

Advantech Co., Ltd.

**Financial Statements for the Years Ended
December 31, 2003 and 2002
Together with Independent Auditors' Report**

Readers are advised that the original version of these financial statements is in Chinese. This English translation is solely for the readers' convenience. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

INDEPENDENT AUDITORS' REPORT

March 12, 2004

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

We have audited the accompanying balance sheets of Advantech Co., Ltd. as of December 31, 2003 and 2002 and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. As shown in the accompanying financial statements, the Company has long-term equity investments in Advantech Technologies, Inc., Advantech Technologies Co., Ltd., Advantech Co., Singapore Pte, Ltd., Advantech Japan Co., Ltd., Advantech Australia Pty Ltd., Advantech America Corp., Advantech Hungary Ltd., Advantech Brasil S/A, Axiomtek Co., Ltd., Advantech Automation (Penang) Sdn. Bhd., Advantech Control (M) Sdn. Bhd., Advantech Automation Corp. and Innova Tech & Management Consultant Inc. Their financial statements as of December 31, 2003 and 2002 were audited by other auditors. The Company also has investments in Advantech Europe Holding B.V. and Advantech Italia S.p.A., and their other investments are in Advantech Europe B.V., Advantech Benelux B.V., Advantech France S.A., Advantech Europe GmbH, Advantech (UK) Ltd., Advantech IBHA Technologies Inc., Broadwed Automation Co., Ltd. and PCS Computer, Inc., and their financial statements as of December 31, 2002 were audited by other auditors. These investments are either direct or indirect (i.e., through wholly owned subsidiaries) and are all accounted for by the equity method. The carrying values of these investments were 19% (NT\$1,643,510 thousand) and 18% (NT\$1,398,437 thousand), of the Company's total assets as of December 31, 2003 and 2002, respectively. Also, the equity in the investees' net gain was 8% (NT\$99,078 thousand), and the equity in the investees' net loss was 7% (NT\$105,726) thousand, of the Company's income before income tax for the years ended December 31, 2003 and 2002, respectively. Since the financial statements of these investees were audited by other auditors whose reports have been furnished to us, our opinion, insofar as it relates to the above investees' amounts included herein, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Advantech Co., Ltd. as of December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines for Securities Issuers' Financial Reporting for Public Company and accounting principles generally accepted in the Republic of China.

Deloitte & Touche
(T N Soong & Co and Deloitte & Touche (Taiwan)
Established Deloitte & Touche Effective June 1, 2003)
Taipei, Taiwan
Republic of China

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

ADVANTECH CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

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

ASSETS	2003		2002		LIABILITIES AND SHAREHOLDERS' EQUITY	2003		2002	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 3)	\$ 370,291	4	\$ 489,168	7	Notes payable	\$ 1,367	-	\$ 11,840	-
Short-term investments (Notes 2 and 4)	1,418,281	17	1,246,424	17	Accounts payable	418,736	5	492,331	6
Notes receivable (Note 2)	56,683	1	63,227	1	Payables to related parties (Note 16)	601,383	7	131,281	2
Accounts receivable—net of allowance for doubtful accounts of \$15,387 in 2003 and \$14,807 in 2002 (Note 2)	363,111	4	329,492	4	Income tax payable (Notes 2 and 12)	-	-	184,296	2
Receivables from related parties (Notes 2 and 16)	1,055,535	13	991,329	13	Accrued expenses	159,568	2	117,543	2
Inventories—net (Notes 2 and 5)	609,011	7	691,569	9	Corporate bonds payable—current portion (Notes 2 and 9)	1,035,620	12	-	-
Deferred income tax assets—current (Notes 2 and 12)	58,798	1	46,261	-	Other current liabilities (Note 19)	68,955	1	120,482	2
Other current assets	199,106	2	49,728	1					
Total current assets	4,130,816	49	3,907,198	52	Total current liabilities	2,285,629	27	1,057,773	14
LONG-TERM EQUITY INVESTMENTS (Notes 2, 6, 10 and 16)					CORPORATE BONDS PAYABLE—Net of current portion (Notes 2 and 9)				
Equity method	2,805,106	33	2,047,947	27		-	-	1,040,534	14
Cost method	20,000	-	28,798	-	OTHER LIABILITIES				
Total long-term equity investments	2,825,106	33	2,076,745	27	Accrued pension liabilities (Notes 2 and 15)	113,064	1	96,141	1
PROPERTIES (Notes 2, 7 and 17)					Deferred income tax liabilities—noncurrent (Notes 2 and 12)	57,516	1	-	-
Cost					Deferred income (Note 2)	221,861	3	241,025	3
Land	571,456	7	549,213	7	Miscellaneous (Note 2)	2,998	-	34,661	1
Buildings and equipment	792,839	9	760,351	10	Total other liabilities	395,439	5	371,827	5
Machinery and equipment	206,409	2	182,411	3	Total liabilities	2,681,068	32	2,470,134	33
Furniture and fixtures	59,318	1	56,525	1	SHAREHOLDERS' EQUITY				
Miscellaneous equipment	96,022	1	92,375	1	Capital stock, \$10 par value				
Total cost	1,726,044	20	1,640,875	22	Authorized—500,000 thousand shares				
Accumulated depreciation	(281,450)	(3)	(225,017)	(3)	Issued—341,304 thousand shares in 2003 and 285,513 thousand shares in 2002	3,413,039	40	2,855,129	38
Advances for equipment to be acquired	2,186	-	2,246	-	Entitlement certificates—16 thousand shares	-	-	162	-
Net properties	1,446,780	17	1,418,104	19	Total capital	3,413,039	40	2,855,291	38
OTHER ASSETS					Capital surplus				
Properties leased to others (Notes 2 and 8)	69,384	1	122,526	2	Issue of stock in excess of par value	455,155	5	210,791	3
Deferred income taxes—net (Notes 2 and 12)	-	-	37,769	-	From long-term equity investments	33,845	1	46,098	-
Certificates of deposit—restricted (Note 17)	2,400	-	800	-	Total capital surplus	489,000	6	256,889	3
Miscellaneous	22,704	-	19,487	-	Retained earnings				
Total other assets	94,488	1	180,582	2	Legal reserve	520,089	6	396,678	5
TOTAL ASSETS	\$8,497,190	100	\$7,582,629	100	Unappropriated earnings	1,513,392	18	1,545,284	20
					Total retained earnings	2,033,481	24	1,941,962	25
					Cumulative translation adjustments	91,338	1	58,353	1
					Treasury stocks—3,862 thousand shares	(210,736)	(3)	-	-
					Total shareholders' equity	5,816,122	68	5,112,495	67
					TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$8,497,190	100	\$7,582,629	100

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

(With Deloitte & Touche auditors' report dated March 12, 2004)

English Translation of Financial Statements Originally Issued in Chinese

ADVANTECH CO., LTD.

**STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<u>2003</u>		<u>2002</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Note 2)				
Sales (Note 16)	\$ 6,875,234	100	\$ 6,392,611	100
Sales returns and allowances	<u>89,804</u>	<u>1</u>	<u>65,816</u>	<u>1</u>
Net sales	6,785,430	99	6,326,795	99
Other operating revenues	<u>53,210</u>	<u>1</u>	<u>44,560</u>	<u>1</u>
Total operating revenues	6,838,640	100	6,371,355	100
OPERATING COSTS (Notes 13 and 16)	<u>4,434,092</u>	<u>65</u>	<u>3,975,116</u>	<u>63</u>
GROSS PROFIT	2,404,548	35	2,396,239	37
REALIZED (DEFERRED) PROFITS ON INTERCOMPANY SALES (Note 2)	<u>83,253</u>	<u>1</u>	(<u>54,179</u>)	(<u>1</u>)
ADJUSTED GROSS PROFIT	<u>2,487,801</u>	<u>36</u>	<u>2,342,060</u>	<u>36</u>
OPERATING EXPENSES (Note 13)				
Marketing	259,704	4	268,881	4
Administration	169,273	2	178,819	3
Research and development	<u>333,896</u>	<u>5</u>	<u>330,376</u>	<u>5</u>
Total operating expenses	<u>762,873</u>	<u>11</u>	<u>778,076</u>	<u>12</u>
OPERATING INCOME	<u>1,724,928</u>	<u>25</u>	<u>1,563,984</u>	<u>24</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees—net (Notes 2 and 6)	148,331	2	-	-
Gain on disposal of investments	97,247	1	44,047	1
Reversal of allowance for losses on inventories	32,816	1	-	-
Interest (Note 16)	3,905	-	2,022	-
Foreign exchange gain—net (Note 19)	-	-	141,714	2
Other income (Notes 16 and 19)	<u>46,726</u>	<u>1</u>	<u>39,599</u>	<u>1</u>
Total nonoperating income	<u>329,025</u>	<u>5</u>	<u>227,382</u>	<u>4</u>
NONOPERATING EXPENSES AND LOSSES				
Foreign exchange loss—net (Notes 2 and 19)	624,767	9	-	-
Premium expenses (Note 19)	123,510	2	-	-
Losses on disposal of scrap inventories	75,855	1	24,465	-
Interest	42,460	1	44,306	1
Equity in net loss of investees—net (Notes 2 and 6)	-	-	95,502	2

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

	<u>2003</u>		<u>2002</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Provision for losses on inventories	\$ -	-	\$ 58,441	1
Other expenses (Note 13)	<u>2,939</u>	-	<u>2,543</u>	-
Total nonoperating expenses	<u>869,531</u>	<u>13</u>	<u>225,257</u>	<u>4</u>
INCOME BEFORE INCOME TAX	1,184,422	17	\$ 1,566,109	24
INCOME TAX (Notes 2 and 12)	<u>112,000</u>	<u>1</u>	<u>332,000</u>	<u>5</u>
NET INCOME	<u>\$ 1,072,422</u>	<u>16</u>	<u>\$ 1,234,109</u>	<u>19</u>
	<u>2003</u>		<u>2002</u>	
	<u>Pre-tax</u>	<u>After-tax</u>	<u>Pre-tax</u>	<u>After-tax</u>
EARNINGS PER SHARE (Note 14)				
Primary earnings per share	<u>\$ 3.50</u>	<u>\$ 3.17</u>	<u>\$ 4.69</u>	<u>\$ 3.70</u>
Diluted earnings per share	<u>\$ 3.43</u>	<u>\$ 3.09</u>	<u>\$ 4.61</u>	<u>\$ 3.63</u>

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

(With Deloitte & Touche auditors' report dated March 12, 2004)

(Concluded)

English Translation of Financial Statements Originally Issued in Chinese

ADVANTECH CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Capital Stock		Entitlement certificates		Capital Surplus (Notes 2 and 10)				Retained Earnings (Notes 2 and 10)			Cumulative Translation Adjustments (Note 2)	Treasury Stocks (Notes 2 and 11)	Total Shareholders' Equity	
	Issued (Notes 9 and 10)		(Notes 2, 9 and 10)		Issue of stock in excess of par value	Gain on disposal of properties	From long-term equity investments	Total	Legal reserve	Special reserve	Unappropriated earnings				Total
	Shares (thousands)	Amount	Shares (thousands)	Amount											
BALANCE, JANUARY 1, 2002	233,429	\$2,334,294	-	\$ -	\$205,351	\$271	\$46,098	\$251,720	\$280,162	\$13,305	\$1,346,641	\$1,640,108	\$ 8,376	\$ -	\$4,234,498
Reversal of special reserve	-	-	-	-	-	-	-	-	-	(13,305)	13,305	-	-	-	-
Appropriation of 2001 earnings															
Legal reserve	-	-	-	-	-	-	-	-	116,489	-	(116,489)	-	-	-	-
Bonus to employees	5,316	53,162	-	-	-	-	-	-	-	-	(104,839)	(104,839)	-	-	(51,677)
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	-	-	(10,484)	(10,484)	-	-	(10,484)
Stock dividends—20%	46,698	466,973	-	-	-	-	-	-	-	-	(466,973)	(466,973)	-	-	-
Cash dividends—\$1.5 per share	-	-	-	-	-	-	-	-	-	-	(350,230)	(350,230)	-	-	(350,230)
Transfer of prior years' net gain on disposal of properties to retained earnings	-	-	-	-	-	(271)	-	(271)	27	-	244	271	-	-	-
Net income in 2002	-	-	-	-	-	-	-	-	-	-	1,234,109	1,234,109	-	-	1,234,109
Conversion of bonds into entitlement certificates	-	-	86	862	5,440	-	-	5,440	-	-	-	-	-	-	6,302
Conversion of bonds to capital stock	70	700	(70)	(700)	-	-	-	-	-	-	-	-	-	-	-
Translation adjustment	-	-	-	-	-	-	-	-	-	-	-	-	46,615	-	46,615
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	3,362	-	3,362
BALANCE, DECEMBER 31, 2002	285,513	2,855,129	16	162	210,791	-	46,098	256,889	396,678	-	1,545,284	1,941,962	58,353	-	5,112,495
Appropriation of 2002 earnings															
Legal reserve	-	-	-	-	-	-	-	-	123,411	-	(123,411)	-	-	-	-
Bonus to employees	5,521	55,214	-	-	-	-	-	-	-	-	(111,070)	(111,070)	-	-	(55,856)
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	-	-	(11,107)	(11,107)	-	-	(11,107)
Stock dividends—15%	42,936	429,363	-	-	-	-	-	-	-	-	(429,363)	(429,363)	-	-	-
Cash dividends—\$1.5 per share	-	-	-	-	-	-	-	-	-	-	(429,363)	(429,363)	-	-	(429,363)
Net income in 2003	-	-	-	-	-	-	-	-	-	-	1,072,422	1,072,422	-	-	1,072,422
Conversion of bonds into entitlement certificates	-	-	714	7,132	39,982	-	-	39,982	-	-	-	-	-	-	47,114
Conversion of entitlement certificates into capital stock	730	7,294	(730)	(7,294)	-	-	-	-	-	-	-	-	-	-	-
Issuance of shares to acquire long-term equity investments on April 28, 2003	6,604	66,039	-	-	204,382	-	-	204,382	-	-	-	-	-	-	270,421
Decrease in carrying value of equity investment due to change in equity in investee	-	-	-	-	-	-	(12,253)	(12,253)	-	-	-	-	-	-	(12,253)
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	(210,736)	(210,736)
Translation adjustment	-	-	-	-	-	-	-	-	-	-	-	-	44,471	-	44,471
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(11,486)	-	(11,486)
BALANCE, DECEMBER 31, 2003	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

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

(With Deloitte & Touche auditors' report dated March 12, 2004)

English Translation of Financial Statements Originally Issued in Chinese

ADVANTECH CO., LTD.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(In Thousands of New Taiwan Dollars)**

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,072,422	\$ 1,234,109
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	70,462	70,220
Provision (reversal) of allowance for losses on inventories	(32,816)	58,441
Losses on disposal of scrap inventories	75,855	24,465
Gain on disposal of properties—net	(26)	(167)
Gain on sale of long-term equity investments	(64,941)	-
Equity in net loss (gain) of investees—net	(148,331)	95,502
Cash dividends from equity-method investees	34,681	8,999
Accrued pension liabilities	16,923	11,867
Interest-premium on convertible bonds	42,200	44,024
Deferred income taxes	82,748	(35,962)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Short-term investments	(171,857)	275,722
Notes receivable	6,544	(13,009)
Accounts receivable	(33,619)	12,857
Receivables from related parties	(64,206)	(318,926)
Inventories	39,519	(288,965)
Other current assets	(149,378)	9,969
Increase (decrease) in:		
Notes payable	(10,473)	(13,595)
Accounts payable	(73,595)	136,461
Payables to related parties	470,102	62,951
Income tax payable	(184,296)	56,604
Accrued expenses	42,025	3,887
Other current liabilities	(56,929)	83,730
Deferred income	(83,253)	54,179
Net cash provided by operating activities	<u>879,761</u>	<u>1,573,363</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of long-term equity investments	(773,237)	(755,948)
Proceeds from sale of long-term equity investments	529,281	-
Proceeds from sale of properties	3,808	177
Acquisition of properties	(39,419)	(24,078)
Increase in other assets	(15,176)	(10,758)
Net cash used in investing activities	<u>(294,743)</u>	<u>(790,607)</u>

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of treasury stock	(\$ 210,736)	\$ -
Increase (decrease) in other liabilities	(2,235)	1,345
Cash dividends paid	(429,363)	(350,230)
Bonus paid to employees, directors and supervisors	(61,561)	(60,148)
Net cash used in financing activities	(703,895)	(409,033)
NET INCREASE (DECREASE) IN CASH	(118,877)	373,723
CASH, BEGINNING OF YEAR	<u>489,168</u>	<u>115,445</u>
CASH, END OF YEAR	<u>\$ 370,291</u>	<u>\$ 489,168</u>
SUPPLEMENTARY INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 250</u>	<u>\$ 282</u>
Income tax paid	<u>\$ 193,677</u>	<u>\$ 311,358</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of properties to properties leased to others	<u>\$ -</u>	<u>\$ 123,359</u>
Reclassification of properties leased to others to properties	<u>\$ 52,324</u>	<u>\$ -</u>
Conversion of bonds into capital stock and capital surplus	<u>\$ 47,114</u>	<u>\$ 6,302</u>
Conversion of entitlement certificates into capital stock	<u>\$ 7,294</u>	<u>\$ 700</u>
Issuance of shares for acquiring long-term equity investments	<u>\$ 270,421</u>	<u>\$ -</u>
Current portion of corporate bonds payable	<u>\$ 1,035,620</u>	<u>\$ -</u>

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

(With Deloitte & Touche auditors' report dated March 12, 2004)

(Concluded)

ADVANTECH CO., LTD.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)**

1. ORGANIZATION AND OPERATIONS

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

As of December 31, 2003 and 2002, the Company had 753 and 713 employees, respectively.

**2. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

The Company's financial statements conform to the Guidelines for Securities Issuers' Financial Reporting for Public Companies and accounting principles generally accepted in the ROC.

The Company estimates for allowance for doubtful accounts, provision for losses on inventories depreciation of properties, pension cost and warranty liabilities. Because of the uncertainty of circumstances, however, estimates may differ from the actual outcome.

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

Current and Noncurrent Assets and Liabilities

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

Short-term Investments

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

For open-end mutual funds, market values are based on the net asset values of the open-end mutual funds on the balance sheet date and for convertible bonds, on the reference price of over-the-counter securities.

Allowance for Doubtful Accounts

Allowances for doubtful accounts are provided on the basis of a review of the collectibility of individual notes and accounts receivable.

Inventories

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

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

Long-term Equity Investments

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

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

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 do not exercise significant influence over their operating and financial decisions are accounted for by the cost method. For investments in stocks with no quoted market prices, an allowance is recognized to reflect an other than temporary decline in value below carrying value and is charged to current income. Cash dividends received in the year the investment is made are accounted for as a reduction of the carrying value of the investment and are recognized as investment income in subsequent years.

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

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

Properties and Properties Leased to Others

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

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

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

Revenue Recognition

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

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

Pension Costs

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

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

Convertible Bonds

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

Treasury Stock

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

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

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

Income Tax

The Company applies and inter-period allocation for income tax. Deferred tax assets are recognized for the tax effects of deductible temporary differences, unused loss carryforwards and investment tax 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 different foreign exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the year of settlement. At year-end, the balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are recorded as follows: equity-method stock investments—as cumulative translation adjustments under shareholders' equity; other assets and liabilities—as credits or charges to current income.

Derivative Transactions

A forward exchange contract used for nontrading purposes should be adjusted at the rate prevailing as of the balance sheet date. Any exchange gain or loss should be recognized in the current period. Any gain or loss from hedging an identifiable foreign currency commitment should be deferred to the actual sales transaction date and recorded as an adjustment to the transaction price. But if the deferred exchange loss will result in a loss in the subsequent accounting period due to a lower selling price, the exchange loss should not be deferred. A forward exchange contract used for trading purposes should be adjusted on the balance sheet date at the forward rate available for the remaining maturity of the contract. Any exchange gain or loss should be recognized as current gain or loss.

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

The notional amounts of foreign-currency option contracts used for trading purposes and nontrading purposes are not recognized as assets or liabilities on the contract dates. However, amounts received on options written are recognized as liabilities, and amounts paid on options bought are recognized as assets. These amounts are amortized using the straight-line method over the terms of the contracts and charged to current income. Gains or losses on the exercise of the options are recognized as current gains or losses.

3. CASH

	December 31	
	2003	2002
Cash on hand	\$ 185	\$ 173
Checking and demand deposits	74,293	72,157
Time deposits: Interest—0.92%-1.97% in 2003 and 1.20%-2.75% in 2002	<u>295,813</u>	<u>416,838</u>
	<u>\$ 370,291</u>	<u>\$ 489,168</u>

4. SHORT-TERM INVESTMENTS

	December 31	
	2003	2002
Mutual funds	\$ 1,408,281	\$ 1,236,424
Convertible bonds	<u>10,000</u>	<u>10,000</u>
	<u>\$ 1,418,281</u>	<u>\$ 1,246,424</u>

5. INVENTORIES—NET

	December 31	
	2003	2002
Finished goods	\$ 209,996	\$ 262,516
Work in process	244,536	257,972
Materials and supplies	247,580	275,103
Inventories in transit	<u>613</u>	<u>22,508</u>
	702,725	818,099
Allowance for losses	(<u>93,714</u>)	(<u>126,530</u>)
	<u>\$ 609,011</u>	<u>\$ 691,569</u>

6. LONG-TERM EQUITY INVESTMENTS

	December 31			
	2003		2002	
	Carrying	% of	Carrying	% of
	Value	Owner-	Value	Owner-
		ship		ship
<u>Equity method</u>				
Advantech Technology Co., Ltd.	\$ 759,623	100.0	\$ 445,238	100.0
Advantech Automation Corp. (BVI)	576,827	100.0	267,496	100.0
Axiomtek Co., Ltd.	472,221	63.4	237,778	30.2
Advantech Europe Holding B.V.	288,918	100.0	-	-
Yin Hsin Investment Co., Ltd.	287,577	100.0	296,379	100.0
Advantech Technologies Co., Ltd.	155,042	43.0	149,800	43.0
Advantech Co. Singapore Pte, Ltd.	79,207	100.0	69,203	100.0
Advantech Australia Pty Ltd.	61,151	100.0	39,083	100.0
Advantech Japan Co., Ltd.	59,897	100.0	39,787	100.0
Advantech Italia S.p.A.	27,082	55.0	25,499	55.0
Advantech IBHA Technologies Inc.	16,920	13.3	19,985	13.3
Advantech Hungary Ltd.	9,587	30.0	9,194	30.0
Advantech Investment & Management Service	4,894	100.0	-	-

(Continued)

	December 31			
	2003		2002	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Advantech Brasil S/A	\$ 3,374	60.0	\$ 6,281	60.0
Advantech Development Co., Ltd.	2,511	100.0	-	100.0
Advantech (H.K.) Technology Co., Ltd.	275	100.0	224	100.0
Advantech Europe B.V.	-	-	184,568	100.0
Advantech America Corp.	-	-	107,267	100.0
Advantech Technologies, Inc.	-	-	81,396	100.0
Advantech Europe GmbH	-	-	28,559	100.0
Advantech Benelux B.V.	-	-	27,801	70.0
Advantech (UK) Ltd.	-	-	12,409	100.0
Advantech France S.A.	-	-	-	100.0
	<u>2,825,106</u>		<u>2,047,947</u>	
<u>Cost method</u>				
Silicon Motion Inc. (formerly Feiya Technology Corp.)	20,000	0.6	20,000	0.6
Yin-Jia Technology Co., Ltd.	-	-	8,798	18.0
	<u>20,000</u>		<u>28,798</u>	
	<u>\$ 2,285,106</u>		<u>\$ 2,076,745</u>	

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

The calculation of the investment carrying value and the Company's equity in the net income of Advantech Investment and Management Service Co., Ltd. and Advantech (H.K.) Technology Co., Ltd., equity-method investees, was based on unaudited financial statements since each investee's capital stock was less than \$30,000 thousand and its individual total operating revenues were less than \$50,000 thousand or 10% of the Company's total operating revenues. The investment carrying value and equity in the net income of these investees were not material to the Company's financial position and results of operations. The calculation of the carrying values of other equity-method investments and the equity in their net income or net loss was based on audited financial statements.

In 2002, the Company's equity in Advantech Italia S.p.A. exceeded 50%. Thus, the accounting for recognition of equity in this investee's net income or net loss was changed from the subsequent year to current year. This change in accounting principle had no material effect on the financial statements for 2002.

As of December 31, 2003 and 2002, the equities in the net assets of cost-method investees were about \$9,564 thousand and \$12,487 thousand, respectively, based on year-end unaudited financial statements.

The Company prepared consolidated financial statements as of and for the year ended December 31, 2002 according to the Statement of Financial Accounting Standards No.7 of the Republic of China, "Consolidated Financial Statements," and the Guidelines for Securities Issuers' Financial Reporting for Public Companies. However, for full-disclosure purposes, the Company prepared consolidated financial statements as of and for the year ended December 31, 2003, 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:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Buildings and equipment	\$ 48,908	\$ 31,585
Machinery and equipment	121,429	95,127
Furniture and fixtures	37,782	33,670
Miscellaneous equipment	<u>73,331</u>	<u>64,635</u>
	<u>\$ 281,450</u>	<u>\$ 225,017</u>

Depreciation expenses were \$60,103 thousand in 2003 and \$60,694 thousand in 2002.

8. PROPERTIES LEASED TO OTHERS

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Cost		
Land	\$ 35,085	\$ 57,328
Buildings and equipment	<u>38,604</u>	<u>70,486</u>
	73,689	127,814
Accumulated depreciation	<u>4,305</u>	<u>5,288</u>
	<u>\$ 69,384</u>	<u>\$ 122,526</u>

9. BONDS

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
<u>December 31, 2003</u>			
Unsecured convertible bonds	\$ 932,600	\$ -	\$ 932,600
Interest-premium on convertible bonds	<u>103,020</u>	<u>-</u>	<u>103,020</u>
	<u>\$ 1,035,620</u>	<u>\$ -</u>	<u>\$ 1,035,620</u>
<u>December 31, 2002</u>			
Unsecured convertible bonds	\$ -	\$ 976,600	\$ 976,600
Interest-premium on convertible bonds	<u>-</u>	<u>63,934</u>	<u>63,934</u>
	<u>\$ -</u>	<u>\$ 1,040,534</u>	<u>\$ 1,040,534</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 December 31, 2003, bonds with aggregate face value of \$67,400 thousand had been converted to 1,029 thousand shares.

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 stockholdings, and capitalized amounts should be within certain limits.

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

- a. 3% to 12% as bonus to employees. For stock bonuses, employees may include affiliate companies' employees who meet certain criteria as determined by the Company's board of directors;
- b. 1% as remuneration to directors and supervisors.

These appropriations and other allocations of earnings, together with the distributable unappropriated earnings of prior years, should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

On May 2, 2003 and May 30, 2002, the shareholders approved the board of directors' proposals dated March 19, 2003 and March 26, 2002 on the appropriation of the 2002 and 2001 earnings. The bonus to employees, directors and supervisors was distributed as follows:

	<u>2002</u>	<u>2001</u>
Bonus to employees—stock	\$ 55,214	\$ 53,162
Bonus to employees—cash	55,856	51,677
Bonus to directors and supervisors	<u>11,107</u>	<u>10,484</u>
	<u>\$ 122,177</u>	<u>\$ 115,323</u>

The employees' stock bonus consisted of 5,521 and 5,316 thousand shares, which were 1.93% and 2.28%, respectively, of the outstanding common stock as of the end of 2002 and 2001, respectively. The primary earnings per share would have decreased from NT\$4.32 to NT\$3.89 in 2003 and from NT\$5.00 to \$4.50 in 2002 had the bonus to employees, directors and supervisors been expensed instead of being appropriated from retained earnings.

As of March 12, 2004, the Company's board of directors had not decided the appropriation of the 2003 earnings. Related information can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

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

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

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

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

Under a board of directors' proposal dated March 26, 2003, the Company's strategic alliance with Axiomtek Co., Ltd. was approved. Shares were swapped at this ratio: 1 Company share for 2.6 shares of Axiomtek Co., Ltd. The Company issued 6,604 thousand common shares (45.36% of the issued stock) to exchange for 17,170 common shares of Axiomtek Co., Ltd. The effective date of the swap was April 28, 2003, which was approved by the Securities and Futures Commission (SFC).

On April 1, 2003, the SFC 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 will be granted certain percentage option within two and four years of the grant date, and options granted up to six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT\$51.00. Until the end of 2003, no options were exercised.

11. TREASURY STOCKS

<u>Reason for Repurchase</u>	Unit: In Thousand Shares	
	<u>Increase</u>	<u>December 31 2003</u>
<u>2003</u>		
Maintaining the Company's credit and shareholders' equity	<u>3,862</u>	<u>3,862</u>

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

12. INCOME TAX

- a. The reconciliation of the income tax (statutory rate) on income before income tax and income tax currently payable is as follows:

	<u>2003</u>	<u>2002</u>
Tax on pretax income at 25% statutory rate	\$ 296,106	\$ 391,517
Add (deduct) tax effects of:		
Permanent differences	(117,760)	(17,389)
Temporary differences	(156,899)	71,999
Tax-exempt income	(21,447)	-
Investment tax credit	<u>-</u>	<u>(94,420)</u>
Income tax currently payable	<u>\$ -</u>	<u>\$ 351,707</u>

- b. Income tax expense consisted of:

	<u>2003</u>	<u>2002</u>
Income tax payable	\$ -	\$ 351,707
Income tax expense (benefit)—deferred	82,748	(35,962)
Adjustment of prior year's income tax	9,381	2,371
Income tax (10%) on undistributed earnings	<u>19,871</u>	<u>13,884</u>
Income tax expense (shown in the statements of income)	<u>\$ 112,000</u>	<u>\$ 332,000</u>

- c. Net deferred income taxes as of December 31, 2003 and 2002 consisted of the following:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Current		
Investment tax credit	\$ 34,679	\$ -
Allowance for loss on inventories	23,428	31,633
Unrealized foreign exchange loss	668	14,605
Others	<u>23</u>	<u>23</u>
Deferred income tax assets	<u>\$ 58,798</u>	<u>\$ 46,261</u>
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of investees	\$ 58,115	\$ 98,031
Investment tax credits	48,204	-
Deferred income	40,114	60,927
Pension cost	28,266	24,035
Interest-premium on convertible bonds	<u>25,755</u>	<u>15,984</u>
	200,454	198,977
Valuation allowance	<u>(83,870)</u>	<u>(75,138)</u>
	<u>116,584</u>	<u>123,839</u>
Deferred income tax liabilities:		
Accumulated equity in the net gain of foreign investees	(121,388)	(38,877)
Allowance for tax-deductible equity in net loss of foreign investees	<u>(52,712)</u>	<u>(47,193)</u>
	<u>(174,100)</u>	<u>(86,070)</u>
Net deferred income tax assets (liabilities)	<u>(\$ 57,516)</u>	<u>\$ 37,769</u>

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

The ICA balances were \$133,211 thousand and \$239,613 thousand as of December 31, 2003 and 2002, respectively.

The ratio of the ICA to the earnings generated starting January 1, 1998 (creditable tax ratio) as of December 31, 2003 was 9.30%. The actual creditable tax ratio for earnings as of December 31, 2002, which were distributed in 2003, was 29.50%.

The creditable tax ratio should be based on the balance in the ICA on the date of dividend distribution. Thus, the expected creditable ratio for the 2003 earnings may differ from the actual ratio depending on the ICA balance on the dividend distribution date.

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

<u>Legislation</u>	<u>Deductible Item</u>	<u>Tax Credits Obtained</u>	<u>Unused Tax Credits</u>
<u>2003</u>			
Statute for Upgrading Industries	R&D and training expenses	\$ 101,025	\$ 82,883
	Purchase of automated mechanical equipment	1,729	-
<u>2002</u>			
Statute for Upgrading Industries	R&D and training expenses	94,420	-

The balance of unappropriated retained earnings as of December 31, 2003 and 2002 included earnings of \$81,329 thousand generated up to December 31, 1997.

Income taxes payable as of December 31, 2002 were net of prepayments of \$181,295 thousand.

Income tax returns through 2001 (except 1999) had been examined and cleared by the tax authorities.

The Company expects to get a five-year tax exemption on the income from an industry network server production, for which an investment plan was started in 2003. The plan was approved by the Industrial Development Bureau of the Ministry of Economic Affairs in February 2004 and by the Ministry of Finance in December 2004.

13. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	<u>2003</u>			<u>2002</u>		
	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>
Personnel expenses						
Payroll	\$ 131,538	\$ 367,337	\$ 498,875	\$ 123,306	\$ 357,745	\$ 481,051
Insurance	11,060	25,769	36,829	10,044	23,018	33,062
Pension	6,254	19,755	26,009	4,770	15,774	20,544
Others	9,235	14,633	23,868	8,520	13,957	22,477
Depreciation	33,930	25,355	59,285	33,419	26,443	59,862
Amortization	<u>571</u>	<u>9,788</u>	<u>10,359</u>	<u>1,630</u>	<u>7,896</u>	<u>9,526</u>
	<u>\$ 192,588</u>	<u>\$ 462,637</u>	<u>\$ 655,225</u>	<u>\$ 181,689</u>	<u>\$ 444,833</u>	<u>\$ 626,522</u>

Expenses for properties leased to others, which were \$818 thousand in 2003 and \$832 thousand in 2002, 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</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>(Denominator)</u> <u>(Thousand)</u>	<u>Pretax</u>	<u>After-tax</u>
<u>2003</u>					
Primary EPS	\$ 1,184,422	\$ 1,072,422	338,801	<u>\$ 3.50</u>	<u>\$ 3.17</u>
The impact of dilutive potential common stock					
Employ stock option	-	-	71		
Convertible bonds	<u>42,200</u>	<u>31,650</u>	<u>18,467</u>		
Diluted EPS	<u>\$ 1,226,622</u>	<u>\$ 1,104,072</u>	<u>357,339</u>	<u>\$ 3.43</u>	<u>\$ 3.09</u>
<u>2002</u>					
Primary EPS	\$ 1,566,109	\$ 1,234,109	333,964	<u>\$ 4.69</u>	<u>\$ 3.70</u>
The impact of dilutive potential common stock					
Convertible bonds	<u>44,024</u>	<u>33,018</u>	<u>15,565</u>		
Diluted EPS	<u>\$ 1,610,133</u>	<u>\$ 1,267,127</u>	<u>349,529</u>	<u>\$ 4.61</u>	<u>\$ 3.63</u>

The EPS was retroactively adjusted for the stock dividends declared. Thus, pretax and after-tax primary EPS decreased from NT\$5.49 to NT\$4.69 and from NT\$4.32 to \$3.70 in 2002, respectively, and pretax and after-tax diluted EPS decreased from NT\$5.35 to NT\$4.61 and from \$4.21 to \$3.63, respectively.

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.

Other pension information is summarized as follows:

	<u>2003</u>	<u>2002</u>
a. Components of pension cost:		
Service cost	\$ 24,086	\$ 18,068
Interest cost	4,581	4,548
Projected return on plan assets	(1,694)	(1,477)
Amortization of unrecognized net transition obligation and net pension plan gains or losses	(<u>964</u>)	(<u>595</u>)
	<u>\$ 26,009</u>	<u>\$ 20,544</u>

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
b. Reconciliation between the funded status of the pension plan and accrued pension liabilities:		
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	82,405	78,385
Accumulated benefit obligation	82,405	78,385
Additional benefits based on future salaries	26,270	36,126
Projected benefit obligation	108,675	114,511
Fair value of plan assets	(51,434)	(42,347)
Funded status	57,241	72,164
Unrecognized net transition obligation	(21,866)	(23,688)
Unrecognized net gain	77,689	47,665
Accrued pension liabilities	<u>\$ 113,064</u>	<u>\$ 96,141</u>
c. Actuarial assumptions		
Discount rate used in determining present values	3.5%	4.0%
Future salary increase rate	1.5%	2.0%
Expected rate of return on plan assets	3.5%	4.0%
	<u>2003</u>	<u>2002</u>
d. Contributions to pension fund	<u>\$ 9,086</u>	<u>\$ 8,677</u>

16. RELATED-PARTY TRANSACTIONS

a. Related parties

	<u>Relationship with the Company</u>
Yin Hsin Investment Co., Ltd. (Yin Hsin)	Equity-method investee
Advantech IBHA Technologies Inc. (Advantech IBHA)	Equity-method investee
Axiomtek Co., Ltd. (Axiomtek)	Equity-method investee
Advantech Investment & Management Service (AIMS)	Equity-method investee
Advantech Europe Holding B.V. (AEU)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
Advantech Technologies Co., Ltd. (AKR)	Equity-method investee
Advantech Development Co., Ltd. (ADCL)	Equity-method investee
Advantech Technologies, Inc. (ATI)	Equity-method investee (liquidated on December 31, 2003)
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech Italia S.p.A. (AIT)	Equity-method investee
Advantech Brasil S/A (ABR)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech America Corp. (AASC)	Equity-method investee (liquidated on December 31, 2003)
Advantech Automation Corp. (BVI) [AAC (BVI)]	Equity-method investee

(Continued)

Relationship with the Company

Advantech Automation Corp., Ltd. (AACB) Advantech France S.A. (AFR)	Equity-method investee of AAC (BVI) Equity-method investee before June 2003 (became investee of AEU in June 2003 through the reorganization of the Company's investment structure)
Advantech Europe GmbH (ADL)	Equity-method investee before June 2003 (became investee of AEU in June 2003 through the reorganization of the Company's investment structure)
Advantech (UK) Ltd. (AUK)	Equity-method investee before June 2003 (became investee of AEU in June 2003 through the reorganization of the Company's investment structure)
Advantech Benelux B.V. (ABB)	Equity-method investee before November 2003 (became investee of AEU in November 2003 through the reorganization of the Company's investment structure)
Advantech Europe B.V. (AESC)	Equity-method investee before June 2003 (became investee of AEU in June 2003 through the reorganization of the Company's investment structure)
Innova Tech & Management Consultant Inc. (Innova)	Equity-method investee of Yin Hsin
Broadwed Automation Co., Ltd. (Broadwed Automation)	Equity-method investee of Yin Hsin
Yan Hong Technology Co., Ltd. (Yan Hong)	Investee of Advantech IBHA before October 2003 (merged with Advantech IBHA)
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC
Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. (AGZ)	Equity-method investee of ADCL
Advantech Automation Corp. (AAC)	Equity-method investee of AACB
Advantech Control (M) Sdn. Bhd. (AKL)	Equity-method investee of AACB
PCS Computer, Inc. (PCS)	Equity-method investee of AACB before January 2003 (PCS merged with AAC in January 2003)
Advantech Automation (Penang) Sdn. Bhd. (APN)	Equity-method investee of AACB
Advan Automation Co., Ltd. (AAJP)	Equity-method investee of AACB
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AACB

- b. The significant transactions with the above related parties, in addition to those disclosed in Note 18 and Tables 1 and 2, are summarized as follows:

	<u>2003</u>		<u>2002</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<u>For the year</u>				
1) Sales				
AASC	\$ 1,279,959	19	\$ 1,138,885	18
AESC	1,187,234	17	1,159,393	18
ADCL	718,781	11	844,150	13

(Continued)

	2003		2002	
	Amount	% of Total	Amount	% of Total
ACN	\$ 357,298	5	\$ -	-
AJP	298,026	4	305,886	5
AKR	282,599	4	215,488	3
Axiomtek	190,058	3	138,565	2
ASG	152,303	2	154,861	2
AAU	89,463	1	61,181	1
ATI	83,106	1	44,826	1
AKMC	45,420	1	41,263	1
AKL	40,903	1	47,275	1
AUK	32,589	1	53,903	1
ABR	31,476	1	46,944	1
ATC	27,124	-	27,898	-
Advantech IBHA	22,060	-	19,235	-
AAC	487	-	33,204	1
ADL	-	-	52,256	1
Others	29,463	-	54,775	1
	<u>\$ 4,868,349</u>	<u>71</u>	<u>\$ 4,439,988</u>	<u>70</u>
2) Purchase of materials and supplies				
ATC	\$ 1,085,194	27	\$ 399,099	11
AKMC	59,980	2	-	-
Advantech IBHA	47,397	1	36,703	1
Axiomtek	4,370	-	46,017	1
AASC	3,516	-	26	-
Others	5,299	-	6,931	-
	<u>\$ 1,205,756</u>	<u>30</u>	<u>\$ 488,776</u>	<u>13</u>
3) Service revenues (part of nonoperating income)				
ATI	\$ 4,458	1	\$ 3,801	2
AESC	4,119	1	7,466	3
ATC	2,972	1	4,811	2
AJP	2,060	1	2,074	1
AAC	1,646	-	1,954	1
Others	1,991	1	2,885	1
	<u>17,246</u>	<u>5</u>	<u>22,991</u>	<u>10</u>
4) Rental revenues (part of nonoperating income)				
Broadwed Automation	781	1	-	-
Axiomtek	290	-	-	-
Advantech IBHA	281	-	115	-
Yan Hong	200	-	120	-
	<u>1,552</u>	<u>1</u>	<u>235</u>	<u>-</u>
	<u>\$ 18,798</u>	<u>6</u>	<u>\$ 23,226</u>	<u>10</u>

(Continued)

	<u>2003</u>		<u>2002</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<u>At end of year</u>				
5) Receivables				
AESC	\$ 354,813	34	\$ 382,285	39
AASC	262,913	25	262,645	26
ACN	205,632	19	-	-
AJP	57,431	5	56,237	6
AKR	38,605	4	15,305	1
Axiomtek	30,051	3	39,203	4
ASG	20,127	2	25,685	3
AAU	18,266	2	14,227	1
AKL	16,179	2	-	-
ATI	14,816	1	8,932	1
ABR	8,175	1	15,769	2
AUK	5,490	-	9,522	1
AKMC	5,272	-	-	-
Advantech IBHA	1,960	-	9,110	1
ADCL	-	-	137,395	14
Others	<u>15,805</u>	<u>2</u>	<u>15,014</u>	<u>1</u>
	<u>\$ 1,055,535</u>	<u>100</u>	<u>\$ 991,329</u>	<u>100</u>
6) Payables				
Accounts				
ATC	\$ 551,341	92	\$ 72,121	55
Advantech IBHA	35,720	6	18,109	14
AASC	2,733	1	-	-
AAC	-	-	1,847	1
Others	<u>890</u>	<u>-</u>	<u>749</u>	<u>1</u>
	<u>590,684</u>	<u>99</u>	<u>92,826</u>	<u>71</u>
Others—discounts payable				
AFR	<u>8,140</u>	<u>1</u>	<u>-</u>	<u>-</u>
Others—payments on behalf of others				
AAC	1,661	-	4,881	4
ADL	-	-	21,835	16
AKMC	-	-	6,158	5
AFR	-	-	4,914	4
Others	<u>898</u>	<u>-</u>	<u>667</u>	<u>-</u>
	<u>2,559</u>	<u>-</u>	<u>38,455</u>	<u>29</u>
	<u>\$ 601,383</u>	<u>100</u>	<u>\$ 131,281</u>	<u>100</u>

c. Financing provided

	<u>Ending Balance</u>	<u>Maximum Balance for the Period</u>	<u>Interest Rate</u>	<u>Interest Revenue</u>
<u>2003</u>				
Accounts receivable—related parties				
ADL	\$ -	\$ 80,740	2.5%	\$ 272
ABB	-	39,780	2.5%	171
AFR	-	39,780	2.5%	157
	<u>\$ -</u>	<u>\$ 160,300</u>		<u>\$ 600</u>

d. Long-term equity investments

The Company sold to AEU its common shareholdings in of ADL, AFR, AUK and ABB in August 2003 and in AESC in November 2003 to AEU to reorganize and integrate its subsidiaries in Europe. These transactions are summarized as follows:

<u>Marketable Securities Name and Type</u>	<u>Shares (Thousands)</u>	<u>Transaction Price</u>	<u>Carrying Value</u>	<u>Disposal Gain (Loss)</u>
Long-term equity investment				
AESC	8,314	\$ 90,450	\$ 90,450	\$ -
ADL	742	28,816	3,468	25,348
AFR	701	1,788	(38,088)	39,876
AUK	600	13,374	9,203	4,171
ABB	32	20,412	25,718	(5,306)
		<u>\$ 154,840</u>	<u>\$ 90,751</u>	<u>\$ 64,089</u>

The disposal gains (losses) on the sale to AEU were all deferred. 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 for AESC, AUK, AAC, ACN, ATC 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 or mortgaged as collaterals for bank loans and as part of court requirements for confiscating assets to settle uncollectible accounts:

	<u>2003</u>	<u>2002</u>
Certificates of deposits	\$ 2,400	\$ 800
Properties—net	-	79,574
	<u>\$ 2,400</u>	<u>\$80,374</u>

18. COMMITMENTS

As of December 31, 2003, the Company had the following significant commitments:

- a. Royalty payments under an agreement with IBM Corporation (IBM) for the use of certain IBM-patented motherboards and personal data processing systems. The royalty payable is US\$600 thousand in 2004.
- b. Guarantees for affiliates' loans:

	<u>Amount</u>
AASC	\$ 238,140
ACN	136,080
AIT	94,732
AUK	56,853
AAC	34,020
ATI	34,020
AFR	16,406
Advantech IBHA	<u>13,608</u>
	<u>\$ 623,859</u>

19. FINANCIAL INSTRUMENTS

- a. Outstanding contract amounts and credit risk

	December 31			
	<u>2003</u>		<u>2002</u>	
	<u>Contract Amount (Thousands)</u>	<u>Credit Risk</u>	<u>Contract Amount (Thousands)</u>	<u>Credit Risk</u>
<u>Financial Instruments</u>				
<u>For trading purposes</u>				
Forward contracts—buy	\$ -	\$ -	US\$ 29,921	\$ -
Foreign-currency option	-	-	EUR\$ 36,395	-
	-	-	US\$ 44,003	-
<u>For nontrading purposes</u>				
Forward contracts—sell	US\$ 9,500	-	US\$ 20,000	-
	EUR\$ 6,380	-	EUR\$ 3,000	-
Forward contracts—buy	US\$ 1,000	-	US\$ 15,079	-
Foreign-currency option	-	-	EUR\$ 29,605	-
	-	-	US\$ 41,597	-

The Company is exposed to credit risk on counter-parties default on foreign-currency option and forward contracts on maturity. To manage this risk, the Company transacts only with domestic financial institutions with good credit ratings. Thus, no material losses resulting from counter-party defaults are anticipated.

b. Market risk

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

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

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

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

The payments required for the forward contracts outstanding as of December 31, 2003 were JPY\$107,940 thousand, EUR\$6,380 thousand and US\$9,500 thousand, for which the Company will receive payments of US\$8,394 thousand and NT\$323,028 thousand in April 2004. Also, the payments required for all the foreign-currency option and forward contracts outstanding as of December 31, 2002 were JPY\$5,466,875 thousand and EUR\$3,000 thousand, for which the Company received payments of NT\$799,664 thousand and US\$25,000 thousand in June 2003. Management believes it has sufficient operating capital to meet those requirements. Thus, there is no fund-raising risk. There is also no material cash-flow risk because the exchange rates for foreign-currency option and forward contracts are fixed.

As of December 31, 2003, the expected cash flow demand for foreign-currency options and forward contracts used for trading purposes was as follows:

<u>Period</u>	<u>Amount</u>
Within one year	<u>\$ 1,292,722</u>

The Company's derivative financial instruments which contain cash flow risk as of December 31, 2003, are as follows:

<u>Item</u>	<u>Contract Amounts (Thousands)</u>
Forward contracts—buy	US\$ 29,921
Foreign-currency option	EUR\$ 36,395
	US\$ 44,003

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

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

e. Financial statement presentation

Net payables of \$21,767 thousand as of December 31, 2003 and \$42,550 thousand as of December 31, 2002 on all forward contracts were shown as part of other current liabilities. Foreign exchange losses and gains for the years ended December 31, 2003 and 2002 were \$25,414 thousand and \$92,689 thousand, respectively.

On forward contracts for trading purposes, net payables (part of other current liabilities) were \$29,802 thousand as of December 31, 2002, and foreign exchange losses for the years ended December 31, 2002 were \$40,784 thousand.

For the years ended December 31, 2003 and 2002, the Company realized premium expenses and income (part of nonoperating income—others) of \$123,510 thousand and \$952 thousand, respectively, on all foreign-currency options—written. For the years ended December 31, 2003 and 2002, foreign-exchange losses were \$558,717 thousand and foreign-exchange gains were \$215,802 thousand, respectively.

On foreign-currency options—written, the Company realized premium expenses and income (part of nonoperating income—others) of \$83,249 thousand and \$505 thousand for the years ended December 31, 2003 and 2002, respectively. Foreign-exchange losses were \$68,962 thousand and foreign-exchange gains were \$114,446 thousand for the years ended December 31, 2003 and 2002, respectively.

f. Fair values of financial instruments

	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash	\$ 370,291	\$ 370,291	\$ 489,168	\$ 489,168
Short-term investments	1,418,281	1,419,198	1,246,424	1,249,809
Notes receivable	56,683	56,683	63,227	63,227
Accounts receivable	363,111	363,111	329,492	329,492
Receivables from related parties	1,055,535	1,055,535	991,329	991,329
Long-term equity investments	2,825,106	2,814,670	2,076,745	2,060,434
Certificates of deposit	2,400	2,400	800	800
Liabilities				
Notes payable	1,367	1,367	11,840	11,840
Accounts payable	418,736	418,736	492,331	492,331
Payables to related parties	601,383	601,383	131,281	131,281
Corporate bonds payable (including current portion)	1,035,620	1,147,098	1,040,534	1,114,496
<u>Derivative financial instruments</u>				
Forward contracts	21,767	21,767	42,550	42,550
Foreign-currency options—premium in advance	-	-	17,596	17,596

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

- 1) Cash, notes receivable and payable and accounts receivable and payable: The carrying values reported in the balance sheet approximate the fair values of these assets.

- 2) Short-term and long-term equity investments: Fair values are based on quoted market prices, or on carrying values if quoted market prices are not available.
- 3) Listed bonds: Fair values are based on quoted market prices.
- 4) Certificates of deposit: Fair values are based on carrying values.
- 5) Forward exchange contracts: Fair values are computed at forward rates on contract settlement dates.
- 5) Forward exchange contracts and premiums in advance on foreign-currency options: Fair values are based on carrying values.

20. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 19 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Commission for the Company and investees and on investment in Mainland China.
- b. Investments in mainland China
 - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of December 31, 2003, accumulated inward remittance of earnings as of December 31, 2003 and upper limit on investment: Table 8 (attached)
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 16 and 18 and Tables 2, 3, 5, 6, 7 and 8.

21. SEGMENT INFORMATION

- a. Industry: The Company is engaged only in a single industry: the manufacture and sale of embedded PCs, industrial automation products, industrial computers and panel PCs.
- b. Foreign operations: The Company had no revenue-generating foreign operating unit as of December 31, 2003.
- c. Export sales

<u>Geographic Area</u>	<u>2003</u>	<u>2002</u>
Asia	\$ 2,463,956	\$ 2,107,150
Europe	1,612,959	1,511,434
America	<u>1,468,766</u>	<u>1,410,014</u>
	<u>\$ 5,545,681</u>	<u>\$ 5,028,598</u>

d. Major customers

<u>Customer</u>	<u>2003</u>		<u>2002</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
AASC	\$ 1,279,959	19	\$ 1,138,885	18
AESC	1,187,234	17	1,159,393	18
ADCL	718,781	11	844,150	13

ADVANTECH CO., LTD. AND INVESTEEES

**FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2003
(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		
0	Advantech Co., Ltd.	ADL	Receivables from related parties	\$ 80,740	\$ -	2.5%	2	\$ -	Financing need	\$ -	-	\$ -	\$ 511,956 (Note C)	\$ 1,023,912 (Note B)
		AFR	Receivables from related parties	39,780	-	2.5%	2	-	Financing need	-	-	-		
		ABB	Receivables from related parties	39,780	-	2.5%	2	-	Financing need	-	-	-		
1	Axiomtek Co., Ltd.	Axiomtek Technology Deutschland GmbH	Other receivables	3,933	3,933	-	1	22,619	-	-	-	-	134,423 (Note E)	268,847 (Note D)
2	AEU	AFR	Receivables from related parties	40,570	12,789	2.5%	2	-	Financing need	-	-	-	41,104 (Note G)	82,208 (Note F)
		ABB	Receivables from related parties	31,973	31,973	2.5%	2	-	Financing need	-	-	-		
		ADL	Receivables from related parties	42,630	42,630	2.5%	2	-	Financing need	-	-	-		

Notes: A. Nature of Financing:

1. The borrower is the Corporation's related party.
2. There is a need for short-term financing.

B. 30% of the Company's authorized capital stock

C. 15% the Company's authorized capital stock.

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

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

F. 30% of net asset value of. AEU.

G. 15% of net asset value of. AEU.

ADVANTECH CO., LTD. AND INVESTEES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in Thousands of New Taiwan Dollars)**

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statements	Maximum Collateral/Guarantee Amounts Allowable (Note)
		Name	Nature of Relationship						
0	Advantech Co., Ltd.	AASC	Subsidiary	\$ 511,956	\$ 239,750	\$ 238,140	\$ -	4%	\$ 1,023,912 (Note A)
		ACN	Subsidiary of a wholly owned subsidiary	511,956	137,000	136,080	-	2%	
		AIT	Subsidiary	511,956	94,732	94,732	-	2%	
		AUK	Subsidiary of a wholly owned subsidiary	511,956	56,853	56,853	-	1%	
		AAC	Subsidiary of a wholly owned subsidiary	511,956	34,460	34,020	-	1%	
		ATI	Subsidiary	511,956	34,460	34,020	-	1%	
		AFR	Subsidiary of a wholly owned subsidiary	511,956	16,406	16,406	-	-	
		Advantech IBHA	Subsidiary	511,956	13,888	13,608	-	-	
		AESC	Subsidiary	511,956	109,806	-	-	-	
		ADCL	Subsidiary	511,956	69,790	-	-	-	
		AGZ	Subsidiary of a wholly owned subsidiary	511,956	69,590	-	-	-	
		AJP	Subsidiary	511,956	23,920	-	-	-	
		ADL	Subsidiary of a wholly owned subsidiary	511,956	21,150	-	-	-	
		1	Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	Subsidiary	134,423	85,050	85,050	
Axiomtek Technology Deutschland GmbH	Subsidiary			134,423	6,940	-	-	-	

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

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

TABLE 3

ADVANTECH CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

DECEMBER 31, 2003

(Amounts in Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2003				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	\$ 759,623	100.00	\$ 759,623		
	AAC (BVI)	Investee	Long-term equity investments	21,601,785	576,827	100.00	576,827		
	Axiomtek Co., Ltd.	Investee	Long-term equity investments	26,592,258	472,221	63.37	472,221		
	AEU	Investee	Long-term equity investments	8,018,152	288,918	100.00	288,918		
	Yin Sin Co., Ltd.	Investee	Long-term equity investments	29,999,994	287,577	100.00	287,577		
	AKR	Investee	Long-term equity investments	4,429,210	155,042	43.00	155,042		
	ASG	Investee	Long-term equity investments	1,450,000	79,207	100.00	79,207		
	AAU	Investee	Long-term equity investments	500,204	61,151	100.00	61,151		
	AJP	Investee	Long-term equity investments	1,200	59,897	100.00	59,897		
	AIT	Investee	Long-term equity investments	24,750	27,082	55.00	27,082		
	Advantech IBHA Inc.	Investee	Long-term equity investments	1,994,000	16,920	13.29	16,920		
	AHG	Investee	Long-term equity investments	30	9,587	30.00	9,587		
	AIMS	Investee	Long-term equity investments	500,000	4,894	100.00	4,894		
	ABR	Investee	Long-term equity investments	971,055	3,374	60.00	3,374		
	ADCL	Investee	Long-term equity investments	500,000	2,511	100.00	2,511		
	AHK	Investee	Long-term equity investments	999,999	275	100.00	275		
	Silicon Motion Inc.	-	Long-term equity investments	500,000	20,000	0.63	9,564	Note A	
		<u>Funds</u>							
		High Yield Securities Investment Trust Fund	-	Short-term investments	14,503,844.93	200,964	-	200,974	Note B
		President Jamesbond Fund	-	Short-term investments	13,541,257.60	200,633	-	200,642	Note B
		Increment Securities Investment Trust Fund	-	Short-term investments	13,737,879.86	200,514	-	200,524	Note B
		Capital Cash Reserves Fund	-	Short-term investments	17,317,299.90	193,810	-	193,947	Note B
		PCAPrudential Well Pool Fund	-	Short-term investments	15,236,756.70	183,512	-	183,519	Note B
		UBS Taiwan Bond Fund	-	Short-term investments	8,414,116.15	120,293	-	120,293	Note B
		Capital High Yield Fund	-	Short-term investments	6,546,461.40	84,075	-	84,166	Note B
		PCAUnique Fund	-	Short-term investments	5,514,551.20	80,200	-	81,051	Note B
		TIIM High Yield Fund	-	Short-term investments	5,174,470.44	61,002	-	61,002	Note B
		Barits Bond Fund	-	Short-term investments	4,033,927.30	47,113	-	47,113	Note B
		BIAM Money Market Fund	-	Short-term investments	89,302.47	34,107	-	33,999	Note B
		ABN AMRO Income Fund	-	Short-term investments	137,046.38	2,058	-	2,068	Note B
		<u>Convertible bonds</u>							
		Sysage Technology Convertible Bonds	-	Short-term investments	100	10,000	-	9,900	Note D

(Continued)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2003				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Axiomtek Co., Ltd.	<u>Common stock</u>							
	Axiom Technology Inc. U.S.A.	Investee	Long-term equity investments	23,418	\$ 216,573	100.00	\$ 157,856	
	Axiomtek Technology Deutschland GmbH	Investee	Long-term equity investments	-	5,409	100.00	5,409	
	Axiom Technology (BVI) Co., Ltd.	Investee	Long-term equity investments	210,000	4,640	100.00	4,640	
	Axiomtek SAS	Investee	Long-term equity investments	-	4,242	100.00	4,242	
	Axiom Technology Trading (BVI) Co., Ltd.	Investee	Long-term equity investments	100,000	1,318	100.00	1,318	
	Alextek Company Limited, Ltd.	-	Long-term equity investments	190	1,823	19.00	1,617	Note A
	<u>Funds</u>							
	JF First Bond Fund	-	Short-term investments	1,871,199.90	25,293	-	25,305	Note B
	Jihsun Bond Fund	-	Short-term investments	1,417,782.45	18,513	-	18,559	Note B
	United Bond Fund	-	Short-term investments	1,458,255.70	18,237	-	18,282	Note B
	Barits Bond Fund	-	Short-term investments	1,456,675.40	17,000	-	17,013	Note B
	United Money Fund	-	Short-term investments	18,660.07	6,843	-	6,864	Note B
	Nam Short Term Fixed Income Fund	-	Short-term investments	15,552.60	6,804	-	6,823	Note B
Yin Hsin Co., Ltd.	<u>Common stock</u>							
	Advantech IBHA Inc.	Investee	Long-term equity investments	10,000,000	84,369	66.67	84,369	
	Broadwed Automation Co., Ltd.	Investee	Long-term equity investments	2,000,000	21,749	33.33	21,749	
	Innova Tech & Management Consultant Inc.	Investee	Long-term equity investments	1,250,000	14,980	26.32	14,980	
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	8,979	30.00	8,979	
	Superior Technology Co., Ltd.	-	Long-term equity investments	874,960	33,442	10.00	23,286	Note A
	Web Point Co., Ltd.	-	Long-term equity investments	400,000	28,000	1.00	2,739	Note A
	Baoruh Electronic Co., Ltd.	-	Long-term equity investments	1,064,342	18,285	8.06	11,198	Note A
	Unibase Information Corp.	-	Long-term equity investments	75,000	2,250	10.34	116	Note A
	Chunghwa Telecom Co., Ltd.	-	Short-term investments	200,000	21,300	-	9,790	Note C
	<u>Funds</u>							
	RSIT The Digital Fund	-	Short-term investments	2,028,398.00	20,000	-	13,773	Note B
	Fuh-hwa Bond Fund	-	Short-term investments	1,133,373.80	14,418	-	14,418	Note B
	Capital Cash Reserves Fund	-	Short-term investments	1,204,586.30	13,491	-	13,491	Note B
TIIM High Yield Fund	-	Short-term investments	1,138,774.54	13,425	-	13,425	Note B	
Prudential Financial New Century Fund	-	Short-term investments	1,206,273.00	10,020	-	5,573	Note B	
PCA Prudential Well Pool Fund	-	Short-term investments	353,578.20	4,258	-	4,258	Note B	
ATC	<u>Common stock</u>							
	AKMC	Investee	Long-term equity investments	-	416,564	100.00	416,564	
ADCL	<u>Common stock</u>							
	AGZ	Investee	Other liabilities	-	(8,153)	100.00	(8,153)	
TTC	<u>Common stock</u>							
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	29,975	100.00	29,975	
AAC (BVI)	<u>Common stock</u>							
	AACB	Investee	Long-term equity investments	21,594,307	574,829	100.00	574,829	

(Continued)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2003				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
AACB	<u>Common stock</u>							
	AAC	Investee	Long-term equity investments	10,952,606	\$ 457,395	100.00	\$ 457,395	
	ACN	Investee	Long-term equity investments	-	94,444	100.00	94,444	
	APN	Investee	Long-term equity investments	570,570	7,348	55.00	7,348	
	AKL	Investee	Long-term equity investments	418,000	7,308	55.00	7,308	
	AAG	Investee	Long-term equity investments	2,000	3,604	100.00	3,604	
	AAJP	Investee	Other liabilities	400	(2,437)	37.74	(2,437)	
	Visual Systems GmbH	-	Long-term equity investments	-	776	20.00	776	
AEU	<u>Common stock</u>							
	AESC	Investee	Long-term equity investments	8,314,280	76,875	100.00	76,875	
	AFR	Investee	Long-term equity investments	2,000,000	37,942	100.00	37,942	
	ABB	Investee	Long-term equity investments	45,378	30,915	100.00	30,915	
	ADL	Investee	Long-term equity investments	742,000	8,661	100.00	8,661	
	AUK	Investee	Long-term equity investments	600,000	10,907	100.00	10,907	

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

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

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

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

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2003
 (Amounts in Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Advantech Co., Ltd.	Common stock Axiomtek Co., Ltd.	Long-term equity investments	Axiomtek Investment Co.	-	11,248,675.00	\$ 237,778	19,443,583.00	\$ 345,415 (Note 1)	4,100,000.00	\$ -	\$ 110,972 (Note 4)	\$ -	26,592,258.00	\$ 472,221
	AAC (BVI)	Long-term equity investments	Issuance of capital stock for cash	-	9,868,598.00	267,496	11,733,187.00	406,706	-	-	97,375 (Note 2)	-	21,601,785.00	576,827
	AEU	Long-term equity investments	Original investment	-	-	-	8,018,152.00	345,037 (Note 3)	-	-	56,119 (Note 5)	-	8,018,152.00	288,918
	ATI	Long-term equity investments	Liquidation	-	5,000,000.00	81,396	-	49,641 (Note 6)	5,000,000.00	-	131,037 (Note 7)	-	-	-
	Funds													
	High Yield Securities Investment Trust Fund	Short-term investments	-	-	13,206,633.39	179,260	78,459,319.45	1,076,612	77,162,107.91	1,059,112	1,054,908	4,204	14,503,844.93	200,964
	President Jamesbond Fund	Short-term investments	-	-	-	-	76,288,231.30	1,122,458	62,746,973.70	923,933	921,825	2,108	13,541,257.60	200,633
	Increment Securities Investment Trust Fund	Short-term investments	-	-	14,048,082.61	200,838	55,640,438.23	806,106	55,950,640.98	810,606	806,430	4,176	13,737,879.86	200,514
	Capital Cash Reserves Fund	Short-term investments	-	-	16,221,717.00	176,699	94,452,080.84	1,046,259	93,356,497.94	1,034,429	1,029,148	5,281	17,317,299.90	193,810
	PCAPrudential Well Pool Fund	Short-term investments	-	-	6,828,137.10	80,687	117,337,085.00	1,400,286	108,928,465.40	1,300,976	1,297,461	3,515	15,236,756.70	183,512
	UBS Taiwan Bond Fund	Short-term investments	-	-	12,334,865.50	173,286	117,725,984.75	1,673,018	121,646,734.10	1,729,098	1,726,011	3,087	8,414,116.15	120,293
	Capital High Yield Fund	Short-term investments	-	-	5,127,712.80	63,339	18,220,776.30	230,880	16,802,027.70	212,880	210,144	2,736	6,546,461.40	84,075
	TIIM High Yield Fund	Short-term investments	-	-	4,058,740.77	46,740	19,840,027.94	232,021	18,724,298.27	219,021	217,759	1,262	5,174,470.44	61,002
	Barits Bond Fund	Short-term investments	-	-	9,931,406.00	113,933	137,164,681.40	1,589,454	143,062,160.10	1,659,084	1,656,274	2,810	4,033,927.30	47,113
	BIAM Money Market Fund	Short-term investments	-	-	-	-	842,072.74	321,535	752,770.27	287,550	287,428	122	89,302.47	34,107
	ABN Amro Bond Fund	Short-term investments	-	-	14,029,952.99	199,642	51,289,861.09	736,225	65,319,814.08	938,366	935,867	2,499	-	-
Axiomtek Co., Ltd.	Funds													
	United Money Fund	Short-term investments	-	-	86,726.56	31,471	208,232.54	76,554	276,299.03	102,218	101,182	1,036	18,660.07	6,843
	United Bond Fund	Short-term investments	-	-	680,000.00	8,356	7,634,868.27	94,600	6,856,612.57	84,825	84,719	106	1,458,255.70	18,237
	Barits Bond Fund	Short-term investments	-	-	-	-	13,645,339.70	158,100	12,188,664.30	141,223	141,100	123	1,456,675.40	17,000

Note 1: Includes investment income of \$74,994 thousand.

Note 2: Includes investment loss of \$87,170 thousand and cumulative translation adjustments of \$10,205 thousand.

Note 3: Includes cumulative translation adjustments of \$26,209 thousand.

Note 4: Includes cash dividend from investee of \$28,419 thousand, adjustment arising from changes in ownership percentage in investees of \$12,253 thousand and cumulative translation adjustments of \$1,159 thousand.

Note 5: Investment loss in 2003.

Note 6: Investment income in 2003.

Note 7: Includes cumulative translation adjustments of \$2,536 thousand.

ADVANTECH CO., LTD. AND INVESTEES

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Advantech Co., Ltd.	AASC	Subsidiary	Sale	(\$ 1,279,959)	(19)	60-90 days	\$ -	-	\$ 262,913	18	
	AESC	Subsidiary	Sale	(1,187,234)	(17)	Depending on its operating condition	-	-	354,813	24	
	ADCL	Subsidiary	Sale	(718,781)	(11)	60-90 days	-	-	-	-	
	ACN	Subsidiary of a wholly owned subsidiary	Sale	(357,298)	(5)	Depending on its operating condition	-	-	205,632	14	
	AJP	Subsidiary	Sale	(298,026)	(4)	60-90 days	-	-	57,431	4	
	AKR	Subsidiary	Sale	(282,599)	(4)	60-90 days	-	-	38,605	3	
	Axiomtek Co., Ltd.	Subsidiary	Sale	(190,058)	(3)	60-90 days	-	-	30,051	2	
	ASG	Subsidiary	Sale	(152,303)	(2)	60-90 days	-	-	20,127	1	
	ATC	Subsidiary	Purchase	1,085,194	27	Depending on its operating condition	-	-	(551,341)	(54)	
Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	Equity-method investee	Sale	(274,280)	(24)	30-91 days	-	-	54,627	28	
	Advantech Co., Ltd.	Parent company	Purchase	190,058	30	30-91 days	-	-	(30,051)	(40)	

ADVANTECH CO., LTD. AND INVESTEES

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

DECEMBER 31, 2003

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (%)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Advantech Co., Ltd.	AESC	Subsidiary of a wholly owned subsidiary	\$ 354,813	3.23	\$ -	-	\$ 224,757	\$ -
	AASC	Subsidiary	262,913	4.87	-	-	216,917	-
	ACN	Subsidiary of a wholly owned subsidiary	205,632	3.48	-	-	50,903	-

TABLE 7

ADVANTECH CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 FOR THE YEAR ENDED DECEMBER 31, 2003
 (Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2003			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note	
				Dec. 31, 2003	Dec. 31, 2002	Shares	Percentage of Ownership	Carrying Value				
Advantech Co., Ltd.	ATC	BVI	Sale of industrial automation products	\$ 427,781	\$ 385,078	12,550,000	100.00	\$ 759,623	\$ 287,182	\$ 287,182	Subsidiary	
	AAC (BVI)	BVI	Investment holding company	724,987	322,508	21,601,785	100.00	576,827	(88,302)	(87,170)	Subsidiary (Note 5)	
	Axiomtek Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	438,964	236,222	26,592,258	63.37	472,221	157,106	74,994	Subsidiary	
	AEU	Helmond, the Netherlands	Investment holding company	308,079	-	8,018,152	100.00	288,918	(60,290)	(56,119)	Subsidiary	
	Yin Hsin Co., Ltd.	Taipei, Taiwan	General investment	300,000	300,000	29,999,994	100.00	287,577	(8,595)	(8,595)	Subsidiary	
	AKR	Seoul, Korea	Sale of industrial automation products	51,646	51,646	4,429,210	43.00	155,042	45,651	15,309	Equity-method investee	
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	79,207	9,834	10,003	Subsidiary	
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	61,151	8,495	9,208	Subsidiary	
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	59,897	16,188	15,792	Subsidiary	
	AIT	Milano, Italy	Sale of industrial automation products	21,360	21,360	24,750	55.00	27,082	2,943	(2,697)	Subsidiary	
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	19,940	19,940	1,994,000	13.29	16,920	(23,065)	(3,065)	Subsidiary	
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	9,587	2,038	611	Equity-method investee (Note 1)	
	AIMS	Taipei, Taiwan	Investment and management service	5,000	-	500,000	100.00	4,894	18	(106)	Subsidiary	
	ABR	Sam Paulo, Brazil	Sale of industrial automation products	15,374	15,374	971,055	60.00	3,374	(7,246)	(3,982)	Subsidiary	
	ADCL	BVI	Sale of industrial automation products	16,395	16,395	500,000	100.00	2,511	13,235	13,257	Subsidiary	
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	275	56	56	Subsidiary	
	ATI	Delaware, USA	Sale of industrial automation products	-	163,410	-	-	-	49,641	49,641	Subsidiary (Note 5)	
	AASC	Sunnyvale, USA	Sale of industrial automation products	-	104,573	-	-	-	(4,558)	(12,891)	Subsidiary (Note 5)	
	ABB	Roosendaal, The Netherlands	Sale of industrial automation products	-	19,940	-	-	-	1,682	(4,092)	Subsidiary (Note 3)	
	AUK	Milton Keynes, England	Sale of industrial automation products	-	30,922	-	-	-	5,278	(3,157)	Subsidiary (Note 3)	
	ADL	Duesseldorf, Germany	Sale of industrial automation products	-	59,905	-	-	-	(43,764)	(24,999)	Subsidiary (Note 3)	
	AFR	Paris, France	Sale of industrial automation products	-	23,507	-	-	-	(32,129)	(17,728)	Subsidiary (Note 3)	
	AESC	Helmond, The Netherlands	Sale of industrial automation products	-	268,925	-	-	-	(118,685)	(103,121)	Subsidiary (Note 4)	
	Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	U.S.A.	Sale of industrial automation products	121,050	121,050	23,418	100.00	216,573	25,261	22,135	Subsidiary of a wholly owned subsidiary
		Axiomtek Technology Deutschland GmbH	Germany	Sale of industrial automation products	14,770	14,770	-	100.00	5,409	260	260	Subsidiary of a wholly owned subsidiary
Axiom Technology (BVI) Co., Ltd.		BVI	Holding company	6,626	6,626	210,000	100.00	4,640	(3,167)	(3,167)	Subsidiary of a wholly owned subsidiary	
Axiomtek SAS		France	Sale of industrial automation products	9,832	9,832	-	100.00	4,242	(1,311)	(1,311)	Subsidiary of a wholly owned subsidiary	
Axiom Technology Trading (BVI) Co., Ltd.		BVI	Holding company	3,075	3,075	100,000	100.00	1,318	(1,328)	(1,328)	Subsidiary of a wholly owned subsidiary	
Yin Hsin Co., Ltd.	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	100,000	100,000	10,000,000	66.67	84,369	(23,065)	(15,179)	Subsidiary of a wholly owned subsidiary	
	Broadwed Automation Co., Ltd.	Taipei, Taiwan	Production and sale of communications equipment and automation system	20,000	20,000	2,000,000	33.33	21,749	5,254	1,751	Equity-method investee of a subsidiary	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2003			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2003	Dec. 31, 2002	Shares	Percentage of Ownership	Carrying Value			
	Innova Tech & Management Consultant Inc.	Taipei	Sale and consultant of information system integration	\$ 15,000	\$ 15,000	1,250,000	26.32	\$ 14,980	\$ 873	(\$ 20)	Equity-method investee of a subsidiary (Note 1)
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	8,979	(577)	(173)	Equity-method investee of a subsidiary
Advantech IBHA Inc.	Yan Hong Co., Ltd.	Taipei	Assembly and production of computers	-	8,000	-	-	-	(980)	(980)	Subsidiary of a wholly owned subsidiary
ATC	AKMC	Kunshan	Production and sale of components of industrial automation products	409,393	370,725	-	100.00	416,564	23,140	23,140	Subsidiary of a wholly owned subsidiary
ADCL	AGZ	Guangzhou	Sale of industrial automation products	6,151	6,151	-	100.00	(8,153)	13,230	13,230	Subsidiary of a wholly owned subsidiary (Note 2)
TTC	Kunshan Timson Tech Co., Ltd.	Kunshan	Processes and sale of peripherals	30,222	30,222	-	100.00	29,975	(543)	(543)	Subsidiary of a wholly owned subsidiary
AAC (BVI)	AACB	Bermuda	Investment holding company	724,731	322,360	21,594,307	100.00	574,829	(88,184)	(88,184)	Subsidiary of a wholly owned subsidiary
AACB	AAC	Sunnyvale, USA	Assembly and sale of industrial automation products	504,179	188,337	10,952,606	100.00	457,395	10,657	(597)	Subsidiary of a wholly owned subsidiary (Note 5)
	ACN	Beijing	Sale of industrial automation products	185,356	-	-	100.00	94,444	(87,993)	(87,461)	Subsidiary of a wholly owned subsidiary
	APN	Penang, Malaysia	Sale of industrial automation products	4,656	4,656	570,570	55.00	7,348	1,596	878	Subsidiary of a wholly owned subsidiary
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	3,411	3,411	418,000	55.00	7,308	(1,802)	(441)	Subsidiary of a wholly owned subsidiary
	AAG	Leinf- Echterdingen, Germany	Sale of industrial automation products	2,457	2,457	2,000	100.00	3,604	-	-	Subsidiary of a wholly owned subsidiary
	AAJP	Tokyo, Japan	Sale of industrial automation products	5,990	5,990	400	37.74	(2,437)	629	237	Equity-method investee of a wholly owned subsidiary (Note 2)
	ABB	Roosendaal, The Netherlands	Sale of industrial automation products	-	14,403	-	-	-	1,682	(1,529)	Subsidiary (Note 3)
AEU	AESC	Helmond, The Netherlands	Sale of industrial automation products	90,450	-	8,314,280	100.00	76,875	(118,685)	(14,843)	Subsidiary of a wholly owned subsidiary (Note 4)
	AFR	Paris, France	Sale of industrial automation products	1,788	-	2,000,000	100.00	37,942	(32,129)	(18,130)	Subsidiary of a wholly owned subsidiary (Note 3)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2003			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2003	Dec. 31, 2002	Shares	Percentage of Ownership	Carrying Value			
	ABB	Roosendaal, The Netherlands	Sale of industrial automation products	\$ 29,160	\$ -	45,378	100.00	\$ 30,915	\$ 1,682	(\$ 965)	Subsidiary of a wholly-owned subsidiary (Note 3)
	AUK	Milton Keynes, England	Sale of industrial automation products	13,373	-	600,000	100.00	10,907	5,278	(2,418)	Subsidiary of a wholly-owned subsidiary (Note 3)
	ADL	Duesseldorf, Germany	Sale of industrial automation products	28,816	-	742,000	100.00	8,661	(43,764)	(20,933)	Subsidiary of a wholly-owned subsidiary (Note 3)

Note 1: Equity in investees' net income or net loss is recognized in the subsequent year using the equity method.

Note 2: The carrying value is shown as part of other liabilities.

Note 3: Stock sale to AEU in August 2003 (see Note 16 to the financial statements).

Note 4: Stock sale to AEU in November 2003 (see Note 16 to the financial statements).

Note 5: Advantech America Corp. and Advantech Technologies Inc. were liquidated on December 31, 2003, and remaining assets were sold to Advantech Automation Corp., the indirect investee of Advantech Automation Corp. (BVI). The needed fund was from Advantech Co., Ltd.

ADVANTECH CO., LTD. AND INVESTEEES

**INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2003**
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2003	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2003	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Value as of Dec. 31, 2003	Accumulated Inward Remittance of Earnings as of Dec. 31, 2003	Accumulated Investment in Mainland China as of Dec. 31, 2003	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								
Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd.	Sale of industrial automation products	US\$200 thousand	Indirect	\$ 6,151	\$ -	\$ -	\$ 6,151	100%	\$ 13,230	(\$ 8,153)	\$ -	\$ 609,223	US\$19,000 thousand	\$ 2,244,837
Advantech Technology (China) Company Ltd.	Production and sale of components of industrial automation products	US\$12,000 thousand	Indirect	366,881	42,512	-	409,393	100%	23,140	416,564	-	-		
Kunshan Timson Tech Co., Ltd.	Processes and sale of peripherals	US\$900 thousand	Indirect	8,323	-	-	8,323	30%	(163)	8,993	-	-		
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Sale of industrial automation products	US\$4,230 thousand	Indirect	-	185,356	-	185,356	100%	(87,461)	94,444	-	-		

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

Note 2: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. and its investees in Mainland China are described in Notes 16 and 18 to the financial statements and Tables 2, 3, 5, 6, and 7.