

Advantech Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2004 and 2003 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Advantech Co., Ltd. as of December 31, 2004 and 2003, 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 Europe Holding B.V., Advantech Technologies Co., Ltd., Advantech Co., Singapore Pte, Ltd., Advantech Japan Co., Ltd., Advantech Australia Pty Ltd., Advantech Italia S.P.A., Advantech Hungary Ltd., Advantech Brasil S/A, Axiomtek Co., Ltd., Advantech Automation (Penang) Sdn. Bhd., Advantech Control (M) Sdn. Bhd., Advantech Corp. and Innova Tech & Management Consultant Inc. Their financial statements as of December 31, 2004 and 2003 were audited by other auditors. Investments in these companies were either direct or indirect (i.e., through wholly owned subsidiaries) and were all accounted for by the equity method. The carrying values of these investments were 17.49% (NT\$1,744,313 thousand) and 19.34% (NT\$1,643,510 thousand), of the Company's total assets as of December 31, 2004 and 2003, respectively. The negative carrying value of these investments, which was recorded as part of other liabilities, was 0.04% (NT\$3,542 thousand) of the Company's total assets as of December 31, 2004. Also, the equity in the investees' net gain was 7.25% (NT\$174,781 thousand) and 8.37% (NT\$99,078 thousand) of the Company's income before income tax in 2004 and 2003, 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 the Audit 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of 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, 2004 and 2003 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.

March 10, 2005

Notice to Readers

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

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

ADVANTECH CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

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

ASSETS	2004		2003		LIABILITIES AND SHAREHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 3)	\$ 880,956	9	\$ 370,291	4	Bank loan (Note 9)	\$ 5,134	-	\$ -	-
Short-term investments (Notes 2 and 4)	2,010,724	20	1,418,281	17	Notes payable	819	-	1,367	-
Notes receivable (Note 2)	48,477	-	56,683	1	Accounts payable	346,961	4	418,736	5
Accounts receivable, net of allowance for doubtful accounts of \$16,600 in 2004 and \$15,387 in 2003 (Note 2)	324,031	3	363,111	4	Payables to related parties (Note 17)	732,333	7	601,383	7
Receivables from related parties (Notes 2 and 17)	975,919	10	1,055,535	13	Income tax payable (Notes 2 and 13)	136,359	1	-	-
Inventories, net (Notes 2 and 5)	641,505	6	609,011	7	Accrued expenses	147,758	2	159,568	2
Deferred income tax assets - current (Notes 2 and 13)	49,289	1	58,798	1	Corporate bonds payable (Notes 2 and 10)	291,452	3	1,035,620	12
Other current assets (Notes 2 and 10)	170,157	2	199,106	2	Other current liabilities	117,758	1	68,955	1
Total current assets	5,101,058	51	4,130,816	49	Total current liabilities	1,778,574	18	2,285,629	27
LONG-TERM EQUITY INVESTMENTS (Notes 2, 6, 11 and 17)					OTHER LIABILITIES				
Equity method	3,139,050	32	2,805,106	33	Accrued pension liabilities (Notes 2 and 16)	114,569	1	113,064	1
Cost method	20,000	-	20,000	-	Deferred income tax liabilities - noncurrent (Notes 2 and 13)	142,107	2	57,516	1
Total long-term equity investments	3,159,050	32	2,825,106	33	Deferred income (Note 2)	212,861	2	221,861	3
PROPERTIES (Notes 2 and 7)					Miscellaneous (Notes 2 and 6)	6,250	-	2,998	-
Cost					Total other liabilities	475,787	5	395,439	5
Land	621,229	6	571,456	7	Total liabilities	2,254,361	23	2,681,068	32
Buildings and equipment	831,872	8	792,839	9	SHAREHOLDERS' EQUITY				
Machinery and equipment	254,913	3	206,409	2	Capital stock, \$10 par value				
Furniture and fixtures	80,739	1	59,318	1	Authorized - 500,000 thousand shares				
Miscellaneous equipment	108,714	1	96,022	1	Issued - 374,296 thousand shares in 2004 and 341,304 thousand shares in 2003	3,742,962	37	3,413,039	40
Total cost	1,897,467	19	1,726,044	20	Capital surplus				
Accumulated depreciation	(329,814)	(3)	(281,450)	(3)	Issue of stock in excess of par value	1,072,211	11	455,155	5
	1,567,653	16	1,444,594	17	From long-term equity investments	14,990	-	33,845	1
Advances for equipment to be acquired	10,577	-	2,186	-	Total capital surplus	1,087,201	11	489,000	6
Net properties	1,578,230	16	1,446,780	17	Retained earnings				
OTHER ASSETS					Legal reserve	627,331	6	520,089	6
Deferred expense, net (Note 2)	92,331	1	17,607	-	Unappropriated earnings	2,280,132	23	1,513,392	18
Properties leased to others, net (Notes 2 and 8)	30,435	-	69,384	1	Total retained earnings	2,907,463	29	2,033,481	24
Certificates of deposit - restricted (Note 18)	4,900	-	2,400	-	Cumulative translation adjustments	(19,661)	-	91,338	1
Miscellaneous	6,322	-	5,097	-	Treasury stocks - 3,862 thousand shares in 2003	-	-	(210,736)	(3)
Total other assets	133,988	1	94,488	1	Total shareholders' equity	7,717,965	77	5,816,122	68
TOTAL	\$ 9,972,326	100	\$ 8,497,190	100	TOTAL	\$ 9,972,326	100	\$ 8,497,190	100

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

(With Deloitte & Touche audit report dated March 10, 2005)

ADVANTECH CO., LTD.

STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Note 2)				
Sales (Note 17)	\$ 7,809,199	100	\$ 6,875,234	100
Sales returns and allowances	<u>67,476</u>	<u>1</u>	<u>89,804</u>	<u>1</u>
Net sales	7,741,723	99	6,785,430	99
Other operating revenues	<u>68,240</u>	<u>1</u>	<u>53,210</u>	<u>1</u>
Total operating revenues	7,809,963	100	6,838,640	100
OPERATING COSTS (Notes 2, 14 and 17)	<u>5,424,472</u>	<u>70</u>	<u>4,434,092</u>	<u>65</u>
GROSS PROFIT	2,385,491	30	2,404,548	35
REALIZED (DEFERRED) PROFITS ON INTERCOMPANY SALES (Note 2)	<u>9,000</u>	<u>-</u>	<u>83,253</u>	<u>1</u>
ADJUSTED GROSS PROFIT	<u>2,394,491</u>	<u>30</u>	<u>2,487,801</u>	<u>36</u>
OPERATING EXPENSES (Note 14)				
Marketing	301,765	4	259,704	4
Administration	183,640	2	169,273	2
Research and development	<u>388,911</u>	<u>5</u>	<u>333,896</u>	<u>5</u>
Total operating expenses	<u>874,316</u>	<u>11</u>	<u>762,873</u>	<u>11</u>
OPERATING INCOME	<u>1,520,175</u>	<u>19</u>	<u>1,724,928</u>	<u>25</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees, net (Notes 2 and 6)	811,108	11	148,331	2
Royalty revenue (Note 17)	107,737	1	-	-
Gain on disposal of investments	29,870	1	97,247	1
Interest (Note 17)	2,525	-	3,905	-
Reversal of allowance for losses on inventories	-	-	32,816	1
Other income (Note 17)	<u>39,739</u>	<u>1</u>	<u>46,726</u>	<u>1</u>
Total nonoperating income and gains	<u>990,979</u>	<u>13</u>	<u>329,025</u>	<u>5</u>
NONOPERATING EXPENSES AND LOSSES				
Losses on disposal of scrap inventories	47,995	1	75,855	1
Interest	24,688	-	42,460	1
Provision for losses on inventories	22,684	-	-	-
Foreign exchange loss, net (Note 20)	-	-	624,767	9

(Continued)

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Premium expenses (Note 20)	\$ -	-	\$ 123,510	2
Other expenses (Note 14)	<u>5,632</u>	-	<u>2,939</u>	-
Total nonoperating expenses and losses	<u>100,999</u>	<u>1</u>	<u>869,531</u>	<u>13</u>
INCOME BEFORE INCOME TAX	2,410,155	31	1,184,422	17
INCOME TAX (Notes 2 and 13)	<u>250,000</u>	<u>3</u>	<u>112,000</u>	<u>1</u>
NET INCOME	<u>\$ 2,160,155</u>	<u>28</u>	<u>\$ 1,072,422</u>	<u>16</u>
	<u>2004</u>		<u>2003</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>Pretax</u>	<u>After-tax</u>
EARNINGS PER SHARE (Note 15)				
Basic	<u>\$ 6.60</u>	<u>\$ 5.91</u>	<u>\$ 3.28</u>	<u>\$ 2.97</u>
Diluted	<u>\$ 6.39</u>	<u>\$ 5.72</u>	<u>\$ 3.22</u>	<u>\$ 2.90</u>

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

(With Deloitte & Touche audit report dated March 10, 2005)

(Concluded)

ADVANTECH CO., LTD.

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

	Capital Stock				Capital Surplus (Notes 2, 11 and 12)			Retained Earnings (Notes 2, 11 and 12)			Cumulative Translation Adjustments (Note 2)	Treasury Stocks (Notes 2 and 12)	Total Shareholders' Equity
	Issued (Notes 10, 11 and 12)		Entitlement Certificates (Notes 2, 10 and 11)		Issue of Stock in	From Long-term							
	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Excess of Par Value	Equity Investments	Total	Legal Reserve	Unappropriated Earnings	Total			
BALANCE, JANUARY 1, 2003	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 capital stock	714	7,132	-	-	39,982	-	39,982	-	-	-	-	-	47,114
Conversion of entitlement certificates into capital stock	16	162	(16)	(162)	-	-	-	-	-	-	-	-	-
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 adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	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
Appropriation of 2003 earnings													
Legal reserve	-	-	-	-	-	-	-	107,242	(107,242)	-	-	-	-
Bonus to employees	5,500	55,000	-	-	-	-	-	-	(96,518)	(96,518)	-	-	(41,518)
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	(9,652)	(9,652)	-	-	(9,652)
Stock dividends - 5%	16,886	168,864	-	-	-	-	-	-	(168,864)	(168,864)	-	-	-
Cash dividends - \$2.5 per share	-	-	-	-	-	-	-	-	(844,320)	(844,320)	-	-	(844,320)
Net income in 2004	-	-	-	-	-	-	-	-	2,160,155	2,160,155	-	-	2,160,155
Conversion of bonds into capital stock	14,468	144,679	-	-	622,353	-	622,353	-	-	-	-	-	767,032
Decrease in carrying value of equity investment due to change in equity in investee	-	-	-	-	-	(18,929)	(18,929)	-	-	-	-	-	(18,929)
Increase in additional paid-in capital from equity investment due to change in equity in investee	-	-	-	-	-	74	74	-	-	-	-	-	74
Write off treasury stock	(3,862)	(38,620)	-	-	(5,297)	-	(5,297)	-	(166,819)	(166,819)	-	210,736	-
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	(102,824)	-	(102,824)
Equity in the investees' translation adjustments	-	-	-	-	-	-	-	-	-	-	(8,175)	-	(8,175)
BALANCE, DECEMBER 31, 2004	374,296	\$ 3,742,962	-	\$ -	\$ 1,072,211	\$ 14,990	\$ 1,807,201	\$ 627,331	\$ 2,280,132	\$ 2,907,463	\$ (19,661)	\$ -	\$ 7,717,965

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

(With Deloitte & Touche audit report dated March 10, 2005)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,160,155	\$ 1,072,422
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	77,575	70,462
Bad-debt expense	30,936	1,799
Provision (reversal) of allowance for losses on inventories	22,684	(32,816)
Losses on disposal of scrap inventories	47,995	75,855
Loss (gain) on disposal of properties, net	1,675	(26)
Gain on sale of long-term equity investments	-	(64,941)
Equity in net gain of investees, net	(811,108)	(148,331)
Cash dividends from equity-method investees	374,542	34,681
Accrued pension liabilities	1,505	16,923
Interest-premium on convertible bonds	23,318	42,200
Deferred income taxes	94,100	82,748
Net changes in operating assets and liabilities		
Short-term investments	(592,443)	(171,857)
Notes receivable	8,206	6,544
Accounts receivable	8,144	(35,418)
Receivables from related parties	79,616	(64,206)
Inventories	(103,173)	39,519
Other current assets	28,949	(149,378)
Notes payable	(548)	(10,473)
Accounts payable	(71,775)	(73,595)
Payables to related parties	130,950	470,102
Income tax payable	136,359	(184,296)
Accrued expenses	(11,810)	42,025
Other current liabilities	(10,566)	(68,036)
Deferred income	(9,000)	(83,253)
Net cash provided by operating activities	<u>1,616,286</u>	<u>868,654</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of long-term equity investments	(23,690)	(773,237)
Proceeds from sale of long-term equity investments	-	529,281
Proceeds from sale of properties	2,683	3,808
Acquisition of properties	(139,841)	(39,419)
Increase in certificates of deposit - restricted	(2,500)	(1,600)
Increase in deferred expense	(88,906)	(13,969)
Increase in other assets	(1,254)	393
Net cash used in investing activities	<u>(253,508)</u>	<u>(294,743)</u>

(Continued)

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of treasury stock	\$ -	\$ (210,736)
Increase in bank loan	5,134	-
Corporate bond repayments	(454)	-
Increase in other liabilities	(290)	(2,235)
Cash dividends paid	(844,320)	(429,363)
Bonus paid to employees, directors and supervisors	<u>(12,183)</u>	<u>(50,454)</u>
Net cash used in financing activities	<u>(852,113)</u>	<u>(692,788)</u>
NET INCREASE (DECREASE) IN CASH	510,665	(118,877)
CASH, BEGINNING OF YEAR	<u>370,291</u>	<u>489,168</u>
CASH, END OF YEAR	<u>\$ 880,956</u>	<u>\$ 370,291</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Negative carrying value of investments recorded as part of other liabilities	<u>\$ 3,542</u>	<u>\$ -</u>
Reclassification of properties leased to others to properties	<u>\$ 38,479</u>	<u>\$ 52,324</u>
Conversion of bonds into capital stock and capital surplus	<u>\$ 767,032</u>	<u>\$ 47,114</u>
Conversion of entitlement certificates into capital stock	<u>\$ -</u>	<u>\$ 162</u>
Issuance of shares for acquiring long-term equity investments	<u>\$ -</u>	<u>\$ 270,421</u>
Current portion of corporate bonds payable	<u>\$ -</u>	<u>\$ 1,035,620</u>
Bonus to employees, directors and supervisors	<u>\$ 55,496</u>	<u>\$ 16,509</u>
Retired treasury stocks	<u>\$ 210,736</u>	<u>\$ -</u>
Pay for properties:		
Increase in properties	\$ (160,223)	\$ (39,419)
Increase in payables on equipment	<u>20,382</u>	<u>-</u>
	<u>\$ (139,841)</u>	<u>\$ (39,419)</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	\$ 1,370	\$ 250
Income tax paid	\$ 19,541	\$ 193,677

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

(With Deloitte & Touche audit report dated March 10, 2005)

(Concluded)

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

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

1. ORGANIZATION AND OPERATIONS

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

As of December 31, 2004 and 2003, the Company had 885 and 753 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Current/Noncurrent Assets and Liabilities

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

Short-term Investments

Short-term investments consist of 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 is 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.

Deferred Expenses

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

Revenue Recognition

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

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

Pension Costs

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

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

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

Convertible Bonds

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

Treasury Stock

The 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 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

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Cash on hand	\$ 366	\$ 185
Checking and demand deposits	133,025	74,293
Time deposits: Interest - 1.00%-2.00% in 2004 and 0.92%-1.97% in 2003	<u>747,565</u>	<u>295,813</u>
	<u>\$ 880,956</u>	<u>\$ 370,291</u>

On December 31, 2004, information on foreign deposits is as follows:

Hong Kong (included \$23 thousand U.S. dollars and \$139 thousand H.K. dollars)	<u>\$ 1,301</u>
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4. SHORT-TERM INVESTMENTS

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Mutual funds	\$ 2,010,724	\$ 1,408,281
Convertible bonds	<u>-</u>	<u>10,000</u>
	<u>\$ 2,010,724</u>	<u>\$ 1,418,281</u>

5. INVENTORIES, NET

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Finished goods	\$ 234,904	\$ 209,996
Work in process	277,099	244,536
Materials and supplies	245,757	247,580
Inventories in transit	<u>143</u>	<u>613</u>
	757,903	702,725
Allowance for losses	<u>(116,398)</u>	<u>(93,714)</u>
	<u>\$ 641,505</u>	<u>\$ 609,011</u>

6. LONG-TERM EQUITY INVESTMENTS

	<u>December 31</u>			
	<u>2004</u>		<u>2003</u>	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
<u>Equity method</u>				
Advantech Technology Co., Ltd.	\$ 947,985	100.00	\$ 759,623	100.00
Advantech Automation Corp. (BVI)	686,921	100.00	576,827	100.00
Axiomtek Co., Ltd.	508,765	60.87	472,221	63.37
Yin Hsin Investment Co., Ltd.	275,244	100.00	287,577	100.00
Advantech Europe Holding B.V.	264,608	96.44	288,918	100.00
Advantech Technologies Co., Ltd.	174,033	43.00	155,042	43.00
Advantech Co. Singapore Pte, Ltd.	82,036	100.00	79,207	100.00
Advantech Australia Pty Ltd.	69,867	100.00	61,151	100.00
Advantech Japan Co., Ltd.	68,644	100.00	59,897	100.00
Advantech Italia S.p.A.	21,975	100.00	27,082	55.00
Advantech IBHA Technologies Inc.	14,947	13.29	16,920	13.29
Advantech Hungary Ltd.	11,105	30.00	9,587	30.00
Advantech Investment & Management Service	5,151	100.00	4,894	100.00
Advantech Development Co., Ltd.	7,659	100.00	2,511	100.00
Advantech (H.K.) Technology Co., Ltd.	110	100.00	275	100.00
Advantech Brasil S/A	<u>-</u>	60.00	<u>3,374</u>	60.00
	<u>3,139,050</u>		<u>2,805,106</u>	
<u>Cost method</u>				
Silicon Motion Inc. (formerly Feiya Technology Corp.)	<u>20,000</u>	0.54	<u>20,000</u>	0.63
	<u>\$ 3,159,050</u>		<u>\$ 2,825,106</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 their 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. The equity in Advantech Hungary Ltd.'s net income or net loss is recognized in the subsequent year's financial statements of the Company because its reporting period was not the same as that of the Company.

The investment in Advantech Brasil S/A as of December 31, 2004 had a negative carrying value of \$3,542 thousand. The Company will continue supporting this investee's operations (included in other liabilities); thus, it will continue recognizing its investment losses in proportion to its equity in the investee.

As of December 31, 2004 and 2003, the equities in the net assets of cost-method investees were about \$10,109 thousand and \$9,564 thousand, respectively, based on year-end unaudited financial statements.

The Company prepared consolidated financial statements as of and for the year ended December 31, 2004, which included direct and indirect subsidiaries, except Axiomtek Technology Deutschland GmbH, Axiom Technology (BVI) Co., Ltd., Axiomtek SAS and Axiom Technology Trading (BVI) Co., Ltd. because they had no material influence on the consolidated financial statements.

7. PROPERTIES

Accumulated depreciation was as follows:

	December 31	
	2004	2003
Buildings and equipment	\$ 67,181	\$ 48,908
Machinery and equipment	137,233	121,429
Furniture and fixtures	45,747	37,782
Miscellaneous equipment	<u>79,653</u>	<u>73,331</u>
	<u>\$ 329,814</u>	<u>\$ 281,450</u>

Depreciation expenses were \$63,364 thousand in 2004 and \$60,103 thousand in 2003.

8. PROPERTIES LEASED TO OTHERS

	December 31	
	2004	2003
Cost		
Land	\$ 19,243	\$ 35,085
Buildings and equipment	<u>13,637</u>	<u>38,604</u>
	32,880	73,689
Accumulated depreciation	<u>2,445</u>	<u>4,305</u>
	<u>\$ 30,435</u>	<u>\$ 69,384</u>

9. SHORT-TERM BANK LOANS

The short-term bank loans was a credit loan with 2.20% to 2.95% interest rate in 2004.

10. BONDS

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Unsecured convertible bonds	\$ 244,400	\$ 932,600
Interest-premium on convertible bonds	<u>47,052</u>	<u>103,020</u>
	<u>\$ 291,452</u>	<u>\$ 1,035,620</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, 2004, bonds with aggregate face value of \$755,200 thousand had been converted to 15,497 thousand shares and 400 thousand had been redeemed at the holders' request.

11. SHAREHOLDERS' EQUITY

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

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

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

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

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

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

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

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

On May 27, 2004 and May 2, 2003, the shareholders approved the board of directors' proposals dated March 25, 2004 and March 19, 2003 on the appropriation of the 2003 and 2002 earnings. The bonus to employees, directors and supervisors was distributed as follows:

	2003	2002
Bonus to employees - stock	\$ 55,000	\$ 55,214
Bonus to employees - cash	41,518	55,856
Bonus to directors and supervisors	<u>9,652</u>	<u>11,107</u>
	<u>\$ 106,170</u>	<u>\$ 122,177</u>

The employees' stock bonus consisted of 5,500 and 5,521 thousand shares, which were 1.61% and 1.93%, respectively, of the outstanding common stock as of the end of 2003 and 2002, respectively. The basic earnings per share would have decreased from NT\$3.17 to NT\$2.85 in 2003 and from NT\$4.32 to \$3.89 in 2002 had the bonus to employees, directors and supervisors been expensed instead of being appropriated from retained earnings.

As of March 10, 2005, the Company's board of directors had not decided the appropriation of the 2004 earnings. Related information can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

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 to exchange for 17,170 common shares of Axiomtek Co., Ltd. (45.36% of issued stock). The effective date of the swap was April 28, 2003, which was approved by the Securities and Futures Bureau (SFB).

On April 1, 2003, the SFB approved the Company's stock option plan. There were 3,000 thousand units authorized to be issued, which may be converted to 3,000 thousand common shares. Employees may exercise a certain percentage of the option between two and four years of the grant date, and options will expire six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT\$51.00. As of December 31, 2004, no options had been exercised.

12. TREASURY STOCKS

Unit: In Thousand Shares

Reason for Repurchase	January 1, 2004	Increase	Decrease	December 31, 2004
<u>2004</u>				
Maintaining the Company's credit and shareholders' equity	<u>3,862</u>	<u>-</u>	<u>3,862</u>	<u>-</u>
<u>2003</u>				
Maintaining the Company's credit and shareholders' equity	<u>-</u>	<u>3,862</u>	<u>-</u>	<u>3,862</u>

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

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

13. INCOME TAX

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

	2004	2003
Tax on pretax income at 25% statutory rate	\$ <u>2,410,155</u>	\$ <u>1,184,422</u>
Add (deduct) tax effects of:		
Stock exchange income	(29,870)	(94,247)
Accumulated equity in the net gain of domestic investees	(86,508)	(63,227)
Tax exempt from operation headquarters	(443,497)	-
Gain on disposal of foreign long-term investments	-	(724,548)
Others	<u>3,337</u>	<u>3,262</u>
	<u>(556,538)</u>	<u>(878,760)</u>
Temporary differences		
Unrealized foreign exchange gain	(43,771)	(55,747)
Allowance for loss on inventories	22,684	(32,816)
Interest-premium on convertible bonds	23,318	42,200
Pension cost	1,505	16,923
Deferred income	(9,000)	(83,253)
Accumulated equity in the net gain of investees	(724,600)	(85,104)
Allowance for tax-deductible equity in net loss of foreign investees	148,072	(22,077)

(Continued)

	2004	2003
Dividends of foreign investees	\$ 346,204	\$ -
Others	<u>12,387</u>	<u>-</u>
	(223,201)	(219,874)
	1,630,416	85,788
Five-year tax exemption	<u>(460,808)</u>	<u>(85,788)</u>
Taxable income	<u>1,169,608</u>	<u>-</u>
Tax on pretax income at 25% statutory rate	292,392	-
Income tax (10%) on undistributed earnings	-	39,742
Investment tax credits	<u>(145,779)</u>	<u>(19,871)</u>
Income tax expense	146,613	19,871
Provisional payment	<u>(10,254)</u>	<u>(19,871)</u>
Income tax currently payable	<u>\$ 136,359</u>	<u>\$ -</u>

b. Income tax expense consisted of:

	2004	2003
Income tax payable	\$ 146,613	19,871
Income tax expense (benefit) - deferred	94,100	82,748
Adjustment of prior year's income tax	<u>9,287</u>	<u>9,381</u>
Income tax expense (shown in the statements of income)	<u>\$ 250,000</u>	<u>\$ 112,000</u>

c. Net deferred income taxes as of December 31, 2004 and 2003 consisted of the following:

	December 31	
	2004	2003
Current		
Investment tax credit	\$ 27,184	\$ 34,679
Allowance for loss on inventories	29,100	23,428
Unrealized foreign exchange gain	(10,275)	668
Others	<u>3,280</u>	<u>23</u>
Deferred income tax assets	<u>\$ 49,289</u>	<u>\$ 58,798</u>
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of investees	\$ 119,712	\$ 58,115
Deferred income	37,864	40,114
Interest-premium on convertible bonds	31,584	25,755
Pension cost	28,642	28,266
Investment tax credits	<u>-</u>	<u>48,204</u>
	217,802	200,454
Valuation allowance	<u>(151,296)</u>	<u>(83,870)</u>
	<u>66,506</u>	<u>116,584</u>
Deferred income tax liabilities:		
Accumulated equity in the net gain of foreign investees	(192,919)	(121,388)
Allowance for tax-deductible equity in net loss of foreign investees	<u>(15,694)</u>	<u>(52,712)</u>
	<u>(208,613)</u>	<u>(174,100)</u>
Net deferred income tax assets (liabilities)	<u>\$ (142,107)</u>	<u>\$ (57,516)</u>

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

The ICA balances were \$67,805 thousand and \$133,211 thousand as of December 31, 2004 and 2003, respectively.

The ratio of the ICA to the earnings generated starting January 1, 1998 (creditable tax ratio) as of December 31, 2004 was 3.08%. The actual creditable tax ratio for earnings as of December 31, 2003, which were distributed in 2004, was 9.3%.

The creditable tax ratio should be based on the balance in the ICA on the date of dividend distribution. Thus, the expected creditable ratio for the 2004 earnings may differ from the actual ratio depending on the ICA balance on the dividend distribution date.

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

Legislation	Deductible Item	Tax Credits	
		Obtained	Unused Tax Credits
<u>2004</u>			
Statute for Upgrading Industries	R&D and training expenses	\$ 167,134	\$ 27,184
	Purchase of automated mechanical equipment	5,829	-
<u>2003</u>			
Statute for Upgrading Industries	R&D and training expenses	\$ 101,025	\$ 82,883
	Purchase of automated mechanical equipment	1,729	-

The balance of unappropriated retained earnings as of December 31, 2004 and 2003 included earnings of \$81,329 thousand generated up to December 31, 1997.

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

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

14. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	2004			2003		
	Included in Cost of Goods Sold	Included in Operating Expenses	Total	Included in Cost of Goods Sold	Included in Operating Expenses	Total
Personnel expenses						
Payroll	\$ 154,978	\$ 405,443	\$ 560,421	\$ 131,538	\$ 367,337	\$ 498,875
Insurance	13,566	30,833	44,399	11,060	25,769	36,829
Pension	4,785	6,718	11,503	6,254	19,755	26,009
Others	10,864	16,623	27,487	9,235	14,633	23,868
Depreciation	36,635	26,259	62,894	33,930	25,355	59,285
Amortization	2,464	11,747	14,211	571	9,788	10,359
	<u>\$ 223,292</u>	<u>\$ 497,623</u>	<u>\$ 720,915</u>	<u>\$ 192,588</u>	<u>\$ 462,637</u>	<u>\$ 655,225</u>

Expenses for properties leased to others, which were \$470 thousand in 2004 and \$818 thousand in 2003, respectively (included in nonoperating expenses - other expenses), were not included in the above depreciation expenses.

15. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousand)</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>		<u>Pretax</u>	<u>After-tax</u>
<u>2004</u>					
Primary EPS	\$ 2,410,155	\$ 2,160,155	365,230	<u>\$ 6.60</u>	<u>\$ 5.91</u>
The impact of dilutive potential common stock	-	-	945		
Convertible bonds	<u>23,318</u>	<u>17,488</u>	<u>14,396</u>		
Diluted EPS	<u>\$ 2,433,473</u>	<u>\$ 2,177,643</u>	<u>380,571</u>	<u>\$ 6.39</u>	<u>\$ 5.72</u>
<u>2003</u>					
Primary EPS	\$ 1,184,422	\$ 1,072,422	361,187	<u>\$ 3.28</u>	<u>\$ 2.97</u>
The impact of dilutive potential common stock					
Employ stock option	-	-	76		
Convertible bonds	<u>42,200</u>	<u>31,650</u>	<u>19,692</u>		
Diluted EPS	<u>\$ 1,226,622</u>	<u>\$ 1,104,072</u>	<u>380,955</u>	<u>\$ 3.22</u>	<u>\$ 2.90</u>

The EPS was retroactively adjusted for the stock dividends declared. Thus, pretax and after-tax primary EPS decreased from NT\$3.50 to NT\$3.28 and from NT\$3.17 to \$2.97 in 2004 and 2003, respectively, and pretax and after-tax diluted EPS decreased from NT\$3.43 to NT\$3.22 and from \$3.09 to \$2.90, respectively.

16. PENSION PLAN

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

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

Other pension information is summarized as follows:

	2004	2003
a. Components of pension cost:		
Service cost	\$ 12,817	\$ 24,086
Interest cost	3,804	4,581
Projected return on plan assets	(1,800)	(1,694)
Amortization of unrecognized net transition obligation and net pension plan gains or losses	<u>(3,318)</u>	<u>(964)</u>
	<u>\$ 11,503</u>	<u>\$ 26,009</u>
	December 31	
	2004	2003
b. Reconciliation between the funded status of the pension plan and accrued pension liabilities:		
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	<u>72,151</u>	<u>82,405</u>
Accumulated benefit obligation	72,151	82,405
Additional benefits based on future salaries	<u>22,869</u>	<u>26,270</u>
Projected benefit obligation	95,020	108,675
Fair value of plan assets	<u>(62,094)</u>	<u>(51,434)</u>
Funded status	32,926	57,241
Unrecognized net transition obligation	(20,043)	(21,866)
Unrecognized net gain	<u>101,686</u>	<u>77,689</u>
Accrued pension liabilities	<u>\$ 114,569</u>	<u>\$ 113,064</u>
c. Actuarial assumptions		
Discount rate used in determining present values	3.5%	3.5%
Future salary increase rate	1.5%	1.5%
Expected rate of return on plan assets	3.5%	3.5%
	2004	2003
d. Contributions to pension fund	<u>\$ 9,999</u>	<u>\$ 9,086</u>

17. RELATED-PARTY TRANSACTIONS

a. Related parties

	<u>Relationship with the Company</u>
Yin Hsin Investment Co., Ltd. (Yin Hsin)	Equity-method investee
Advantech IBHA Technologies Inc. (Advantech IBHA)	Equity-method investee
Axiomtek Co., Ltd. (Axiomtek)	Equity-method investee
Advantech Investment & Management Service (AIMS)	Equity-method investee
Advantech Europe Holding B.V. (AEU)	Equity-method investee
Advantech Co. Singapore Pte, Ltd. (ASG)	Equity-method investee
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Japan Co., Ltd. (AJP)	Equity-method investee
Advantech Technologies Co., Ltd. (AKR)	Equity-method investee
Advantech Development Co., Ltd. (ADCL)	Equity-method investee
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech Italia S.p.A. (AIT)	Equity-method investee
Advantech Brasil S/A (ABR)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech Automation Corp. (BVI) [AAC (BVI)]	Equity-method investee
Advantech Automation Corp., Ltd. (AACB)	Equity-method investee of AAC (BVI)
Advantech Technologies, Inc. (ATI)	Equity-method investee until liquidation on December 31, 2003 and transfer of all assets and liabilities to the Company (see Note below this table)
Advantech America Corp. (AASC)	Equity-method investee until liquidation on December 31, 2003 and transfer of all assets and liabilities to the Company (see Note below this table)
Advantech France S.A. (AFR)	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 June 2003 (became investee of AEU in June 2003 through the reorganization of the Company's investment structure)
Advantech Europe B.V. (AESC)	Equity-method investee before November 2003 (became investee of AEU in November 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

(Continued)

Relationship with the Company

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 Corporation (Thailand) Co., Ltd. (ATH)	Equity-method investee of ASG
Advantech Corp. (AC) (Advantech Automation Corp., AAC)	Equity-method investee of AACB
Advantech Control (M) Sdn. Bhd. (AKL)	Equity-method investee of AACB
Advantech Automation (Penang) Sdn. Bhd. (APN)	Equity-method investee of AACB
Advan Automation Co., Ltd. (AAJP)	Equity-method investee of AACB
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AACB
Mr. Andrea Zolli	Manager of AIT Company
Immoobiliare Verdi Srl	Manager of AIT Company

Note: AC's significant transactions in 2004 shown below correspond to the related-party transactions of ATI and AASC as of and for the year ended December 31, 2003.

- 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>For the year</u>	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
1) Sales				
AC	\$ 1,624,008	21	\$ 1,363,552	20
AESC	1,602,783	20	1,187,234	17
ACN	1,139,550	15	357,298	5
AKR	287,920	4	282,599	4
AJP	249,493	3	298,026	4
Axiomtek	161,507	2	190,058	3
ASG	158,647	2	152,303	2
AAU	90,361	1	89,463	1
AKMC	59,813	1	45,420	1
AUK	54,657	1	32,589	1
AKL	36,246	-	40,903	1
ABR	32,175	-	31,476	1
ATC	21,425	-	27,124	-
Advantech IBHA	14,675	-	22,060	-
ADCL	-	-	718,781	11
Others	43,166	1	29,463	-
	<u>\$ 5,576,426</u>	<u>72</u>	<u>\$ 4,868,349</u>	<u>71</u>

(Continued)

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
2) Purchase of materials and supplies				
ATC	\$ 2,109,017	42	\$ 1,085,194	27
Advantech IBHA	21,798	-	47,397	1
Axiomtek	4,975	-	4,370	-
AC	1,669	-	3,516	-
AKMC	7	-	59,980	2
Others	2,710	-	5,299	-
	<u>\$ 2,140,176</u>	<u>42</u>	<u>\$ 1,205,756</u>	<u>30</u>
3) Royalty revenue for patent (part of nonoperating income)				
ATC	<u>\$ 107,737</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>
4) Interest revenue (part of nonoperating income)				
ADL	\$ -	-	\$ 272	7
ABB	-	-	171	4
AFR	-	-	157	4
	<u>\$ -</u>	<u>-</u>	<u>\$ 600</u>	<u>15</u>
5) Administrative (part of nonoperating income)				
ATC	\$ 1,315	6	\$ 2,972	1
Advantech IBHA	525	3	-	-
ATI	-	-	4,458	1
AESC	-	-	4,119	1
AJP	-	-	2,060	1
AC	-	-	1,646	-
Others	-	-	1,991	1
	<u>1,840</u>	<u>9</u>	<u>17,246</u>	<u>5</u>
6) Rental revenues (part of nonoperating income)				
Broadwed Automation	651	3	781	1
Advantech IBHA	140	1	281	-
Axiomtek	116	-	290	-
Yan Hong	-	-	200	-
Others	16	-	-	-
	<u>923</u>	<u>4</u>	<u>1,552</u>	<u>1</u>
	<u>\$ 2,763</u>	<u>13</u>	<u>\$ 18,798</u>	<u>6</u>

(Continued)

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<u>At end of year</u>				
7) Receivables				
Accounts				
AESC	\$ 410,226	42	\$ 354,813	34
AC	237,117	24	277,729	26
ACN	108,299	11	205,632	19
AKR	65,211	7	38,605	4
AJP	44,288	5	57,431	5
AKMC	23,753	2	5,272	-
Axiomtek	19,876	2	30,051	3
ABR	11,019	1	8,175	1
ASG	10,275	1	20,127	2
AAU	6,249	1	18,266	2
AUK	5,229	1	5,490	-
AKL	4,714	-	16,179	2
Advantech IBHA	2,631	-	1,960	-
ATC	2,011	-	1,953	-
Others	<u>4,169</u>	<u>-</u>	<u>13,852</u>	<u>2</u>
	955,067	98	1,055,535	100
Royalty				
ATC	<u>20,852</u>	<u>2</u>	<u>-</u>	<u>-</u>
	<u>\$ 975,919</u>	<u>100</u>	<u>\$ 1,055,535</u>	<u>100</u>
8) Payables				
Accounts				
ATC	\$ 708,958	97	\$ 551,341	92
Advantech IBHA	14,214	2	35,720	6
AC	787	-	2,733	1
Others	<u>2,304</u>	<u>-</u>	<u>890</u>	<u>-</u>
	<u>726,263</u>	<u>99</u>	<u>590,684</u>	<u>99</u>
Others - discounts payable				
AFR	<u>-</u>	<u>-</u>	<u>8,140</u>	<u>1</u>
Others - payments on behalf of others				
AC	5,371	1	2,559	-
ADL	<u>699</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6,070</u>	<u>1</u>	<u>2,559</u>	<u>-</u>
	<u>\$ 732,333</u>	<u>100</u>	<u>\$ 601,383</u>	<u>100</u>

c. Financing provided

	Ending Balance	Maximum Balance for the Period	Interest Rate	Interest Revenue
<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 AESC in November 2003 to AEU to reorganize and integrate its subsidiaries in Europe. These transactions are summarized as follows:

Marketable Securities Name and Type	Shares (Thousands)	Transaction Price	Carrying Value	Disposal Gain (Loss)
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	<u>20,412</u>	<u>25,718</u>	<u>(5,306)</u>
		<u>\$ 154,840</u>	<u>\$ 90,751</u>	<u>\$ 64,089</u>

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

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

Transfer in Common Stock Name	Shares	Transfer-out Common Stock Name	Shares	Transaction Price	Carrying Value	Disposal Gain (Loss)
AIT	20,250	AEU	304,985	<u>\$9,917</u>	<u>\$9,917</u>	<u>\$ -</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, ACN, AKMC, AKL, ATC and Advantech IBHA, for which payment terms were based on the investees' operating conditions. Terms for third parties were 30 to 60 days.

18. ASSETS PLEDGED OR MORTGAGED

The certificates of deposits had been pledged or mortgaged as collaterals for bank loans and as part of court requirements for confiscating assets to settle uncollectible accounts are 4,900 thousand and 2,400 thousand in 2004 and 2003, respectively.

19. COMMITMENTS

As of December 31, 2004, the Company had the following guarantees for affiliates' loans:

	Amount
AKMC	\$ 317,600
AC	222,320
ACN	127,040
AACB	63,520
AIT	43,430
AUK	<u>34,906</u>
	<u>\$ 808,816</u>

20. FINANCIAL INSTRUMENTS

a. Outstanding contract amounts and credit risk

	December 31			
	2004		2003	
Financial Instruments	Contract Amount (Thousands)	Credit Risk	Contract Amount (Thousands)	Credit Risk
<u>For nontrading purposes</u>				
Forward contracts - sell	US\$ 16,000		US\$ 9,500	-
	EUR 500		EUR 6,380	-
Forward contracts - buy	\$ -		US\$ 1,000	-

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

b. Market risk

The Corporation is exposed to market risk arising from adverse exchange rate fluctuations on the forward exchange 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, 2004 were EUR500 thousand and US\$16,000 thousand, for which the Company will receive payments of US\$655 thousand and NT\$516,570 thousand before March 2005. Management believes it has sufficient operating capital to meet those requirements. Thus, there is no fund-raising risk. There is also no material cash-flow risk because the exchange rates for foreign-currency option and forward contracts are fixed.

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

The Company used derivative financial instruments for nontrading purposes. 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 receivables of \$8,375 thousand as of December 31, 2004 and \$21,767 thousand as of December 31, 2003 on all forward contracts for nontrading purposes were shown as part of other current liabilities. Foreign exchange losses for the years ended December 31, 2004 and 2003 were \$29,798 thousand and \$25,414 thousand, respectively.

For the years ended December 31, 2003, the Company realized premium expenses and income (part of nonoperating income - others) of \$123,510 thousand on all foreign-currency options - written for nontrading purposes and foreign-exchange losses of \$558,717 thousand.

For the years ended December 31, 2003, the Company realized premium expenses and income of \$83,249 thousand on all foreign-currency options - written for trading purposes and foreign-exchange losses of \$68,962 thousand.

f. Fair values of financial instruments

	December 31			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash	\$ 880,956	\$ 880,956	\$ 370,291	\$ 370,291
Short-term investments	2,010,724	2,012,712	1,418,281	1,419,198
Notes receivable	48,477	48,477	56,683	56,683
Accounts receivable	324,031	324,031	363,111	363,111
Receivables from related parties	975,919	975,919	1,055,535	1,055,535
Long-term equity investments	3,159,050	3,149,159	2,825,106	2,814,670
Certificates of deposit	4,900	4,900	2,400	2,400

(Continued)

	December 31			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Bank loans	\$ 5,134	\$ 5,134	\$ -	\$ -
Notes payable	819	819	1,367	1,367
Accounts payable	346,961	346,961	418,736	418,736
Payables to related parties	732,333	732,333	601,383	601,383
Current portion corporate bonds payable	291,452	392,091	1,035,620	1,147,098

Derivative financial instruments

Forward contracts	8,375	8,375	21,767	21,767
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The methods and assumptions used in estimating fair values are as follows:

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

21. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 20 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Company and investees and on investment in Mainland China.
- b. Investments in mainland China
 - 1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of December 31, 2004, accumulated inward remittance of earnings as of December 31, 2004 and upper limit on investment: Table 8 (attached)
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 17 and 19 and Tables 2, 3, 5, 6, 7 and 8.

22. SEGMENT INFORMATION

- a. Industry: The Company is engaged only in a single industry: The manufacture and sale of embedded computing boards, applied panel computing, industrial automation and industrial and network computing.

b. Foreign operations: The Company had no revenue-generating foreign operating unit as of December 31, 2004.

c. Export sales

Geographic Area	2004	2003
Asia	\$ 2,637,654	\$ 2,463,956
Europe	1,997,808	1,612,959
America	<u>1,647,628</u>	<u>1,468,766</u>
	<u>\$ 6,283,090</u>	<u>\$ 5,545,681</u>

d. Major customers

Customer	<u>2004</u>		<u>2003</u>	
	Amount	% of Total	Amount	% of Total
AC	\$ 1,624,008	21	\$ 1,363,552	19
AESC	1,602,783	20	1,187,234	17
ACN	1,139,550	15	357,298	5

ADVANTECH CO., LTD. AND INVESTEEES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2004
(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	AACB	ACN	Receivables from related parties	\$ 63,420 (US\$ 2,000 thousand)	\$ 63,420 (US\$ 2,000 thousand)	2.5%	2	\$ -	Financing need	\$ -	-	\$ -	\$ 102,879 (Note C)	\$ 205,758 (Note B)
1	Axiomtek Co., Ltd.	Axiomtek Technology Deutschland GmbH	Other receivables	6,515 (EUR 150 thousand)	4,343 (EUR 100 thousand)	-	1	34,893	-	-	-	-	159,403 (Note E)	159,403 (Note D)
		Trading (BVI) Co., Ltd.	Other receivables	1,744 (US\$ 55 thousand)	1,744 (US\$ 55 thousand)	-	1	44,833	-	-	-	-	-	-
2	AEU	AFR	Receivables from related parties	13,029 (EUR 300 thousand)	-	2.5%	2	-	Financing need	-	-	-	39,034 (Note G)	78,068 (Note F)
		ABB	Receivables from related parties	15,201 (EUR 350 thousand)	13,029 (EUR 300 thousand)	2.5%	2	-	Financing need	-	-	-	-	-
		ADL	Receivables from related parties	32,573 (EUR 750 thousand)	28,230 (EUR 650 thousand)	2.5%	2	-	Financing need	-	-	-	-	-
		AUK	Receivables from related parties	12,595 (EUR 290 thousand)	3,909 (EUR 90 thousand)	2.5%	2	-	Financing need	-	-	-	-	-
		AIT	Receivables from related parties	4,343 (EUR 100 thousand)	4,343 (EUR 100 thousand)	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 net asset value of AACB.

C. 15% of net asset value of AACB.

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

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

F. 30% of net asset value of AEU.

G. 15% of net asset value of AEU.

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2004
(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.	AC	Subsidiary of a wholly owned subsidiary	\$ 561,444	\$ 285,390 (US\$ 9,000 thousand)	\$ 221,970 (US\$ 7,000 thousand)	\$ -	3	\$ 1,122,889 (Note A)
		ACN	Subsidiary of a wholly owned subsidiary	(Note C)	126,840 (US\$ 4,000 thousand)	126,840 (US\$ 4,000 thousand)	-	2	
		AIT	Subsidiary		95,546 (EUR 2,200 thousand)	43,430 (EUR 1,000 thousand)	-	1	
		AUK	Subsidiary of a wholly owned subsidiary		34,890 (NT\$30,000 thousand and GBP80 thousand)	34,890 (NT\$30,000 thousand and GBP80 thousand)	-	-	
		AACB	Subsidiary of a wholly owned subsidiary		63,420 (US\$ 2,000 thousand)	63,420 (US\$ 2,000 thousand)	-	1	
		Advantech IBHA	Subsidiary		12,684 (US\$ 400 thousand)	-	-	-	
		AKMC	Subsidiary of a wholly owned subsidiary		317,100 (US\$10,000 thousand)	317,100 (US\$10,000 thousand)	-	4	
1	Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	Subsidiary	159,403 (Note D)	79,275 (US\$ 2,500 thousand)	79,275 (US\$ 2,500 thousand)	-	10	398,507 (Note B)

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

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

Note C: 15% of the Company's authorized capital stock.

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

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

DECEMBER 31, 2004

(Amounts in Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2004				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	\$ 947,985	100.00	\$ 947,985		
	AAC (BVI)	Investee	Long-term equity investments	21,603,485	686,921	100.00	686,921		
	Axiomtek Co., Ltd.	Investee	Long-term equity investments	30,315,174	508,765	60.87	508,765		
	Yin Sin Co., Ltd.	Investee	Long-term equity investments	29,999,994	275,244	100.00	275,244		
	AEU	Investee	Long-term equity investments	8,263,167	264,608	96.44	264,608		
	AKR	Investee	Long-term equity investments	4,429,210	174,033	43.00	174,033		
	ASG	Investee	Long-term equity investments	1,450,000	82,036	100.00	82,036		
	AJP	Investee	Long-term equity investments	1,200	68,644	100.00	68,644		
	AAU	Investee	Long-term equity investments	500,204	69,867	100.00	69,867		
	AIT	Investee	Long-term equity investments	45,000	21,975	100.00	21,975		
	Advantech IBHA Inc.	Investee	Long-term equity investments	1,994,000	14,947	13.29	14,947		
	AHG	Investee	Long-term equity investments	30	11,105	30.00	11,105	Note D	
	ADCL	Investee	Long-term equity investments	500,000	7,659	100.00	7,659		
	AIMS	Investee	Long-term equity investments	500,000	5,151	100.00	5,151	Note A	
	ABR	Investee	Other liabilities	971,055	(3,542)	60.00	(3,542)		
	AHK	Investee	Long-term equity investments	999,999	110	100.00	110	Note A	
	Silicon Motion Inc.	-	Long-term equity investments	572,500	20,000	0.54	10,109	Note A	
		<u>Funds</u>							
		President Home Run Fund	-	Short-term investments	21,865,088.20	298,830	-	298,937	Note B
		ABN AMRO Select Bond Fund	-	Short-term investments	27,109,853.84	299,000	-	299,092	Note B
		ABN AMRO Bond Fund	-	Short-term investments	20,385,336.74	298,900	-	299,010	Note B
		President James Bond Fund	-	Short-term investments	19,498,838.00	293,013	-	293,114	Note B
		ABN AMRO Income Fund	-	Short-term investments	13,265,574.67	202,077	-	203,486	Note B
		NITC Bond Fund	-	Short-term investments	826,740.30	132,340	-	132,373	Note B
		Shinong Chi-Shin Fund	-	Short-term investments	13,691,602.97	191,027	-	191,072	Note B
		Capital high Yield Fund	-	Short-term investments	13,156,427.20	149,973	-	150,024	Note B
	Capital Cash Reserves Fund	-	Short-term investments	10,092,431.10	145,564	-	145,604	Note B	
Axiomtek Co., Ltd.	<u>Common stock</u>								
	Axiom Technology Inc. U.S.A.	Investee	Long-term equity investments	23,418	223,843	100.00	223,843		
	Axiomtek Technology Deutschland GmbH	Investee	Long-term equity investments	-	5,662	100.00	5,662		
	Axiom Technology (BVI) Co., Ltd.	Investee	Long-term equity investments	410,000	(2,372)	100.00	(2,372)		
	Axiomtek SAS	Investee	Long-term equity investments	-	1,525	100.00	1,525		
	Axiom Technology Trading (BVI) Co., Ltd.	Investee	Long-term equity investments	600,000	16,170	100.00	16,170		
	Alextek Company Limited, Ltd.	-	Long-term equity investments	190	1,823	19.00	1,624	Note A	
Etherwan System Inc.	Investee	Prepayments for long-term equity investments	-	39,963	-	39,963			

(Continued)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2004				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Yin Hsin Co., Ltd.	Hi-top Industrial Co., Ltd.	Investee	Long-term equity investments	1,050	\$ 22,894	30.00	\$ 22,894	
	Etherwan System Inc.	Investee	Long-term equity investments	2,487,447	44,991	19.90	44,991	
	<u>Funds</u>							
	Jihsun Bond Fund	-	Short-term investments	1,611,746	20,526	-	20,526	Note B
	Fubon Chi-Hsiang I Fund	-	Short-term investments	1,885,738	25,068	-	25,068	Note B
	Barits Bond Fund	-	Short-term investments	1,492,095	17,673	-	17,673	Note B
	<u>Common stock</u>							
	Advantech IBHA Inc.	Investee	Long-term equity investments	10,000,000	74,669	66.67	74,669	
	Broadwed Automation Co., Ltd.	Investee	Long-term equity investments	2,000,000	24,375	33.33	24,375	
	Innova Tech & Management Consultant Inc.	Investee	Long-term equity investments	1,262,376	14,804	24.99	14,804	Note D
Timson Tech Co.	Investee	Long-term equity investments	270,000	7,325	30.00	7,325		
Superior Technology Co., Ltd.	-	Long-term equity investments	874,960	33,442	13.43	31,666	Note A	
Web Point Co., Ltd.	-	Long-term equity investments	400,000	14,000	1.00	2,163	Note A	
Baoruh Electronic Co., Ltd.	-	Long-term equity investments	1,064,342	18,285	8.06	11,260	Note A	
Unibase Information Corp.	-	Long-term equity investments	75,000	2,250	10.34	1,333	Note A	
Chunghwa Telecom Co., Ltd.	-	Short-term investments	200,000	21,300	-	12,500	Note C	
<u>Funds</u>								
ABN AMRO Bond Fund	-	Short-term investments	4,798,335.63	70,001	-	70,382	Note B	
Advantech Technology Co., Ltd. (ATC)	<u>Common stock</u>							
	Advantech Technology (China) Company Ltd.	Investee	Long-term equity investments	-	423,241	100.00	423,241	
	Advantech Dongguan Manufacturing Co., Ltd.	Investee	Long-term equity investments	-	6,659	100.00	6,659	Note A
Advantech Development Co., Ltd. (ADCL)	<u>Common stock</u>							
	Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd.	Investee	Other liabilities	-	(2,298)	100.00	(2,298)	Note A
Timson Tech Co.	<u>Common stock</u>							
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	24,496	100.00	24,496	
Advantech Automation Corp. (BVI) (AAC (BVI))	<u>Common stock</u>							
	AACB	Investee	Long-term equity investments	21,594,307	685,859	100.00	685,859	
Advantech Automation Corp., Ltd. (AACB)	<u>Common stock</u>							
	Advantech Corp.	Investee	Long-term equity investments	10,952,606	513,543	100.00	513,543	
	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Investee	Long-term equity investments	-	149,940	100.00	149,940	
	Advantech Automation (Penang) Sdn. Bhd.	Investee	Long-term equity investments	570,570	7,941	55.00	7,941	
	Advantech Control (M) Sdn. Bhd.	Investee	Long-term equity investments	418,000	7,892	55.00	7,892	
	Advantech Automation GmbH	Investee	Long-term equity investments	2,000	2,802	100.00	2,802	
	Advan Automation Co., Ltd.	Investee	Other liabilities	400	(1,936)	37.74	(1,936)	
	Visual Systems GmbH	-	Long-term equity investments	-	724	20.00	724	Note A
Advantech Co. Singapore Pte, Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Investee	Long-term equity investments	15,000	833	30.00	833	Note A

(Continued)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2004				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech Europe Holding B.V. (AEU)	<u>Common stock</u>							
	Advantech Europe B.V.	Investee	Long-term equity investments	8,314,280	\$ 86,086	100.00	\$ 86,086	
	Advantech France S.A.	Investee	Long-term equity investments	75,000	38,580	100.00	38,580	
	Advantech (UK) Ltd.	Investee	Long-term equity investments	600,000	26,813	100.00	26,813	
	Advantech Benelux B.V.	Investee	Long-term equity investments	295,378	35,622	100.00	35,622	
	Advantech Europe GmbH Marekmicro GmbH, Germany	Investee	Other liability	1,142,000	(3,371)	100.00	(3,371)	
		Investee	Long-term equity investments	6,200	10,758	19.87	2,349	Note A
Axion Technology Trading (BVI) Co., Ltd.	<u>Common stock</u> Axiomtek Technology (Shen Zhen) Co., Ltd.	Investee	Long-term equity investments	-	6,801	100.00	6,801	Note A

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

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

Note C: Market value was based on the average closing price in December 2004.

Note D: Market value was based on audited financial statements as of December 31, 2003.

Note E: Recognition of investment gain or loss is based on the investee's audited financial statements.

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2004
(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.	<u>Funds</u>													
	High Yield Securities Investment Trust Fund	Short-term investments	-	-	14,503,844.93	200,964	56,696,689.07	790,242	71,200,534.00	993,326	991,206	2,120	-	-
	ABN AMRO Bond Fund	Short-term investments	-	-	-	-	106,644,741.15	1,554,837	86,259,404.41	1,258,849	1,255,937	2,912	20,385,336.74	298,900
	Increment Securities Investment Trust Fund	Short-term investments	-	-	13,737,879.86	200,514	51,707,902.39	759,092	65,445,782.25	961,751	959,606	2,145	-	-
	Capital Cash Reserves Fund	Short-term investments	-	-	-	-	24,117,791.00	346,316	14,025,359.90	201,318	200,752	566	10,092,431.10	145,564
	TIIM High Yield Fund	Short-term investments	-	-	5,174,470.44	61,002	10,348,940.94	122,934	15,523,411.38	184,649	183,936	713	-	-
	Capital High Yield Fund	Short-term investments	-	-	17,317,299.90	193,810	62,435,423.40	706,634	66,596,296.10	753,107	750,471	2,636	13,156,427.20	149,973
	Barits Bond Fund	Short-term investments	-	-	4,033,927.30	47,113	81,730,273.70	958,077	85,764,201.00	1,006,868	1,005,190	1,678	-	-
	Capital High Yield Fund	Short-term investments	-	-	6,546,461.40	84,075	7,785,635.10	100,829	14,332,096.50	186,508	184,904	1,604	-	-
	President James Bond Fund	Short-term investments	-	-	13,541,257.60	200,633	92,162,373.50	1,377,201	86,204,793.10	1,288,491	1,284,821	3,670	19,498,838.00	293,013
	PCA Prudential Well Pool Fund	Short-term investments	-	-	15,236,756.70	183,512	69,732,018.20	844,351	84,968,774.90	1,030,041	1,027,863	2,178	-	-
	ABN AMRO Income Fund	Short-term investments	-	-	137,046.38	2,058	13,265,574.67	202,076	137,046.38	2,077	2,058	19	13,265,574.67	202,077
	UBS Taiwan Bond Fund	Short-term investments	-	-	8,414,116.15	120,293	89,290,969.05	1,281,469	97,705,085.20	1,402,877	1,401,762	1,115	-	-
	Puaunique Fund	Short-term investments	-	-	5,514,551.20	80,200	13,466,248.00	199,398	18,980,799.20	281,662	279,598	2,064	-	-
	President Home Run Fund	Short-term investments	-	-	-	-	66,034,699.80	899,576	44,169,611.60	602,577	600,746	1,831	21,865,088.20	298,830
	ABN AMRO Select Bond Fund	Short-term investments	-	-	-	-	81,823,927.22	899,646	54,714,073.38	602,369	600,646	1,723	27,109,853.84	299,000
	HSBC Ntd Money Management Fund	Short-term investments	-	-	-	-	20,829,912.30	299,986	20,829,912.30	300,476	299,986	490	-	-
	Shinong Chi-Shi Fund	Short-term investments	-	-	-	-	101,965,968.88	1,418,826	88,274,365.91	1,229,157	1,227,799	1,358	13,691,602.97	191,027
NITC Bond Fund	Short-term investments	-	-	-	-	5,896,887.70	941,140	5,070,147.40	809,773	808,800	973	826,740.30	132,340	
Axiomtek Co., Ltd.	<u>Funds</u>													
	Jihsun Bond Fund	Short-term investments	-	-	1,417,782	18,513	11,855,524	156,647	11,387,568	150,369	150,092	277	1,885,738	25,068
	Fubon Chi-Hsiang I Fund	Short-term investments	-	-	1,458,256	18,237	17,598,308	223,122	17,444,818	220,833	220,833	315	1,611,746	20,526
	Barits Bond Fund	Short-term investments	-	-	1,456,675	17,000	17,470,742	205,828	17,435,322	205,155	205,155	215	1,492,095	17,673
JF First Bond Fund	Short-term investments	-	-	1,871,200	25,293	15,132,956	206,114	17,004,156	231,407	231,407	209	-	-	

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, 2004
(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.	AC	Subsidiary of a wholly owned subsidiary	Sale	\$ (1,624,008)	(21)	60-90 days	\$ -	-	\$ 237,117	18	
	AESC	Subsidiary of a wholly owned subsidiary	Sale	(1,602,783)	(20)	Depending on its operating condition	-	-	410,066	30	
	ACN	Subsidiary of a wholly owned subsidiary	Sale	(1,139,550)	(15)	Depending on its operating condition	-	-	108,299	8	
	AJP	Subsidiary	Sale	(249,493)	(3)	60-90 days	-	-	44,288	3	
	AKR	investee	Sale	(287,920)	(4)	60-90 days	-	-	65,211	5	
	Axiomtek Co., Ltd.	Subsidiary	Sale	(161,507)	(2)	60-90 days	-	-	19,876	1	
	ASG	Subsidiary	Sale	(158,647)	(2)	60-90 days	-	-	10,275	1	
	ATC	Subsidiary	Purchase	2,109,017	42	Depending on its operating condition	-	-	(708,958)	(66)	
AC	Advantech Co., Ltd.	Parent company	Purchase	1,624,008	62	60-90 days	-	-	(237,117)	78	
AESC	Advantech Co., Ltd.	Parent company	Purchase	1,602,783	76	Depending on its operating condition	-	-	(410,226)	96	
ACN	Advantech Co., Ltd.	Parent company	Purchase	1,139,550	63	Depending on its operating condition	-	-	(108,299)	49	
	AKMC	Same parent company	Purchase	476,497	14	Depending on its operating condition	-	-	(13,790)	(6)	
	AKMC	Same parent company	Sale	(205,607)	(11)	Depending on its operating condition	-	-	28,036	20	
AJP	Advantech Co., Ltd.	Parent company	Purchase	249,493	88	60-90 days	-	-	(44,288)	100	
AKR	Advantech Co., Ltd.	Parent company	Purchase	287,920	45	60-90 days	-	-	(65,211)	63	
ASG	Advantech Co., Ltd.	Parent company	Purchase	158,647	86	60-90 days	-	-	(10,275)	63	
ATC	Advantech Co., Ltd.	Parent company	Sale	(2,109,017)	98	Depending on its operating condition	-	-	708,958	99	
	AKMC	Same parent company	Purchase	1,136,599	81	60-90 days	-	-	(188,957)	(80)	
Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	Equity-method investee	Sale	(311,699)	(22)	60-90 days	-	-	(64,459)	(26)	
	Advantech Co., Ltd.	Parent company	Purchase	161,507	21	30-91 days	-	-	(19,876)	(13)	
Axion Technology Inc. USA	Axiomtek Co., Ltd.	Parent company	Purchase	311,699	75	30-91 days	-	-	(64,459)	(88)	
AKMC	ACN	Same parent company	Purchase	205,607	15	30-60 days	-	-	(28,036)	(22)	
	ACN	Same parent company	Sale	(476,497)	(30)	30-60 days	-	-	13,790	8	
	ATC	Parent company	Sale	(1,136,599)	(70)	60-90 days	-	-	188,957	92	

ADVANTECH CO., LTD. AND INVESTEEES

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

DECEMBER 31, 2004

(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	\$ 410,226	4.19	\$ -	-	\$ 210,441	\$ -
	AC	Subsidiary of a wholly owned subsidiary	237,117	6.31	-	-	235,982	-
	ACN	Subsidiary of a wholly owned subsidiary	108,299	7.26	-	-	108,299	-
ATC	Advantech Co., Ltd.	Parent company	708,958	2.97	-	-	113,904	-
AKMC	ATC	Parent company	188,957	6.02	-	-	62,471	-

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, 2004
(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2004	Dec. 31, 2003	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	ATC	BVI	Sale of industrial automation products	\$ 427,781	\$ 427,781	12,550,000	100.00	\$ 947,985	\$ 581,395	\$ 581,395	Subsidiary
	AAC (BVI)	BVI	Investment holding company	725,044	724,987	21,603,485	100.00	686,921	157,454	156,521	Subsidiary
	Axiomtek Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	438,964	438,964	30,315,174	60.87	508,765	185,837	100,092	Subsidiary
	Yin Hsin Co., Ltd.	Taipei, Taiwan	General investment	300,000	300,000	29,999,994	100.00	275,244	(11,868)	(11,868)	Subsidiary
	AEU	Helmond, the Netherlands	Investment holding company	321,795	308,079	8,263,167	96.44	264,608	(30,288)	(38,048)	Subsidiary
	Advantech Technologies Co., Ltd. (AKR)	Seoul, Korea	Sale of industrial automation products	51,646	51,646	4,429,210	43.00	174,033	34,897	10,984	Equity-method investee
	Advantech Co. Singapore Pte. Ltd.	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	82,036	5,017	5,053	Subsidiary
	Advantech Japan Co., Ltd. (AJP)	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	68,644	10,955	10,412	Subsidiary
	Advantech Australia Pty Ltd.	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	69,867	9,395	10,589	Subsidiary
	Advantech Italia S.p.A.	Milano, Italy	Sale of industrial automation products	31,277	21,360	45,000	100.00	21,975	(10,108)	(12,641)	Subsidiary
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	19,940	19,940	1,994,000	13.29	14,947	(14,848)	(1,973)	Subsidiary
	Advantech Hungary Ltd.	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	11,105	5,133	1,540	Equity-method investee (Note A)
	Advantech Development Co., Ltd.	BVI	Sale of industrial automation products	16,395	16,395	500,000	100.00	7,659	5,611	5,611	Subsidiary
	Advantech Investment & Management Service	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,151	152	257	Subsidiary
	Advantech Brasil S/A	Sam Paulo, Brazil	Sale of industrial automation products	15,374	15,374	971,055	60.00	(3,542)	(11,102)	(6,661)	Subsidiary (Note B)
	Advantech (H.K.) Technology Co., Ltd.	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	110	(155)	(155)	Subsidiary
	Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	U.S.A.	Sale of industrial automation products	121,060	121,060	23,418	100.00	223,843	22,165	18,999
Axiomtek Technology Deutschland GmbH		Germany	Sale of industrial automation products	14,770	14,770	-	100.00	5,662	195	195	Subsidiary of a wholly owned subsidiary
Axiom Technology (BVI) Co., Ltd.		BVI	Holding company	13,290	6,626	410,000	100.00	(2,372)	(13,742)	(13,742)	Subsidiary of a wholly owned subsidiary (Note B)
Axiomtek SAS		France	Sale of industrial automation products	9,832	9,832	-	100.00	1,525	(2,659)	(2,659)	Subsidiary of a wholly owned subsidiary
Hi-top Industrial Co., Ltd.		Taipei, Taiwan	Production of electronic parts	22,000	22,000	1,050	30.00	22,894	10,086	894	Equity-method investee of a subsidiary
Axiom Technology Trading (BVI) Co., Ltd.		BVI	Holding company	19,735	3,075	600,000	100.00	16,170	(942)	(942)	Subsidiary of a wholly owned subsidiary
Etherwan System Inc.		Taipei, Taiwan	Sale of ethernet converters	84,737	-	2,487,447	19.90	84,954	31,123	230	Equity-method investee of a subsidiary
Yin Hsin Co., Ltd.	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	100,000	100,000	10,000,000	66.67	74,669	(14,484)	(9,701)	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	24,375	10,879	3,626	Equity-method investee of a subsidiary
	Innova Tech & Management Consultant Inc.	Taipei	Sale and consulting on information system integration	15,000	15,000	1,262,376	24.99	14,804	283	(250)	Equity-method investee of a subsidiary (Note A)
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,325	(3,711)	(1,113)	Equity-method investee of a subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2004	Dec. 31, 2003	Shares	Percentage of Ownership	Carrying Value			
Advantech Technology Co., Ltd. (ATC)	Advantech Technology (China) Company Ltd.	Kunshan, China	Production and sale of components of industrial automation products	\$ 409,393	\$ 409,393	-	100.00	\$ 423,241	\$ 36,574	\$ 36,574	Subsidiary of a wholly owned subsidiary
	ADMC	Guangzhou, China	Production and sale of industrial automation products	6,861	-	-	100.00	6,659	-	-	Subsidiary of a wholly owned subsidiary
Advantech Development Co., Ltd.	Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd.	Guangzhou, China	Sale of industrial automation products	6,151	6,151	-	100.00	(2,298)	5,607	5,607	Subsidiary of a wholly owned subsidiary (Note B)
Timson Tech Co. (TTC)	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processes and sale of peripherals	30,222	30,222	-	100.00	24,496	(3,676)	(3,676)	Subsidiary of a wholly owned subsidiary
Advantech Automation Corp. (BVI) (AAC (BVI))	AACB	Bermuda	Investment holding company	724,731	724,731	21,594,307	100.00	685,859	157,514	157,514	Subsidiary of a wholly owned subsidiary
Advantech Automation Corp., Ltd. (AACB)	Advantech Corp.	Sunnyvale, USA	Assembly and sale of industrial automation products	504,179	504,179	10,952,606	100.00	513,543	102,274	91,439	Subsidiary of a wholly owned subsidiary
	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	149,940	65,337	65,218	Subsidiary of a wholly owned subsidiary
	Advantech Automation (Penang) Sdn. Bhd.	Penang, Malaysia	Sale of industrial automation products	4,656	4,656	570,570	55.00	7,941	2,077	1,142	Subsidiary of a wholly owned subsidiary
	Advantech Control (M) Sdn. Bhd.	Kuala Lumpur, Malaysia	Sale of industrial automation products	3,411	3,411	418,000	55.00	7,892	2,054	1,130	Subsidiary of a wholly owned subsidiary
	Advantech Automation GbmH	Leinf-Echterdingen, Germany	Sale of industrial automation products	2,457	2,457	2,000	100.00	2,802	(34)	(792)	Subsidiary of a wholly owned subsidiary
	Advan Automation Co., Ltd.	Tokyo, Japan	Sale of industrial automation products	5,990	5,990	400	37.74	(1,936)	1,181	446	Equity-method investee of a wholly owned subsidiary (Note B)
Advantech Co. Singapore Pte, Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Thailand	Production of computers	1,199	-	15,000	30.00	833	(1,291)	(387)	Subsidiary of a wholly owned subsidiary
Advantech Europe Holding B.V. (AEU)	Advantech Europe B.V.	Helmond, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	86,086	8,198	8,198	Subsidiary of a wholly owned subsidiary
	Advantech France S.A.	Paris, France	Sale of industrial automation products	11,984	1,788	75,000	100.00	38,580	(1,592)	(10,115)	Subsidiary of a wholly owned subsidiary
	Advantech (UK) Ltd.	Milton Keynes, England	Sale of industrial automation products	13,373	13,373	600,000	100.00	26,813	16,658	15,966	Subsidiary of a wholly-owned subsidiary
	Advantech Benelux B.V.	Roosendaal, The Netherlands	Sale of industrial automation products	39,565	29,160	295,578	100.00	35,622	3,062	(6,123)	Subsidiary of a wholly-owned subsidiary
	Advantech Europe GmbH	Dusseldorf, Germany	Sale of industrial automation products	46,028	28,816	1,142,000	100.00	(3,371)	22,898	(28,316)	Subsidiary of a wholly-owned subsidiary
Axion Technology (BVI) Co., Ltd.	Axiomtek Technology (Shen Zhen) Co., Ltd.	Guangzhou, China	Production and sale of electronic calculating machines and statistics interface card	15,474	-	-	100.00	6,801	(9,129)	(9,129)	Prepaid dividend

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

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

ADVANTECH CO., LTD. AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2004
(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, 2004	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2004	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Value as of Dec. 31, 2004	Accumulated Inward Remittance of Earnings as of Dec. 31, 2004	Accumulated Investment in Mainland China as of Dec. 31, 2004	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	\$ 6,342	\$ -	\$ -	\$ 6,342	100%	\$ 5,607	\$ (2,301)	\$ -	\$ 571,161 (US\$ 18,012 thousand)	\$ 792,750 (US\$ 25,000 thousand)	\$ 2,815,390
Advantech Technology (China) Company Ltd.	Production and sale of components of industrial automation products	US\$12,000 thousand	Indirect	380,520	-	-	380,520	100%	36,574	423,241	-			
Kunshan Timson Tech Co., Ltd.	Processes and sale of peripherals	US\$900 thousand	Indirect	8,562	-	-	8,562	30%	(1,103)	7,349	-			
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Sale of industrial automation products	US\$4,230 thousand	Indirect	169,078	-	-	169,078	100%	65,218	149,940	-			
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US\$210 thousand	Indirect	-	6,659 (Note C)		6,659	100%	-	6,659	-			

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

Note B: The significant events, prices, payment terms and unrealized gains or losses generated on trading between Advantech Co., Ltd. and its investees in Mainland China are described in Notes 17 and 19 to the financial statements and Tables 2, 3, 5, 6, and 7.

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