

Advantech Co., Ltd.

**Financial Statements for the
Nine Months Ended September 30, 2005 and 2004 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Advantech Co., Ltd. as of September 30, 2005 and 2004 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.

Except as stated 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, 2005 and 2004, these investments had a carrying value of NT\$3,240,219 thousand and NT\$3,114,825 thousand, respectively. The negative carrying value of these investments, which was recorded as part of other liabilities, was NT\$13,853 thousand as of September 30, 2005. The related net investment gains of NT\$605,940 thousand and NT\$710,367 thousand in the nine months ended September 30, 2005 and 2004, respectively, as well as additional disclosures (Note 22) required by the Securities and Futures Bureau for the Company and its investees were based on unreviewed financial statements for the same reporting periods as those of the Company.

Based on our reviews, except for the effects of such adjustments, if any, that might have been required had the investment amounts and related information mentioned in the preceding paragraph been based on the investees' reviewed financial statements, we are not aware of any material modifications that should be made to the financial statements of Advantech Co., Ltd. as of and for the nine months ended September 30, 2005 and 2004 for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

October 18, 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 review such financial statements are those generally accepted and applied in the Republic of China.

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

註解: 此段於所有以 ROC GAAP 編製之英文報告均需加入

註解: 當英文報告係翻譯自中文報告時, 加入此段, 並取代在每一頁頁首註明 "English Translation of a Report (or Financial Statements) Originally Issued in Chinese"

ADVANTECH CO., LTD.

BALANCE SHEETS
SEPTEMBER 30, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

ASSETS	2005		2004		LIABILITIES AND SHAREHOLDERS' EQUITY
	Amount	%	Amount	%	
CURRENT ASSETS					CURRENT LIABILITIES
Cash (Note 3)	\$ 622,040	6	\$ 516,863	5	Bank loans - short-term (Note 9)
Short-term investments (Notes 2 and 4)	1,707,472	16	1,775,073	18	Notes payable
Notes receivable (Note 2)	50,853	-	42,800	1	Accounts payable
Accounts receivable, net of allowance for doubtful accounts of \$10,095 thousand in 2005 and \$16,698 thousand in 2004 (Note 2)	403,854	4	401,876	4	Payables to related parties (Note 17)
Receivables from related parties (Notes 2 and 17)	1,521,121	14	1,203,011	12	Income tax payable (Notes 2 and 13)
Other financial assets - current	38,196	-	19,036	-	Accrued expenses
Inventories, net (Notes 2 and 5)	1,308,108	12	833,901	9	Bonds payable - current portion (Notes 2 and 10)
Deferred income tax assets - current (Notes 2 and 13)	53,331	-	35,713	1	Advance receipts and other current liabilities (Note 9)
Prepayments and other current assets	167,959	2	131,834	1	Total current liabilities
Total current assets	5,872,934	54	4,960,107	51	OTHER LIABILITIES
LONG-TERM EQUITY INVESTMENTS (Notes 2, 6 and 17)					Accrued pension liabilities (Notes 2 and 16)
Equity method	3,240,219	30	3,114,825	32	Guarantee deposits received
Cost method	19,145	-	20,000	-	Deferred income tax liabilities - noncurrent (Note 2)
Total long-term equity investments	3,259,364	30	3,134,825	32	Deferred income (Note 2)
PROPERTIES (Notes 2 and 7)					Miscellaneous (Notes 2 and 6)
Cost					Total other liabilities
Land	624,779	6	614,687	6	Total liabilities
Buildings and equipment	837,849	8	820,088	8	SHAREHOLDERS' EQUITY (Notes 2, 11 and 12)
Machinery and equipment	274,054	2	244,763	3	Capital stock, \$10 par value
Furniture and fixtures	87,223	1	67,064	1	Authorized - 500,000 thousand shares
Miscellaneous equipment	113,921	1	102,043	1	Issued and outstanding - 403,889 thousand shares in 2004
Total cost	1,937,826	18	1,848,645	19	369,243 thousand shares in 2004
Accumulated depreciation	362,380	3	314,126	3	Capital surplus
	1,575,446	15	1,534,519	16	Issue of stock in excess of par value
Advances for equipment acquisition	38,881	-	5,499	-	From long-term equity investments
Net properties	1,614,327	15	1,540,018	16	Total capital surplus
OTHER ASSETS					Retained earnings
Properties leased to others, net (Notes 2 and 8)	21,379	-	47,366	-	Legal reserve
Deferred expenses, net (Note 2)	91,036	1	90,345	1	Special reserve
Certificates of deposit - pledged (Note 18)	4,900	-	4,900	-	Unappropriated earnings
Miscellaneous	7,171	-	6,484	-	Total retained earnings
Total other assets	124,486	1	149,095	1	Cumulative translation adjustments
TOTAL	\$ 10,871,111	100	\$ 9,784,045	100	Total shareholders' equity
					TOTAL

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

(With Deloitte & Touche review report dated October 18, 2005)

ADVANTECH CO., LTD.**STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)**

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Note 2)				
Sales (Note 17)	\$ 6,086,546	99	\$ 5,926,454	100
Sales returns and allowances	<u>15,718</u>	<u>-</u>	<u>35,796</u>	<u>1</u>
Net sales	6,070,828	99	5,890,658	99
Other operating revenues	<u>36,702</u>	<u>1</u>	<u>39,618</u>	<u>1</u>
Total operating revenues	6,107,530	100	5,930,276	100
OPERATING COSTS (Notes 2, 14 and 17)	<u>4,176,999</u>	<u>69</u>	<u>4,144,506</u>	<u>70</u>
GROSS PROFIT	1,930,531	31	1,785,770	30
REALIZED (UNREALIZED) PROFITS ON INTERCOMPANY SALES (Note 2)	<u>(11,020)</u>	<u>-</u>	<u>12,421</u>	<u>1</u>
ADJUSTED GROSS PROFIT	<u>1,919,511</u>	<u>31</u>	<u>1,798,191</u>	<u>31</u>
OPERATING EXPENSES (Note 14)				
Marketing	207,645	3	212,168	3
Administration	233,177	4	156,047	3
Research and development	<u>342,913</u>	<u>6</u>	<u>278,461</u>	<u>5</u>
Total operating expenses	<u>783,735</u>	<u>13</u>	<u>646,676</u>	<u>11</u>
OPERATING INCOME	<u>1,135,776</u>	<u>18</u>	<u>1,151,515</u>	<u>20</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees, net (Notes 2 and 6)	605,940	10	710,367	12
Gain on disposal of investments	155,679	3	23,633	-
Royalty for patent (Note 17)	84,336	1	86,885	2
Reversal of allowance for losses on inventories	22,640	-	-	-
Interest	10,941	-	1,227	-
Other (Note 17)	<u>28,396</u>	<u>1</u>	<u>14,529</u>	<u>-</u>
Total nonoperating income and gains	<u>907,932</u>	<u>15</u>	<u>836,641</u>	<u>14</u>
NONOPERATING EXPENSES AND LOSSES				
Foreign exchange loss, net (Notes 2 and 21)	42,740	1	21,493	-
Loss on disposal of scrap inventories	31,085	-	6,917	-
Interest	94	-	24,287	1
Provision for loss on inventories	-	-	30,272	1
Other	<u>8,448</u>	<u>-</u>	<u>19,620</u>	<u>-</u>
Total nonoperating expenses and losses	<u>82,367</u>	<u>1</u>	<u>102,589</u>	<u>2</u>

(Continued)

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
INCOME BEFORE INCOME TAX	\$ 1,961,341	32	\$ 1,885,567	32
INCOME TAX (Notes 2 and 13)	<u>190,839</u>	<u>3</u>	<u>206,000</u>	<u>4</u>
NET INCOME	<u>\$ 1,770,502</u>	<u>29</u>	<u>\$ 1,679,567</u>	<u>28</u>
	<u>2005</u>		<u>2004</u>	
	<u>Pretax</u>	<u>After-tax</u>	<u>Pre-tax</u>	<u>After-tax</u>
EARNINGS PER SHARE (Note 15)				
Basic	<u>\$ 4.90</u>	<u>\$ 4.43</u>	<u>\$ 4.89</u>	<u>\$ 4.36</u>
Diluted	<u>\$ 4.84</u>	<u>\$ 4.37</u>	<u>\$ 4.72</u>	<u>\$ 4.20</u>

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

(With Deloitte & Touche review report dated October 18, 2005)

(Concluded)

ADVANTECH CO., LTD.

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,770,502	\$ 1,679,567
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	77,125	55,650
Provision (reversal of allowance) for loss on inventories	(22,640)	30,272
Loss on disposal of scrap inventories	31,085	6,917
Loss on disposal of properties, net	253	1,246
Equity in net gain of investees, net	(605,940)	(710,367)
Cash dividends from equity-method investees	435,822	337,313
Accrued pension liabilities	2,451	8,448
Interest-premium on convertible bonds	-	23,317
Deferred income taxes	73,972	73,620
Net changes in operating assets and liabilities		
Short-term investments	303,252	(356,792)
Notes receivable	(2,376)	13,883
Accounts receivable	(79,823)	(38,765)
Receivables from related parties	(545,202)	(110,247)
Other financial assets - current	23,696	30,855
Inventories	(675,048)	(262,079)
Prepayments and other current assets	(59,694)	17,381
Notes payable	1,839	(487)
Accounts payable	304,699	(1,891)
Payables to related parties	95,118	129,730
Income tax payable	(136,359)	113,261
Accrue expenses	87,497	(6,817)
Advance receipts and other current liabilities	(69,874)	22,746
Deferred income	14,001	(12,421)
Net cash provided by operating activities	<u>1,024,356</u>	<u>1,044,340</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of long-term equity investments	(29,997)	(57)
Disposal of long-term equity investments	305,337	-
Disposal of properties	2	2,939
Acquisition of properties	(93,171)	(122,480)
Increase in certificates of deposit - pledged	-	(2,500)
Increase in deferred expense	(7,342)	(81,292)
Increase in other assets	(3,462)	(1,408)
Net cash provided by (used in) investing activities	<u>171,367</u>	<u>(204,798)</u>

(Continued)

	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES		
Increases (decrease) in bank loans - short-term	\$ (5,134)	\$ 152,910
Redemption of bonds payable	-	(454)
Increase in guarantee deposits received	1,227	-
Decrease in other liabilities	-	(30)
Cash dividends paid	(1,386,639)	(844,320)
Bonus paid to employees and remuneration to directors and supervisors	<u>(64,093)</u>	<u>(1,076)</u>
Net cash used in financing activities	<u>(1,454,639)</u>	<u>(692,970)</u>
NET INCREASE (DECREASE) IN CASH	(258,916)	146,572
CASH, BEGINNING OF PERIOD	<u>880,956</u>	<u>370,291</u>
CASH, END OF PERIOD	<u>\$ 622,040</u>	<u>\$ 516,863</u>
SUPPLEMENTARY INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 94</u>	<u>\$ 970</u>
Income tax paid	<u>\$ 253,227</u>	<u>\$ 9,832</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of properties leased to others as properties	<u>\$ 8,945</u>	<u>\$ 21,608</u>
Conversion of bonds into capital stock and capital surplus	<u>\$ 278,454</u>	<u>\$ 471,656</u>
Bonus payable to employees	<u>\$ -</u>	<u>\$ 45,844</u>
Retired treasury stock	<u>\$ -</u>	<u>\$ 210,736</u>

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

(With Deloitte & Touche review report dated October 18, 2005)

(Concluded)

ADVANTECH CO., LTD.

NOTES TO FINANCIAL STATEMENTS NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

As of September 30, 2005 and 2004, the Company had 922 and 892 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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 are 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 period'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 are based on the net asset values of these funds on the balance sheet date.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided by a periodic review of the collectibility of accounts receivable based on the aging evaluation and economic circumstances.

Inventories

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

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 work in process and finished goods.

Estimation of ending inventories may evaluate the possible influences of the changes in manufacturing technologies to recognize losses on disposal of scrap inventories; and also may evaluate scraps and slow moving raw materials depending on the future demands to recognize provision for losses on inventories.

Long-term Equity Investments

Investments in shares of stock of companies in which the Company owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Stock investments accounted for by the equity method are initially carried at cost and subsequently adjusted for the Company's proportionate share in the investees' earnings or losses and changes in capital surplus. Cash dividends received are recognized as a reduction of the carrying value of the investments. Investment income (or loss) is recognized whenever the investees recognize income (or loss). The difference between the cost of the investment and the Company's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted, is amortized over five years. If an investee issues additional shares and the Company acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Company's equity in its investee's net assets is credited to capital surplus. Any decrease in the Company's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings. Upon the disposal of equity-method investments, the Company's shares in the capital surplus recognized by the investee Company, if any, will be included in current income in proportion to the investments sold. However, capital surplus from an investee's property disposal is transferred to retained earnings in proportion to the value of the investments sold.

If the equity in losses recognized exceeds the original investment acquisition costs plus any advance given to an equity method investee, the excess losses should be recognized proportionately and be recorded as part of other liabilities. But, since 2005, for equity-method investees over which the Company has controlling influence, if the equity in losses recognized exceeds the original investment acquisition costs, the Company recognizes its investee's total losses unless other investors are obligated to and have the ability to assume a portion of the losses. However, when the investees return to profitable operations, the profits should be recognized by the Company totally until the losses that were previously recognized are covered.

However, when the investees return to profitable operations, the profits should be recognized by the Company totally until the losses that were previously recognized are covered.

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

Other stock investments are accounted for by the cost method. An allowance for decline in market value of listed stocks is recognized, with the related amount debited to shareholders' equity. An allowance is recognized to reflect an other than temporary decline in value of unlisted stocks, with the related provision for losses charged to current income. Cash dividends received within a year of investment acquisition are accounted for as a reduction of the carrying value of the investment, but cash dividends received in subsequent years are recognized as dividend income.

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

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

Properties and Properties Leased to Others

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

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

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

Deferred Expenses

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

Assets Impairment

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

Revenue Recognition

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

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

Capital Expenditure

When benefits of expenditure will continue in future period and its amount exceeds NT\$20 thousand will be recognized as assets, otherwise recognized as expenses.

Pension Costs

For a defined benefit pension plan, net periodic pension costs are recognized on the basis of actuarial calculation, and, for defined contribution pension plan, on contribution basis throughout the employees' service period.

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

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

Convertible Bonds

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

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

Income Tax

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

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

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

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

Foreign-currency Transactions

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

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

3. CASH

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Cash on hand	\$ 210	\$ 396
Checking and demand deposits	106,785	74,672
Time deposits: Interest - 1.15%- 3.55% in 2005 and 0.60%-1.65% in 2004	<u>515,045</u>	<u>441,795</u>
	<u>\$ 622,040</u>	<u>\$ 516,863</u>

On September 30, 2005, information about foreign deposits are shown as follows:

	<u>2005</u>
Hong Kong (consisting of US\$23 thousand HK\$217 thousand)	<u>\$ 1,702</u>

4. SHORT-TERM INVESTMENTS

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Mutual funds	<u>\$ 1,707,472</u>	<u>\$ 1,775,073</u>

5. INVENTORIES, NET

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Finished goods	\$ 357,443	\$ 334,130
Work in process	453,338	286,996
Materials and supplies	<u>591,085</u>	<u>336,761</u>
	1,401,866	957,887
Allowance for losses	<u>(93,758)</u>	<u>(123,986)</u>
	<u>\$ 1,308,108</u>	<u>\$ 833,901</u>

6. LONG-TERM EQUITY INVESTMENTS

	<u>September 30</u>			
	<u>2005</u>		<u>2004</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
<u>Equity method</u>				
Listed				
Axiomtek Co., Ltd.	\$ 344,846	37.54	\$ -	-
Unlisted				
Advantech Technology Co., Ltd.	1,060,326	100.00	899,457	100.00
Advantech Automation Corp. (BVI)	915,824	100.00	687,849	100.00
Yin Hsin Investment Co., Ltd.	274,887	100.00	284,964	100.00
Advantech Europe Holding B.V.	249,988	96.51	278,915	96.02
Advantech Technologies Co., Ltd.	114,984	27.47	159,116	43.00
Advantech Co. Singapore Pte, Ltd.	88,531	100.00	88,731	100.00
Advantech Australia Pty Ltd.	75,844	100.00	64,880	100.00
Advantech Japan Co., Ltd.	74,698	100.00	67,578	100.00
Advantech IBHA Technologies Inc.	14,503	13.29	14,870	13.29
Advantech Hungary Ltd.	12,389	30.00	11,105	30.00
Advantech Development Co., Ltd.	8,052	100.00	8,205	100.00
Advantech Investment & Management Service	5,347	100.00	5,151	100.00
Axiomtek Co., Ltd.	-	-	510,362	60.87
Advantech Brazil S/A	-	60.00	2,759	60.00
Advantech (H.K.) Technology Co., Ltd.	-	100.00	140	100.00
Advantech Italia S.p.A.	-	-	30,743	100.00
	<u>2,895,373</u>		<u>3,114,825</u>	
Long-term stock investments accounted for by equity method	<u>3,240,219</u>	-	<u>3,114,825</u>	-
<u>Cost method</u>				
Firich Enterprise Co., Ltd.	19,145	0.93	-	-
Silicon Motion Inc. (formerly Feiya Technology Corp.)	<u>-</u>	-	<u>20,000</u>	0.47
	<u>19,145</u>		<u>20,000</u>	
	<u>\$ 3,259,364</u>		<u>\$ 3,134,825</u>	

The calculation of the investment carrying value and the Company's equity in the equity-method investees' net income was based on the investees' unreviewed financial statements as of and for the nine months ended September 30, 2005 and 2004. For equity method investments in shares of stock of companies (e.g., Advantech Hungary Ltd.) in which the Company owns less than 50% of their outstanding common stock, the equity in the investees' net income or net loss is recognized based on audited financial statements as of and for the years ended December 31, 2003 in 2004 and based on audited financial statements as of and for the years end December 31, 2004 and current period financial statements in 2005.

The combined ownership of the Company and its subsidiaries in Advantech IBHA Technologies Inc. ("Advantech IBHA") exceeds 20% of Advantech IBHA's outstanding common stock as of September 30, 2005. Thus, the investment in Advantech IBHA was accounted for by the equity method.

The Company intended to support the operations of Advantech Brazil S/A and Advantech (H.K.) Technology Co., Ltd. Under the revised of the Statement of Financial Accounting Standards No. 5, "Long-term Investments in Equity," of the Republic of China, starting in 2005, if the equity in losses recognized exceeds the original investment acquisition costs, the Company recognizes its investee's total losses unless other investors commit to assume, and can assume, a portion of the losses. As of September 30, 2005, there were credit balances of \$13,241 thousand (Advantech Brazil S/A) and \$612 thousand (Advantech (H.K.) Technology Co., Ltd.) on the carrying values of these two investees, included in other liability - miscellaneous.

Market values calculated from the average closing price of September 2005 were as follows:

	September 30, 2005
Equity accounted equity investments - listed stocks	\$ 513,599
Cost accounted equity investment - listed stocks	53,832

7. PROPERTIES

Accumulated depreciation was as follows:

	September 30	
	2005	2004
Buildings and building equipment	\$ 80,328	\$ 61,632
Machinery and equipment	162,028	130,702
Furniture and fixtures	56,125	44,312
Miscellaneous equipment	<u>63,899</u>	<u>77,480</u>
	<u>\$ 362,380</u>	<u>\$ 314,126</u>

Depreciation expenses were \$65,875 thousand and \$47,075 thousand for the nine months ended September 30, 2005 and September 30, 2004, respectively.

8. PROPERTIES LEASED TO OTHERS

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Cost		
Land	\$ 15,693	\$ 25,785
Buildings and equipment	<u>7,063</u>	<u>25,421</u>
	22,756	51,206
Accumulated depreciation	<u>1,377</u>	<u>3,840</u>
	<u>\$ 21,379</u>	<u>\$ 47,366</u>

9. BANK LOANS - SHORT-TERM

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

10. BONDS DUE WITHIN ONE YEAR

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Unsecured convertible bonds	\$ 10,900	\$ 480,400
Interest-premium on convertible bonds	<u>2,098</u>	<u>106,427</u>
	<u>\$ 12,998</u>	<u>\$ 586,827</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, 2005, bonds with aggregate face value of \$988,700 thousand had been converted to 20,649 thousand shares, and \$400 thousand had been redeemed at the holders' request. The convertible price was \$41.9 on September 30, 2005.

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 holdings, and capitalized amounts should be within certain limits.

The Company's Articles of Incorporation provide that legal reserve should be set aside at 10% of annual net income after appropriate income tax and offset cumulative losses. In addition, a special reserve should be adjusted according to the debit balance. 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 (except for treasury stocks) of the relevant shareholders' equity account.

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

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

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 24, 2005 and May 27, 2004, the shareholders approved the board of directors' proposals on the appropriation of the 2004 and 2003 earnings. The bonus to employees, directors and supervisors was distributed as follows:

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

The appropriation of earnings for 2004 were approved by the Financial Supervisory Commission, Executive Yuan, R.O.C. and then the board of directors resolved the date of distributing stock dividends and cash dividends on August 8, 2005. The Company had completed the process of a revised license from the MOEA.

Because of bond conversion, the Company's capital stock increased by \$51,548 thousand in 2005 and by \$94,144 thousand in 2004, and the capital surplus from the issue of stock in excess of par value increased \$226,906 thousand and \$377,512 thousand, respectively.

On April 1, 2003, the SFB approved the Company's stock option plan. There were 3,000 thousand units authorized to be issued, which may be converted to 3,000 thousand common shares. Employees may exercise a certain percentage of the option within two and four years of the grant date, and options will expire six years from the grant date. The stock options were issued on August 14, 2003, and the exercise price was set at NT\$39.40. As of September 30, 2005, there were 1,960 thousand units of effective stock options, 700 thousand units options had been exercised, and thereby 700 thousand common shares had been purchased.

12. TREASURY STOCKS

Reason for Repurchase	Unit: In Thousand Shares		
	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.

Under the Securities and Exchange Law, the maximum number of treasury stock purchased should not exceed 10% of the Company's total outstanding shares, and the aggregate purchase cost should not exceed the sum of retained earnings, additional paid-in capital in excess of par value and realized capital surplus. The treasury stock cannot be pledged or exercise shareholders' rights. Treasury stock should be transferred for a period of three years from be purchased or it will be deemed unissued, and the Company should register with the authorities the change in the number of shares.

13. INCOME TAX

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
a. The calculation of the income tax is as follows:		
Tax on pretax income at 25% statutory rate	\$ 490,325	\$ 471,382
Deduct tax effects of:		
Tax-exempt income	(77,236)	(76,497)
Permanent differences	(122,495)	(123,597)
Temporary differences	(73,417)	(25,175)
Investment tax credit	<u>(103,686)</u>	<u>(123,020)</u>
Income tax currently payable	113,491	123,093
Income tax expense - deferred		
Temporary differences	73,616	(2,751)
Investment tax credit	356	76,371
Adjustment of prior year's income tax	<u>3,376</u>	<u>9,287</u>
Income tax expense (shown in the statements of income)	<u>\$ 190,839</u>	<u>\$ 206,000</u>

(Continued)

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
b. Net deferred income taxes as of September 30, 2005 and 2004 consisted of the following:		
Current		
Investment tax credit	\$ 26,828	\$ 6,512
Allowance for loss on inventories	23,439	30,997
Unrealized foreign exchange loss	564	-
Others	<u>2,500</u>	<u>631</u>
Deferred income tax assets	<u>53,331</u>	<u>38,140</u>
Deferred income tax liabilities		
Unrealized foreign exchange gain	<u>-</u>	<u>(2,427)</u>
Net deferred income tax assets	<u>\$ 53,331</u>	<u>\$ 35,713</u>
Noncurrent		
Deferred income tax assets:		
Accumulated equity in the net loss of investees	\$ 119,279	\$ 114,162
Deferred income	36,181	37,008
Pension cost	27,820	30,378
Interest-premium on convertible bonds	534	26,607
Others	<u>-</u>	<u>3,500</u>
	183,814	211,655
Valuation allowance	<u>(119,813)</u>	<u>(140,769)</u>
	<u>64,001</u>	<u>70,886</u>
Deferred income tax liabilities:		
Accumulated equity in the net gain of investees	(266,815)	(163,243)
Allowance for tax-deductible equity in net loss of foreign investees	<u>(17,307)</u>	<u>(15,694)</u>
	<u>(284,122)</u>	<u>(178,937)</u>
Net deferred income tax liabilities	<u>\$ (220,121)</u>	<u>\$ (108,051)</u>

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

Prepaid income tax (included in prepayment and other current assets) as of September 30, 2005 is net of income tax payable of \$103,686. However, income tax payables as of September 30, 2004 was net of prepayments of \$9,832 thousand.

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

Legislation	Deductible Item	Tax Credits Obtained	Unused Tax Credits	Expiry Year
<u>September 30 of 2005</u>				
Statute for Upgrading Industries	R&D and training expenses	\$ 101,243	\$ 26,828	2009

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

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Balance of ICA	<u>\$ 12,896</u>	<u>\$ 57,551</u>
The balances of unappropriated retained earnings before 1997	<u>\$ 81,329</u>	<u>\$ 81,329</u>

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

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

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

14. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	For the Nine Months Ended September 30					
	2005			2004		
	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	\$ 107,138	\$ 350,837	\$ 457,975	\$ 117,263	\$ 312,837	\$ 430,100
Insurance	8,800	26,062	34,862	10,232	16,760	26,992
Pension	3,047	10,629	13,676	3,971	11,835	15,806
Others	9,628	22,293	31,921	8,261	12,278	20,539
Depreciation	33,068	32,697	65,765	27,410	19,255	46,665
Amortization	2,142	9,108	11,250	-	8,575	8,575
	<u>\$ 163,823</u>	<u>\$ 451,626</u>	<u>\$ 615,449</u>	<u>\$ 167,137</u>	<u>\$ 381,540</u>	<u>\$ 548,677</u>

For properties leased to others, expenses of \$110 thousand and \$410 thousand as of September 30, 2005 and 2004, respectively (included in nonoperating expenses and losses - other), 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>
For the nine months ended September 30, 2005					
Basic EPS	\$ 1,961,341	\$ 1,770,502	399,867	<u>\$ 4.90</u>	<u>\$ 4.43</u>
Impact of dilutive potential common stock					
Employee stock options	-	-	1,245		
Convertible bonds	-	-	3,903		
Diluted EPS	<u>\$ 1,961,341</u>	<u>\$ 1,770,502</u>	<u>405,015</u>	<u>\$ 4.84</u>	<u>\$ 4.37</u>

(Continued)

	<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>
For the nine months ended <u>September 30, 2004</u>					
Basic EPS	\$ 1,885,567	\$ 1,679,567	385,505	<u>\$ 4.89</u>	<u>\$ 4.36</u>
Impact of dilutive potential common stock					
Employee stock options	-	-	1,009		
Convertible bonds	<u>23,317</u>	<u>19,488</u>	<u>18,202</u>		
Diluted EPS	<u>\$ 1,908,884</u>	<u>\$ 1,699,055</u>	<u>404,716</u>	<u>\$ 4.72</u>	<u>\$ 4.20</u>

The EPS was retroactively adjusted for the stock dividends declared. Thus, pretax and after-tax basic EPS decreased from NT\$5.20 to NT\$4.89 and from NT\$4.63 to NT\$4.36, respectively, in the nine months ended 2004, and pretax and after-tax diluted EPS decreased from NT\$5.02 to NT\$4.72 and from \$4.46 to \$4.20, respectively.

16. PENSION PLAN

The Labor Pension Act was 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 this Act, with their service years before the enforcement of the Act to be retained.

Under the Labor Standard Laws, benefits are based on length of service and average basic pay of the six months before retirement. The Company makes monthly contributions, equal to 2% of salaries, to a pension fund, which is administered by a pension plan committee and deposited in the committee's name in the Central Trust of China. As of September 30, 2005 and 2004, the pension fund balances were \$69,707 thousand and \$59,453 thousand, respectively.

Under the Labor Pension Act, the rate of an employer's monthly contribution to the Labor Pension Fund per month should be at least 6% of the employee's monthly wages.

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

	<u>Nine Months Ended September 30</u>	
	<u>2005</u>	<u>2004</u>
Balance, beginning of period	\$ 114,569	\$ 113,064
Accruals base on defined benefit pension plan	5,100	15,806
Accruals base on defined contribution pension plan	8,576	-
Contribution	<u>(11,225)</u>	<u>(7,358)</u>
Balance, end of period	<u>\$ 117,020</u>	<u>\$ 121,512</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 (before December 2004, became investee of AEU through the reorganization of the Company’s investment structure)
Advantech Brazil S/A (ABR)	Equity-method investee
Advantech Australia Pty Ltd. (AAU)	Equity-method investee
Advantech Automation Corp. (BVI) (AAC (BVI))	Equity-method investee
Advantech Automation Corp., Ltd. (AACB)	Equity-method investee of AAC (BVI)
Advantech France S.A. (AFR)	Equity-method investee of AEU
Advantech Europe GmbH (ADL)	Equity-method investee (investee of AEU)
Advantech (UK) Ltd. (AUK)	Equity-method investee of AEU
Advantech Benelux B.V. (ABB)	Equity-method investee of AEU
Advantech Europe B.V. (AESC)	Equity-method investee of AEU
Innova Tech & Management Consultant Inc. (“Innova”)	Equity-method investee of Yin Hsin (before February 2005)
Broadwed Automation Co., Ltd. (“Broadwed Automation”)	Equity-method investee of Yin Hsin (before February 2005)
Advantech Technology (China) Company Ltd. (AKMC)	Equity-method investee of ATC
Advantech Electronic Technology (Dongguan) Co., Ltd. (ADMC)	Equity-method investee of ATC
Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. (AGZ)	Equity-method investee of ADCL (before June 2005)
Advantech Corp. (AC)	Equity-method investee of AACB
Advan Automation Co., Ltd. (AAJP)	Equity-method investee of AACB (before June 2005)
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Equity-method investee of AACB
Advantech Automation GmbH (AAG)	Equity-method investee of AACB (before June 2005)
Advantech Control (M) Sdn. Bhd. (AKL)	Equity-method investee of ASG
Advantech Automation (Penang) Sdn. Bhd. (APN)	Equity-method investee of ASG
Firich Enterprise Co., Ltd.	The director is the Company’s chairman
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 19 and Table 2, are summarized as follows:

	<u>2005</u>		<u>2004</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	\$ 1,513,303	25	\$ 1,273,540	21
AESC	1,248,661	21	1,176,565	20
ACN	970,327	16	883,420	15
AJP	206,868	3	178,882	3
AKR	192,864	3	175,894	3
ASG	107,747	2	120,338	2
AAU	77,561	1	67,875	1
Axiomtek	60,973	1	138,326	2
AKMC	46,312	1	47,941	1
ATC	42,563	1	16,271	-
ABR	30,768	1	22,271	-
APN	26,152	-	29,111	-
AKL	15,679	-	29,436	1
AUK	7,011	-	45,003	1
Others	<u>7,018</u>	<u>-</u>	<u>13,167</u>	<u>1</u>
	<u>\$ 4,553,807</u>	<u>75</u>	<u>\$ 4,218,040</u>	<u>71</u>
2) Purchase of materials and supplies				
ATC	\$ 1,638,042	36	\$ 1,683,334	41
AC	13,559	-	501	-
Axiomtek	1,587	-	2,749	-
Advantech IBHA	424	-	19,787	-
Others	<u>1,105</u>	<u>-</u>	<u>3,039</u>	<u>-</u>
	<u>\$ 1,654,717</u>	<u>36</u>	<u>\$ 1,709,410</u>	<u>41</u>
3) Royalty revenue (included in nonoperating income)				
ATC	<u>\$ 84,336</u>	<u>100</u>	<u>\$ 86,885</u>	<u>100</u>
4) Administrative (included in nonoperating income)				
ATC	\$ -	-	\$ 1,315	9
Others	<u>-</u>	<u>-</u>	<u>525</u>	<u>3</u>
	<u>-</u>	<u>-</u>	<u>1,840</u>	<u>12</u>

(Continued)

	2005		2004	
	Amount	% of Total	Amount	% of Total
5) Rental revenues (included in nonoperating income)				
Broadwed Automation	\$ -	-	\$ 586	4
Advantech IBHA	-	-	140	1
Axiomtek	-	-	116	1
AIMS	45	-	-	-
Yin Hsin	27	-	-	-
	<u>72</u>	<u>-</u>	<u>842</u>	<u>6</u>
	<u>\$ 72</u>	<u>-</u>	<u>\$ 2,682</u>	<u>18</u>
<u>At end of September</u>				
6) Receivables				
Notes receivable				
Firch Enterprise Co., Ltd.	\$ 1,171	-	\$ -	-
Accounts receivable				
AESC	555,291	37	564,096	47
AC	430,643	28	219,120	18
ACN	219,628	15	205,254	17
AKMC	58,051	4	10,929	1
AJP	57,861	4	40,116	3
AKR	46,990	3	43,348	4
ASG	31,911	2	18,918	2
Axiomtek	13,559	1	23,678	2
ABR	10,732	1	7,540	1
AAU	9,100	1	3,992	-
ATC	9,066	-	784	-
APN	8,554	-	5,407	-
AKL	4,798	-	5,762	-
AUK	1,682	-	8,218	1
Firich Enterprise Co., Ltd.	1,000	-	-	-
Others	764	-	2,976	1
	<u>1,459,630</u>	<u>96</u>	<u>1,160,138</u>	<u>97</u>
Dividends receivable				
ATC	46,032	3	-	-
Axiomtek	-	-	37,616	3
	<u>46,032</u>	<u>3</u>	<u>37,616</u>	<u>3</u>
Royalty receivables				
ATC	10,136	1	-	-
Other receivable				
AESC	1,456	-	395	-
AC	860	-	282	-
AJP	518	-	1,261	-
AFR	433	-	212	-
ASG	215	-	111	-
Advantech IBHA	-	-	2,282	-
Others	670	-	714	-
	<u>4,152</u>	<u>-</u>	<u>5,257</u>	<u>-</u>
	<u>\$ 1,521,121</u>	<u>100</u>	<u>\$ 1,203,011</u>	<u>100</u>

(Continued)

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
7) Payables				
Accounts				
ATC	\$ 769,758	93	\$ 709,869	97
AC	36,921	4	466	-
Advantech IBHA	14,563	2	17,672	3
Others	<u>429</u>	<u>-</u>	<u>704</u>	<u>-</u>
	<u>821,671</u>	<u>99</u>	<u>728,711</u>	<u>100</u>
Other - payments on behalf of others				
AC	5,501	1	1,704	-
Others	<u>279</u>	<u>-</u>	<u>698</u>	<u>-</u>
	<u>5,780</u>	<u>1</u>	<u>2,402</u>	<u>-</u>
	<u>\$ 827,451</u>	<u>100</u>	<u>\$ 731,113</u>	<u>100</u>

c. Long-term equity investments

The Company bought common shareholding in AEU from Mr. Andrea Zolli and Immoibiliare Verdi Srl in May 2005. The related transaction is summarized as follows:

Common Stock Name	Shares	Cost
AEU	<u>61,292</u>	<u>\$ 10,302</u>

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

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

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

To continue consolidated the Company's operation in Europe, the Company signed a share exchange agreement with Mr. Andrea Zolli and Immoibiliare Verdi Srl in May 2004. The Company bought up 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>

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

18. ASSETS PLEDGED OR MORTGAGED

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

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

19. COMMITMENTS

As of September 30, 2005, the Company had the following significant commitments:

a. Guarantees for affiliates' loans:

	Amount
AKMC	\$ 331,800
AC	232,260
ACN	132,720
AAC (BVI)	66,360
AIT	19,925
AUK	<u>4,665</u>
	<u>\$ 787,730</u>

20. STRATEGIC ALLIANCE

At the meetings of their respective boards of directors on September 30, 2005, Advantech and ASUSTek presented a proposal. Under the proposal, these two companies will enter a strategic alliance through a share swap and collaborate on pursuing new business opportunities in mid-volume design and manufacturing service sector in industrial computing. Shares will be exchanged at 1.13 shares of Advantech for every share of ASUSTek. Thus, Advantech will issue 44,893,270 shares in exchange for 39,728,557 shares of ASUSTek. In addition, Advantech will arrange for its major shareholders to release 22,446,635 common shares for ASUSTek's 19,864,278 common shares. Through this share swap, Advantech will acquire approximately 1.4% of ASUSTek, and ASUSTek will acquire approximately 15% of Advantech. This proposal will be submitted to the Financial Supervisory Commission under the Executive Yuan of the ROC, and approval of the proposal in November 2005 is expected.

21. FINANCIAL INSTRUMENTS

a. Outstanding contract amounts and credit risk

	September 30			
	2005		2004	
<u>Derivative Financial Instruments</u>	Contract Amount (Thousands)	Credit Risk	Contract Amount (Thousands)	Credit Risk
<u>For nontrading purposes</u>				
Forward contracts - sell	EUR 5,000		EUR 800	-
	US\$ 9,000		US\$ 16,000	
Forward contracts - buy	-		US\$ 981	
	-		NT\$ 528,145	-

The Company is exposed to credit risk if counter-parties default on their contractual obligations. Credit risk represents the positive net settlement amount of those contracts with positive fair values at the balance sheet date. The positive net settlement amount represents the loss to be incurred by the Company if the counter-parties breached the contracts. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.

b. Market risk

The Company entered forward contracts into to hedge the effect of foreign-currency fluctuations on net assets and liabilities. Gains or losses from these hedging instruments are likely to be offset by gains or losses from the hedged items. Thus, market price risk is believed to be low.

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

The Company entered forward contracts into to hedge the effect of foreign-currency fluctuations on net assets and liabilities. The payments required for the forward contracts outstanding as of September 30, 2005 were EUR5,000 thousand and US\$9,000 thousand, for which the Company will receive payments of US\$6,168 thousand and NT\$288,204 thousand. 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. 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 \$3,989 thousand as of September 30, 2005 and \$15,720 thousand as of September 30, 2004 on all forward contracts for nontrading purposes were shown as part of other current liabilities and advance receipts. Foreign exchange losses for the nine months ended September 30, 2005 and 2004 were \$2,649 thousand and \$18,595 thousand, respectively.

f. Fair values of financial instruments

	September 30			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash	\$ 622,040	\$ 622,040	\$ 516,863	\$ 516,863
Short-term investments	1,707,472	1,707,888	1,775,073	1,776,161
Notes receivable	50,853	50,853	42,800	42,800
Accounts receivable	403,854	403,854	401,876	401,876
Receivables from related parties	1,521,121	1,521,121	1,203,011	1,203,011
Other financial assets - current	38,196	38,196	19,063	19,063
Long-term equity investments	3,259,364	3,462,804	3,134,825	3,124,127
Certificates of deposit	4,900	4,900	4,900	4,900

(Continued)

	September 30			
	2005		2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Bank loans - short-term	\$ -	\$ -	\$ 152,910	\$ 152,910
Notes payable	2,658	2,658	880	880
Accounts payable	651,660	651,660	416,845	416,845
Payables to related parties	827,451	827,451	731,113	731,113
Bonds payable - current portion	12,998	20,710	586,827	718,054
<u>Derivative financial instruments</u>				
Forward contracts	3,989	3,989	15,720	15,720

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

- 1) Cash, notes and accounts receivable, receivables from related parties, other financial asset - current, bank loans - short-term, notes and accounts payable and payables to related parties: 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 contracts: Fair values are based on carrying values.

22. ADDITIONAL DISCLOSURES

- a. Except for those mentioned in Note 21 and Tables 1 to 8, 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, 2005, accumulated inward remittance of earnings as of September 30, 2005 and upper limit on investment: Table 9 (attached)
 - 2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Note 17 and Tables 1, 2, 6 and 7.

ADVANTECH CO., LTD. AND INVESTEES

**FINANCING PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005
(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 Bad Deb				
1	Advantech Automation Corp. (BVI) (AAC (BVI))	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Receivables from related parties	\$ 66,360 (US\$ 2,000 thousand)	\$ 66,360 (US\$ 2,000 thousand)	2.5%	2	\$ -	Financing need	\$				
2	Advantech Europe Holding B.V. (AEU)	Advantech Europe GmbH (ADL)	Receivables from related parties	25,903 (EUR 650 thousand)	25,903 (EUR 650 thousand)	2.5%	2	-	Financing need					
		Advantech Benelux B.V. (ABB)	Receivables from related parties	11,955 (EUR 300 thousand)	-	2.5%	2	-	Financing need					
		Advantech (UK) Ltd. (AUK)	Receivables from related parties	3,587 (EUR 90 thousand)	-	2.5%	2	-	Financing need					
		Advantech Italia S.p.A. (AIT)	Receivables from related parties	3,985 (EUR 100 thousand)	-	2.5%	2	-	Financing need					
3	Advantech Automation Corp., Ltd. (AACB)	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Receivables from related parties	66,360 (US\$ 2,000 thousand)	-	2.5%	2	-	Financing need					

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 the authorized capital stock of AAC (BVI).
- C. 30% of the authorized capital stock of AAC (BVI).
- D. 15% of net asset value of AEU.
- E. 30% of net asset value of AEU.

ADVANTECH CO., LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005
(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			
		Name	Nature of Relationship						
0	Advantech Co., Ltd. (the "Company")	Advantech Technology (China) Company Ltd. (AKMC)	Subsidiary of a wholly owned subsidiary	\$ 605,834 (Note A)	\$ 331,800 (US\$ 10,000 thousand)	\$ 331,800 (US\$ 10,000 thousand)			
		Advantech Corp. (AC)	Subsidiary of a wholly owned subsidiary		232,260 (US\$ 7,000 thousand)	232,260 (US\$ 7,000 thousand)			
		Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN)	Subsidiary of a wholly owned subsidiary		132,720 (US\$ 4,000 thousand)	132,720 (US\$ 4,000 thousand)			
		Advantech Automation Corp., Ltd. (BVI) (AAC (BVI))	Subsidiary		66,360 (US\$ 2,000 thousand)	66,360 (US\$ 2,000 thousand)			
		Advantech Italia S.p.A. (AIT)	Subsidiary of a wholly owned subsidiary		39,850 (EUR 1,000 thousand)	19,925 (EUR 500 thousand)			
		Advantech (UK) Ltd. (AUK)	Subsidiary of a wholly owned subsidiary		34,665 (Including £ 80 thousand and \$30,000 thousand)	4,665 (£ 80 thousand)			
		Advantech Automation Corp., Ltd. (AACB)	Subsidiary of a wholly owned subsidiary		66,360 (US\$ 2,000 thousand)	-			

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

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

ADVANTECH CO., LTD. AND INVESTEES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

SEPTEMBER 30, 2005

(Amounts in Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	Septeml					
				Shares/Units	Carrying Value				
Advantech Co., Ltd.	<u>Common stock</u>								
	ATC	Investee	Long-term equity investments	12,550,000	\$ 1,060,326				
	AAC (BVI)	Investee	Long-term equity investments	21,603,485	915,824				
	Axiomtek Co., Ltd.	Investee	Long-term equity investments	22,463,349	344,846				
	Yin Hsin Co., Ltd.	Investee	Long-term equity investments	29,999,994	274,887				
	AEU	Investee	Long-term equity investments	8,824,459	249,988				
	Advantech Technologies Co., Ltd. (AKR)	Investee	Long-term equity investments	2,829,210	114,984				
	Advantech Co. Singapore Pte, Ltd.	Investee	Long-term equity investments	1,450,000	88,531				
	Advantech Australia Pty Ltd.	Investee	Long-term equity investments	500,204	75,844				
	Advantech Japan Co., Ltd.	Investee	Long-term equity investments	1,200	74,698				
	Advantech IBHA Inc.	Investee	Long-term equity investments	1,994,000	14,503				
	Advantech Hungary Ltd.	Investee	Long-term equity investments	30	12,389				
	ADCL	Investee	Long-term equity investments	500,000	8,052				
	Advantech Investment & Management Service	Investee	Long-term equity investments	500,000	5,347				
	Advantech Brazil S/A	Investee	Other liabilities	971,055	Note D				
	Advantech (H.K.) Technology Co., Ltd.	Investee	Other liabilities	999,999	Note D				
	Firich Enterprise Co., Ltd.	-	Long-term equity investments	334,360	19,145				
		<u>Funds</u>							
		ABN AMRO Income Fund	-	Short-term investments	19,198,556.89	298,000			
		CITC Safe Income Fund	-	Short-term investments	19,683,921.50	287,326			
		CITC Cash Reserves Fund	-	Short-term investments	21,521,863.10	247,971			
		NITC Bond Fund	-	Short-term investments	986,403.40	159,511			
		Fuh-Hwa Bond Fund	-	Short-term investments	11,413,251.80	149,595			
		ABN AMRO Select Bond Fund	-	Short-term investments	11,760,498.04	131,003			
		Mega Diamond Bond Fund	-	Short-term investments	8,835,692.22	99,779			
		ABN AMRO Bond Fund	-	Short-term investments	5,866,324.22	86,872			
		Dresdner Bond Dam Fund	-	Short-term investments	4,392,013.56	50,000			
		Fuh-Hwa Albatross Fund	-	Short-term investments	4,497,974.70	49,885			
		AIG Taiwan Bond Fund	-	Short-term investments	3,950,739.47	49,500			
		Fubon Ju-I II Fund	-	Short-term investments	2,094,577.10	30,000			
		Fubon Chi-Hsiang I Fund	-	Short-term investments	2,331,219.69	30,000			
		Fuhwa Bond Fund	-	Short-term investments	1,739,952.92	21,854			
		UPAMC James Bond Fund	-	Short-term investments	793,061.10	12,036			
		Shin Kong - Chi-Shin Fund	-	Short-term investments	293,842.42	4,140			

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	Septeml				
				Shares/Units	Carrying Value			
Yin Hsin Co., Ltd.	<u>Common stock</u>							
	Advantech IBHA Inc.	Investee	Long-term equity investments	10,000,000	\$ 72,589			
	Timson Tech Co. (TTC)	Investee	Long-term equity investments	270,000	7,706			
	Superior Technology Co., Ltd.	-	Long-term equity investments	874,960	33,442			
	Chunghwa Telecom Co., Ltd.	-	Short-term investments	200,000	21,300			
	<u>Fund</u>							
	ABN AMRO BondFund	-	Short-term investments	9,749,381.61	143,489			
ATC	<u>Common stock</u>							
	Advantech Technology (China) Company Ltd.	Investee	Long-term equity investments	-	514,842			
	Advantech Electronic Technology (Dongguan) Co., Ltd.	Investee	Long-term equity investments	-	37,415			
Timson Tech	<u>Common stock</u>							
	Kunshan Timson Tech Co., Ltd.	Investee	Long-term equity investments	-	25,766			
Advantech Automation Corp. (BVI) (AAC (BVI))	<u>Common stock</u>							
	AACB	Investee	Long-term equity investments	21,594,307	915,294			
Advantech Automation Corp., Ltd. (AACB)	<u>Common stock</u>							
	Advantech Corp.	Investee	Long-term equity investments	10,952,606	648,380			
	Visual Systems GmbH	-	Long-term equity investments	-	758			
	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Investee	Long-term equity investments	-	243,801			
Advantech Europe Holding B.V. (AEU)	<u>Common stock</u>							
	Advantech Europe B.V.	Investee	Long-term equity investments	8,314,280	66,468			
	Advantech France S.A.	Investee	Long-term equity investments	75,000	25,486			
	Advantech (UK) Ltd.	Investee	Long-term equity investments	600,000	33,394			
	Advantech Benelux B.V.	Investee	Long-term equity investments	295,378	35,714			
	Advantech Europe GmbH	Investee	Other liabilities	1,142,000	Note D			
	Advantech Italia S.p.A.	Investee	Long-term equity investments	45,000	13,829			
AEDC	Investee	Long-term equity investments	-	40,129				
Advantech Co., Singapore Pte, Ltd.	<u>Common stock</u>							
	ATH	Investee	Long-term equity investments	15,000	820			
	Advantech Automation (Penang) Sdn. Bhd.	Investee	Long-term equity investments	570,570	9,742			
	Advantech Control (M) Sdn. Bhd.	Investee	Long-term equity investments	418,000	7,396			

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, 2005.

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

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

ADVANTECH CO., LTD. AND INVESTEEES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005
(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		Shares ^f						
					Shares/Units	Amount	Shares/Units	Amount							
Advantech Co., Ltd.	<u>Funds</u>														
	ABN AMRO Income Fund	Short-term investments	-	-											
	CTIC Safe Income Fund	Short-term investments	-	-	13,265,574.67	\$ 202,077	38,643,912.18	\$ 597,233	32,710.4						
	CTIC Cash Reserves Fund	Short-term investments	-	-	10,092,431.10	145,564	51,430,197.60	748,009	41,838.7						
	NITC Bond Fund	Short-term investments	-	-	13,156,427.20	149,973	64,121,037.10	736,657	55,755.9						
	Fuh-Hwa Bond Fund	Short-term investments	-	-	826,740.30	132,340	7,782,330.43	1,252,606	7,622.9						
	ABN AMRO Select Bond Fund	Short-term investments	-	-	-	-	22,826,503.60	299,095	11,413.3						
	Mega Diamond Bond Fund	Short-term investments	-	-	27,109,853.84	299,000	68,926,246.43	764,830	84,275.9						
	ABN AMRO Bond Fund	Short-term investments	-	-	-	-	13,068,303.33	147,500	4,232.9						
	UPAMC James Bond Fund	Short-term investments	-	-	20,385,336.74	298,900	74,092,265.53	1,093,057	88,611.3						
	Shin Kong-Chi-Shin Fund	Short-term investments	-	-	19,498,838.00	293,013	39,430,466.70	595,092	58,136.6						
	UPAMC Home Run Bond Fund	Short-term investments	-	-	13,691,602.97	191,027	59,867,500.98	839,174	73,265.6						
						21,865,088.20	298,830	47,657,208.70	654,485	69,522.2					
	<u>Common stock</u>														
	Axiomtek Co., Ltd.	Long-term equity investments	-	-	Investee	30,315,174.00	508,765	1,152,175.00 (Note A)	37,131 (Note B)	9,004.9					

Note A: From splitting stock dividends.

Note B: Gain on investment - equity method \$17,906 thousand and capital surplus increase \$19,225 thousand which result from the investee issues additional shares and the Company acquires these shares at a percentage different from its current

Note C: Included cost of disposal \$154,527 thousand, accumulated translation adjustment \$491 thousand and \$46,032 thousand the cash dividends declared by shareholder meetings.

ADVANTECH CO., LTD. AND INVESTEES

DISPOSITION OF LONG-TERM INVESTMENTS AT COSTS OR PRICES OF AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005
 (Amounts in Thousands of New Taiwan Dollars)

Company Name	Financial Statement Account	Transaction Date	Date of Acquisition	Carrying Value	Transaction Amount	Payment Term	Gain on Disposal	Counter-pa				
Axiotek Co., Ltd.	Long-term equity investment	April 2005	January 21, 2002	\$154,527	\$ 270,120	Collected	\$115,593	-				

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 NINE MONTHS ENDED SEPTEMBER 30, 2005
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abi				
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price				
Advantech Co., Ltd.	ATC	Subsidiary	Purchase	\$ 1,638,042	36	Depending on ATC's operating condition	\$ -				
	AC	Subsidiary of a wholly owned subsidiary	Sale	1,513,303	25	60-90 days	-				
	AESC	Subsidiary of a wholly owned subsidiary	Sale	1,248,661	21	Depending on AESC's operating condition	-				
	ASG	Subsidiary	Sale	107,747	2	60-90 days	-				
	ACN	Subsidiary of a wholly owned subsidiary	Sale	970,327	16	Depending on ACN's operating condition	-				
	AJP	Subsidiary	Sale	206,868	3	60-90 days	-				
	AKR	Subsidiary	Sale	192,864	3	60-90 days	-				
ATC	Advantech Co., Ltd.	Parent company	Sale	1,638,042	97	Depending on ATC's operating condition	-				
AC	Advantech Co., Ltd.	Parent company	Purchase	1,513,303	58	60-90 days	-				
AESC	Advantech Co., Ltd.	Parent company	Purchase	1,248,661	76	Depending on AESC's operating condition	-				
ASG	Advantech Co., Ltd.	Parent company	Purchase	107,747	75	60-90 days	-				
ACN	Advantech Co., Ltd.	Parent company	Purchase	970,327	69	Depending on ACN's operating condition	-				
AJP	Advantech Co., Ltd.	Parent company	Purchase	206,868	100	60-90 days	-				
AKR	Advantech Co., Ltd.	Parent company	Purchase	192,864	37	60-90 days	-				

ADVANTECH CO., LTD. AND INVESTEEES

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

SEPTEMBER 30, 2005

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (Times)	Overdue			
					Amount	Action		
Advantech Co., Ltd.	AESC	Subsidiary of a wholly owned subsidiary	\$555,291	5.58	\$234,381	Depending on AESC's oper		
	ACN	Subsidiary of a wholly owned subsidiary	219,628	6.43	-	-		
	AC	Subsidiary of a wholly owned subsidiary	430,643	6.04	26,670	Depending on AC's opera		
ATC	Advantech Co., Ltd.	Parent company	769,758	2.95	334,727	Depending on ATC's oper		

ADVANTECH CO., LTD. AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005
(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of \$				
				September 30, 2005	Dec. 31, 2004	Shares	Perc Ow			
Advantech Co., Ltd.	ATC	BVI	Sale of industrial automation products	\$ 427,781	\$ 427,781	12,550,000				
	AAC (BVI)	BVI	Investment holding company	725,044	725,044	21,603,485				
	Axiomtek Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	308,586	438,964	22,463,349				
	Yin Hsin Co., Ltd.	Taipei, Taiwan	General investment	300,000	300,000	29,999,994				
	AEU	Helmond, The Netherlands	Investment holding company	351,793	321,795	8,824,459				
	AKR	Seoul, Korea	Sale of industrial automation products	32,989	51,646	2,829,210				
	ASG	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000				
	AJP	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200				
	AAU	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204				
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	19,940	19,940	1,994,000				
	AHG	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30				
	ADCL	BVI	Sale of industrial automation products	16,395	16,395	500,000				
	Advantech Investment & Management Service	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000				
	ABR	Sam Paulo, Brazil	Sale of industrial automation products	15,374	15,374	971,055				
	AHK	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999				
	AIT	Milano, Italy	Sale of industrial automation products	-	31,277	-				
Yin Hsin Co., Ltd.	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	100,000	100,000	10,000,000				
	TTC	Brunei	Investment holding company	8,323	8,323	270,000				
	Innova Tech & Management Consultant Inc.	Taipei, Taiwan	Sale and consulting on information system integration	-	15,000	-				
	Broadwed Automation Co., Ltd.	Taipei, Taiwan	Production and sale of communications equipment and automation system	-	20,000	-				
ATC	AKMC	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-				
	ADMC	Guangzhou, China	Production and sale of industrial automation products	38,165	6,861	-				
ADCL	AGZ	Guangzhou, China	Sale of industrial automation products	-	6,151	-				
TTC	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processes and sale of peripherals	30,222	30,222	-				
AAC (BVI)	AACB	Bermuda	Investment holding company	724,731	724,731	21,594,307				
AACB	AC	Sunnyvale, USA	Assembly and sale of industrial automation products	504,179	504,179	10,952,606				
	ACN	Beijing, China	Sale of industrial automation products	185,356	185,356	-				
	AAG	Leinf-Echterdingen, Germany	Sale of industrial automation products	-	2,457	-				
	APN	Penang, Malaysia	Sale of industrial automation products	-	4,656	-				

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of \$				
				September 30, 2005	Dec. 31, 2004	Shares	Perc Ow			
AEU	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	\$ -	\$ 3,411	-				
	AAJP	Tokyo, Japan	Sale of industrial automation products	-	5,990	-				
	AESC	Helmond, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280				
	AFR	Paris, France	Sale of industrial automation products	11,984	11,984	75,000				
	AUK	Milton Keynes, England	Sale of industrial automation products	13,373	13,373	600,000				
	ABB	Roosendaal, The Netherlands	Sale of industrial automation products	36,565	39,565	295,378				
	ADL	Duesseldorf, Germany	Sale of industrial automation products	46,028	46,028	1,142,000				
	AIT	Milano, Italy	Sale of industrial automation products	22,275	-	45,000				
	AEDC	Amberg, Germany	Sale of industrial automation products	46,446	10,338	-				
ASG	ATH	Thailand	Productions of computers	1,199	1,199	15,000				
	APN	Penang, Malaysia	Sale of industrial automation products	8,181	-	570,570				
	AKL	Kuala Lumpur, Malaysia	Sale of industrial automation products	7,264	-	418,000				

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

Note B: 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, 2005
(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, 2005	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2005	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note A)					
					Outflow	Inflow								
Advantech Technology (China) Company Ltd.	Production and sale of components of industrial automation products	US\$12,000 thousand	Indirect	\$ 398,160 (US\$ 12,000 thousand)	\$ -	\$ -	\$ 398,160 (US\$ 12,000 thousand)	100%	\$ 55,852					
Kunshan Timson Tech Co., Ltd.	Processes and sale of peripherals	US\$900 thousand	Indirect	8,957 (US\$ 270 thousand)	-	-	8,957 (US\$ 270 thousand)	30%	27					
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Sale of industrial automation products	US\$4,230 thousand	Indirect	176,916 (US\$ 5,332 thousand)	-	-	176,916 (US\$ 5,332 thousand)	100%	78,144					
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US\$1,200 thousand	Indirect	(Note C)	-	-	(Note C)	100%	(2,996)					

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

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

Note C: Outflow by ATC's own capital to Advantech Electronic Technology (Dongguan) Co., Ltd.

Note D: Included outflow of original investment in Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. (AGZ) US\$200 thousand; this company had been closed and the amount of investment was retired; and this had been approved by MOEA. If and terminating this case under the regulation.