Advantech Co., Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Advantech Co., Ltd. and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. As shown in the accompanying consolidated financial statements, the Company had these subsidiaries: Advantech Europe Holding B.V., Advantech Europe. B.V., Advantech Europe GmbH, Advantech France S.A., Advantech (UK) Ltd., Advantech Benelux B.V., Axiomtek Co., Ltd., Axiom Technology, Inc. U.S.A., Advantech Automation (Penang) Sdn. Bhd., Advantech Control (M) Sdn. Bhd., Advantech Corp. (Advantech Automation Corp.), Advantech Brasil S/A, Advantech Australia Pty, Ltd., Advantech Co., Singapore Pte, Ltd., Advantech Japan Co., Ltd. and Advantech Italia S.p.A. Their consolidated financial statements as of December 31, 2004 and 2003 were audited by other auditors. These subsidiaries were either indirect (i.e., invested in by the Company through wholly owned subsidiaries) or direct and all accounted for by the equity method. The total assets of these subsidiaries and other equity-method investees were 31.82% (NT$3,429,631 thousand) and 35.28% (NT$3,310,800 thousand) of the Company's consolidated total assets as of December 31, 2004 and 2003, respectively. The operating revenues of these subsidiaries were 65.52% (NT$8,769,354) and 58.37% (NT$6,527,309 thousand) thousand of the Company's consolidated operating revenues in 2004 and 2003, respectively. The Company also had long-term equity investments in Advantech Technologies Co., Ltd., Advantech Hungary Ltd. and Innova Tech & Management Consultant Inc. Their consolidated financial statements as of December 31, 2004 and 2003 were audited by other auditors. The Company also had investments in Etherwan System Inc. and Hi-top Industrial Co., Ltd. and their consolidated financial statements as of December 31, 2004 were audited by other auditors. These investments were either indirect (i.e., invested in by the Company through wholly owned subsidiaries) or direct and all accounted for by the equity method. The carrying values of these investments were 2.86% (NT$307,790 thousand) and 1.91% (NT$179,609 thousand) of the Company's consolidated total assets as of December 31, 2004 and 2003, respectively. Also, the equity in the investees' net gain was 0.52% (NT$13,398 thousand) and 1.22% (NT$15,900 thousand) of the Company's consolidated income before income tax in 2004 and 2003, respectively. Since the consolidated financial statements of these subsidiaries or investees were audited by other auditors whose reports have been furnished to us, our opinion, insofar as it relates to the above subsidiaries and investees' amounts included herein, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Advantech Co., Ltd. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines for Securities Issuers' Financial Reporting for Public Companies and accounting principles generally accepted in the Republic of China.

March 10, 2005

Notice to Readers

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Par Value)

	2004		2003	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 1,705,872	16	$ 1,056,671	11
Short-term investments (Notes 2 and 5)	2,199,328	21	1,585,699	17
Notes receivable (Note 2)	105,834	1	151,276	1
Accounts receivable, net of allowance for doubtful accounts of $53,246 in 2004 and $45,520 in 2003 (Note 2)	1,410,421	13	1,407,145	15
Receivables from related parties (Notes 2 and 19)	139,372	1	63,187	1
Inventories, net (Notes 2 and 6)	1,535,992	14	1,575,319	17
Deferred income tax assets - current (Notes 2 and 15)	102,031	1	101,104	1
Other current assets (Note 22)	320,856	3	484,939	5
Total current assets	7,519,706	70	6,425,340	68
LONG-TERM EQUITY INVESTMENTS (Notes 2, 7 and 13)				
Equity method	323,717	3	225,945	3
Cost method	101,282	1	104,576	1
Prepayments for long-term equity investments	39,963	-	-	-
Total long-term equity investments	464,962	4	330,521	4
PROPERTIES (Notes 2, 8 and 20)				
Cost				
Land	760,124	7	671,280	7
Buildings and equipment	1,164,792	11	1,239,311	13
Machinery and equipment	353,867	3	337,205	4
Furniture and fixtures	502,219	5	234,591	3
Miscellaneous equipment	216,025	2	229,596	2
Total cost	2,997,027	28	2,711,983	29
Accumulated depreciation	654,133	6	542,035	6
	2,342,894	22	2,169,948	23
Advances for equipment acquisition	17,990	-	2,242	-
Net properties	2,360,884	22	2,172,190	23
OTHER ASSETS				
Properties leased to others (Notes 2, 9 and 20)	73,290	1	112,907	1
Refundable deposits	34,984	-	27,038	-
Deferred charges, net (Note 2)	154,026	2	96,493	1
Consolidated debit (Note 2)	127,079	1	182,193	2
Certificates of deposit - restricted (Note 20)	4,900	-	2,400	-
Miscellaneous	37,747	-	34,530	1
Total other assets	432,026	4	455,561	5
TOTAL	$ 10,777,578	100	$ 9,383,612	100

	2004		2003	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank loans (Notes 10, 20 and 21)	$ 506,783	5	$ 433,401	5
Notes payable	87,199	1	46,850	-
Accounts payable	586,049	5	704,031	8
Payables to related parties (Notes 19 and 21)	14,439	-	-	-
Income tax payable (Notes 2 and 15)	177,437	1	42,785	-
Accrued expenses	317,407	3	352,126	4
Corporate bonds payable - current portion (Notes 2, 11 and 17)	291,452	3	1,035,620	11
Long-term loans payable - current portion (Notes 12 and 20)	-	-	6,395	-
Other current liabilities (Note 22)	287,812	3	279,719	3
Total current liabilities	2,268,578	21	2,900,927	31
LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Long-term bank loans payable (Notes 12 and 20)	136,877	1	156,381	2
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 18)	125,309	1	122,243	1
Deferred income tax liabilities - noncurrent (Notes 2 and 15)	132,287	1	66,782	1
Deferred income (Note 2)	21,524	1	12,308	-
Miscellaneous (Notes 2 and 7)	12,527	-	10,156	-
Total other liabilities	291,647	3	211,489	2
MINORITY INTEREST	362,511	3	298,693	3
Total liabilities	3,059,613	28	3,567,490	38
SHAREHOLDERS' EQUITY				
Capital stock, $10 par value				
Authorized - 500,000 thousand shares				
Issued - 374,296 thousand shares in 2004 and 341,304 thousand shares in 2003	3,742,962	35	3,413,039	36
Capital surplus				
Issue of stock in excess of par value	1,072,211	10	455,155	5
Long-term equity investments	14,990	-	33,845	-
Total capital surplus	1,087,201	10	489,000	5
Retained earnings				
Legal reserve	627,331	6	520,089	6
Unappropriated earnings	2,280,132	21	1,513,392	16
Total retained earnings	2,907,463	27	2,033,481	22
Cumulative translation adjustments	(19,661)	-	91,338	1
Treasury stocks - 3,862 thousand shares	-	-	(210,736)	(2)
Total shareholders' equity	7,717,965	72	5,816,122	62
TOTAL	$ 10,777,578	100	$ 9,383,612	100

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	2004		2003	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 19)				
Sales	$ 13,437,236	100	$ 11,421,312	102
Sales returns and allowances	300,114	2	331,851	3
Net sales	13,137,122	98	11,089,461	99
Other operating revenues	246,212	2	92,542	1
Total operating revenues	13,383,334	100	11,182,003	100
OPERATING COSTS (Notes 2, 16 and 19)	7,588,288	57	6,083,526	54
GROSS PROFIT	5,795,046	43	5,098,477	46
REALIZED (DEFERRED) PROFITS ON INTERCOMPANY SALES (Note 2)	(9,216)	-	334	-
ADJUSTED GROSS PROFIT	5,785,830	43	5,098,811	46
OPERATING EXPENSES (Notes 16 and 19)				
Marketing	800,241	6	784,866	7
Administration	1,788,611	13	1,775,791	16
Research and development	530,674	4	443,991	4
Total operating expenses	3,119,526	23	3,004,648	27
OPERATING INCOME	2,666,304	20	2,094,163	19
NONOPERATING INCOME AND GAINS				
Gain on disposal of investments	31,463	-	101,088	1
Gain on market price recovery of short-term investment	13,765	-	2,361	-
Foreign exchange gain, net (Notes 2 and 22)	12,990	-	-	-
Interest	8,977	-	10,098	-
Equity in net income of investees, net (Notes 2 and 7)	-	-	11,190	-
Other income (Notes 19 and 22)	60,410	1	66,458	1
Total nonoperating income and gains	127,605	1	191,195	2

(Continued)

	2004		2003	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Losses on disposal of scrap inventories	$ 82,346	1	$ 75,855	1
Interest	47,977	-	69,821	1
Provision for losses on inventories	16,912	-	506	-
Impairment loss on investment in share of stock (Note 2)	14,000	-	-	-
Equity in net loss on investees, net (Notes 2 and 7)	1,178	-	-	-
Foreign exchange loss, net (Notes 2 and 22)	-	-	690,759	6
Premium expenses (Notes 2 and 22)	-	-	123,510	1
Other expenses (Note 16)	43,452	-	23,363	-
Total nonoperating expenses and losses	205,865	1	983,814	9
INCOME BEFORE INCOME TAX	2,588,044	20	1,301,544	12
INCOME TAX (Notes 2 and 15)	365,017	3	169,649	2
COMPREHENSIVE INCOME	2,223,027	17	1,131,895	10
MINORITY INTEREST INCOME	(62,872)	(1)	(41,982)	-
NET INCOME BEFORE ACQUIRING MAJORITY INTEREST	-	-	(17,491)	-
CONSOLIDATED NET INCOME	$ 2,160,155	16	$ 1,072,422	10

	2004		2003	
	Pre-tax	After-tax	Pre-tax	After-tax
CONSOLIDATED EARNINGS PER SHARE (Note 17)				
Consolidated basic earnings per share	$ 7.09	$ 5.91	$ 3.60	$ 2.97
Consolidated diluted earnings per share	$ 6.86	$ 5.72	$ 3.53	$ 2.90

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	Capital Stock				Capital Surplus (Notes 2, 13 and 14)			Retained Earnings (Notes 2, 13 and 14)					
	Issued (Notes 11, 13 and 14)		Entitlement Certificates (Notes 2, 11 and 13)								Cumulative Translation Adjustments (Note 2)	Treasury Stocks (Notes 2 and 14)	Total Shareholders' Equity
	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Issue of Stock in Excess of Par Value	From Long-term Equity Investments	Total	Legal Reserve	Unappropriated Earnings	Total			
BALANCE, JANUARY 1, 2003	285,513	$ 2,855,129	16	$ 162	$ 210,791	$ 46,098	$ 256,889	$ 396,678	$ 1,545,284	$ 1,941,962	$ 58,353	$ -	$ 5,112,495
Appropriation of 2002 earnings													
Legal reserve	-	-	-	-	-	-	-	123,411	(123,411)	-	-	-	-
Bonus to employees	5,521	55,214	-	-	-	-	-	-	(111,070)	(111,070)	-	-	(55,856)
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	(11,107)	(11,107)	-	-	(11,107)
Stock dividends - 15%	42,936	429,363	-	-	-	-	-	-	(429,363)	(429,363)	-	-	-
Cash dividends - $1.5 per share	-	-	-	-	-	-	-	-	(429,363)	(429,363)	-	-	(429,363)
Consolidated net income in 2003	-	-	-	-	-	-	-	-	1,072,422	1,072,422	-	-	1,072,422
Conversion of bonds into capital stock	714	7,132	-	-	39,982	-	39,982	-	-	-	-	-	47,114
Conversion of entitlement certificates into capital stock	16	162	(16)	(162)	-	-	-	-	-	-	-	-	-
Issuance of shares on April 28, 2003 to acquire long-term equity investments	6,604	66,039	-	-	204,382		204,382	-	-	-	-	-	270,421
Decrease in carrying value of equity investment due to change in equity in investees	-	-	-	-	-	(12,253)	(12,253)	-	-	-	-	-	(12,253)
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	(210,736)	(210,736)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	44,471	-	44,471
Equity in the investees' translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	(11,486)	-	(11,486)
BALANCE, DECEMBER 31, 2004	341,304	3,413,039	-	-	455,155	33,845	489,000	520,089	1,513,392	2,033,481	91,338	(210,736)	5,816,122
Appropriation of 2003 earnings													
Legal reserve	-	-	-	-	-	-	-	107,242	(107,242)	-	-	-	-
Bonus to employees	5,500	55,000	-	-	-	-	-	-	(96,518)	(96,518)	-	-	(41,518)
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	(9,652)	(9,652)	-	-	(9,652)
Stock dividends - 5%	16,886	168,864	-	-	-	-	-	-	(168,864)	(168,864)	-	-	-
Cash dividends - $2.5 per share	-	-	-	-	-	-	-	-	(844,320)	(844,320)	-	-	(844,320)
Consolidated net income in 2004	-	-	-	-	-	-	-	-	2,160,155	2,160,155	-	-	2,160,155
Conversion of bonds into capital stock	14,468	144,679	-	-	622,353	-	622,353	-	-	-	-	-	767,032
Decrease in carrying value of equity investment due to change in equity in investees	-	-	-	-	-	(18,929)	(18,929)	-	-	-	-	-	(18,929)
Increase in additional paid-in capital of equity investment due to change in equity in investee	-	-	-	-	-	74	74	-	-	-	-	-	74
Write-off of treasury stock	(3,862)	(38,620)	-	-	(5,297)	-	(5,297)	-	(166,819)	(166,819)	-	210,736	-
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	(102,824)	-	(102,824)
Equity in the investees' translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	(8,175)	-	(8,175)
BALANCE, DECEMBER 31, 2004	374,296	$ 3,742,962	-	$ -	$ 1,072,211	$ 14,990	$ 1,087,201	$ 627,331	$ 2,280,132	$ 2,907,463	$ (19,661)	$ -	$ 7,717,965

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

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

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 2,160,155	$ 1,072,422
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interest income	62,872	41,982
Net income before acquiring majority interest	-	17,491
	2,223,027	1,131,895
Depreciation and amortization	232,948	198,557
Reversal of allowance for decline in value of short-term investments	(13,765)	(2,361)
Provision of allowance for losses on inventories	16,912	506
Losses on disposal of scrap inventories	82,346	75,855
Bad-debt expense	57,940	4,749
Impairment loss on investment in shares of stock	14,000	-
Loss on disposal of properties, net	1,360	296
Gain on sale of long-term equity investments	-	(18,817)
Equity in net gain of investees, net	1,178	(11,190)
Cash dividends from equity-method investees	7,428	34,681
Accrued pension liabilities	3,066	16,690
Interest premium on convertible bonds	23,318	42,200
Deferred income taxes	64,578	82,855
Net changes in operating assets and liabilities		
Short-term investments	(599,864)	(136,005)
Notes receivable	45,442	(25,929)
Accounts receivable	(61,216)	144,472
Receivables from related parties	(76,185)	(43,655)
Inventories	(59,931)	(208,947)
Other current assets	145,199	(277,488)
Notes payable	17,916	(1,903)
Accounts payable	(117,982)	(132,071)
Payables to related parties	14,439	(244)
Income tax payable	134,652	(158,213)
Accrued expenses	(34,719)	89,700
Other current liabilities	(30,894)	35,279
Deferred income	9,216	(334)
Net cash provided by operating activities	2,100,409	840,578
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of long-term equity investments	(121,829)	-
Proceeds from sale of long-term equity investments	-	34,861
Proceeds from sale of properties	3,467	3,835
Acquisition of properties	(315,750)	(232,697)
Increase in deferred charges	(92,091)	(61,604)
Increase in certificates of deposit	(2,500)	(1,600)

(Continued)

	2004	2003
Decrease (increase) in other assets	$ (11,163)	$ 17,314
Decrease (increase) in consolidated debit	-	(40,253)
Net cash used in investing activities	(539,866)	(280,144)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of corporate bonds	(454)	-
Increase in short-term bank loans	73,382	1
Increase (decrease) in long-term loans payable	(25,899)	48,123
Increase (decrease) in other liabilities	2,371	(2,306)
Cash dividends paid	(844,320)	(429,363)
Payment of bonus to employees and remuneration to directors and supervisors	(12,183)	(50,454)
Purchase of treasury stock	-	(210,736)
Increase (decrease) in minority equity	(17,909)	65,038
Net cash used in financing activities	(825,012)	(579,697)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(86,330)	(4,302)
NET INCREASE (DECREASE) IN CASH	649,201	(23,565)
CASH, BEGINNING OF YEAR	1,056,671	1,080,236
CASH, END OF YEAR	$ 1,705,872	$ 1,056,671
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	$ 24,322	$ 27,611
Income tax paid	$ 167,925	$ 224,988
NONCASH INVESTING AND FINANCING ACTIVITIES		
The negative carrying value of investments recorded as part of other liabilities	$ 4,308	$ 2,437
Conversion of bonds into capital stock and capital surplus	$ 767,032	$ 47,114
Reclassification of properties leased to others to properties	$ 38,479	$ 52,324
Conversion of entitlement certificates into capital stock	$ -	$ 162
Current portion of corporate bonds payable	$ -	$ 1,035,620
Current portion of long-term bank loans payable	$ -	$ 6,395
Issuance of shares to acquire minority equity in subsidiaries	$ -	$ 270,421
Bonus to employee	$ 55,496	$ 16,509
Retired treasury stock	$ 210,736	$ -
Payment for long-term investments		
Increase in long-term investments	$ (144,262)	$ -
Increase in notes payable	22,433	-
	$ (121,829)	$ -
ACQUISITION OF PROPERTIES		
Increase in properties	$ (334,634)	$ (232,697)
Increase in payable on equipment	18,884	-
	$ (315,750)	$ (232,697)

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

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

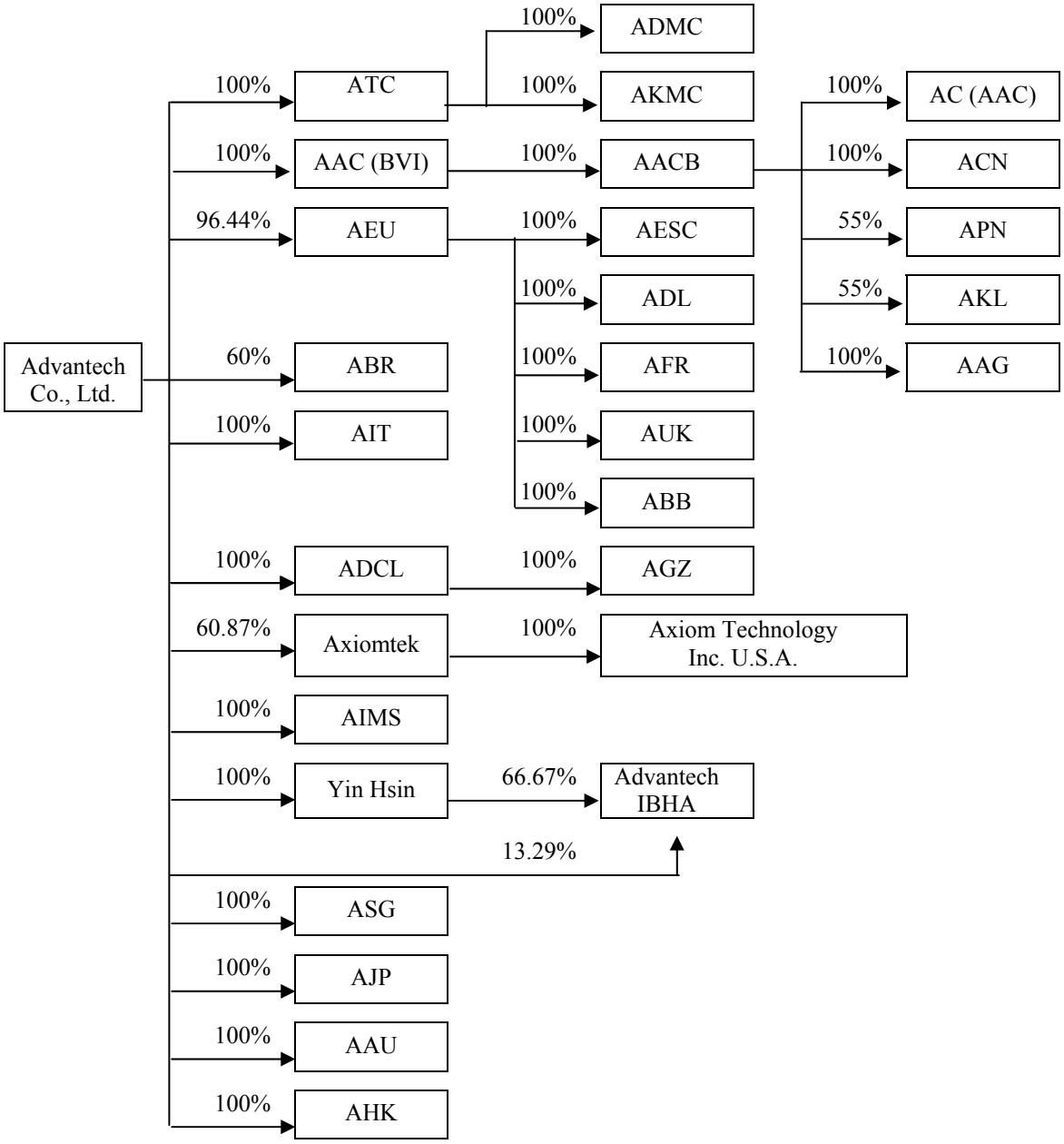
ADVANTECH CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003
(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Advantech Co., Ltd. (the "Parent Company") was established in September 1981. It manufactures and sells embedded computing boards, applied panel computing, industrial automation and industrial and network computing.

The intercompany relationships and percentages of ownership as of December 31, 2004 are shown in the following diagram:



The business activities of the above investees are as follows:

a. Yin Hsin Investment Co., Ltd. (Yin Hsin), Advantech Europe Holding B.V. (AEU), Advantech Automation Corp. (BVI) (AAC (BVI)) and Advantech Automation Corp., Ltd. (AACB) - investments;

b. Advantech Technology Co., Ltd. (ATC), Advantech Europe B.V. (AESC), Advantech Europe GmbH (ADL), Advantech Benelux B.V. (ABB), Advantech (UK) Ltd. (AUK), Advantech France S.A. (AFR), Advantech Co. Singapore Pte, Ltd. (ASG), Advantech Japan Co., Ltd. (AJP), Advantech Australia Pty Ltd., (AAU), Advantech (H.K.) Technology Co., Ltd. (AHK), Advantech Brasil S/A (ABR), Advantech Italia S.p.A. (AIT), Advantech Development Co., Ltd. (ADCL), Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd. (AGZ), Advantech Corp. (Advantech Automation Corp. AAC) (AC), Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd. (ACN), Advantech Automation (Penang) Sdn. Bhd. (APN), Advantech Control (M) Sdn. Bhd. (AKL), Advantech Automation GmbH (AAG) and Axiom Technology, Inc., U.S.A. - sale of embedded personal computers (PCS), industrial automation products, industrial computers and panel PCs;

c. Advantech IBHA Technologies Inc. ("Advantech IBHA") - computer assembly and production;

d. Advantech Technology (China) Company Ltd. (AKMC) and Advantech Dongguan Manufacturing Co., Ltd. (ADMC) - production and sale of components of industrial automation products;

e. Axiomtek Co., Ltd. ("Axiomtek") - production and sale of industrial automation products;

f. Advantech Investment & Management Service (AIMS) - investment and management service.

As of December 31, 2004 and 2003, the Parent Company and the consolidated subsidiaries (collectively, the "Group") had 2,345 and 2,046 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Basis for Consolidation

The Parent Company prepared consolidated financial statements according to full-disclosure purposes, the Company prepared consolidated financial statements as of and for the year ended December 31, 2004 and 2003, which included direct and indirect subsidiaries, except Axiomtek Technology Deutschland GmbH, Axiom Technology (BVI) Co., Ltd., Axiomtek SAS and Axiom Technology Trading (BVI) Co., Ltd., which had no material influence on the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated from the consolidated financial statements.

The consolidated financial statements included those of the Parent Company, ATC, AEU, AAC (BVI), Axiomtek, ADCL, AIT, ABR, Yin Hsin, Advantech IBHA, AIMS, AHK, AAU, AJP, ASG, AKMC, ADMC, AACB, AESC, ADL, AFR, AUK, ABB, AGZ, Axiom Technology Inc., U.S.A., AC (AAC), ACN, AAG, APN and AKL.

The calculation of the investment carrying value and the Parent Company's equity in the net income of Advan IBHA Technologies Inc., Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd., Technology Co., Ltd., Advantech Automation GmbH in 2004 and 2003, and Advantech Dongguan Manufacturing Co., Ltd. in 2004, equity-method investees, was based on unaudited financial statements since each investee's capital stock was less than $30,000 thousand and the investees' individual total operating revenues were less than $50,000 thousand or 10% of the Parent Company's total operating revenues. The parent company considers that there were not going to be major adjustments, if the financial statements were audited by CPAs. The calculation of the carrying values of other equity-method investments and the equity in their net income or net loss were based on audited financial statements.

Short-term Investments

Short-term investments consist of stocks with quoted market prices, convertible bonds and open-end mutual funds. The investments are carried at the lower of aggregate cost or market value. Stock dividends received are recorded only as an increase in the number of shares held but are not recognized as investment 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. 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 as follows: Parent company - first-in, first-out method; Axiomtek-weight-average method; Yin Hsin - moving-average method.

Market values are based on average closing prices of stocks with quoted market prices of the last month of the reporting period, the net asset values of the open-end mutual funds on the balance sheet date and the reference prices of over-the-counter securities for convertible bonds.

Allowance for Doubtful Accounts

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

Inventories

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

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

Long-term Equity Investments

Investments in shares of stock of companies in which the Group 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 Group'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 Group'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 Group acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Group's equity in the investee's net assets is credited to capital surplus. Any decrease in the Group'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 Group'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 Group's sale of products to its subsidiaries is wholly deferred, but only the profit in proportion to the Group'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 Group or by one investee to another is deferred on the basis of equity in the investee and credited against the investment. All of these profits are realized on the subsequent sale of related products to third parties.

Investments in shares of stock of companies in which the Group 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 is made are accounted for as a reduction of the carrying value of the investment and are recognized as investment income in subsequent years.

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

Costs of investments sold are determined using the weighted-average method except moving-average method used by Yin Hsin.

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, 3 to 60 years; machinery and equipment, 2 to 10 years; furniture and fixtures 2 to 10 years; and miscellaneous equipment, 2 to 5 years. Properties that have reached their full residual value but are still being used by the Group 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 amortized in 2 to 50 years.

Consolidated Debits

Consolidated debits were unamortized balances from difference between investment acquisition costs and the Group's equity in an investee's net assets which could not analysis the reason of difference, and it were amortized in 5 to 20 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 and Axiomtek have 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 or 15 years and the average remaining service years of employees, respectively. When plan curtailment or settlement occurs, the curtailment and settlement gains or losses should be recognized as part of the net pension cost for the period.

AESC, ADL, AUK, AFR, ABB, AIT, ASG, AJP, AAU, ABR, AHK, AKMC, ADMC, AGZ, Axiom Technology Inc. U.S.A., AC (AAC), ACN, APN and AKL contribute monthly to a pension fund, and these contributions are recognized as expenses.

Yin Hsin, Advantech IBHA, AIMS, ATC, ADCL, AEU, AAC (BVI), AACB and AAG have no pension plans.

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

Convertible Bonds

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

Treasury Stock

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

Upon disposal of the treasury stock, the sales proceeds in excess of the cost 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 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 retained earnings if capital surplus - treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of both the par value and any premium of the stock retired, the difference is accounted for as an increase in capital surplus - treasury stock of the same type.

Income Tax

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

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

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

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

Foreign-currency Transactions

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

Derivative Transactions

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

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

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

3. ELIMINATED MATERIAL INTERCOMPANY TRANSACTIONS

Company	Eliminated Account	Amount	Parties
Parent Company	Sales revenues	$ 54,657	AUK
	Receivable from related parties	5,299	AUK
	Sales revenues	1,139,550	ACN
	Receivable from related parties	108,229	ACN
	Sales revenues	21,425	ATC
	Purchases	2,109,017	ATC
	Receivable from related parties	22,863	ATC
	Payable to related parties	708,958	ATC
	Commission revenues	1,315	ATC
	Royalty revenue	107,737	ATC
	Sales revenues	1,184	AIT
	Receivable from related parties	488	AIT
	Sales revenues	1,624,008	AC
	Purchases	1,669	AC
	Receivable from related parties	237,117	AC
	Payable to related parties	6,158	AC
	Receivable from related parties	534	ADL
	Payable to related parties	2,069	ADL
	Receivable from related parties	19,876	Axiomtek
	Payable to related parties	2,304	Axiomtek
	Purchases	4,975	Axiomtek
	Sales revenues	161,507	Axiomtek
	Rental revenues	116	Axiomtek
	Sales revenues	1,602,783	AESC
	Receivable from related parties	410,226	AESC
	Purchases	950	AESC
	Sales revenues	59,813	AKMC
	Purchases	7	AKMC
	Receivable from related parties	23,753	AKMC
	Sales revenues	33,226	APN
	Receivable from related parties	1,217	APN
	Sales revenues	36,246	AKL
	Receivable from related parties	4,714	AKL
	Sales revenues	90,361	AAU
	Receivable from related parties	6,249	AAU
	Sales revenues	32,175	ABR
	Receivable from related parties	11,019	ABR

(Continued)

Company	Eliminated Account	Amount	Parties
	Sales revenues	$ 158,647	ASG
	Receivable from related parties	10,275	ASG
	Sales revenues	249,493	AJP
	Receivable from related parties	44,288	AJP
	Sales revenues	14,675	Advantech IBHA
	Purchases	21,798	Advantech IBHA
	Receivable from related parties	2,631	Advantech IBHA
	Rental revenues	140	Advantech IBHA
	Commission revenues	525	Advantech IBHA
	Payable to related parties	14,214	Advantech IBHA
	Rental revenues	10	AIMS
	Receivable from related parties	6	Yin Hsin
	Rental revenues	6	Yin Hsin
	Realized profits on intercompany sales	152,166	Subsidiaries
	Deferred income	141,397	Parent Company
	Deferred profits on intercompany sales	141,397	Parent Company
ACN	Purchases	1,139,550	Parent Company
	Payable to related parties	108,229	Parent Company
	Purchases	476,497	AKMC
	Receivable from related parties	28,036	AKMC
	Payable to related parties	13,790	AKMC
	Sales revenues	205,607	AKMC
	Purchases	261	AC
	Sales revenues	30	AGZ
	Purchases	10,706	AGZ
AUK	Purchases	54,217	Parent Company
	Inventories	440	Parent Company
	Cost of goods sold	960	Parent Company
	Payable to related parties	5,229	Parent Company
	Purchases	6	AC
ATC	Purchases	21,425	Parent Company
	Sales revenues	2,109,017	Parent Company
	Cost of goods sold	111	Parent Company
	Royalty expenses	107,737	Parent Company
	Commission expenses	1,315	Parent Company
	Receivable from related parties	708,958	Parent Company
	Payable to related parties	22,863	Parent Company
	Purchases	28	AC
	Sales revenues	8,506	AKMC
	Purchases	1,136,599	AKMC
	Payable to related parties	188,957	AKMC
	Receivable from related parties	3,388	AKMC
ADCL	Cost of goods sold	6,238	Parent Company

(Continued)

Company	Eliminated Account	Amount	Parties
AESC	Sales revenues	$ 950	Parent Company
	Purchases	1,537,751	Parent Company
	Inventories	65,032	Parent Company
	Cost of goods sold	61,856	Parent Company
	Payable to related parties	410,226	Parent Company
	Sales revenues	210	AC
	Purchases	1,528	AC
	Sales revenues	93,079	AIT
	Purchases	15,926	AIT
	Receivable from related parties	432	AIT
	Payable to related parties	111	AIT
Axiomtek	Sales revenues	4,975	Parent Company
	Cost of goods sold	3,218	Parent Company
	Purchases	157,884	Parent Company
	Inventories	3,623	Parent Company
	Receivable from related parties	2,304	Parent Company
	Payable to related parties	19,876	Parent Company
	Rental expenses	116	Parent Company
AGZ	Sales revenues	10,706	ACN
	Purchases	30	ACN
	Sales revenues	42	AKMC
AKMC	Purchases	59,710	Parent Company
	Inventories	103	Parent Company
	Sales revenues	7	Parent Company
	Cost of goods sold	2,837	Parent Company
	Payable to related parties	23,753	Parent Company
	Purchases	205,607	ACN
	Sales revenues	476,497	ACN
	Receivable from related parties	13,790	ACN
	Payable to related parties	28,036	ACN
	Purchases	8,506	ATC
	Sales revenues	1,136,599	ATC
	Receivable from related parties	188,957	ATC
	Payable to related parties	3,388	ATC
	Purchases	42	AGZ
AC	Payable to related parties	237,117	Parent Company
	Inventories	51,384	Parent Company
	Purchases	1,572,624	Parent Company
	Cost of goods sold	55,151	Parent Company
	Sales revenues	1,669	Parent Company
	Receivable from related parties	6,158	Parent Company
	Sales revenues	749	APN
	Sales revenues	184	ASG
	Purchases	210	AESC
	Sales revenues	1,528	AESC

(Continued)

Company	Eliminated Account	Amount	Parties
	Sales revenues	$ 28	ATC
	Sales revenues	261	ACN
	Sales revenues	6	AUK
AKL	Purchases	32,497	Parent Company
	Inventories	3,749	Parent Company
	Cost of goods sold	2,931	Parent Company
	Payable to related parties	4,714	Parent Company
	Payable to related parties	29	ASG
ADL	Receivable from related parties	2,069	Parent Company
	Payable to related parties	534	Parent Company
	Receivable from related parties	79	AIT
APN	Purchases	31,980	Parent Company
	Cost of goods sold	956	Parent Company
	Inventories	1,246	Parent Company
	Payable to related parties	1,217	Parent Company
	Purchases	33	ASG
	Purchases	749	AC
	Payable to related parties	21	ASG
ASG	Purchases	153,447	Parent Company
	Inventories	5,200	Parent Company
	Cost of goods sold	3,030	Parent Company
	Payable to related parties	10,275	Parent Company
	Receivable from related parties	27	AAU
	Receivable from related parties	21	APN
	Receivable from related parties	29	AKL
	Sales revenues	33	APN
	Purchases	184	AC
AJP	Purchases	245,045	Parent Company
	Inventories	4,448	Parent Company
	Cost of goods sold	8,064	Parent Company
	Payable to related parties	44,288	Parent Company
AAU	Purchases	88,506	Parent Company
	Inventories	1,855	Parent Company
	Cost of goods sold	2,590	Parent Company
	Payable to related parties	6,249	Parent Company
	Payable to related parties	27	ASG
ABR	Purchases	30,410	Parent Company
	Inventories	1,765	Parent Company
	Cost of goods sold	1,743	Parent Company
	Payable to related parties	11,019	Parent Company

(Continued)

Company	Eliminated Account	Amount	Parties
AIT	Purchases	$ 734	Parent Company
	Inventories	450	Parent Company
	Payable to related parties	488	Parent Company
	Cost of goods sold	2,481	Parent Company
	Sales revenues	15,926	AESC
	Purchases	93,079	AESC
	Receivable from related parties	111	AESC
	Payable to related parties	432	AESC
	Payable to related parties	79	ADL
Advantech IBHA	Purchases	14,623	Parent Company
	Inventories	52	Parent Company
	Sales revenues	21,798	Parent Company
	Receivable from related parties	14,214	Parent Company
	Payable to related parties	2,631	Parent Company
	Rental expenses	140	Parent Company
	Commission expenses	525	Parent Company
AIMS	Rental expenses	10	Parent Company
Yin Hsin	Rental expenses	6	Parent Company
	Payable to related parties	6	Parent Company

4. CASH

	December 31	
	2004	2003
Cash on hand	$ 2,155	$ 1,597
Checking and demand deposits	937,928	742,499
Time deposits: Interest - 0.45%-2.00% in 2004 and 0.92%-1.97% in 2003	765,789	312,575
	$ 1,705,872	$ 1,056,671

As of December 31, 2004, information about foreign deposits are shown as follows:

Hong Kong (included $23 thousand U.S. dollars and $139 thousand H.K. dollars)	$ 1,301

5. SHORT-TERM INVESTMENTS

	December 31	
	2004	2003
Mutual funds	$ 2,186,447	$ 1,576,583
Listing company stocks	21,300	21,300
Convertible bonds	-	10,000
	2,207,747	1,607,883
Allowance for losses	(8,419)	(22,184)
	$ 2,199,328	$ 1,585,699

6. INVENTORIES, NET

	December 31	
	2004	2003
Finished goods	$ 767,374	$ 877,329
Work in process	322,368	285,343
Materials and supplies	566,219	521,293
Inventories in transit	111,001	105,412
	1,766,962	1,789,377
Allowance for losses	(230,970)	(214,058)
	$ 1,535,992	$ 1,575,319

7. LONG-TERM EQUITY INVESTMENTS

	December 31			
	2004		2003	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Equity method				
Advantech Technologies Co., Ltd.	$ 174,033	43.00	$ 155,042	43.00
Etherwan System, Inc.	44,991	19.90	-	-
Broadwed Automation Co., Ltd.	24,375	33.33	21,749	33.33
Hi-top Industrial Co., Ltd.	22,894	30.00	-	-
Axiom Technology Trading (BVI) Co., Ltd.	16,170	100.00	1,318	100.00
Innova Tech & Management Consultant Inc.	14,804	24.99	14,980	26.32
Advantech Hungary Ltd.	11,105	30.00	9,587	30.00
Timson Tech Co.	7,325	30.00	8,978	30.00
Axiomtek Technology Deutschland GmbH	5,662	100.00	5,409	100.00
Axiomtek SAS	1,525	100.00	4,242	100.00
Advantech Corporation (Thailand) Co., Ltd.	833	30.00	-	-
Axiom Technology (BVI) Co., Ltd.	-	100.00	4,640	100.00
Advan Automation Co., Ltd.	-	37.74	-	37.74
	323,717		225,945	
Cost method				
Superior Technology Co., Ltd.	33,442	13.43	33,442	10.00
Silicon Motion Inc. (formerly Feiya Technology Corp.)	20,000	0.54	20,000	0.60
Baoruh Electronic Co., Ltd.	18,285	8.06	18,285	8.06
Web Point Information Technology Co., Ltd.	14,000	1.00	28,000	1.00
Marekmicro GmbH	10,758	19.87	-	-
Unibase Information Corp.	2,250	10.34	2,250	10.34
Alextek Company Limited, Ltd.	1,823	19.00	1,823	19.00
Visual Systems GmbH	724	20.00	776	20.00
	101,282		104,576	
Prepayments for long-term equity investments				
Etherwan System Inc.	39,963	-	-	-
	$ 464,962		$ 330,521	

The Group's equity in Etherwan System Inc. (Etherwan) exceeded 20% of Etherwan's outstanding common stock. Thus, the investment in Etherwan was accounted for by the equity method.

The Group owned 20% of Visual System GmbH's outstanding common stock. However, this investment was accounted for by the cost method because the Group had no material influence on Visual Systems GmbH.

The calculation of the investment carrying value and the Parent Company's equity in the net income of Advan Automation Co., Ltd., Axiom Technology (BVI) Co., Ltd., Axiom Technology Trading (BVI) Co., Ltd., Axiomtek SAS, Axiomtek Technology Deutscheland GmbH in 2004 and 2003, and Advantech Corporation (Thailand) Co., Ltd. in 2004, equity-method investees, was based on unaudited financial statements since each investee's capital stock was less than $30,000 thousand and the investees' individual total operating revenues were less than $50,000 thousand or 10% of the Parent Company's total operating revenues. The Parent Company considers that there were not going to be major adjustments, if the financial statement were audited by CPA's. The equity in Advantech Hungary Ltd.'s net income or net loss is recognized in the subsequent year's financial statements of the Company.

The investments in Axiom Technology (BVI) Co., Ltd. and Advan Automation Co., Ltd. as of December 31, 2004 and 2003 had negative carrying value of $4,308 thousand and $2,437 thousand, respectively. The Group will continue supporting these investee's operations (included in other liabilities); thus, it will continue recognizing its investment losses in proportion to its equity in the investee.

As of December 31, 2004 and 2003, the Group's equities in the net assets of cost-method investees were about $61,228 thousand and $49,296 thousand, respectively, based on year-end unaudited financial statements.

The Parent Company prepared consolidated financial statements as of and for the year ended December 31, 2004 and 2003, which included direct and indirect subsidiaries, except Axiomtek Technology Deutschland GmbH, Axiom Technology (BVI) Co., Ltd., Axiomtek SAS and Axiom Technology Trading (BVI) Co., Ltd. because they had no material influence on the consolidated financial statements.

8. PROPERTIES

	December 31	
	2004	**2003**
Costs	$ 2,997,027	$ 2,711,983
Accumulated depreciation		
Buildings and equipment	125,633	106,160
Machinery and equipment	207,621	173,039
Furniture and fixtures	178,524	120,682
Miscellaneous equipment	142,355	142,154
	654,133	542,035
	2,342,894	2,169,948
Unfinished construction	2,360	-
Advances for equipment acquisition	15,630	2,242
	$ 2,360,884	$ 2,172,190

Depreciation expenses were $180,730 thousand in 2004 and $153,199 thousand in 2003.

9. PROPERTIES LEASED TO OTHERS

	December 31	
	2004	2003
Cost		
Land	$ 51,526	$ 67,368
Buildings and equipment	31,014	55,981
	82,540	123,349
Accumulated depreciation	9,250	10,442
	$ 73,290	$ 112,907

10. SHORT-TERM LOANS

	December 31	
	2004	2003
Credit loans - Interest: 1.70%-3.85% in 2004 and 1.18%-1.69% in 2003	$ 327,704	$ 229,924
Secured loans - Interest: 1.70%-4.00% in 2004 and 1.50%-4.40% in 2003	179,079	203,477
	$ 506,783	$ 433,401

11. BONDS

	December 31	
	2004	2003
Unsecured convertible bonds	$ 244,400	$ 932,600
Interest-premium on convertible bonds	47,052	103,020
	$ 291,452	$ 1,035,620

On July 19, 2001, the Parent Company issued domestic unsecured convertible bonds with aggregate face value of $1,000,000 thousand (or $100 thousand face value per unit), which were listed on the Taiwan Stock Exchange on July 31, 2001. These bonds will mature on July 18, 2006 and will be redeemed at 112.4864% of their face value on July 19, 2004 or 119.2519% of their face value on July 19, 2005. The bonds are convertible to capital stock at an agreed conversion price between October 19, 2001 and July 8, 2006 under certain conditions. As of December 31, 2004, bonds with aggregate face value of $755,200 thousand had been converted to 15,497 thousand shares and 400 thousand had redeemed at holders' request.

12. LONG-TERM LOANS

	Current	Long-term	Total
December 31, 2004			
Secured loans	$ -	$ 136,877	$ 136,877
December 31, 2003			
Secured loans	$ 6,395	$ 156,381	$ 162,776

Long-term bank loans had 2.50% to 3.85% in 2004 and 5.25% to 10.00% interest in 2003. Their maturity is in February 2015.

13. SHAREHOLDERS' EQUITY

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

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

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

b. 1% as remuneration to directors and supervisors.

c. Dividends, as proposed by the board of directors.

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

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

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

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

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

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

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

The employees' stock bonus consisted of 5,500 and 5,521 thousand shares, which were 1.63% and 1.93%, respectively, of the outstanding common stock as of the end of 2003 and 2002, respectively. The primary earnings per share would have decreased from NT$3.17 to NT$2.85 in 2003 and from NT$4.32 to $3.89 in 2002 had the bonus to employees, directors and supervisors been expensed instead of being appropriated from retained earnings.

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

Under a board of directors' proposal dated March 26, 2003, the Company's strategic alliance with Axiomtek Co., Ltd. was approved. Shares were swapped at this ratio: 1 Company share for 2.6 shares of Axiomtek Co., Ltd. The Company issued 6,604 thousand common shares to exchange for 17,170 common shares of Axiomtek Co., Ltd. (45.36% of issued stock). The effective date of the swap was April 28, 2003, which was approved by the 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 December 31, 2004, no options had been exercised.

14. TREASURY STOCKS

Unit: In Thousand Shares

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

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.

15. INCOME TAX

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

	2004	2003
Tax on pretax income at statutory rate	$ 747,139	$ 383,560
Add (deduct) tax effects of:		
Permanent differences	(147,306)	(115,471)
Temporary differences	(44,506)	(156,515)
Tax-exempt income	(115,410)	(21,447)
Investment tax credit	(153,824)	(19,301)
Loss carryforward	4,856	3,272
Income tax currently payable	$ 290,949	$ 74,098

b. Income tax expense consisted of:

Income tax payable	$ 290,949	$ 74,098
Income tax expense - deferred	64,578	82,855
Adjustment of prior year's income tax	8,997	(7,175)
Income tax (10%) on undistributed earnings	493	19,871
Income tax expense (shown in the statements of income)	$ 365,017	$ 169,649

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

	December 31	
	2004	2003
Current		
Investment tax credit	$ 59,884	$ 59,579
Allowance for loss on inventories	37,304	29,805
Inventory capitalization	3,987	3,477
Excess provisions for doubtful accounts	3,445	1,205
Excess of employee benefits	115	120
Loss carryforwards	-	5,688
Unrealized foreign exchange gain	(8,603)	(60)
Others	5,899	1,290
Net deferred income tax assets	$ 102,031	$ 101,104

(Continued)

	December 31	
	2004	2003
Noncurrent		
Deferred income tax assets:		
The net loss of investees by equity method	$ 119,712	$ 58,115
Deferred income	45,039	44,491
Interest premium on convertible bonds	31,584	25,755
Pension cost	28,642	28,266
Loss carryforward	11,488	-
Impairment loss on investment in share of stock	3,500	-
Excess of employee benefits	331	122
Investment tax credits	-	48,204
Others	3,953	2,887
	244,249	207,840
Valuation allowance	(151,296)	(83,870)
	92,953	123,970
Deferred income tax liabilities:		
Accumulated equity in the net gain of foreign investees	(209,217)	(137,223)
Allowance for tax-deductible equity in net loss of foreign investees	(15,694)	(52,712)
Others	(329)	(817)
	(225,240)	(190,752)
Net deferred income tax liabilities	$ (132,287)	$ (66,782)

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

The Group's ICA balances as of December 31, 2004 and 2003 were as follows:

	December 31	
	2004	2003
Parent Company	$ 67,805	$ 133,211
Axiomtek	$ 1,679	$ 2,011
Yin Hsin	$ 1,851	$ 1,420
Advantech IBHA	$ 265	$ 205

The ratio of the ICA to the earnings generated starting January 1, 1998 (creditable tax ratio) as of December 31, 2004 and the actual creditable tax ratio for earnings as of December 31, 2004, which were distributed in 2004, were as follows:

	2004	2003
Parent Company	3.08%	9.30%
Axiomtek	0.83%	1.80%

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

Information on the Group's deductible income tax is as follows:

Legislation	Deductible Item	Tax Credits Obtained	Unused Tax Credits
2004			
Statute for Upgrading Industries	R&D and training expenses	$ 207,879	$ 59,884
	Purchase of automated mechanical equipment	5,829	-
2003			
Statute for Upgrading Industries	R&D and training expenses	125,355	107,783
	Purchase of automated mechanical equipment	1,729	-

Information on the Group's tax credit and loss carryforward as of December 31, 2004 is as follows:

Year	Tax Credit	Loss Carryforward
2006	$ 16,700	$ 684
2007	8,200	1,732
2008	34,984	3,272
2009	-	5,800

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

Income taxes payable as of December 31, 2004 and 2003 were net of prepayments of $114,005 thousand and $31,165 thousand, respectively.

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

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

16. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	2004			2003		
	Included in Cost of Goods Sold	Included in Operating Expenses	Total	Included in Cost of Goods Sold	Included in Operating Expenses	Total
Personnel expenses						
Payroll	$ 189,994	$ 1,548,379	$ 1,738,373	$ 170,785	$ 1,457,549	$ 1,628,334
Insurance	15,044	111,624	126,668	12,913	94,887	107,800
Pension	5,295	26,362	31,657	6,692	40,872	47,564
Others	17,961	83,046	101,007	13,733	63,350	77,083
Depreciation	58,880	120,712	179,592	54,330	97,385	151,715
Amortization	2,701	49,517	52,218	571	44,787	45,358
	$ 289,875	$ 1,939,640	$ 2,229,515	$ 259,024	$ 1,798,830	$ 2,057,854

Expenses for properties leased to others, which were $1,138 thousand in 2004 and $1,484 thousand in 2003 (included in nonoperating expenses - other expenses), were not included in the above depreciation expenses.

17. CONSOLIDATED EARNINGS PER SHARE

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

	Amount (Numerator)		Shares (Denominator)	Earnings Per Share	
	Pretax	After-tax	(Thousand)	Pretax	After-tax
2004					
Primary consolidated EPS	$ 2,588,044	$ 2,160,155	365,230	$ 7.09	$ 5.91
The impact of dilutive potential common stock					
Employees' stock options	-	-	945		
Convertible bonds	23,318	17,488	14,396		
Diluted consolidated EPS	$ 2,611,362	$ 2,177,643	380,571	$ 6.86	$ 5.72
2003					
Primary consolidated EPS	$ 1,301,544	$ 1,072,422	361,187	$ 3.60	$ 2.97
The impact of dilutive potential common stock					
Employees' stock options	-	-	76		
Convertible bonds	42,200	31,650	19,692		
Diluted consolidated EPS	$ 1,343,744	$ 1,104,072	380,955	$ 3.53	$ 2.90

The EPS was retroactively adjusted for the stock dividends declared. Thus, pretax and after-tax primary EPS decreased from NT$3.84 to $3.60 in 2004 and from NT$3.17 to NT$2.97 in 2003, and pretax and after-tax diluted EPS decreased from NT$3.76 to NT$3.53 and from $3.09 to $2.90, respectively.

18. PENSION PLAN

The Parent Company and Axiomtek 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 Parent Company and Axiomtek 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.

AESC, ADL, ABB, AUK, AFR, AIT, ASG, AJP, AAU, ABR, AHK, AKMC, ADMC, ACN, AGZ, Axiom Technology Inc. U.S.A., AC, APN and AKL contributed certain percentages of employees' salaries to individual pension funds, which were deposited in treasury and administered by a local insurance or trust company. Employees who resign or retire are entitled to retirement pay.

Yin Hsin, Advantech IBHA, AIMS, ATC, ADCL, AEU, AAC (BVI), AACB and AAG had no pension plans.

The Parent Company and Axiomtek's other pension information is summarized as follows:

a. Components of pension cost:

	2004		2003	
	Parent Company	Axiomtek	Parent Company	Axiomtek
Service cost	$ 12,817	$ 3,718	$ 24,086	$ 2,368
Interest cost	3,804	657	4,581	514
Projected return on plan assets	(1,800)	(459)	(1,694)	(451)
Amortization of unrecognized net transition obligation and net pension plan gains or losses	(3,318)	(54)	(964)	(395)
	$ 11,503	$ 3,862	$ 26,009	$ 2,036

b. Reconciliation between the funded status of the pension plan and accrued pension liabilities:

	December 31, 2004		December 31, 2003	
	Parent Company	Axiomtek	Parent Company	Axiomtek
Benefit obligation				
Vested benefit obligation	$ -	$ -	$ -	$ -
Non-vested benefit obligation	72,151	15,539	82,405	12,323
Accumulated benefit obligation	72,151	15,539	82,405	12,323
Additional benefits based on future salaries	22,869	7,529	26,270	6,438
Projected benefit obligation	95,020	23,068	108,675	18,761
Fair value of plan assets	(62,094)	(15,573)	(51,434)	(13,100)
Funded status	32,926	7,495	57,241	5,661
Unrecognized net transition obligation	(20,043)	(2,639)	(21,866)	(2,968)
Unrecognized net gain	101,686	5,884	77,689	6,486
Accrued pension liabilities	$ 114,569	$ 10,740	$ 113,064	$ 9,179

c. Actuarial assumptions

	December 31, 2004		December 31, 2003	
	Parent Company	Axiomtek	Parent Company	Axiomtek
Discount rate used in determining present values	3.5%	3.5%	3.5%	3.5%
Future salary increase rate	1.5%	2.0%	1.5%	2.0%
Expected rate of return on plan assets	3.5%	3.5%	3.5%	3.5%

	2004		2003	
	Parent Company	Axiomtek	Parent Company	Axiomtek
d. Contributions to the pension fund	$ 9,999	$ 2,301	$ 9,086	$ 1,834

19. RELATED-PARTY TRANSACTIONS

a. Related parties

	Relationship with the Group
Advantech Hungary Ltd. (AHG)	Equity-method investee
Advantech Technologies Co., Ltd. (AKR)	Equity-method investee
Innova Tech & Management Consultant Inc. (Innova)	Equity-method investee of Yin Hsin
Broadwed Automation Co., Ltd. (Broadwed Automation)	Equity-method investee of Yin Hsin
Timson Tech Co. (TTC)	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 Corporation (Thailand) Co., Ltd. (ATH)	Equity-method investee of ASG
Advan Automation Co., Ltd. (AAJP)	Equity-method investee of AACB
Axiom Technology (BVI) Co., Ltd.	Equity-method investee of Axiomtek
Axiomtek Technology Deutschland GmbH	Equity-method investee of Axiomtek
Axiom Technology Trading (BVI) Co., Ltd.	Equity-method investee of Axiomtek
Axiomtek SAS	Equity-method investee of Axiomtek
Hi-top Industrial Co., Ltd.	Equity-method investee of Axiomtek
Axiomtek Technology (Shen Zhen) Co., Ltd.	Equity-method investee of Axiomtek
Yang Yu Te	The director and CEO of Axiomtek

b. The significant transactions with the above related parties, in addition to those disclosed in Note 21 and Tables 1 and 2, are summarized as follows:

	2004		2003	
	Amount	% of Total	Amount	% of Total
For the year				
1) Sales				
AKR	$ 287,920	3	$ 282,599	3
Axiom Technology Trading (BVI) Co., Ltd.	44,833	-	766	-
Axiomtek Technology Deutschland GmbH	34,893	-	22,619	-
Axiomtek SAS	29,642	-	20,729	-
Others	9,942	-	9,014	-
	$ 407,230	3	$ 335,727	3
2) Purchase of materials and supplies				
AKR	$ 1,760	-	$ 4,862	-
3) Manufacturing expense -				
Hi-top Industrial Co., Ltd.	$ 37,161	-	$ -	-

(Continued)

	2004		2003	
	Amount	% of Total	Amount	% of Total
4) Rental expenses (part of operating expenses)				
Yang Tu Te	$ 10,206	1	$ 10,110	-
5) Sales guarantee expenses (part of operating expenses)				
Axiomtek SAS	18,142	1	15,668	1
Axiomtek Technology Deutschland GmbH	17,944	-	11,714	-
	36,086	1	27,382	1
6) Promotion expenses (part of operating expenses)				
Axiomtek Technology Deutschland GmbH	1,524	-	563	-
Axiomtek SAS	1,146	-	2,059	-
	2,670	-	2,622	-
7) Commission (part of operating expenses)				
Axiomtek SAS	-	-	1,266	-
Axiomtek Technology Deutschland GmbH	-	-	417	-
	-	-	1,683	-
	$ 48,962	2	$ 41,797	1
8) Rental revenues (part of nonoperating income)				
Broadwed Automation	$ 651	-	$ 781	1
Yan Hong	-	-	200	-
	$ 651	-	$ 981	1
At end of year				
9) Receivables				
AKR	$ 65,211	47	$ 38,605	65
Axiom Technology Trading (BVI) Co., Ltd.	33,415	25	-	-
Axiomtek Technology Deutschland GmbH	17,753	16	8,860	15
Axiomtek SAS	14,116	10	10,494	18
Others	2,943	-	1,295	2
	133,438	96	59,254	94
Other receivables - financing provided				
Axiomtek Technology Deutschland GmbH	4,074	3	3,933	6
Axiom Technology Trading (BVI) Co., Ltd.	1,860	1	-	-
	5,934	4	3,933	6
	$ 139,372	100	$ 63,187	100

(Continued)

	2004		2003	
	Amount	% of Total	Amount	% of Total
10) Payables				
Hi-top Industrial Co., Ltd.	$ 13,896	96	$ -	-
Axiomtek Technology (Shen Zhen) Co., Ltd.	543	4	-	-
	$ 14,439	100	$ -	-

c. Financing provided

	Ending Balance	Maximum Balance for the Period	Interest Rate	Interest Revenue
2004				
Accounts receivable - related parties				
Axiomtek Technology Deutschland GmbH	$ 4,343	$ 6,515	-	$ -
Axiom Technology Trading (BVI) Co., Ltd.	1,744	1,744	-	-
	$ 6,087			
2003				
Accounts receivable - related parties				
Axiomtek Technology Deutschland GmbH	$ 3,933	$ 3,933	-	$ -

The rental amount and payment terms of the Group's lease contract with related parties were based on market prices and arm-length payment terms. Product sales transactions were conducted under normal terms, except Axiomtek's sales to Axiomtek SAS, Axiomtek Technology Deutschland GmbH, Axiom Technology Trading (BVI) Co., Ltd., terms for which were 120 days. The payment terms for related parties were 60 to 90 days. Terms for third parties were 30 to 90 days.

20. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged or mortgaged as collaterals for bank loans and as part of court requirements for confiscating assets to settle uncollectible accounts:

	2004	2003
Properties, net	$ 102,902	$ 180,692
Properties lease to others, net	42,855	43,523
Certificates of deposits	4,900	2,400
	$ 150,657	$ 226,615

21. COMMITMENTS

As of December 31, 2004, the Parent Company had the following significant commitments:

a. Guarantees for affiliates' loans:

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

b. Axiomtek issued promissory notes amounting to $80,000 thousand for short-term bank loan guarantees, and provided guarantees amounting to US$2,000 thousand to Axiom Technology Inc. U.S.A. for its long-term bank loans.

22. FINANCIAL INSTRUMENTS

a. Outstanding contract amounts and credit risk

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

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

b. Market risk

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

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

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

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

The payments required for the forward contracts outstanding as of December 31, 2004 were EUR500 thousand and US$16,000 thousand, for which the Company will receive payments of US$655 thousand and NT$516,570 thousand before March 2005. Management believes it has sufficient operating capital to meet those requirements. Thus, there is no fund-raising risk. There is also no material cash-flow risk because the exchange rates for foreign-currency option and forward contracts are fixed.

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

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

e. Financial statement presentation

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

For the years ended December 31, 2003, the Company realized premium expenses for both trading and non-trading purpose of $123,510 thousand on all foreign-currency options with of $558,717 thousand loss.

Premium expense for trading purpose is $83,249 thousand with $68,962 losses.

f. Fair values of financial instruments

	December 31			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Nonderivative financial instruments				
Assets				
Cash	$ 1,705,872	$ 1,705,872	$ 1,056,671	$ 1,056,671
Short-term investments	2,199,328	2,199,328	1,585,699	1,585,699
Notes receivable	105,834	105,834	151,276	151,276
Accounts receivable	1,410,421	1,410,421	1,407,145	1,407,145
Receivables from related parties	139,372	139,372	63,187	63,187
Long-term equity investments	464,962	424,908	330,521	275,241
Refundable deposits	34,984	34,984	27,038	27,038
Certificates of deposit	4,900	4,900	2,400	2,400

(Continued)

	December 31			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Short-term bank loans	$ 506,783	$ 506,783	$ 433,401	$ 433,401
Notes payable	87,199	87,199	46,850	46,850
Accounts payable	586,049	586,049	704,031	704,031
Payables to related parties	14,439	14,439	-	-
Current portion corporate bonds payable	291,452	392,091	1,035,620	1,147,908
Long-term bank loans	136,877	136,877	162,776	162,776
Derivative financial instruments				
Forward contracts	8,375	8,375	21,767	21,767

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) Current portion corporate bond payable: Fair values are based on quoted market prices.

4) Long-term bank loans: Fair value based on discounted cash flow.

5) Certificates of deposit: Fair values are based on carrying values.

6) Forward exchange contracts and premiums in advance on foreign-currency options: Fair values are based on carrying values.

23. ADDITIONAL DISCLOSURES

a. In addition to those mentioned in Note 22 and Tables 1 to 7, no additional disclosures are required by the Securities and Futures Bureau for the Parent Company and investees.

b. Investments in mainland China

1) Investee company name, main business and products, total amount of paid-in capital, investment type, investment flows, percentage ownership of direct or indirect investment, investment gains (losses), carrying value as of December 31, 2004, accumulated inward remittance of earnings as of December 31, 2004 and upper limit on investment: Table 8 (attached)

2) Significant transaction with overseas subsidiary with direct or indirect investment in China: Notes 19 and 21 and Tables 2, 3, 5, 6, 7 and 8

24. SEGMENT INFORMATION

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

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

c. Export sales

Geographic Area	2004	2003
Asia	$ 3,810,138	$ 3,396,207
Europe	3,259,585	2,842,494
America	4,118,240	3,436,828
	$ 11,187,963	$ 9,675,529

d. Major customers

No single customer accounted for at least 10% of the Group's sales.

TABLE 1

ADVANTECH CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2004
(In Thousands of New Taiwan Dollars)

No.	Financier	Counterparty	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Nature of Financing (Note A)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing that Can Be Provided by the Financier
											Item	Value		
0	AACB	ACN	Receivables from related parties	$ 63,420 (US$ 2,000 thousand)	$ 63,420 (US$ 2,000 thousand)	2.5%	2	$ -	Financing need	$ -	-	$ -	$ 102,879 (Note C)	$ 205,758 (Note B)
1	Axiomtek Co., Ltd.	Axiomtek Technology Deutschland GmbH	Other receivables	6,515 (EUR 150 thousand)	4,343 (EUR 100 thousand)	-	1	34,893	-	-	-	-	159,403 (Note E)	159,403 (Note D)
		Trading (BVI) Co., Ltd.	Other receivables	1,744 (US$ 55 thousand)	1,744 (US$ 55 thousand)	-	1	44,833	-	-	-	-		
2	AEU	AFR	Receivables from related parties	13,029 (EUR 300 thousand)	-	2.5%	2	-	Financing need	-	-	-	39,034 (Note G)	78,068 (Note F)
		ABB	Receivables from related parties	15,201 (EUR 350 thousand)	13,029 (EUR 300 thousand)	2.5%	2	-	Financing need	-	-	-		
		ADL	Receivables from related parties	32,573 (EUR 750 thousand)	28,230 (EUR 650 thousand)	2.5%	2	-	Financing need	-	-	-		
		AUK	Receivables from related parties	12,595 (EUR 290 thousand)	3,909 (EUR 90 thousand)	2.5%	2	-	Financing need	-	-	-		
		AIT	Receivables from related parties	4,343 (EUR 100 thousand)	4,343 (EUR 100 thousand)	2.5%	2	-	Financing need	-	-	-		

Notes: A. Nature of Financing:

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

B. 30% of net asset value of AACB.

C. 15% of net asset value of AACB.

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

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

F. 30% of net asset value of AEU.

G. 15% of net asset value of AEU.

TABLE 2

ADVANTECH CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2004
(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts	Maximum Balance for the Year	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statements	Maximum Collateral/ Guarantee Amounts Allowable (Note)
		Name	Nature of Relationship						
0	Advantech Co., Ltd.	AC	Subsidiary of a wholly owned subsidiary	$ 561,444	$ 285,390 (US$ 9,000 thousand)	$ 221,970 (US$ 7,000 thousand)	$ -	3	$ 1,122,889 (Note A)
		ACN	Subsidiary of a wholly owned subsidiary	(Note C)	126,840 (US$ 4,000 thousand)	126,840 (US$ 4,000 thousand)	-	2	
		AIT	Subsidiary		95,546 (EUR 2,200 thousand)	43,430 (EUR 1,000 thousand)	-	1	
		AUK	Subsidiary of a wholly owned subsidiary		34,890 (NT$30,000 thousand and GBP80 thousand)	34,890 (NT$30,000 thousand and GBP80 thousand)	-	-	
		AACB	Subsidiary of a wholly owned subsidiary		63,420 (US$ 2,000 thousand)	63,420 (US$ 2,000 thousand)	-	1	
		Advantech IBHA	Subsidiary		12,684 (US$ 400 thousand)	-	-	-	
		AKMC	Subsidiary of a wholly owned subsidiary		317,100 (US$ 10,000 thousand)	317,100 (US$ 10,000 thousand)	-	4	
1	Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	Subsidiary	159,403 (Note D)	79,275 (US$ 2,500 thousand)	79,275 (US$ 2,500 thousand)	-	10	398,507 (Note B)

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

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

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

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

TABLE 3

ADVANTECH CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS
DECEMBER 31, 2004
(Amounts in Thousands of New Taiwan Dollars)

Company Holding the Securities	Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2004				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Advantech Co., Ltd.	Common stock							
	ATC	Investee	Long-term equity investments	12,550,000	$ 947,985	100.00	$ 947,985	
	AAC (BVI)	Investee	Long-term equity investments	21,603,485	686,921	100.00	686,921	
	Axiomtek Co., Ltd.	Investee	Long-term equity investments	30,315,174	508,765	60.87	508,765	
	Yin Sin Co., Ltd.	Investee	Long-term equity investments	29,999,994	275,244	100.00	275,244	
	AEU	Investee	Long-term equity investments	8,263,167	264,608	96.44	264,608	
	AKR	Investee	Long-term equity investments	4,429,210	174,033	43.00	174,033	
	ASG	Investee	Long-term equity investments	1,450,000	82,036	100.00	82,036	
	AJP	Investee	Long-term equity investments	1,200	68,644	100.00	68,644	
	AAU	Investee	Long-term equity investments	500,204	69,867	100.00	69,867	
	AIT	Investee	Long-term equity investments	45,000	21,975	100.00	21,975	
	Advantech IBHA Inc.	Investee	Long-term equity investments	1,994,000	14,947	13.29	14,947	
	AHG	Investee	Long-term equity investments	30	11,105	30.00	11,105	Note D
	ADCL	Investee	Long-term equity investments	500,000	7,659	100.00	7,659	
	AIMS	Investee	Long-term equity investments	500,000	5,151	100.00	5,151	Note A
	ABR	Investee	Other liabilities	971,055	(3,542)	60.00	(3,542)	
	AHK	Investee	Long-term equity investments	999,999	110	100.00	110	Note A
	Silicon Motion Inc.	-	Long-term equity investments	572,500	20,000	0.54	10,109	Note A
	Funds							
	President Home Run Fund	-	Short-term investments	21,865,088.20	298,830	-	298,937	Note B
	ABN AMRO Select Bond Fund	-	Short-term investments	27,109,853.84	299,000	-	299,092	Note B
	ABN AMRO Bond Fund	-	Short-term investments	20,385,336.74	298,900	-	299,010	Note B
	President James Bond Fund	-	Short-term investments	19,498,838.00	293,013	-	293,114	Note B
	ABN AMRo Income Fund	-	Short-term investments	13,265,574.67	202,077	-	203,486	Note B
	NITC Bond Fund	-	Short-term investments	826,740.30	132,340	-	132,373	Note B
	Shinong Chi-Shin Fund	-	Short-term investments	13,691,602.97	191,027	-	191,072	Note B
	Capital high Yield Fund	-	Short-term investments	13,156,427.20	149,973	-	150,024	Note B
	Capital Cash Reserves Fund	-	Short-term investments	10,092,431.10	145,564	-	145,604	Note B
Axiomtek Co., Ltd.	Common stock							
	Axiom Technology Inc. U.S.A.	Investee	Long-term equity investments	23,418	223,843	100.00	223,843	
	Axiomtek Technology Deutschland GmbH	Investee	Long-term equity investments	-	5,662	100.00	5,662	
	Axiom Technology (BVI) Co., Ltd.	Investee	Long-term equity investments	410,000	(2,372)	100.00	(2,372)	
	Axiomtek SAS	Investee	Long-term equity investments	-	1,525	100.00	1,525	
	Axiom Technology Trading (BVI) Co., Ltd.	Investee	Long-term equity investments	600,000	16,170	100.00	16,170	
	Alextek Company Limited, Ltd.	-	Long-term equity investments	190	1,823	19.00	1,624	Note A
	Etherwan System Inc.	Investee	Prepayments for long-term equity investments	-	39,963	-	39,963	

(Continued)

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

(Continued)

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

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

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

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

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

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

TABLE 4

ADVANTECH CO., LTD. AND SUBSIDIARIES

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

TABLE 5

ADVANTECH CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2004
(Amounts in Thousands of New Taiwan Dollars)

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

TABLE 6

ADVANTECH CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2004
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate (%)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Advantech Co., Ltd.	AESC	Subsidiary of a wholly owned subsidiary	$ 410,226	4.19	$ -	-	$ 210,441	$ -
	AC	Subsidiary of a wholly owned subsidiary	237,117	6.31	-	-	235,982	-
	ACN	Subsidiary of a wholly owned subsidiary	108,299	7.26	-	-	108,299	-
ATC	Advantech Co., Ltd.	Parent company	708,958	2.97	-	-	113,904	-
AKMC	ATC	Parent company	188,957	6.02	-	-	62,471	-

TABLE 7

ADVANTECH CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2004
(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2004	Dec. 31, 2003	Shares	Percentage of Ownership	Carrying Value			
Advantech Co., Ltd.	ATC	BVI	Sale of industrial automation products	$ 427,781	$ 427,781	12,550,000	100.00	$ 947,985	$ 581,395	$ 581,395	Subsidiary
	AAC (BVI)	BVI	Investment holding company	725,044	724,987	21,603,485	100.00	686,921	157,454	156,521	Subsidiary
	Axiomtek Co., Ltd.	Taipei, Taiwan	Production and sale of industrial automation products	438,964	438,964	30,315,174	60.87	508,765	185,837	100,092	Subsidiary
	Yin Hsin Co., Ltd.	Taipei, Taiwan	General investment	300,000	300,000	29,999,994	100.00	275,244	(11,868)	(11,868)	Subsidiary
	AEU	Helmond, the Netherlands	Investment holding company	321,795	308,079	8,263,167	96.44	264,608	(30,288)	(38,048)	Subsidiary
	Advantech Technologies Co., Ltd. (AKR)	Seoul, Korea	Sale of industrial automation products	51,646	51,646	4,429,210	43.00	174,033	34,897	10,984	Equity-method investee
	Advantech Co. Singapore Pte, Ltd.	Techplace, Singapore	Sale of industrial automation products	27,134	27,134	1,450,000	100.00	82,036	5,017	5,053	Subsidiary
	Advantech Japan Co., Ltd. (AJP)	Tokyo, Japan	Sale of industrial automation products	15,472	15,472	1,200	100.00	68,644	10,955	10,412	Subsidiary
	Advantech Australia Pty Ltd.	Sydney, Australia	Sale of industrial automation products	40,600	40,600	500,204	100.00	69,867	9,395	10,589	Subsidiary
	Advantech Italia S.p.A.	Milano, Italy	Sale of industrial automation products	31,277	21,360	45,000	100.00	21,975	(10,108)	(12,641)	Subsidiary
	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	19,940	19,940	1,994,000	13.29	14,947	(14,848)	(1,973)	Subsidiary
	Advantech Hungary Ltd.	Budapest, Hungary	Sale of industrial automation products	5,215	5,215	30	30.00	11,105	5,133	1,540	Equity-method investee (Note A)
	Advantech Development Co., Ltd.	BVI	Sale of industrial automation products	16,395	16,395	500,000	100.00	7,659	5,611	5,611	Subsidiary
	Advantech Investment & Management Service	Taipei, Taiwan	Investment and management service	5,000	5,000	500,000	100.00	5,151	152	257	Subsidiary
	Advantech Brasil S/A	Sam Paulo, Brazil	Sale of industrial automation products	15,374	15,374	971,055	60.00	(3,542)	(11,102)	(6,661)	Subsidiary (Note B)
	Advantech (H.K.) Technology Co., Ltd.	Mongkok, Hong Kong	Sale of industrial automation products	4,393	4,393	999,999	100.00	110	(155)	(155)	Subsidiary
Axiomtek Co., Ltd.	Axiom Technology Inc. U.S.A.	U.S.A.	Sale of industrial automation products	121,060	121,060	23,418	100.00	223,843	22,165	18,999	Subsidiary of a wholly owned subsidiary
	Axiomtek Technology Deutschland GmbH	Germany	Sale of industrial automation products	14,770	14,770	-	100.00	5,662	195	195	Subsidiary of a wholly owned subsidiary
	Axiom Technology (BVI) Co., Ltd.	BVI	Holding company	13,290	6,626	410,000	100.00	(2,372)	(13,742)	(13,742)	Subsidiary of a wholly owned subsidiary (Note B)
	Axiomtek SAS	France	Sale of industrial automation products	9,832	9,832	-	100.00	1,525	(2,659)	(2,659)	Subsidiary of a wholly owned subsidiary
	Hi-top Industrial Co., Ltd.	Taipei, Taiwan	Production of electronic parts	22,000	22,000	1,050	30.00	22,894	10,086	894	Equity-method investee of a subsidiary
	Axiom Technology Trading (BVI) Co., Ltd.	BVI	Holding company	19,735	3,075	600,000	100.00	16,170	(942)	(942)	Subsidiary of a wholly owned subsidiary
	Etherwan System Inc.	Taipei, Taiwan	Sale of ethernet converters	84,737	-	2,487,447	19.90	84,954	31,123	230	Equity-method investee of a subsidiary
Yin Hsin Co., Ltd.	Advantech IBHA Inc.	Taipei, Taiwan	Assembly and production of computers	100,000	100,000	10,000,000	66.67	74,669	(14,484)	(9,701)	Subsidiary of a wholly owned subsidiary
	Broadwed Automation Co., Ltd.	Taipei, Taiwan	Production and sale of communications equipment and automation system	20,000	20,000	2,000,000	33.33	24,375	10,879	3,626	Equity-method investee of a subsidiary
	Innova Tech & Management Consultant Inc.	Taipei	Sale and consulting on information system integration	15,000	15,000	1,262,376	24.99	14,804	283	(250)	I Equity-method investee of a subsidiary (Note A)
	TTC	Brunei	Investment holding company	8,323	8,323	270,000	30.00	7,325	(3,711)	(1,113)	Equity-method investee of a subsidiary
Advantech Technology Co., Ltd. (ATC)	Advantech Technology (China) Company Ltd.	Kunshan, China	Production and sale of components of industrial automation products	409,393	409,393	-	100.00	423,241	36,574	36,574	Subsidiary of a wholly owned subsidiary
	ADMC	Guangzhou, China	Production and sale of industrial automation products	6,861	-	-	100.00	6,659	-	-	Subsidiary of a wholly owned subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2004	Dec. 31, 2003	Shares	Percentage of Ownership	Carrying Value			
Advantech Development Co., Ltd.	Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd.	Guangzhou, China	Sale of industrial automation products	$ 6,151	$ 6,151	-	100.00	$ (2,298)	$ 5,607	$ 5,607	Subsidiary of a wholly owned subsidiary (Note B)
Timson Tech Co. (TTC)	Kunshan Timson Tech Co., Ltd.	Kunshan, China	Processes and sale of peripherals	30,222	30,222	-	100.00	24,496	(3,676)	(3,676)	Subsidiary of a wholly owned subsidiary
Advantech Automation Corp. (BVI) (AAC (BVI))	AACB	Bermuda	Investment holding company	724,731	724,731	21,594,307	100.00	685,859	157,514	157,514	Subsidiary of a wholly owned subsidiary
Advantech Automation Corp., Ltd. (AACB)	Advantech Corp.	Sunnyvale, USA	Assembly and sale of industrial automation products	504,179	504,179	10,952,606	100.00	513,543	102,274	91,439	Subsidiary of a wholly owned subsidiary
	Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Beijing, China	Sale of industrial automation products	185,356	185,356	-	100.00	149,940	65,337	65,218	Subsidiary of a wholly owned subsidiary
	Advantech Automation (Penang) Sdn. Bhd.	Penang, Malaysia	Sale of industrial automation products	4,656	4,656	570,570	55.00	7,941	2,077	1,142	Subsidiary of a wholly owned subsidiary
	Advantech Control (M) Sdn. Bhd.	Kuala Lumpur, Malaysia	Sale of industrial automation products	3,411	3,411	418,000	55.00	7,892	2,054	1,130	Subsidiary of a wholly owned subsidiary
	Advantech Automation GmbH	Leinf-Echterdingen, Germany	Sale of industrial automation products	2,457	2,457	2,000	100.00	2,802	(34)	(792)	Subsidiary of a wholly owned subsidiary
	Advan Automation Co., Ltd.	Tokyo, Japan	Sale of industrial automation products	5,990	5,990	400	37.74	(1,936)	1,181	446	Equity-method investee of a wholly owned subsidiary (Note B)
Advantech Co. Singapore Pte, Ltd. (ASG)	Advantech Corporation (Thailand) Co., Ltd. (ATH)	Thailand	Production of computers	1,199	-	15,000	30.00	833	(1,291)	(387)	Subsidiary of a wholly owned subsidiary
Advantech Europe Holding B.V. (AEU)	Advantech Europe B.V.	Helmond, The Netherlands	Sale of industrial automation products	90,450	90,450	8,314,280	100.00	86,086	8,198	8,198	Subsidiary of a wholly owned subsidiary
	Advantech France S.A.	Paris, France	Sale of industrial automation products	11,984	1,788	75,000	100.00	38,580	(1,592)	(10,115)	Subsidiary of a wholly owned subsidiary
	Advantech (UK) Ltd.	Milton Keynes, England	Sale of industrial automation products	13,373	13,373	600,000	100.00	26,856	16,658	15,966	Subsidiary of a wholly-owned subsidiary
	Advantech Benelux B.V.	Roosendaal, The Netherlands	Sale of industrial automation products	39,565	29,160	295,578	100.00	35,622	3,062	(6,123)	Subsidiary of a wholly-owned subsidiary
	Advantech Europe GmbH	Dusseldorf, Germany	Sale of industrial automation products	46,028	28,816	1,142,000	100.00	(3,371)	22,898	(28,316)	Subsidiary of a wholly-owned subsidiary
Axion Technology (BVI) Co., Ltd.	Axiomtek Technology (Shen Zhen) Co., Ltd.	Guangzhou, China	Production and sale of electronic calculating machines and statistics interface card	15,474	-	-	100.00	6,801	(9,129)	(9,129)	Prepaid dividend

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

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

TABLE 8

ADVANTECH CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2004
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2004	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2004	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Value as of Dec. 31, 2004	Accumulated Inward Remittance of Earnings as of Dec. 31, 2004	Accumulated Investment in Mainland China as of Dec. 31, 2004	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow								
Yan Hua (Guang Zhou Bao Shui Qu) Co., Ltd.	Sale of industrial automation products	US$200 thousand	Indirect	$ 6,342	$ -	$ -	$ 6,342	100%	$ 5,607	$ (2,301)	$ -	$ 571,161 (US$ 18,012 thousand)	$ 792,750 (US$ 25,000 thousand)	$ 2,815,390
Advantech Technology (China) Company Ltd.	Production and sale of components of industrial automation products	US$12,000 thousand	Indirect	380,520	-	-	380,520	100%	36,574	423,241	-			
Kunshan Timson Tech Co., Ltd.	Processes and sale of peripherals	US$900 thousand	Indirect	8,562	-	-	8,562	30%	(1,103)	7,349	-			
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Sale of industrial automation products	US$4,230 thousand	Indirect	169,078	-	-	169,078	100%	65,218	149,940	-			
Advantech Electronic Technology (Dongguan) Co., Ltd.	Production and sale of industrial automation products	US$210 thousand	Indirect	-	6,659 (Note C)		6,659	100%	-	6,659	-			

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

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

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