

**Advantech Co., Ltd.**

**Financial Statements for the Nine Months Ended  
September 30, 2004 and 2003  
Together with Independent Accountants' Review Report**

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

**English Translation of a Report Originally Issued in Chinese**

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

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

We have reviewed the accompanying balance sheets of Advantech Co., Ltd. as of September 30, 2004 and 2003 and the related statements of income and cash flows for the nine months 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 reviews.

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

As disclosed in Note 6 to the financial statements, Advantech Co., Ltd. had investments accounted for by the equity method. As of September 30, 2004 and 2003, these investments had a carrying value of NT\$3,114,825 thousand and NT\$2,872,809 thousand, respectively. For the nine months ended September 30, 2004 and 2003, the related net investment gains of NT\$710,367 thousand and NT\$94,876 thousand, respectively, and names, locations and other information disclosed in Note 21 of investees on which the Company exercises significant influence, were based on unreviewed financial statements for the same period.

Based on our review, with the exception of the matter described in the preceding paragraph, we are not aware of any material modifications that should be made to the financial statements of Advantech Co., Ltd. as of and for the nine months ended September 30, 2004 and 2003 for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and generally accepted accounting principles in the Republic of China.

October 15, 2004

Notice to Readers

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

**English Translation of Financial Statements Originally Issued in Chinese**

**ADVANTECH CO., LTD.**

**BALANCE SHEETS**

**SEPTEMBER 30, 2004 AND 2003**

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

**(Reviewed, Not Audited)**

ASSETS	2004		2003		LIABILITIES AND SHAREHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash (Note 3)	\$ 516,863	5	\$ 62,134	1	Bank loans—short-term (Note 9)	\$ 152,910	2	\$ -	-
Short-term investments (Notes 2 and 4)	1,775,073	18	1,300,080	16	Notes payable	880	-	6,819	-
Notes receivable (Note 2)	42,800	1	46,298	1	Accounts payable	416,845	4	435,127	5
Accounts receivable—net of allowance for doubtful accounts of \$16,698 thousand in 2004 and \$15,426 thousand in 2003 (Note 2)	401,876	4	363,589	5	Payables to related parties (Note 17)	731,113	7	365,016	5
Receivables from related parties (Notes 2 and 17)	1,203,011	12	1,086,129	13	Income tax payable (Notes 2 and 13)	113,261	1	-	-
Inventories—net (Notes 2 and 5)	833,901	9	606,828	7	Accrued expenses	152,751	2	134,694	2
Deferred income tax assets—current (Notes 2 and 13)	35,713	-	20,644	-	Bonds payable—current portion (Notes 2, 10 and 15)	586,827	6	1,025,042	13
Other current assets	150,870	2	177,766	2	Other current liabilities (Note 20)	141,795	1	100,581	1
Total current assets	4,960,107	51	3,663,468	45	Total current liabilities	2,296,382	23	2,067,279	26
<b>LONG-TERM EQUITY INVESTMENTS (Notes 2, 6, 10 and 15)</b>					<b>OTHER LIABILITIES</b>				
Equity method	3,114,825	32	2,872,809	35	Accrued pension liabilities (Notes 2 and 16)	121,512	2	108,415	1
Cost method	20,000	-	28,798	1	Deferred income tax liabilities—noncurrent (Notes 2 and 13)	108,051	1	-	-
Total long-term equity investments	3,134,825	32	2,901,607	36	Deferred income (Note 2)	209,440	2	231,734	3
					Miscellaneous (Notes 2 and 6)	2,968	-	6,134	-
<b>PROPERTIES (Notes 2 and 7)</b>					Total other liabilities	441,971	5	346,283	4
Cost					Total liabilities	2,738,353	28	2,413,562	30
Land	614,687	6	584,157	7	<b>SHAREHOLDERS' EQUITY (Notes 2, 10, 11 and 12)</b>				
Buildings and equipment	820,088	8	794,691	10	Capital stock, \$10 par value				
Machinery and equipment	244,763	3	200,711	2	Authorized—500,000 thousand shares				
Furniture and fixtures	67,064	1	61,974	1	Issued—369,243 thousand shares in 2004 and 341,304 thousand shares in 2003	3,692,427	38	3,413,039	42
Miscellaneous equipment	102,043	1	95,237	1	Capital surplus				
Total cost	1,848,645	19	1,736,770	21	Issue of stock in excess of par value	827,370	8	455,155	6
Accumulated depreciation	314,126	3	271,787	3	From long-term equity investments	14,342	-	33,845	-
Advances for equipment acquisition	5,499	-	4,497	-	Total capital surplus	841,712	8	489,000	6
Net properties	1,540,018	16	1,469,480	18	Retained earnings				
<b>OTHER ASSETS</b>					Legal reserve	627,331	7	520,089	6
Properties leased to others (Notes 2 and 8)	47,366	-	55,897	1	Unappropriated earnings	1,799,544	18	1,263,400	16
Deferred expenses—net (Note 2)	90,345	-	19,378	-	Total retained earnings	2,426,875	25	1,783,489	22
Deferred income tax assets—net (Notes 2 and 13)	-	-	34,915	-	Cumulative translation adjustments	84,678	1	53,331	-
Certificates of deposit—pledged (Note 18)	4,900	-	2,400	-	Total shareholders' equity	7,045,692	72	5,738,859	70
Miscellaneous	6,484	1	5,276	-	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$9,784,045</b>	<b>100</b>	<b>\$8,152,421</b>	<b>100</b>
Total other assets	149,095	1	117,866	1					
<b>TOTAL ASSETS</b>	<b>\$9,784,045</b>	<b>100</b>	<b>\$8,152,421</b>	<b>100</b>					

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

(See Deloitte & Touche review report dated October 15, 2004.)

**English Translation of Financial Statements Originally Issued in Chinese**

**ADVANTECH CO., LTD.**

**STATEMENTS OF INCOME  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)**

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Note 2)				
Sales (Note 17)	\$ 5,926,454	100	\$ 4,989,374	100
Sales returns and allowances	<u>35,796</u>	<u>1</u>	<u>64,777</u>	<u>1</u>
Net sales	5,890,658	99	4,924,597	99
Other operating revenues	<u>39,618</u>	<u>1</u>	<u>36,672</u>	<u>1</u>
Total operating revenues	5,930,276	100	4,961,269	100
OPERATING COSTS (Notes 2, 14 and 17)	<u>4,144,506</u>	<u>70</u>	<u>3,118,969</u>	<u>63</u>
GROSS PROFIT	1,785,770	30	1,842,300	37
REALIZED PROFITS ON INTERCOMPANY SALES (Note 2)	<u>12,421</u>	<u>1</u>	<u>71,341</u>	<u>1</u>
ADJUSTED GROSS PROFIT	<u>1,798,191</u>	<u>31</u>	<u>1,913,641</u>	<u>38</u>
OPERATING EXPENSES (Note 14)				
Marketing	212,168	3	209,571	4
Administration	156,047	3	135,644	3
Research and development	<u>278,461</u>	<u>5</u>	<u>257,363</u>	<u>5</u>
Total operating expenses	<u>646,676</u>	<u>11</u>	<u>602,578</u>	<u>12</u>
OPERATING INCOME	<u>1,151,515</u>	<u>20</u>	<u>1,311,063</u>	<u>26</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees—net (Notes 2 and 6)	710,367	12	94,876	2
Royalty revenue for patent	86,885	2	-	-
Gain on disposal of investments	23,633	-	25,263	-
Interest (Note 17)	1,227	-	3,474	-
Reversal of allowance for losses on inventories	-	-	31,648	1
Other income (Note 17)	<u>14,529</u>	<u>-</u>	<u>29,718</u>	<u>1</u>
Total nonoperating income	<u>836,641</u>	<u>14</u>	<u>184,979</u>	<u>4</u>
NONOPERATING EXPENSES AND LOSSES				
Provision for losses on inventories	30,272	1	-	-
Interest	24,287	1	31,880	1
Foreign exchange losses—net (Notes 2 and 20)	21,493	-	336,365	7
Losses on disposal of scrap inventories	6,917	-	65,726	1

(Continued)

**English Translation of Financial Statements Originally Issued in Chinese**

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Royalty expenditure (Note 20)	\$ -	-	\$ 119,000	2
Other (Note 14)	<u>19,620</u>	-	<u>641</u>	-
Total nonoperating expenses and losses	<u>102,589</u>	<u>2</u>	<u>553,612</u>	<u>11</u>
INCOME BEFORE INCOME TAX	1,885,567	32	942,430	19
INCOME TAX (Notes 2 and 13)	<u>206,000</u>	<u>4</u>	<u>120,000</u>	<u>2</u>
NET INCOME	<u>\$ 1,679,567</u>	<u>28</u>	<u>\$ 822,430</u>	<u>17</u>
	<u>2004</u>		<u>2003</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>Pre-tax</u>	<u>After-tax</u>
EARNINGS PER SHARE (Note 15)				
Basic	<u>\$ 5.20</u>	<u>\$ 4.63</u>	<u>\$ 2.65</u>	<u>\$ 2.32</u>
Diluted	<u>\$ 5.02</u>	<u>\$ 4.46</u>	<u>\$ 2.60</u>	<u>\$ 2.25</u>

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

(See Deloitte & Touche review report dated October 15, 2004.)

(Concluded)

**English Translation of Financial Statements Originally Issued in Chinese**

**ADVANTECH CO., LTD.**

**STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,679,567	\$ 822,430
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	55,650	53,175
Provision (reversal) of allowance for losses on inventories	30,272	( 31,648 )
Losses on disposal of scrap inventories	6,917	65,726
Loss on disposal of properties—net	1,246	19
Equity in net gain of investees—net	( 710,367 )	( 94,876 )
Cash dividends from equity-method investees	337,313	6,262
Accrued pension liabilities	8,448	12,274
Interest-premium on convertible bonds	23,317	31,622
Deferred income taxes	73,620	28,471
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Short-term investments	( 356,792 )	( 53,656 )
Notes receivable	13,883	16,929
Accounts receivable	( 38,765 )	( 34,097 )
Receivables from related parties	( 110,247 )	( 94,800 )
Inventories	( 262,079 )	50,663
Other current assets	48,236	( 99,619 )
Increase (decrease) in:		
Notes payable	( 487 )	( 5,021 )
Accounts payable	( 1,891 )	( 57,204 )
Payables to related parties	129,730	233,735
Income tax payable	113,261	( 184,296 )
Accrued expenses	( 6,817 )	17,150
Other current liabilities	22,746	( 86,313 )
Deferred income	( 12,421 )	( 71,341 )
Net cash provided by operating activities	<u>1,044,340</u>	<u>525,585</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of long-term equity investments	( 57 )	( 541,556 )
Disposal of long-term equity investments	-	64,390
Disposal of properties	2,939	3,723
Acquisition of properties	( 122,480 )	( 33,837 )
Increase in certificates of deposit—pledged	( 2,500 )	( 1,600 )
Increase in deferred expense	( 81,292 )	( 13,202 )
Decrease (increase) in other assets	( 1,408 )	208
Net cash used in investing activities	<u>( 204,798 )</u>	<u>( 521,874 )</u>

(Continued)

**English Translation of Financial Statements Originally Issued in Chinese**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in bank loan	\$ 152,910	\$ -
Redemption of bonds payable	( 454)	-
Decrease in other liabilities	( 30)	( 832)
Cash dividends paid	( 844,320)	( 429,363)
Bonus paid to employees, directors and supervisors	( 1,076)	( 550)
Net cash used in financing activities	( 692,970)	( 430,745)
<b>NET INCREASE (DECREASE) IN CASH</b>	146,572	( 427,034)
<b>CASH, BEGINNING OF PERIOD</b>	<u>370,291</u>	<u>489,168</u>
<b>CASH, END OF PERIOD</b>	<u>\$ 516,863</u>	<u>\$ 62,134</u>
<b>SUPPLEMENTARY INFORMATION</b>		
Interest paid (excluding capitalized interest)	<u>\$ 970</u>	<u>\$ 258</u>
Income tax paid	<u>\$ 9,832</u>	<u>\$ 333,337</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Reclassification of properties leased to others to properties	<u>\$ 21,608</u>	<u>\$ 66,106</u>
Conversion of bonds into capital stock and capital surplus	<u>\$ 471,656</u>	<u>\$ 47,114</u>
Issuance of shares to acquire long-term equity investment	<u>\$ -</u>	<u>\$ 270,421</u>
Bonus payable to employees	<u>\$ 45,844</u>	<u>\$ 55,306</u>
Retired treasury stock	<u>\$ 210,736</u>	<u>\$ -</u>

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

(See Deloitte & Touche review report dated October 15, 2004.)

(Concluded)

**ADVANTECH CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)  
(Reviewed, Not Audited)**

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**1. ORGANIZATION AND OPERATIONS**

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

As of September 30, 2004 and 2003, the Company had 892 and 720 employees, respectively.

**2. SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES**

The Company's financial statements conform to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC.

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

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

**Current and Noncurrent Assets and Liabilities**

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

**Short-term Investments**

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

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

**Allowance for Doubtful Accounts**

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

**Inventories**

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

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



## **Long-term Equity Investments**

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

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

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

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

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 still being used by the Company beyond their initially estimated service lives are depreciated over their newly estimated service lives.

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

## **Deferred Expenses**

Deferred expenses are computer software costs, which are amortized over two to 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 basic salary of the last six months before retirement.

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

## **Convertible Bonds**

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

## **Treasury Stock**

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

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

If treasury stock is retired, the weighted-average cost of the retired treasury stock is written off to offset the par value and the capital surplus premium, if any, of the stock retired. If the weighted-average cost written off exceeds the sum of both the par value and the capital surplus premium, the difference is accounted for as a reduction of capital surplus—treasury stock of the same type or as a reduction of unappropriated 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 uses inter-period allocation to account for income tax. Deferred tax assets are recognized for the tax effects of deductible temporary differences, unused loss carryforwards and investment tax credits, and deferred tax liabilities are recognized for the tax effects of taxable temporary differences. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. Deferred income tax assets or liabilities are classified as current or noncurrent according to the nature of related assets or liabilities for financial reporting. But, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent depending on the expected realization date of the temporary difference.

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

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

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

## **Foreign-currency Transactions**

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

## **Derivative Transactions**

Forward exchange contracts used by the Company for nontrading purposes are recorded in New Taiwan dollars as receivables or payables at spot rates on the starting dates of the contracts. For contracts used to hedge identifiable foreign-currency sales commitments and the contract settlement dates are ahead of the actual selling dates, any exchange gain or loss should be deferred to the actual sales transaction date and recorded as an increase in the transaction price if the commodity purchase price is lower than the actual selling price. But if the exchange loss will result in a loss on actual sales due to the actual selling price becoming lower than the purchase price, the exchange loss should be recognized immediately.

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 on the forward contracts are netted out, and the resulting amount is presented as either an asset or a liability.

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.

For foreign-currency option contracts, which are used for trading and nontrading purposes, contract (notional) 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>September 30</u>	
	<u>2004</u>	<u>2003</u>
Cash on hand	\$ 396	\$ 173
Checking and demand deposits	74,672	53,199
Time deposits: Interest—0.60%-1.65% in 2004 and 0.92% in 2003	<u>441,795</u>	<u>8,762</u>
	<u>\$ 516,863</u>	<u>\$ 62,134</u>

### 4. SHORT-TERM INVESTMENTS

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Mutual funds	\$ 1,775,073	\$ 1,290,080
Convertible bonds	<u>-</u>	<u>10,000</u>
	<u>\$ 1,775,073</u>	<u>\$ 1,300,080</u>

### 5. INVENTORIES—NET

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Finished goods	\$ 334,130	\$ 228,953
Work in process	286,996	230,445
Materials and supplies	<u>336,761</u>	<u>242,312</u>
	957,887	701,710
Allowance for losses	<u>( 123,986 )</u>	<u>( 94,882 )</u>
	<u>\$ 833,901</u>	<u>\$ 606,828</u>

### 6. LONG-TERM EQUITY INVESTMENTS

	<u>September 30</u>			
	<u>2004</u>		<u>2003</u>	
	<u>Carrying</u>	<u>% of</u>	<u>Carrying</u>	<u>% of</u>
	<u>Value</u>	<u>Owner-</u>	<u>Value</u>	<u>Owner-</u>
		<u>ship</u>		<u>ship</u>
<u>Equity method</u>				
Advantech Technology Co., Ltd.	\$ 899,457	100.00	\$ 590,843	100.00
Advantech Automation Corp. (BVI)	687,849	100.00	444,972	100.00
Axiomtek Co., Ltd.	510,362	60.87	517,586	73.13
Yin Hsin Investment Co., Ltd.	284,964	100.00	303,489	100.00
Advantech Europe Holding B.V.	278,915	96.20	306,421	100.00
Advantech Technologies Co., Ltd.	159,116	43.00	151,260	43.00
Advantech Co. Singapore Pte, Ltd.	88,731	100.00	75,288	100.00
Advantech Japan Co., Ltd.	67,578	100.00	56,380	100.00
Advantech Australia Pty Ltd.	64,880	100.00	56,510	100.00
Advantech Italia S.p.A.	30,743	100.00	32,473	55.00
Advantech IBHA Technologies Inc.	14,870	13.29	20,074	13.29
Advantech Hungary Ltd.	11,105	30.00	9,525	30.00
Advantech Development Co., Ltd.	8,205	100.00	-	-
Advantech Investment & Management Service	5,151	100.00	4,864	100.00
Advantech Brasil S/A	2,759	60.00	5,895	60.00

(Continued)

	<b>September 30</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Carrying Value</b>	<b>% of Ownership</b>	<b>Carrying Value</b>	<b>% of Ownership</b>
Advantech (H.K.) Technology Co., Ltd.	\$ 140	100.00	\$ 219	100.00
Advantech Technologies, Inc.	-	-	106,233	100.00
Advantech America Corp.	-	-	95,955	100.00
Advantech Europe B.V.	-	-	94,822	100.00
	<u>3,114,825</u>		<u>2,872,809</u>	

Cost method

Silicon Motion Inc. (formerly Feiya Technology Corp.)	20,000	0.47	20,000	0.63
Yin-Jia Technology Co., Ltd.	-	-	8,798	18.00
	<u>20,000</u>		<u>28,798</u>	

\$ 3,134,825

\$ 2,901,607

(Concluded)

The calculation of the carrying values of the equity-method investments and the equity in their net income or net loss was based on the current period's unreviewed financial statements. The equity in Advantech Hungary Ltd.'s net income or net loss is recognized in the subsequent year.

The investment in Advantech Development Co., Ltd. as of September 30, 2003 had a negative carrying value of \$1,731 thousand. The Company supported this investee's operations. As of September 30, 2004, the investment in Advantech Development Co., Ltd. had no negative carrying value.

As of September 30, 2004, the combined ownership by the Company and its subsidiaries of Advantech IBHA Technologies Inc. ("Advantech IBHA") exceeded 50% of Advantech IBHA's outstanding common stock. Thus, the investment in Advantech IBHA was accounted for by the equity method.

## 7. PROPERTIES

Accumulated depreciation was as follows:

	<b>September 30</b>	
	<b>2004</b>	<b>2003</b>
Buildings and building equipment	\$ 61,632	\$ 45,889
Machinery and equipment	130,702	115,045
Furniture and fixtures	44,312	39,481
Miscellaneous equipment	<u>77,480</u>	<u>71,372</u>
	<u>\$ 314,126</u>	<u>\$ 271,787</u>

Depreciation expenses were \$47,075 thousand and \$45,348 thousand for the nine months ended September 30, 2004 and September 30, 2003, respectively.

## 8. PROPERTIES LEASED TO OTHERS

	September 30	
	2004	2003
Cost		
Land	\$ 25,785	\$ 22,385
Buildings and equipment	<u>25,421</u>	<u>36,751</u>
	51,206	59,136
Accumulated depreciation	<u>3,840</u>	<u>3,239</u>
	<u>\$ 47,366</u>	<u>\$ 55,897</u>

## 9. SHORT-TERM BANK LOANS

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

## 10. BONDS DUE WITHIN ONE YEAR

	September 30	
	2004	2003
Unsecured convertible bonds	\$ 480,400	\$ 932,600
Interest-premium on convertible bonds	<u>106,427</u>	<u>92,442</u>
	<u>\$ 586,827</u>	<u>\$ 1,025,042</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 can be redeemed at 112.4864% of their face value on July 19, 2004 or 119.2519% of their face value on July 19, 2005 upon the bondholder's request. The bonds are convertible to capital stock at an agreed conversion price between October 19, 2001 and July 8, 2006 under certain conditions. As of September 30, 2004, bonds with aggregate face value of \$519,200 thousand had been converted to 10,443 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 may not be used for any purpose. Other capital surplus may be used only to offset a deficit. Capital surplus from the issue of stock in excess of par value may be capitalized by issuing new shares to shareholders in proportion to their 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 after appropriate income tax and offset cumulative 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:

- 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;
- 1% as remuneration to directors and supervisors.
- 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 within 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 on the appropriation of the 2003 and 2002 earnings. The bonus to employees, directors and supervisors was distributed as follows:

	<u>Appropriation Earnings</u>		<u>Dividend per Share</u> <u>(Dollars)</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Legal reserve	\$ 107,242	\$ 123,411	\$ -	\$ -
Cash dividends	844,320	429,363	2.50	1.50
Stock dividends	168,864	429,363	0.50	1.50
Bonus to directors and supervisors	9,652	11,107	-	-
Bonus to employees—stock	55,000	55,214	-	-
Bonus to employees—cash	<u>41,518</u>	<u>55,856</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,226,596</u>	<u>\$ 1,104,314</u>	<u>\$ 3.00</u>	<u>\$ 3.00</u>

The shareholders also approved the board of directors' proposal dated May 27, 2004 to increase capital from issuing stock dividends of \$168,864 thousand and stock bonus to employees of \$55,000 thousand. This capital increase, which had been registered with the Securities and Futures Bureau (SFB), and had received the revised license from the Ministry of Economic Affairs.

Because of bond conversion, the Company's capital stock increased by \$94,144 thousand in 2004 and by \$7,294 thousand in 2003, and the capital surplus from the issue of stock in excess of par value increased by \$377,512 thousand and by \$39,982 thousand, respectively.

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 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 within two and four years of the grant date, and options will expire six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT\$51.00. As of September 30, 2004, no options had been exercised.

## 12. TREASURY STOCKS

Unit: In Thousand Shares

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

Under a board of directors' proposal dated February 5, 2004, the Company retired 3,862 thousand treasury shares, which amounted to \$210,736 thousand. This retirement, effective March 23, 2004, resulted in reductions of \$38,620 thousand 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:

	September 30	
	2004	2003
Tax on pretax income at 25% statutory rate	\$ 471,382	\$ 235,598
Deduct tax effects of:		
Permanent differences	( 123,597 )	( 32,866 )
Temporary differences	( 25,175 )	( 81,094 )
Tax-exempt income	( 76,497 )	-
Investment tax credit	( 123,020 )	( 59,473 )
Income tax currently payable	<u>\$ 123,093</u>	<u>\$ 62,165</u>



b. Income tax expense consisted of:

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Income tax payable	\$ 123,093	\$ 62,165
Income tax expense—deferred	73,620	28,471
Adjustment of prior year's income tax	9,287	10,319
Income tax (10%) on undistributed earnings	<u>-</u>	<u>19,045</u>
Income tax expense (shown in the statements of income)	<u>\$ 206,000</u>	<u>\$ 120,000</u>

c. Net deferred income taxes as of September 30, 2004 and 2003 consisted of the following:

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Current		
Allowance for loss on inventories	\$ 30,997	\$ 23,721
Investment tax credit	6,512	-
Unrealized foreign exchange gain	( 2,427 )	( 3,100 )
Others	<u>631</u>	<u>23</u>
Deferred income tax assets	<u>\$ 35,713</u>	<u>\$ 20,644</u>
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of investees	\$ 114,162	\$ 88,676
Deferred income	37,008	43,092
Interest-premium on convertible bonds	26,607	23,111
Pension cost	30,378	27,104
Others	<u>3,500</u>	<u>-</u>
	211,655	181,983
Valuation allowance	( <u>140,769</u> )	( <u>22,036</u> )
	<u>70,886</u>	<u>159,947</u>
Deferred income tax liabilities:		
Accumulated equity in the net gain of investees	( 163,243 )	( 77,839 )
Allowance for tax-deductible equity in net loss of foreign investees	( <u>15,694</u> )	( <u>47,193</u> )
	( <u>178,937</u> )	( <u>125,032</u> )
Net deferred income tax assets (liabilities)	<u>( \$ 108,051 )</u>	<u>\$ 34,915</u>

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

The imputation credit account balances were \$57,551 thousand and \$110,112 thousand as of September 30, 2004 and 2003, respectively.

The actual creditable tax ratios for earnings as of December 31, 2003 and 2002, which were distributed in 2004 and 2003, were 9.91% and 29.50%, respectively.

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

<u>Legislation</u>	<u>Deductible Item</u>	<u>Tax Credits Obtained</u>	<u>Unused Tax Credits</u>
<u>September 30 of 2004</u>			
Statute for Upgrading Industries	R&D and training expenses	\$ 129,282	\$ 6,512
	Purchase of automated mechanical equipment	250	-

September 30 of 2003

Statute for Upgrading Industries	R&D and training expenses	78,518	-
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The balance of unappropriated retained earnings as of September 30, 2004 and 2003 included earnings of \$81,329 thousand generated up to September 30, 1997.

Income taxes payable as of September 30, 2004 and 2003 were net of prepayments of \$9,832 thousand and \$81,210 thousand, respectively.

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

**14. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION**

	<u>For the Nine Months Ended September 30</u>					
	<u>2004</u>			<u>2003</u>		
	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>	<u>Included in Cost of Goods Sold</u>	<u>Included in Operating Expenses</u>	<u>Total</u>
Personnel expenses						
Payroll	\$ 117,263	\$ 312,837	\$ 430,100	\$ 99,589	\$ 303,755	\$ 403,344
Insurance	10,232	16,760	26,992	8,021	19,148	27,169
Pension	3,971	11,835	15,806	4,506	14,657	19,163
Others	8,261	12,278	20,539	6,843	11,054	17,897
Depreciation	27,410	19,255	46,665	25,550	19,275	44,825
Amortization	-	8,575	8,575	432	7,395	7,827
	<u>\$ 167,137</u>	<u>\$ 381,540</u>	<u>\$ 548,677</u>	<u>\$ 144,941</u>	<u>\$ 375,284</u>	<u>\$ 520,225</u>

For properties leased to others, expenses of \$410 thousand and \$523 thousand as of September 30, 2004 and 2003, respectively, 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</u>	<u>Earnings Per Share</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>(Denominator)</u> <u>(Thousand)</u>	<u>Pretax</u>	<u>After-tax</u>
<u>For the nine months ended</u> <u>September 30, 2004</u>					
Basic EPS	\$ 1,885,567	\$ 1,679,567	362,541	<u>\$ 5.20</u>	<u>\$ 4.63</u>
Impact of dilutive potential common stock					
Employee stock options	-	-	949		
Convertible bonds	<u>23,317</u>	<u>19,488</u>	<u>17,118</u>		
Diluted EPS	<u>\$ 1,908,884</u>	<u>\$ 1,699,055</u>	<u>380,608</u>	<u>\$ 5.02</u>	<u>\$ 4.46</u>
<u>For the nine months ended</u> <u>September 30, 2003</u>					
Basic EPS	\$ 942,430	\$ 822,430	355,176	<u>\$ 2.65</u>	<u>\$ 2.32</u>
Impact of dilutive potential common stock					
Employee stock options					
Employee stock options	-	-	68		
Convertible bonds	<u>31,622</u>	<u>23,718</u>	<u>20,075</u>		
Diluted EPS	<u>\$ 974,052</u>	<u>\$ 846,148</u>	<u>375,319</u>	<u>\$ 2.60</u>	<u>\$ 2.25</u>

The EPS was retroactively adjusted for the stock dividends declared. Thus, pretax and after-tax basic EPS decreased from NT\$2.79 to NT\$2.65 and from NT\$2.43 to \$2.32, respectively, in the nine months ended 2003, and pretax and after-tax diluted EPS decreased from NT\$2.73 to NT\$2.60 and from \$2.37 to \$2.25, 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.

A summary of pension information is as follows:

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Pension expenses	<u>\$ 15,806</u>	<u>\$ 19,163</u>
Contributions	<u>\$ 7,358</u>	<u>\$ 6,890</u>
Pension fund account balance, end of period	<u>\$ 59,453</u>	<u>\$ 49,237</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 Technologies, Inc. (ATI)	Equity-method investee (liquidated on December 31, 2003)
Advantech Technology Co., Ltd. (ATC)	Equity-method investee
Advantech Italia S.p.A. (AIT)	Equity-method investee
Advantech Brasil S/A (ABR)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech America Corp. (AASC)	Equity-method investee (liquidated on December 31, 2003)
Advantech Automation Corp. (BVI) [AAC (BVI)]	Equity-method investee
Advantech Automation Corp., Ltd. (AACB)	Equity-method investee of AAC (BVI)
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
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

(Continued)

**Relationship with the Company**

Advantech Corp. (AC)	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
Immoobiliare Verdi Srl	Manager of AIT

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

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<u>For the nine months ended September 30</u>				
1) Sales				
AC	\$ 1,273,540	21	\$ 67	-
AESC	1,176,565	20	862,836	17
ACN	883,420	15	-	-
AJP	178,882	3	218,348	4
AKR	175,894	3	212,390	4
Axiomtek	138,326	2	151,991	3
ASG	120,338	2	113,236	2
AAU	67,875	1	57,726	1
AKMC	47,941	1	33,186	1
AUK	45,003	1	22,797	1
AKL	29,436	1	23,111	1
APN	29,111	-	14,236	-
ABR	22,271	-	20,539	1
ATC	16,271	-	23,888	1
AASC	-	-	904,612	18
ADCL	-	-	761,760	15
AIT	-	-	72,285	1
Others	<u>13,167</u>	<u>1</u>	<u>29,010</u>	<u>1</u>
	<u>\$ 4,218,040</u>	<u>71</u>	<u>\$ 3,522,018</u>	<u>71</u>
2) Purchase of materials and supplies				
ATC	\$ 1,683,334	41	\$ 568,040	18
Advantech IBHA	19,787	-	26,794	1
Axiomtek	2,749	-	3,800	-
AKMC	7	-	114,672	4
Others	<u>3,533</u>	<u>-</u>	<u>7,286</u>	<u>-</u>
	<u>\$ 1,709,410</u>	<u>41</u>	<u>\$ 720,592</u>	<u>23</u>

(Continued)

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
3) Royalty revenue for patent				
ATC	\$ 86,885	100	\$ -	-
4) Interest revenue				
ADL	\$ -	-	\$ 59	-
ABB	-	-	19	-
AFR	-	-	19	-
	<u>\$ -</u>	<u>-</u>	<u>\$ 97</u>	<u>-</u>
5) Administrative (part of nonoperating income)				
ATC	\$ 1,315	9	\$ 2,207	7
AESC	-	-	3,100	1
ATI	-	-	3,100	1
AJP	-	-	1,550	5
AC	-	-	693	2
Others	525	3	1,529	5
	<u>1,840</u>	<u>12</u>	<u>12,179</u>	<u>41</u>
6) Rental revenues (part of nonoperating income)				
Broadwed Automation	586	4	586	-
Advantech IBHA	140	1	180	-
Axiomtek	116	1	116	-
Yan Hong	-	-	180	-
	<u>842</u>	<u>6</u>	<u>1,062</u>	<u>4</u>
	<u>\$ 2,682</u>	<u>18</u>	<u>\$ 13,241</u>	<u>45</u>
<u>At end of nine months</u>				
7) Receivables				
Accounts receivable				
AESC	\$ 564,492	47	\$ 351,211	32
AC	219,401	18	-	-
ACN	205,254	17	-	-
AKR	43,376	4	32,877	3
AJP	41,377	3	41,917	4
Axiomtek	23,678	2	41,590	4
ASG	19,029	2	30,133	3
AKMC	11,011	1	12,630	2
AUK	8,287	1	11,280	1
ABR	7,540	1	5,682	-
AKL	5,762	-	6,151	-
APN	5,407	-	3,961	-

(Continued)

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
AAU	\$ 3,992	-	\$ 10,221	1
ADCL	-	-	266,540	25
AASC	-	-	246,359	23
ATI	-	-	13,109	1
ADL	-	-	889	-
Others	6,789	1	11,579	1
	<u>1,165,395</u>	<u>97</u>	<u>1,086,129</u>	<u>100</u>
Dividends receivable				
ATC	<u>37,616</u>	<u>3</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,203,011</u>	<u>100</u>	<u>\$ 1,086,129</u>	<u>100</u>

8) Payables

ATC	\$ 710,320	97	\$ 301,349	83
Advantech IBHA	17,672	3	24,265	7
AC	2,170	-	5,076	1
AKMC	-	-	25,998	7
AFR	-	-	3,509	1
Axiomtek	-	-	-	-
Others	951	-	4,819	1
	<u>\$ 731,113</u>	<u>100</u>	<u>\$ 365,016</u>	<u>100</u>

(Concluded)

c. Financing provided

	<u>Ending Balance</u>	<u>Maximum Balance for the Period</u>	<u>Interest Rate</u>	<u>Interest Revenue</u>
For the nine months ended <u>September 30, 2003</u>				
Accounts receivable—related parties				
ADL	\$ -	\$ 80,740	2.5%	\$ 285
ABB	-	39,780	2.5%	180
AFR	-	<u>39,780</u>	2.5%	<u>165</u>
	<u>\$ -</u>	<u>\$ 160,300</u>		<u>\$ 630</u>

No financing was provided for the nine months ended September 30, 2004.

d. Long-term equity investments

To consolidate the Company's operation in Europe, the Company sold the common stock of ADL, AFR, AUK and ABB to AEU in August 2003. The related transaction is summarized as follows:

<u>Common Stock Name</u>	<u>Shares (Thousands)</u>	<u>Transaction Price</u>	<u>Carrying Value</u>	<u>Disposal Gain (Loss)</u>
ADL	34	\$28,816	\$ 5,250	\$23,566
AFR	46	1,788	( 38,494 )	40,282
AUK	600	13,374	9,527	3,847
ABB	7	<u>20,412</u>	<u>26,055</u>	( <u>5,643</u> )
		<u>\$64,390</u>	<u>\$ 2,338</u>	<u>\$62,052</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 45% of AIT's common stock from Mr. Andrea Zolli and Immoibiliare Verdi Srl to become AIT's sole owner and transferred 3.8% of AEU's common stock to them. The related transaction is summarized as follows:

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

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, ATC, AKMC, AKL 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 following assets had been pledged or mortgaged as collaterals to meet court requirements for confiscating assets to settle uncollectible accounts:

	<u>2004</u>	<u>2003</u>
Certificates of deposits	<u>\$ 4,900</u>	<u>\$ 2,400</u>



## 19. COMMITMENTS

As of September 30, 2004, the Company had the following significant commitments:

- a. Guarantees for affiliates' loans:

	<u>Amount</u>
AC	\$ 136,120
ACN	136,120
AKMC	136,120
AIT	92,576
AACB	68,060
AUK	34,902
AEBS	<u>13,612</u>
	<u>\$ 617,510</u>

## 20. FINANCIAL INSTRUMENTS

- a. Outstanding contract amounts and credit risk

<u>Derivative Financial Instruments</u>	<u>September 30</u>			
	<u>2004</u>		<u>2003</u>	
	<u>Contract Amount (Thousands)</u>	<u>Credit Risk</u>	<u>Contract Amount (Thousands)</u>	<u>Credit Risk</u>
<u>For nontrading purposes</u>				
Forward contracts—sell	EUR 800	-	EUR 8,705	-
	US\$ 16,000	-	US\$ 36,685	-
Forward contracts—buy	US\$ 981	-	US\$ 1,008	-
	NT\$ 528,145	-	EUR 5,960	-
Foreign-currency options	-	-	US\$ 28,000	-
	-	-	EUR \$18,960	-

Credit risk refers to counter-parties' default on foreign-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 use these contracts to hedge the effects of adverse exchange rate fluctuations on foreign-currency net assets or liabilities. The contracts will be settled at net or nominal amounts. Thus, the market risk is not material.

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

The value-at-risk of the Company is calculated according to potential loss per day of the financial instrument, and the confidence interval was stated at the daily exchange rate for the financial assets and liabilities to a 95% level of confidence. Based on this assumption, there is a 5% chance that the loss on the financial instrument will exceed the exchange rate for the day. The average value-at-risk in September 2003 was \$2,049 thousand.

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 September 30, 2004 were EUR800 thousand and US\$16,000 thousand, for which the Company will receive payments of US\$981 thousand and NT\$528,145 thousand before November 2004. 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 payables of \$15,720 thousand as of September 30, 2004 and \$12,465 thousand as of September 30, 2003 on all forward contracts for nontrading purposes were shown as part of other current liabilities. Foreign exchange losses for the nine months ended September 30, 2004 and 2003 were \$18,595 thousand and \$20,681 thousand, respectively.

For the nine months ended September 30, 2003, the Company realized premium expenses and income (part of nonoperating income—others) of \$35,751 thousand on all foreign-currency options—written for nontrading purposes and foreign-exchange losses of \$266,927 thousand.

For the nine months ended September 30, 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

	<b>September 30</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
<u>Nonderivative financial instruments</u>				
<b>Assets</b>				
Cash	\$ 516,863	\$ 516,863	\$ 62,134	\$ 62,134
Short-term investments	1,775,073	1,776,161	1,300,080	1,300,851
Notes receivable	42,800	42,800	46,298	46,298
Accounts receivable	401,876	401,876	363,589	363,589
Receivables from related parties	1,203,011	1,203,011	1,086,129	1,086,129
Long-term equity investments	3,134,825	3,124,127	2,901,607	2,886,439
Certificates of deposit	4,900	4,900	2,400	2,400

(Continued)

	<b>September 30</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
Liabilities				
Notes payable	\$ 880	\$ 880	\$ 6,819	\$ 6,819
Accounts payable	416,845	416,845	435,127	435,127
Payables to related parties	731,113	731,113	365,016	365,016
Corporate bonds payable	586,827	718,054	1,025,042	1,086,106
 <u>Derivative financial instruments</u>				
Forward contracts	15,720	15,720	12,465	12,465
Foreign-currency options	-	-	-	-
				(Concluded)

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 its 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 September 30, 2004, accumulated inward remittance of earnings as of September 30, 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 Tables 1, 2, 3, 5, 6, 7 and 8.

## ADVANTECH CO., LTD. AND INVESTEES

**FINANCING PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Financier	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Nature of Financing (Note A)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing that Can Be Provided by the Financier
											Item	Value		
1	Advantech Automation Corp., Ltd. (AACB)	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Receivables from related parties	\$ 68,060 (US\$ 2,000 thousand)	\$ 68,060 (US\$ 2,000 thousand)	2.5%	2	\$ -	Operating needs	\$ -	-	\$ -	\$ 102,090 (Note B)	\$ 204,180 (Note C)
2	Axiomtek Co., Ltd.	Axiomtek Technology Deutschland GmbH	Other receivables	4,208 (EU 100 thousand)	4,208 (EU 100 thousand)	-	1	19,169	-	-	-	-	152,072 (Note D)	304,144 (Note E)
3	Advantech Europe Holding B.V. (AEU)	Advantech France S.A.	Receivables from related parties	12,624 (EU 300 thousand)	-	2.5%	2	-	Operating needs	-	-	-	-	-
		Advantech Europe GmbH	Receivables from related parties	31,560 (EU 750 thousand)	27,352 (EU 650 thousand)	2.5%	2	-	Operating needs	-	-	-	44,284 (Note F)	88,567 (Note G)
		Advantech (UK) Ltd.	Receivables from related parties	16,428 (EU 180 thousand)	3,787 (EU 90 thousand)	2.5%	2	-	Operating needs	-	-	-	-	-
		Advantech Italia S.p.A.	Receivables from related parties	4,208 (EU 100 thousand)	4,208 (EU 100 thousand)	2.5%	2	-	Operating needs	-	-	-	-	-
		Advantech Benelux B.V.	Receivables from related parties	14,728 (EU 350 thousand)	12,624 (EU 300 thousand)	2.5%	2	-	Operating needs	-	-	-	-	-

## Notes: A. Nature of Financing:

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

B. 15% of net asset value of AACB.

C. 30% of net asset value of AACB.

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

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

F. 15% of net asset value of AEU.

G. 30% of net asset value of AEU.

## ADVANTECH CO., LTD. AND INVESTEES

## ENDORSEMENT/GUARANTEE PROVIDED

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

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

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statements	Maximum Collateral/Guarantee Amounts Allowable (Note)
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	Advantech Corp.	Subsidiary of a wholly owned subsidiary	\$ 553,864 (Note A)	\$ 306,270 (US\$ 9,000 thousand)	\$ 136,120 (US\$ 4,000 thousand)	\$ -	2%	\$ 1,107,728 (Note B)
		Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Subsidiary of a wholly owned subsidiary		136,120 (US 4,000 thousand)	136,120 (US 4,000 thousand)	-	2%	
		Advantech Technology (China) Company Ltd.	Subsidiary of a wholly owned subsidiary		136,120 (US 4,000 thousand)	136,120 (US 4,000 thousand)	-	2%	
		Advantech Italia S.p.A.	Subsidiary		92,576 (EUR 2,200 thousand)	92,576 (EUR 2,200 thousand)	-	1%	
		Advantech Automation Corp., Ltd.	Subsidiary of a wholly owned subsidiary		68,060 (US\$ 2,000 thousand)	68,060 (US\$ 2,000 thousand)	-	1%	
		Advantech (UK) Ltd.	Subsidiary of a wholly owned subsidiary		34,902 (Including £ 80 thousand)	34,902 (Including £ 80 thousand)	-	-	
		Advantech IBHA Technologies Inc.	Subsidiary		13,612 (US\$ 400 thousand)	13,612 (US\$ 400 thousand)	-	-	
1	Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	Subsidiary	152,072 (Note C)	85,075 (US\$ 2,500 thousand)	85,075 (US\$ 2,500 thousand)	-	11%	380,180 (Note D)

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

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

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

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

TABLE 3

## ADVANTECH CO., LTD. AND INVESTEES

## MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

SEPTEMBER 30, 2004

(Amounts in Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 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	\$ 899,457	100.00	\$ 899,457	Note A	
	AAC (BVI)	Investee	Long-term equity investments	21,603,485	687,849	100.00	687,849	Note A	
	Axiomtek Co., Ltd.	Investee	Long-term equity investments	26,592,258	510,362	60.87	510,362	Note A	
	Yin Hsin Co., Ltd.	Investee	Long-term equity investments	29,999,994	284,964	100.00	284,964	Note A	
	AEU	Investee	Long-term equity investments	7,713,167	278,915	96.20	278,915	Note A	
	Advantech Technologies Co., Ltd. (AKR)	Investee	Long-term equity investments	4,429,210	159,116	43.00	159,116	Note A	
	Advantech Co. Singapore Pte, Ltd.	Investee	Long-term equity investments	1,450,000	88,731	100.00	88,731	Note A	
	Advantech Japan Co., Ltd.	Investee	Long-term equity investments	1,200	67,578	100.00	67,578	Note A	
	Advantech Australia Pty Ltd.	Investee	Long-term equity investments	500,204	64,880	100.00	64,880	Note A	
	Advantech Italia S.p.A.	Investee	Long-term equity investments	45,000	30,743	100.00	30,743	Note A	
	Advantech IBHA Inc.	Investee	Long-term equity investments	1,994,000	14,870	13.29	14,870	Note A	
	Advantech Hungary Ltd.	Investee	Long-term equity investments	30	11,105	30.00	11,105	Note A	
	ADCL	Investee	Long-term equity investments	500,000	8,205	100.00	8,205	Note A	
	Advantech Investment & Management Service	Investee	Long-term equity investments	500,000	5,151	100.00	5,151	Note A	
	Advantech Brasil S/A	Investee	Long-term equity investments	971,055	2,759	60.00	2,759	Note A	
	Advantech (H.K.) Technology Co., Ltd.	Investee	Long-term equity investments	999,999	140	100.00	140	Note A	
	Silicon Motion Inc.	-	Long-term equity investments	500,000	20,000	0.47	9,302	Note A	
		<u>Funds</u>							
		President Home Run Fund	-	Short-term investments	22,084,805.80	300,746	-	300,821	Note B
		ABN AMRO Select Bond Fund	-	Short-term investments	27,357,036.69	300,646	-	300,758	Note B
		ABN AMRO Bond Fund	-	Short-term investments	20,570,440.37	300,612	-	300,705	Note B
		President James Bond Fund	-	Short-term investments	19,498,838.00	291,981	-	292,075	Note B
		ABN AMRO Income Fund	-	Short-term investments	13,265,574.67	202,077	-	202,675	Note B
		NITC Bond Fund	-	Short-term investments	1,093,080.50	174,304	-	174,351	Note B
		Shinong Chi-Shin Fund	-	Short-term investments	5,732,703.59	79,697	-	79,718	Note B
		Capital High Yield Fund	-	Short-term investments	6,530,255.40	74,127	-	74,156	Note B
	Capital Cash Reserves Fund	-	Short-term investments	3,543,689.90	50,883	-	50,902	Note B	

(Continued)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2004				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Axiomtek Co., Ltd.	<u>Common stock</u>							
	Axiom Technology Inc. U.S.A.	Investee	Long-term equity investments	23,418	\$ 234,265	100.00	\$ 177,932	Note A
	Axiomtek Technology Deutschland GmbH	Investee	Long-term equity investments	-	5,336	100.00	5,336	Note A
	Axiom Technology (BVI) Co., Ltd.	Investee	Long-term equity investments	410,000	7,924	100.00	7,924	Note A
	Axiomtek SAS	Investee	Long-term equity investments	-	2,154	100.00	2,154	Note A
	Axiom Technology Trading (BVI) Co., Ltd.	Investee	Long-term equity investments	600,000	17,500	100.00	17,500	Note A
	Hi-top Industrial Co., Ltd.	Investee	Long-term equity investments	1,050	24,538	30.00	16,422	Note A
	Alextek Company Limited, Ltd.	-	Long-term equity investments	190	1,823	19.00	1,530	Note A
	<u>Funds</u>							
	Jihsun Bond Fund	-	Short-term investments	1,734,772	22,972	-	22,972	Note B
	Fubon Chi-Hsiang I Fund	-	Short-term investments	3,078,944	39,053	-	39,053	Note B
Barits Bond Fund	-	Short-term investments	3,692,002	43,575	-	43,575	Note B	
JF First Bond Fund	-	Short-term investments	2,572,513	35,116	-	35,116	Note B	
Yin Hsin Co., Ltd.	<u>Common stock</u>							
	Advantech IBHA Inc.	Investee	Long-term equity investments	10,000,000	74,232	66.67	74,232	Note A
	Broadwed Automation Co., Ltd.	Investee	Long-term equity investments	2,000,000	23,188	33.33	23,188	Note A
	Innova Tech & Management Consultant Inc.	Investee	Long-term equity investments	1,250,000	14,752	24.75	14,752	Note A
	Timson Tech Co.	Investee	Long-term equity investments	270,000	8,973	30.00	8,973	Note A
	Superior Technology Co., Ltd.	-	Long-term equity investments	874,960	33,442	10.00	21,537	Note A
	Web Point Co., Ltd.	-	Long-term equity investments	400,000	28,000	1.00	2,572	Note A
	Baoruh Electronic Co., Ltd.	-	Long-term equity investments	1,064,342	18,285	8.06	10,936	Note A
	Unibase Information Corp.	-	Long-term equity investments	75,000	2,250	10.34	504	Note A
	Chunghwa Telecom Co., Ltd.	-	Short-term investments	200,000	21,300	-	10,924	Note C
	<u>Funds</u>							
ABN AMRO Bond Fund	-	Short-term investments	4,798,335.63	70,001	-	70,144	Note B	
Advantech Technology Co., Ltd. (ATC)	<u>Common stock</u>							
	Advantech Technology (China) Company Ltd.	Investee	Long-term equity investments	-	447,160	100.00	444,082	Note A
	Advantech Dong-guan Manufacturing Co., Ltd.	Investee	Long-term equity investments	-	1,701	100.00	1,701	Note A
Advantech Development Co., Ltd. (ADCL)	<u>Common stock</u>							
Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd.	Investee	Other liabilities	-	( 2,466 )	100.00	( 2,466 )	Note A	
Timson Tech Co.	<u>Common stock</u>							
Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	30,038	100.00	30,038	Note A	
Advantech Automation Corp. (BVI) (AAC [BVI])	<u>Common stock</u>							
AACB	Investee	Long-term equity investments	21,603,485	686,532	100.00	686,532	Note A	
Advantech Automation Corp., Ltd. (AACB)	<u>Common stock</u>							
	Advantech Corp.	Investee	Long-term equity investments	10,952,606	535,089	100.00	535,089	Note A
	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Investee	Long-term equity investments	-	125,095	100.00	125,095	Note A
	Advantech Automation (Penang) Sdn. Bhd.	Investee	Long-term equity investments	570,570	9,090	55.00	9,090	Note A

(Continued)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	September 30, 2004				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Advantech Control (M) Sdn. Bhd.	Investee	Long-term equity investments	418,000	\$ 8,727	55.00	\$ 8,727	Note A
	Advantech Automation GmbH	Investee	Long-term equity investments	2,000	3,566	100.00	3,566	Note A
	Advan Automation Co., Ltd.	Investee	Other liabilities	400	( 2,101 )	37.74	( 2,101 )	Note A
	Visual Systems GmbH	-	Long-term equity investments	-	777	20.00	777	Note A
Advantech Europe Holding B.V. (AEU)	<u>Common stock</u>							
	Advantech Europe B.V.	Investee	Long-term equity investments	8,314,280	88,828	100.00	88,828	Note A
	Advantech France S.A.	Investee	Long-term equity investments	75,000	43,927	100.00	43,927	Note A
	Advantech (UK) Ltd.	Investee	Long-term equity investments	600,000	41,768	100.00	41,768	Note A
	Advantech Benelux B.V.	Investee	Long-term equity investments	295,378	36,953	100.00	36,953	Note A
	Advantech Europe GmbH	Investee	Long-term equity investments	742,000	( 3,665 )	100.00	( 3,665 )	Note A
	Marek Micro	-	Long-term equity investments	6,200	10,470	19.87	10,470	Note A
Axion Technology Trading (BVI) Co., Ltd.	<u>Common stock</u>							
Axiomtek Technology (Shen Zhen) Co., Ltd.	Investee	Prepaid dividend	-	4,278	-	4,278	Note A	

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

Note B: Market values were based on the net asset values of the-open-end mutual funds on September 30, 2004.

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

(Concluded)



## ADVANTECH CO., LTD. AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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>													
	President Home Run Fund	Short-term investments	-	-	-	\$ -	44,169,611.60	\$ 600,746	22,084,805.80	\$ 300,746	\$ 300,000	\$ 746	22,084,805.80	\$ 300,746
	ABN AMRO Select Bond Fund	Short-term investments	-	-	-	-	54,714,073.38	600,646	27,357,036.69	300,646	300,000	646	27,357,036.69	300,646
	ABN AMRO Bond Fund	Short-term investments	-	-	-	-	86,259,404.41	1,255,936	65,688,964.04	957,236	955,324	1,912	20,570,440.37	300,612
	President James Bond Fund	Short-term investments	-	-	13,541,257.60	200,633	72,663,535.50	1,084,188	66,705,955.10	995,478	992,840	2,638	19,498,838.00	291,981
	ABN AMRO Income Fund	Short-term investments	-	-	-	-	13,402,261.05	204,135	137,046.38	2,077	2,058	19	13,265,574.67	202,077
	NITC Bond Fund	Short-term investments	-	-	-	-	2,810,453.70	447,800	1,717,373.20	273,733	273,496	237	1,093,080.50	174,304
	Shinong Chi-Shin Fund	Short-term investments	-	-	-	-	49,325,385.08	685,030	43,592,681.49	606,010	605,333	677	5,732,703.59	79,697
	Capital High Yield Fund	Short-term investments	-	-	17,317,299.90	193,810	46,994,462.00	530,661	57,781,506.50	652,634	650,344	2,290	6,530,255.40	74,127
	Capital Cash Reserves Fund	Short-term investments	-	-	-	-	11,843,572.10	169,352	8,299,882.20	118,754	118,469	285	3,543,689.90	50,883
	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	-	-
	Increment Securities Investment Trust Fund	Short-term investments	-	-	13,737,879.86	200,514	51,707,902.39	759,091	65,445,782.25	961,751	959,606	2,145	-	-
	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	-	-
	Barits Bond Fund	Short-term investments	-	-	4,033,927.30	47,113	81,730,273.70	958,076	85,764,201.00	1,006,869	1,005,190	1,679	-	-
	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	-	-
	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	-	-
	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	-	-
	Peaunique Fund	Short-term investments	-	-	-	-	18,980,799.20	279,598	18,980,799.20	281,663	279,598	2,065	-	-
	HSBC Ntd Money Management Fund	Short-term investments	-	-	-	-	20,829,912.30	299,986	20,829,912.30	300,476	299,986	490	-	-
Axiomtek Co., Ltd.	<u>Funds</u>													
	Jihsun Bond Fund	Short-term investments	-	-	1,417,782.00	18,512	8,312,335.00	109,580	7,995,345.00	105,301	105,120	181	1,734,772.00	22,972
	Fubon Chi-Hsiang I Fund	Short-term investments	-	-	1,458,256.00	18,237	10,205,881.00	129,097	8,585,193.00	108,480	108,281	199	3,078,944.00	39,053
	Barits Bond Fund	Short-term investments	-	-	1,455,675.00	17,000	13,182,725.00	155,075	10,947,398.00	128,645	128,500	145	3,691,002.00	43,575
	JF First Bond Fund	Short-term investments	-	-	1,871,200.00	25,293	13,778,731.00	187,616	13,077,418.00	177,947	177,793	154	2,572,513.00	35,116

## ADVANTECH CO., LTD. AND INVESTEEES

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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.	ATC	Subsidiary	Purchase	\$ 1,683,334	41	Depending on ATC's operating condition	-	-	(\$ 710,320)	( 62)	
	Advantech Corp.	Subsidiary	Sale	( 1,273,540)	( 21)	60-90 days	-	-	219,401	13	
	AESC	Subsidiary of a wholly owned subsidiary	Sale	( 1,176,565)	( 20)	Depending on AESC's operating condition	-	-	564,492	34	
	Advantech Co. Singapore Pte, Ltd.	Subsidiary of a wholly owned subsidiary	Sale	( 120,338)	( 2)	60-90 days	-	-	19,029	1	
	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Subsidiary of a wholly owned subsidiary	Sale	( 883,420)	( 15)	60-90 days	-	-	205,254	12	
	Axiomtek Co., Ltd.	Subsidiary	Sale	( 138,326)	( 2)	60-90 days	-	-	23,678	1	
	Advantech Japan Co., Ltd.	Subsidiary	Sale	( 178,882)	( 3)	60-90 days	-	-	41,378	3	
	Advantech Technologies Co., Ltd.	Subsidiary	Sale	( 175,894)	( 3)	60-90 days	-	-	43,376	3	
Advantech Technology Co., Ltd. (ATC)	Advantech Co., Ltd.	Parent company	Sale	( 1,683,334)	( 56)	Depending on ATC's operating condition	-	-	710,320	98	
Advantech Automation Corp.	Advantech Co., Ltd.	Parent company	Purchase	1,273,540	72	60-90 days	-	-	( 219,401)	( 78)	
Advantech Europe B.V. (AESC)	Advantech Co., Ltd.	Parent company	Purchase	1,176,565	74	Depending on AESC's operating condition	-	-	( 564,492)	( 99)	
Advantech Co. Singapore Pte. Ltd. (ASG)	Advantech Co., Ltd.	Parent company	Purchase	120,338	78	60-90 days	-	-	( 19,029)	( 1)	
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Advantech Co., Ltd.	Parent company	Purchase	883,420	64	60-90 days	-	-	( 205,254)	( 76)	
Advantech Japan Co., Ltd.	Advantech Co., Ltd.	Parent company	Purchase	178,882	94	60-90 days	-	-	( 41,378)	( 100)	
Advantech Technologies Co., Ltd. (AKR)	Advantech Co., Ltd.	Parent company	Purchase	175,894	43	60-90 days	-	-	( 43,376)	( 39)	
Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	Equity-method investee	Sale	( 234,657)	( 23)	31-90 days	-	-	62,198	25	
	Advantech Co., Ltd.	Parent company	Purchase	138,326	20	60-90 days	-	-	( 61,293)	( 68)	
Axiom Technology Inc. U.S.A.	Axiomtek Co., Ltd.	Parent company	Purchase	234,657	72	31-90 days	-	-	( 62,198)	( 93)	

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

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

**SEPTEMBER 30, 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	\$ 564,492	3.41	\$ -	-	\$ -	\$ -
	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Subsidiary of a wholly owned subsidiary	205,254	5.73	-	-	33,825	-
	Advantech America Corp.	Subsidiary	219,401	6.83	-	-	70,544	-
Advantech Technology Co., Ltd.	Advantech Co., Ltd.	Parent company	710,320	2.56	-	-	64,081	-

TABLE 7

## ADVANTECH CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004  
(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 3)	Note
				September 30, 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	\$ 899,457	\$ 469,618	\$ 469,618	Subsidiary
	AAC (BVI)	BVI	Investment holding company	725,043	724,987	21,603,485	100.00	687,849	109,283	109,636	Subsidiary
	Axiomtek Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	438,964	438,964	26,592,258	60.87	510,362	170,995	95,514	Subsidiary
	Yin Hsin Co., Ltd.	Taipei, Taiwan	General investment	300,000	300,000	29,999,994	100.00	284,964	( 2,558)	( 2,558)	Subsidiary
	AEU	Helmond, the Netherlands	Investment holding company	298,162	308,079	7,713,167	96.20	278,915	5,583	5,666	Subsidiary
	Advantech Technologies Co., Ltd. (AKR)	Seoul, Korea	Sale of industrial automation products	51,646	51,646	4,429,210	43.00	159,116	20,571	5,458	Equity-method investee
	Advantech Co. Singapore Pte, Ltd.	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	88,731	8,885	8,885	Subsidiary
	Advantech Japan Co., Ltd. (AJP)	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	67,578	9,981	9,981	Subsidiary
	Advantech Australia Pty Ltd.	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	64,880	6,145	6,729	Subsidiary
	Advantech Italia S.p.A.	Milano, Italy	Sale of industrial automation products	31,277	21,360	45,000	100.00	30,743	( 318)	( 3,185)	Subsidiary
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	19,940	19,940	1,994,000	13.29	14,870	( 15,428)	( 2,050)	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 1)
	Advantech Development Co., Ltd.	BVI	Sale of industrial automation products	16,395	16,395	500,000	100.00	8,205	5,636	5,636	Subsidiary
	Advantech Investment & Management Service	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,151	196	258	Subsidiary
	Advantech Brasil S/A	Sam Paulo, Brazil	Sale of industrial automation products	15,374	15,374	971,055	60.00	2,759	( 1,046)	( 628)	Subsidiary
	Advantech (H.K.) Technology Co., Ltd.	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	140	( 133)	( 133)	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	234,265	19,839	17,454
Axiomtek Technology Deutschland GmbH		Germany	Sale of industrial automation products	14,770	14,770	-	100.00	5,336	48	48	Subsidiary of a wholly owned subsidiary
Axiom Technology (BVI) Co., Ltd.		BVI	Holding company	13,290	6,626	410,000	100.00	7,924	( 3,470)	( 3,470)	Subsidiary of a wholly owned subsidiary
Axiomtek SAS		France	Sale of industrial automation products	9,832	9,832	-	100.00	2,154	( 1,970)	( 1,970)	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	24,538	17,270	2,538	Equity-method investee of a subsidiary
Axiom Technology Trading (BVI) Co., Ltd.		BVI	Holding company	19,735	3,075	600,000	100.00	17,500	( 776)	( 776)	Subsidiary of a wholly owned subsidiary
Yin Hsin Co., Ltd.	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	100,000	100,000	10,000,000	66.67	74,232	( 15,428)	( 10,137)	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	23,188	7,317	2,439	Equity-method investee of a subsidiary
	Innova Tech & Management Consultant Inc.	Taipei	Sale information systems and consulting on information system integration	15,000	15,000	1,250,000	24.75	14,752	283	( 169)	Equity-method investee of a subsidiary (Note 1)
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	8,973	( 29)	( 9)	Equity-method investee of a subsidiary
Advantech Technology Co., Ltd. (ATC)	Advantech Technology (China) Company Ltd.	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	447,160	27,273	27,273	Subsidiary of a wholly owned subsidiary
	Advantech Dong-guan Manufacturing Co., Ltd.	Guangzhou, China	Production and sale of industrial automation products	1,701	-	-	100.00	1,701	-	-	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	( 2,466)	5,635	5,635	Subsidiary of a wholly owned subsidiary (Note 2)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 3)	Note
				September 30, 2004	Dec. 31, 2003	Shares	Percentage of Ownership	Carrying Value			
Timson Tech Co. (TTC)	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processes and sale of peripherals	\$ 30,222	\$ 30,222	-	100.00	\$ 30,038	\$ 5	\$ 5	Subsidiary of a wholly owned subsidiary
Advantech Automation Corp. (BVI) (AAC [BVI])	AACB	Bermuda	Investment holding company	724,731	724,731	21,603,485	100.00	686,532	109,364	109,364	Subsidiary of a wholly owned subsidiary
Advantech Automation Corp., Ltd. (AACB)	Advantech Automation Corp.	Sunnyvale, USA	Assembly and sale of industrial automation products	504,179	504,179	10,952,606	100.00	535,089	84,227	75,989	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	125,095	30,214	30,124	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	9,090	3,107	1,709	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	8,727	2,525	1,389	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	3,566	-	-	Subsidiary of a wholly owned subsidiary
	Advan Automation Co., Ltd.	Tokyo, Japan	Sale of industrial automation products	5,990	5,990	400	37.74	( 2,101)	697	263	Equity-method investee of a wholly owned subsidiary (Note 2)
	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	88,828	( 13,085)	( 13,085)
Advantech France S.A.		Paris, France	Sale of industrial automation products	12,258	1,788	75,000	100.00	43,927	2,582	( 3,754)	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	41,768	18,151	17,633	Subsidiary of a wholly-owned subsidiary
Advantech Benelux B.V.		Roosendaal, The Netherlands	Sale of industrial automation products	39,630	29,160	295,378	100.00	36,953	3,004	( 3,824)	Subsidiary of a wholly-owned subsidiary
Advantech Europe GmbH		Dusseldorf, Germany	Sale of industrial automation products	28,816	28,816	742,000	100.00	( 3,665)	( 7,943)	( 11,971)	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	4,278	-	-	-	4,278	-	-	Prepaid dividend

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

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

Note 3: The calculation of investment gain (loss) was based on unreviewed financial statements of the investee incorporated in Taiwan.

## ADVANTECH CO., LTD. AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 January 1, 2004	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2004	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Value as of September 30, 2004	Accumulated Inward Remittance of Earnings as of September 30, 2004	Accumulated Investment in Mainland China as of September 30, 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	\$ 6,806	\$ -	\$ -	\$ 6,806	100%	\$ 5,604	( \$ 2,466 )	\$ -	\$ 607,503 ( US\$ 17,852 thousand )	\$ 850,750 ( US\$ 25,000 thousand )	\$ 2,617,608
Advantech Technology (China) Company Ltd.	Production and sale of components of industrial automation products	US\$12,000 thousand	Indirect	408,360	-	-	408,360	100%	27,273	447,160	-			
Kunshan Timson Tech Co., Ltd.	Processes and sale of peripherals	US\$900 thousand	Indirect	9,188	-	-	9,188	30%	3	9,011	-			
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Sale of industrial automation products	US\$4,230 thousand	Indirect	181,448	-	-	181,448	100%	30,124	125,095	-			
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US\$50 thousand	Indirect	-	1,701	-	1,701	100%	-	1,701	-			

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

Note 2: The significant events, prices, payment terms and unrealized gains or losses generated on the trading between Advantech Co., Ltd. and its investees in Mainland China are described in Notes 17 and 19 to the financial statements and Tables 1 and 2.