand and \$2,382 thousand, respectively, included in other liability - miscellaneous as follows:

	March 31			
	2006		2005	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Advantech (HK) Technology Co., Ltd.	\$ 1,169	100	\$ -	-
Advantech Brazil S/A	<u>-</u>	-	<u>2,382</u>	60
	<u>\$ 1,169</u>		<u>\$ 2,382</u>	

The market value of the listed stock of the equity investment's market values, which was calculated on the basis of the closing price of March 31, 2006 was \$1,039,263 thousand.

9. PROPERTIES

Accumulated depreciation was as follows:

	March 31	
	2006	2005
Buildings and equipment	\$ 89,970	\$ 72,475
Machinery and equipment	176,788	144,409
Furniture and fixtures	46,670	47,286
Miscellaneous equipment	<u>71,342</u>	<u>81,456</u>
	<u>\$ 384,770</u>	<u>\$ 345,626</u>

Depreciation expenses were \$20,027 thousand and \$19,511 thousand for the three months ended March 31, 2006 and 2005, respectively.

10. PROPERTIES LEASED TO OTHERS

	March 31, 2005
Cost	
Land	\$ 15,693
Buildings and equipment	<u>7,064</u>
	22,757
Accumulated depreciation	<u>1,307</u>
	<u>\$ 21,450</u>

11. BANK LOANS

The letters of credit for a bank loan amounted to US\$12 thousand as of March 31, 2006.

12. BONDS

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
Unsecured convertible bonds	\$ 8,900	\$ 222,400
Interest-premium on convertible bonds	-	<u>42,816</u>
	<u>\$ 8,900</u>	<u>\$ 265,216</u>

On July 19, 2001, the Company issued domestic unsecured convertible bonds with aggregate face value of \$1,000,000 thousand (or \$100 thousand face value per unit), which were listed on the Taiwan Stock Exchange on July 31, 2001. These bonds will mature on July 18, 2006 and will be redeemed at 112.4864% of their face value on July 19, 2004 or 119.2519% of their face value on July 19, 2005. The bonds are convertible to capital stock at an agreed conversion price between October 19, 2001 and July 8, 2006 under certain conditions. As of March 31, 2006, bonds with aggregate face value of \$990,700 thousand had been converted to 20,700 thousand shares and \$400 thousand in bonds had been redeemed at the holders' request. As of March 31, 2006, the transfer price of the convertible bonds was NT\$41.9.

13. PENSION PLAN

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

Under the Labor Standards Law, benefits are 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. As of March 31, 2006 and 2005, the pension fund balances were \$72,659 thousand and \$65,429 thousand, respectively.

Based on the Act, the Company's rate of monthly contributions to employees' individual pension accounts is at 6% of monthly salaries and wages.

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

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
Balance, beginning of period	\$ 110,948	\$ 114,569
Accruals based on the defined benefit pension plan	260	2,459
Accruals based on the defined contribution pension plan	8,961	-
Contributions	<u>(9,333)</u>	<u>(2,664)</u>
Balance, end of period	<u>\$ 110,836</u>	<u>\$ 114,364</u>

14. 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 be used only to offset a deficit. Capital surplus from the issue of stock in excess of par value may be capitalized by issuing new shares to shareholders in proportion to their 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 cumulative losses. In addition, a special reserve should be appropriated as needed. 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, including the distributable unappropriated earnings of prior years, should be resolved by the shareholders in, and given effect to in the financial statements of, the year following the year of earnings generation.

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

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

Under the Integrated Income Tax System, which took effect on January 1, 1998, noncorporate local shareholders are allowed a tax credit for the income tax paid by the Company on earnings generated since 1998. An imputation credit account (ICA) is maintained by the Company for such income tax and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the ICA balance on the dividend distribution date. (Related information is shown In Note 15b.)

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

The appropriations of earnings for 2005 and 2004 were proposed in the Board of Directors' meeting and approved in the shareholders' meeting held on March 24, 2006 and May 24, 2005, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (Dollars)</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Legal reserve	\$ 242,980	\$ 216,015	\$ -	\$ -
Special reserve	(22,456)	19,661	-	-
Cash dividends	1,795,841	1,386,639	4.0	3.7
Stock dividends	89,792	187,383	0.2	0.5
Remuneration to directors and supervisors	22,065	19,245	-	-
Bonus to employees - stock	50,000	50,000	-	-
Bonus to employees - cash	170,648	142,448	-	-

As of April 20, 2006, the date of the accompanying review report, the appropriation of the 2005 earnings had not been resolved by the Company's shareholders. Related information can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

The capital stock of the Company increased 4,710 thousand and the capital surplus - issued stock increased 21,525 thousand as the convertible bonds were transformed to common stocks for the three months ended March 31, 2005.

On April 1, 2003, the Securities and Futures Bureau 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 will expire six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT\$39.40. As of March 31, 2006, there were 830 thousand units of stock options exercised, which were converted to 830 thousand common shares; thus, the unexercised stock options consisted of 1,830 thousand units.

15. INCOME TAX

a. The calculation of income tax was as follows:

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
Tax on pretax income at 25% statutory rate	\$ 187,664	\$ 141,415
Deduct tax effects of:		
Tax-exempt income	(27,771)	(25,686)
Permanent differences	(22,456)	(28,810)
Temporary differences	<u>(60,432)</u>	<u>(982)</u>
Income tax on tax income calculated	77,005	85,937
Investment tax credit	<u>(37,152)</u>	<u>(42,848)</u>
Income tax currently payable	39,853	43,089
Income tax expense - deferred	<u>38,889</u>	<u>10,911</u>
Income tax expense (shown in the statements of income)	<u>\$ 78,742</u>	<u>\$ 54,000</u>

b. Net deferred income taxes as of March 31, 2006 and 2005 were as follows:

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
Current		
Deferred income tax assets		
Allowance for loss on inventories	\$ 28,476	\$ 30,769
Excess provisions for doubtful receivables	6,958	-
Unrealized product warranty reserve	6,500	-
Investment tax credit	1,360	12,880
Foreign exchange loss, net	-	6,760
Others	<u>6,523</u>	<u>3,280</u>
	49,763	53,689
Valuation allowance	<u>(13,023)</u>	<u>-</u>
	36,740	53,689
Deferred income tax liabilities		
Unrealized foreign exchange gain	<u>(7,662)</u>	<u>-</u>
Deferred income tax assets, net	<u>\$ 29,078</u>	<u>\$ 53,689</u>
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of investees	\$ 109,061	\$ 114,706
Deferred income	44,881	35,227
Pension cost	27,765	28,591
Interest-premium on convertible bonds	<u>-</u>	<u>31,584</u>
	181,707	210,018
Valuation allowance	<u>(109,061)</u>	<u>(146,290)</u>
	<u>72,646</u>	<u>63,818</u>
Deferred income tax liabilities:		
Accumulated equity in the net gains of foreign investees	(166,836)	(205,120)
Allowance for tax-deductible equity in net loss of foreign investees	<u>(15,223)</u>	<u>(16,116)</u>
	<u>(182,059)</u>	<u>(221,236)</u>
Deferred income tax liabilities, net	<u>\$ (109,413)</u>	<u>\$ (157,418)</u>

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

As of March 31, 2006, investment tax credits were as follows:

Regulatory Basis of Tax Credits	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development	\$ 38,458	\$ 1,306	2010

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

	<u>March 31</u>	
	<u>2006</u>	<u>2005</u>
Balance of the imputation credit account (ICA)	<u>\$ 130,883</u>	<u>\$ 67,805</u>
The balances of unappropriated retained earnings generated before 1997	<u>\$ 81,329</u>	<u>\$ 81,329</u>

The expected and actual creditable tax ratios for earnings as of December 31, 2005 and 2004, respectively, which were distributed in 2006 and 2005, respectively, were 5.14% and 7.23%, respectively. The creditable tax ratio should be based on the ICA balance on the date of dividend distribution. Thus, the expected creditable ratio for 2005 earnings may differ from the actual ratio depending on the ICA balance on the dividend distribution date.

Income tax returns through 2002 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.

16. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	Three Months Ended March 31					
	2006			2005		
	Included in Cost of Goods Sold	Included in Operating Expenses	Total	Included in Cost of Goods Sold	Included in Operating Expenses	Total
Personnel expenses						
Payroll	\$ 34,568	\$ 123,136	\$ 157,704	\$ 32,345	\$ 114,030	\$ 146,375
Insurance	3,053	9,364	12,417	2,911	8,662	11,573
Pension	2,080	7,141	9,221	494	1,965	2,459
Others	1,813	3,709	5,522	2,225	4,537	6,762
Depreciation	8,542	11,485	20,027	9,953	9,518	19,471
Amortization	<u>767</u>	<u>5,089</u>	<u>5,856</u>	<u>705</u>	<u>4,869</u>	<u>5,574</u>
	<u>\$ 50,823</u>	<u>\$ 159,924</u>	<u>\$ 210,747</u>	<u>\$ 48,633</u>	<u>\$ 143,581</u>	<u>\$ 192,214</u>

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

17. EARNINGS PER SHARE

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

	Amount (Numerator)		Shares (Denominator)	Earnings Per Share	
	Pretax	After-tax	(Thousands)	Pretax	After-tax
<u>Three months ended March 31, 2006</u>					
Basic EPS	\$ 750,696	\$ 671,954	448,960	<u>\$ 1.67</u>	<u>\$ 1.50</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	1,014		
Convertible bonds	<u>-</u>	<u>-</u>	<u>214</u>		
Diluted EPS	<u>\$ 750,696</u>	<u>\$ 671,954</u>	<u>450,188</u>	<u>\$ 1.67</u>	<u>\$ 1.49</u>

(Continued)

	<u>Amount (Numerator)</u>		<u>Shares</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>(Denominator)</u> <u>(Thousands)</u>	<u>Pretax</u>	<u>After-tax</u>
<u>Three months ended March 31, 2005</u>					
Basic EPS	\$ 565,698	\$ 511,698	398,179	\$ <u>1.42</u>	\$ <u>1.29</u>
Impact of dilutive potential common stock					
Employees' stock options	-	-	1,157		
Convertible bonds	-	-	5,166		
Diluted EPS	\$ <u>565,698</u>	\$ <u>511,698</u>	<u>404,502</u>	\$ <u>1.40</u>	\$ <u>1.27</u>

(Concluded)

The EPS was retroactively adjusted for the stock dividends declared. Thus, in the three months ended March 31, 2005, pretax and after-tax basic EPS decreased from NT\$1.51 to NT\$1.42 and from NT\$1.37 to NT\$1.29, respectively, and pretax and after-tax diluted EPS decreased from NT\$1.49 to NT\$1.40 and from NT\$1.34 to NT\$1.27, respectively.

18. 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
Advansus Corp.	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 Technology Co., Ltd. (ATC)	Equity-method investee
Advantech Brazil S/A (ABR)	Equity-method investee (sold to Advantech Internation Co., Ltd. in March 2006)
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC (BVI))	Equity-method investee
Advantech France S.A. (AFR)	Equity-method investee of AEU (merged with AEBC in March 2006)
Advantech Italia S.p.A. (AIT)	Equity-method investee
Advantech Europe Business Center GmbH (AEBC, former name: 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
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC
Advantech Electronic Technology (Dongguan) Co., Ltd. (ADMC)	Equity-method investee of ATC
Advantech Corp. (AC)	Equity-method investee of AAC (BVI)

(Continued)

	<u>Relationship with the Company</u>
Advan Automation Co., Ltd. (AAJP)	Equity-method investee of AAC (BVI) (before June 2005)
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AAC (BVI)
Advantech Control (M) Sdn. Bhd. (AKL)	Equity-method investee of ASG (equity-method investee of AACB before May 2005)
Advantech Automation (Penang) Sdn. Bhd. (APN)	Equity-method investee of ASG (equity-method investee of AACB before March 2005)
Advantech Corporation (Thailand) Co. (ATH)	Equity-method investee of ASG
Advantech Internation Co., Ltd.	The person in charge of the Company is the relatives of the Company's chairman's mate.
Firich Enterprise Co., Ltd.	The Company's chairman is the Firich Enterprise Co., Ltd.'s director
Mr. Andrea Zolli	Manager of AIT
Immoibiliare Verdi Srl	Manager of AIT
	(Concluded)

- b. The significant transactions with the above related parties, in addition to those disclosed in Note 20 and Tables 2, 5 and 6 are summarized as follows:

	<u>2006</u>		<u>2005</u>	
	Amount	% of Total	Amount	% of Total
<u>Three months ended March 31</u>				
1) Sales				
AC	\$ 557,910	24	\$ 412,567	23
AESC	470,585	20	395,654	22
ACN	317,955	14	265,622	15
AJP	83,987	4	61,274	3
AKR	73,589	3	54,148	3
ASG	49,578	2	29,756	2
AAU	29,947	1	22,588	1
AKMC	26,965	1	14,727	1
ABR	11,797	1	8,664	1
APN	9,231	1	5,388	-
Axiomtek	4,912	-	33,083	2
Others	4,913	-	12,413	1
	<u>\$ 1,641,369</u>	<u>71</u>	<u>\$ 1,321,178</u>	<u>73</u>
2) Purchase of materials and supplies				
ATC	\$ 612,789	36	\$ 490,383	37
Others	6,063	1	944	-
	<u>\$ 618,852</u>	<u>37</u>	<u>\$ 491,327</u>	<u>37</u>

(Continued)

	<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
3) Royalty revenue for patent (part of nonoperating income)				
ATC	<u>\$ 31,084</u>	<u>-</u>	<u>\$ 25,128</u>	<u>100</u>
4) Rental revenues (part of nonoperating income)				
AIMS	\$ 15	-	\$ 15	-
Yin Hsin	<u>9</u>	<u>-</u>	<u>9</u>	<u>-</u>
	<u>\$ 24</u>	<u>-</u>	<u>\$ 24</u>	<u>-</u>

At the end of three months

5) Receivables

Accounts				
AESC	\$ 697,185	38	\$ 481,899	39
AC	409,707	23	281,138	23
ACN	313,414	17	179,803	14
AJP	61,752	3	39,562	3
AKR	45,110	3	36,073	3
ASG	33,155	2	19,926	2
AKMC	18,785	1	29,648	2
AAU	13,269	1	4,779	-
APN	7,256	-	1,715	-
ABR	6,733	-	13,453	1
Axiomtek	3,431	-	25,267	2
Others	<u>2,835</u>	<u>-</u>	<u>13,980</u>	<u>1</u>
	<u>1,612,632</u>	<u>88</u>	<u>1,127,243</u>	<u>90</u>
Dividends				
ATC	194,714	12	98,973	8
AKR	<u>-</u>	<u>-</u>	<u>8,262</u>	<u>1</u>
	<u>194,714</u>	<u>12</u>	<u>107,235</u>	<u>9</u>
Royalty				
ATC	<u>-</u>	<u>-</u>	<u>11,349</u>	<u>1</u>
Other receivables				
ATC	8,364	-	56	-
Advansus	3,168	-	-	-
AC	1,359	-	49	-
AJP	443	-	149	-
AESC	317	-	442	-
Advantech IBHA	-	-	157	-
Axiomtek	-	-	300	-
Others	<u>2,991</u>	<u>-</u>	<u>690</u>	<u>-</u>
	<u>16,642</u>	<u>-</u>	<u>1,843</u>	<u>-</u>
	<u>\$ 1,823,988</u>	<u>100</u>	<u>\$ 1,247,670</u>	<u>100</u>

(Continued)

	<u>2006</u>		<u>2005</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
6) Payables				
Accounts				
ATC	\$ 408,792	83	\$ 947,430	98
ACN	69,347	14	154	-
Advantech IBHA	14,589	3	13,718	1
Others	<u>7,543</u>	<u>-</u>	<u>210</u>	<u>-</u>
	<u>500,271</u>	<u>100</u>	<u>961,512</u>	<u>99</u>
Others - payments on behalf of others				
AC	167	-	5,065	1
Others	<u>245</u>	<u>-</u>	<u>221</u>	<u>-</u>
	<u>412</u>	<u>-</u>	<u>5,286</u>	<u>1</u>
	<u>\$ 500,683</u>	<u>100</u>	<u>\$ 966,798</u>	<u>100</u>

(Concluded)

c. Long-term equity investments

Because of continuous loss on the operations of ABR, the Company sold to Advantech International Co., Ltd. all its common shareholdings in ABR in March 2006. This transaction is summarized as follows:

Marketable Securities Issuer	Shares (Thousands)	Transaction Price	Carrying Value	Disposal Gain
ABR	971	\$ <u>-</u>	\$ <u>(13,574)</u>	\$ <u>13,574</u>

To continue consolidating its European operations and reorganize and integrate its subsidiaries in Europe, the Company sold to AEU its common shareholdings in AIT in January 2005. This sale is summarized as follows:

Marketable Securities Issuer	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 to AEU because AEU is an equity-method investee.

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

19. ASSETS PLEDGED OR MORTGAGED

The certificates of deposits that had been pledged or mortgaged as collaterals for bank loans and as part of court requirements for confiscating assets to settle uncollectible accounts amounted to \$1,600 thousand and \$4,900 thousand in the three months ended March 31, 2006 and 2005, respectively.

20. COMMITMENTS

As of March 31, 2006, the Company had the following guarantees for affiliates' loans:

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

21. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	March 31			
	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivative Financial Instruments				
<u>Assets</u>				
Cash	\$ 1,086,471	\$ 1,086,471	\$ 959,083	\$ 959,083
Available-for-sale financial assets - current	1,521,310	1,521,310	2,309,321	2,330,920
Notes and accounts receivable	482,110	482,110	353,323	353,323
Receivables from related parties	1,823,988	1,823,988	1,247,670	1,247,670
Other financial assets - current	131,720	131,720	124,777	124,777
Available-for-sale financial assets - noncurrent	3,551,091	3,551,091	19,799	20,880
Certificates of deposit - pledged	1,600	1,600	4,900	4,900
<u>Liabilities</u>				
Bank loans - short-term	-	-	381	381
Notes and accounts payable	510,296	510,296	466,121	466,121
Payables to related parties	500,683	500,683	966,798	966,798
Bonds payable - current portion	8,900	17,711	265,216	353,616
Guarantee deposits received	954	954	1,902	1,902

		March 31			
		2006		2005	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Derivative Financial Instruments	Contract Currency				
Financial liabilities at fair value through profit or loss - current (forward contracts)	USD	\$ -	\$ -	\$ (9,179)	\$ (9,179)

The counter-parties are all domestic financial instruments. On January 1, 2006, the Company adopted the new Statement of Financial Accounting Standards No. 34 - "Accounting for Financial Instruments" and the related accounting treatments on derivative financial instruments were not adopted in 2005, about the changes as a separate component of shareholders' equity, please see Note 3.

- b. Methods and assumptions used in the determination of fair values of financial instruments
- 1) For financial instruments such as cash, notes and accounts receivables, receivables from related parties, other financial assets - current, certificates of deposit - pledged, bank loans - short-term, notes and accounts payables and payables to related parties, the carrying amounts of these financial instruments approximate their fair values.
 - 2) Fair values of available-for-sale financial assets were based on their quoted market price .
 - 3) Fair value of refundable (guarantee) deposits was based on their carrying amounts.
 - 4) Fair value of the current portion of bonds payable was based on their quoted market prices.
 - 5) Fair values of derivatives were determined using the quoted market prices, using valuation techniques incorporating estimates and assumptions that are consistent with those prevailing in the market.
- c. The fair values of the Company's financial assets and liabilities were based on the quoted market prices or determined using certain valuation techniques, as follows:

	March 31			
	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	2006	2005	2006	2005
<u>Asset</u>				
Available-for-sale financial assets - current	\$ 1,521,310	\$ 2,330,920	\$ -	\$ -
Available-for-sale financial assets - noncurrent	3,551,091	20,880	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current	-	-	-	9,179
Bonds payable - current portion	17,711	353,616	-	-

- d. As of March 31, 2006 and 2005, financial assets exposed to fair value interest rate risk amounted to \$1,086,857 thousand and \$963,697 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$381 thousand on March 31, 2005.
- e. The Company recognized an unrealized gain of \$77,680 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the three months ended March 31, 2006. The Company also recognized an unrealized gain of \$2,086 thousand in shareholders' equity for the changes in available-for-sale financial assets held by equity-method investees for the three months ended March 31, 2006.

f. Financial risks

- 1) Market risk. The derivative financial instruments categorized as financial assets at fair value through profit or loss are mainly used to hedge exchange rate fluctuations of foreign currency-denominated assets and liabilities. Thus, the market risk of derivatives will be offset by the gain or loss on the exchange rate fluctuations of hedged assets and liabilities.
- 2) Credit risk.

The Company has kinds of financial instruments, the analysis of the best credit risk as follows:

	March 31			
	2006		2005	
	Carrying Amount	Best Credit Risk Amount	Carrying Amount	Best Credit Risk Amount
Financial liabilities at fair value through profit or loss - current (forward contracts)	\$ -	\$ -	\$ (9,179)	\$ -

Credit risk represents the potential loss that would be incurred by the Company if the counter-parties breach the contracts. Contracts with positive fair values on the balance sheet date are evaluated for credit risk. Since the counter-parties to the foregoing derivative financial instruments are reputable financial institutions, management believes its exposure to default by counter-parties is low.

- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlements of derivative financial instruments. Therefore, the cash flow risk is low.

22. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 20 and Table 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Company and investees.
- b. Investments in mainland China
 - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of March 31, 2006, accumulated inward remittance of earnings as of March 31, 2006 and upper limit on investment: Table 8 (attached)
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 18 and 20 and Tables 2, 5, 6 and 8.

ADVANTECH CO., LTD. AND INVESTEES

FINANCING PROVIDED

YEAR ENDED MARCH 31, 2006

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

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	AEU	AEBC	Receivables from related parties	\$ 25,623 (EUR 650 thousand)	\$ 25,623 (EUR 650 thousand)	2.5%	2	\$ -	Financing need	\$ -	-	\$ -	\$ 38,947 (Note B)	\$ 77,895 (Note C)
		AEDC	Receivables from related parties	3,942 (EUR 100 thousand)	3,942 (EUR 100 thousand)	2.5%	2	-	Financing need	-	-	-	38,947 (Note B)	77,895 (Note C)
2	AESC	AEU	Receivables from related parties	13,797 (EUR 350 thousand)	13,799 (EUR 350 thousand)	2.5%	2	-	Financing need	-	-	-	10,457 (Note D)	20,914 (Note E)
		AEBC	Receivables from related parties	11,826 (EUR 300 thousand)	11,826 (EUR 250 thousand)	2.5%	2	-	Financing need	-	-	-	10,457 (Note D)	20,914 (Note E)

Notes: A. Nature of Financing:

1. The borrower is the related party of Advantech Co., Ltd.
 2. There is a need for short-term financing.
- B. 15% of net asset value of AEU.
- C. 30% of net asset value of AEU.
- D. 15% of net asset value of AESC.
- E. 30% of net asset value of AESC.
- F. The exchange rate in March 31, 2006 were US\$1=NT\$32.46; EUR1=NT\$39.42.

ADVANTECH CO., LTD. AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED
THREE MONTHS ENDED MARCH 31, 2006
(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")	AKMC	Indirect subsidiary	\$ 673,440	\$ 324,600 (US\$ 10,000 thousand)	\$ 324,600 (US\$ 10,000 thousand)	\$ -	5.6	\$ 1,346,881 (Note C)
		AC	Indirect subsidiary	(Note A)	227,220 (US\$ 7,000 thousand)	227,220 (US\$ 7,000 thousand)	-		
		ACN	Indirect subsidiary		129,840 (US\$ 4,000 thousand)	129,840 (US\$ 4,000 thousand)	-		
		AAC (BVI)	Subsidiary		64,920 (US\$ 2,000 thousand)	64,920 (US\$ 2,000 thousand)	-		
1	AEU	AEDC	Subsidiary	43,862 (Note B)	10,841 (EUR 275 thousand)	10,841 (EUR 275 thousand)	-	4.8	87,724 (Note D)

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

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

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

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

E. Exchange rates in March 31, 2006: US\$1=NT\$32.46, EUR1=NT\$39.42.

ADVANTECH CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

MARCH 31, 2006

(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2006				Note	
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value		
Advantech Co., Ltd. (the "Company")	<u>Common stock</u>								
	AAC (BVI)	Investee	Long-term equity investments	21,606,500	\$ 1,000,288	100.00	\$ 1,000,288	Note A	
	ATC	Investee	Long-term equity investments	13,450,000	619,244	100.00	619,244	Note A	
	Axiomtek Co., Ltd.	Investee	Long-term equity investments	22,349,732	398,967	37.08	1,039,263	Note C	
	Advansus Corp.	Investee	Long-term equity investments	50,000,000	500,000	50.00	500,000		
	Yin Sin Co., Ltd.	Investee	Long-term equity investments	29,999,994	258,503	100.00	258,503	Note A	
	AEU	Investee	Long-term equity investments	9,253,331	258,029	96.67	258,029	Note A	
	AKR	Investee	Long-term equity investments	2,829,210	140,627	21.71	140,627	Note A	
	ASG	Investee	Long-term equity investments	1,450,000	92,515	100.00	92,515	Note A	
	AJP	Investee	Long-term equity investments	1,200	76,205	100.00	76,205	Note A	
	AAU	Investee	Long-term equity investments	500,204	72,448	100.00	72,448	Note A	
	AHG	Investee	Long-term equity investments	30	12,872	30.00	12,872	Note A	
	Advantech IBHA Inc.	Investee	Long-term equity investments	1,994,000	11,800	13.29	11,800	Note A	
	Advantech Investment & Management Service	Investee	Long-term equity investments	500,000	5,391	100.00	5,391	Note A	
	AHK	Investee (Note E)	Other liabilities	999,999	(1,169)	100.00	(1,169)	Notes A and D	
	ASUSTek Computer Inc.	-	Available for sale financial assets - noncurrent	39,728,557	3,496,113	1.31	3,496,113	Note C	
	Firich Enterprise Co., Ltd.	-	Available for sale financial assets - noncurrent	139,360	54,978	0.37	54,978	Note C	
		<u>Funds</u>							
		ABN AMRO Income Fund	-	Available-for-sale financial assets - current	19,042,750.34	298,011	-	298,011	Note B
		Capital Income Fund	-	Available-for-sale financial assets - current	18,501,108.40	272,331	-	272,331	
		NITC Bond Fund	-	Available-for-sale financial assets - current	1,328,089.75	216,273	-	216,273	Note B
		CITC Cash Reserves	-	Available-for-sale financial assets - current	17,211,321.20	199,761	-	199,761	
		ABN AMRO Bond Fund	-	Available-for-sale financial assets - current	8,470,181.45	126,311	-	126,311	Note B
		ABN AMRO Select Bond Fund	-	Available-for-sale financial assets - current	8,814,084.01	98,880	-	98,880	Note B
		AIG Taiwan Bond Fund	-	Available-for-sale financial assets - current	6,259,508.11	79,006	-	79,006	Note B
		Dresdner Bond Dam Fund	-	Available-for-sale financial assets - current	4,666,588.77	53,517	-	53,517	Note B
		Fuh-Hwa Bond Fund	-	Available-for-sale financial assets - current	3,870,290.00	51,072	-	51,072	Note B

(Continued)

Company Holding the Securities	Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2006				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Yin Hsin Co., Ltd.	Fuh-Hwa Albatross Fund	-	Available-for-sale financial assets - current	4,497,974.70	\$ 50,263	-	\$ 50,263	Note B
	Fubon Chi-Hsiang I Fund	-	Available-for-sale financial assets - current	3,572,061.99	46,298	-	46,298	Note B
	NITC Taiwan Bond Fund	-	Available-for-sale financial assets - current	2,121,289.50	29,587	-	29,587	Note B
	<u>Common stock</u>							
	Advantech IBHA Inc.	Investee	Long-term equity investments	10,000,000	59,080	66.67	59,080	Note A
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	7,750	30.00	7,750	Note A
	Superior Technology Co., Ltd.	-	Long-term equity investments	913,470	33,441	12.93	33,441	Note A
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	200,000	12,240	-	12,240	Note C
	<u>Funds</u>							
	ABN AMRO Bond Fund	-	Available-for-sale financial assets - current	9,809,277.03	146,280	-	146,280	Note B
Advantech IBHA Inc.	<u>Funds</u>							
	ABN AMRO Bond Fund	-	Available-for-sale financial assets - current	4,715,360.85	70,317	-	70,317	Note B
	ABN AMRO Select Bond Fund	-	Available-for-sale financial assets - current	274,328.32	3,078	-	3,078	Note B
Timson Tech Co.	<u>Common stock</u>							
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	25,945	100.00	25,945	Note E
ATC	<u>Common stock</u>							
	AKMC	Investee	Long-term equity investments	-	519,368	100.00	519,368	Note A
	ADMC	Investee	Long-term equity investments	-	41,218	100.00	41,218	Note A
AAC (BVI)	<u>Common stock</u>							
	AC	Investee	Long-term equity investments	10,952,606	699,959	100.00	699,959	Note A
	Visual Systems GmbH	-	Long-term equity investments	-	742	20.00	742	Note A
	ACN	Investee	Long-term equity investments	-	278,517	100.00	278,517	Note A
AEU	<u>Common stock</u>							
	AESC	Investee	Long-term equity investments	8,314,280	69,711	100.00	69,711	Note A
	AUK	Investee	Long-term equity investments	600,000	24,791	100.00	24,791	Note A
	ABB	Investee	Long-term equity investments	295,378	46,238	100.00	46,238	Note A
	AEBC	Investee	Long-term equity investments	1,142,000	10,516	100.00	10,516	Note A
	AIT	Investee	Long-term equity investments	45,000	17,148	100.00	17,148	Note A
	Advantech Poland S.P. Z.O.O. (APL)	Investee	Prepaid for common stock	2,000	8,928	80.00	8,928	Note A
	Advantech Europe Design Center GmbH (AEDC)	Investee	Long-term equity investments	-	37,309	100.00	37,309	Note A
ASG	ATH	Investee	Long-term equity investment	15,000	1,594	30.00	1,594	Note E
	APN	Investee	Long-term equity investment	570,570	11,986	55.00	11,986	Note A
	AKL	Investee	Long-term equity investment	418,000	7,130	55.00	7,130	Note A

(Continued)

Note A: Net asset values were based on unreviewed financial statements.

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

Note C: Market value was based on the closing price in March 31, 2006.

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

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2006
(In Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Other (Note A)	Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal		Shares	Amount	
Advantech Co., Ltd. (the "Company")	<u>Funds</u>															
	ABN AMRO Income Fund	Available-for-sale financial assets - current	-	-	19,198,556.89	\$ 298,000	19,042,750.34	\$ 298,000	19,198,556.89	\$ 300,438	\$ 298,000	\$ 2,438	\$ 11	19,042,750.34	\$ 298,011	
	Capital Income Fund	Available-for-sale financial assets - current	-	-	-	-	36,832,353.30	541,606	18,331,244.90	269,746	269,360	386	85	18,501,108.40	272,331	
	NITC Bond Fund	Available-for-sale financial assets - current	-	-	2,226,456.07	361,291	3,335,292.54	542,520	4,233,658.86	688,220	687,590	629	52	1,328,089.75	216,273	
	CITC Cash Reserves Fund	Available-for-sale financial assets - current	-	-	-	-	34,422,642.40	398,910	17,211,321.20	199,710	199,200	510	51	17,211,321.20	199,761	
	ABN AMRO Bond Fund	Available-for-sale financial assets - current	-	-	12,151,168.46	180,567	15,766,496.52	234,977	19,447,483.53	289,386	289,267	119	34	8,470,181.45	126,311	
	ABN AMRO Select Bond Fund	Available-for-sale financial assets - current	-	-	8,289,805.60	92,668	25,210,543.31	282,242	24,686,264.90	276,330	276,068	262	38	8,814,084.01	98,880	
	Fuh-Hwa Bond Fund	Available-for-sale financial assets - current	-	-	-	-	7,816,357.60	103,056	3,946,067.60	52,056	52,000	56	16	3,870,290.00	51,072	
	<u>Common stock</u>															
	Advansus Corp.	Available-for-sale financial assets - noncurrent	-	-	-	-	50,000,000	500,000 (Note B)	-	-	-	-	-	-	50,000,000	500,000

Note A: Unrealized gains on financial instruments.

Note B: A joint venture of the Company and ASUSTEK.

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
THREE MONTHS ENDED MARCH 31, 2006
(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	\$ 612,789	36	Depending on its operating conditions	\$ -	-	\$ (408,792)	(83)	
	AC	Indirect subsidiary	Sale	(557,910)	(24)	60-90 days	-	-	409,707	23	
	AESC	Indirect subsidiary	Sale	(470,585)	(20)	Depending on its operating conditions	-	-	697,185	38	
	ACN	Indirect subsidiary	Sale	(317,955)	(14)	Depending on its operating conditions	-	-	313,414	17	
ATC	Advantech Co., Ltd.	Parent company	Sale	(612,789)	(100)	Depending on its operating conditions	-	-	408,792	99	
AC	Advantech Co., Ltd.	Ultimate parent company	Purchase	557,910	73	60-90 days	-	-	(409,707)	(94)	
AESC	Advantech Co., Ltd.	Ultimate parent company	Purchase	470,585	73	Depending on its operating conditions	-	-	(697,185)	(91)	
ACN	Advantech Co., Ltd.	Ultimate parent company	Purchase	317,955	62	Depending on its operating conditions	-	-	(313,414)	(73)	

ADVANTECH CO., LTD. AND INVESTEEES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2006
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Times)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Advantech Co., Ltd.	AESC	Indirect subsidiary	\$ 697,185	2.99	\$ -	-	\$ -	\$ -
	AC	Indirect subsidiary	409,707	6.55	-	-	136,502	-
	ACN	Indirect subsidiary	313,414	3.62	-	-	32,406	-
ATC	Advantech Co., Ltd.	Parent company	408,792	5.84	-	-	408,792	-

ADVANTECH CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
THREE MONTHS ENDED MARCH 31, 2006
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				March 31, 2006	Dec. 31, 2005	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	ATC	BVI	Sale of industrial automation products	\$ 427,781	\$ 427,781	13,450,000	100.00	\$ 619,244	\$ 73,122	\$ 73,122	Subsidiary
	AAC (BVI)	BVI	Investment holding company	725,144	725,144	21,606,500	100.00	1,000,288	54,133	54,133	Subsidiary
	Axiomtek Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	308,213	308,586	22,349,732	37.08	398,967	82,404	29,852	Equity-method investee
		Taipei, Taiwan	Production and sale of industrial automation products	500,000	-	50,000,000	50.00	500,000	-	-	Equity-method investee
	Yin Hsin Co., Ltd.	Taipei, Taiwan	General investment	300,000	300,000	29,999,994	100.00	258,503	521	521	Subsidiary
	AEU	Helmond, the Netherlands	Investment holding company	351,791	351,791	9,253,331	96.67	258,029	33,180	32,076	Subsidiary
	AKR	Seoul, Korea	Sale of industrial automation products	32,989	32,989	2,829,210	21.71	140,627	32,148	8,830	Equity-method investee
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	92,515	3,061	3,061	Subsidiary
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	76,205	2,790	2,790	Subsidiary
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	72,448	1,317	1,317	Subsidiary
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	19,940	19,940	1,994,000	13.29	11,800	265	35	Subsidiary
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	12,872	-	-	Equity-method investee
	Advantech Investment & Management Service	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,391	32	32	Subsidiary
	ABR	Sam Paulo, Brazil	Sale of industrial automation products	-	15,374	-	-	-	475	475	Subsidiary
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	(1,169)	(286)	(286)	Subsidiary
Yin Hsin Co., Ltd.	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	100,000	100,000	10,000,000	66.67	59,080	265	177	Indirect subsidiary
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,750	-	-	Equity-method investee of a subsidiary
ATC	AKMC	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	519,368	(2,944)	(2,944)	Indirect subsidiary
	ADMC	Guangzhou, China	Production and sale of industrial automation products	38,165	38,165	-	100.00	41,218	620	620	Indirect subsidiary
Timson Tech Co. (TTC)	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processes and sale of peripherals	30,222	30,222	-	100.00	25,945	-	-	Equity-method of a subsidiary
AAC (BVI)	AC	Sunnyvale, USA	Investment holding company	504,179	504,179	10,952,606	100.00	699,959	33,692	33,692	Indirect subsidiary (Notes D and E)
	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	278,517	20,189	20,189	Indirect subsidiary (Notes D and E)
AEU	AESC	Helmond, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	69,711	9,347	9,347	Indirect subsidiary
	AUK	Milton Keynes, England	Sale of industrial automation products	13,373	13,373	600,000	100.00	24,791	(5,283)	(5,283)	Indirect subsidiary
	ABB	Roosendaal, The Netherlands	Sale of industrial automation products	39,565	39,565	295,378	100.00	46,238	5,675	5,675	Indirect subsidiary
	AEBC	Dusseldorf, Germany	Sale of industrial automation products	46,028	46,028	1,142,000	100.00	10,516	27,645	27,645	Indirect subsidiary
	AIT	Milano, Italy	Sale of industrial automation products	22,275	22,275	45,000	100.00	17,148	(2,478)	(2,478)	Indirect subsidiary
	AEDC	Amberg, Germany	Sale of industrial automation products	46,446	46,446	-	100.00	37,309	408	408	Indirect subsidiary
	Advantech Poland SP Z.O.O. (APL)	Warsaw, Poland	Sale of industrial automation products	10,285	10,285	2,000	80.00	8,928	(1,265)	(1,012)	Indirect subsidiary
AEBC	AFR	Paris, France	Sale of industrial automation products	-	26,506	-	-	-	-	-	Indirect subsidiary (Note H)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note B)	Note
				March 31, 2006	Dec. 31, 2005	Shares	Percentage of Ownership	Carrying Value			
ASG	ATH	Thailand	Production of computers	\$ 1,199	\$ 1,199	15,000	30.00	\$ 1,594	\$ -	\$ -	Indirect subsidiary (Note G)
	APN	Penang, Malaysia	Sale of industrial automation products	8,181	8,181	570,570	55.00	11,986	2,461	1,354	
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	7,264	418,000	55.00	7,130	(48)	(26)	Indirect subsidiary (Note G)

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

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

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

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

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

Note F: AAG and AAJP were liquidated.

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

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

(Concluded)

ADVANTECH CO., LTD. AND INVESTEES

INVESTMENTS IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2006
(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, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2006	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)	Carrying Value as of March 31, 2006	Accumulated Inward Remittance of Earnings as of March 31, 2006	Accumulated Investment in Mainland China as of March 31, 2006	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								
Advantech Technology (China) Company Ltd.	Production and sale of components of industrial automation products	US\$12,000 thousand	Indirect	\$ 389,520 (US\$ 12,000 thousand)	\$ -	\$ -	\$ 389,520 (US\$ 12,000 thousand)	100%	\$ (2,944)	\$ 519,368	\$ -	\$ 577,853 (US\$ 17,802 thousand)	\$ 805,008 (US\$ 24,800 thousand)	\$ 4,144,995
Kunshan Timson Tech Co., Ltd.	Processes and sale of peripherals	US\$900 thousand	Indirect	8,764 (US\$ 270 thousand)	-	-	8,764 (US\$ 270 thousand)	30%	-	7,784	-	(Note D)		
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Sale of industrial automation products	US\$4,230 thousand	Indirect	173,077 (US\$ 5,332 thousand)	-	-	173,077 (US\$ 5,332 thousand)	100%	20,189	278,517	-			
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US\$1,200 thousand	Indirect	(Note C)	-	-	(Note C)	100%	620	41,218	-			

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

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

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

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

Note E: The exchange rate was US\$1.00=NT\$32.46.