



**2007 General Shareholders' Meeting  
Meeting Agenda  
(Translation)**

**Date of the Meeting: June 8, 2007  
Place of the Meeting: Taoyuan Holiday Hotel  
No. 269 Dashing Rd., Taoyuan City, Taoyuan County**

## **Meeting Agenda for the 2007 General Shareholders' Meeting of Delta Electronics, Inc.**

### Table of Contents

- I. Meeting Procedures
- II. Meeting agenda
  - 1. Report items
    - (1) 2006 Operation Results
    - (2) 2006 Financial Results
    - (3) 2006 Supervisors' Review Opinions on 2006 Financial Results
    - (4) Report on Rules and Procedures of the Meeting of Board of Directors
  - 2. Acknowledgement and discussion items
    - (1) Acknowledgement of the 2006 Financial Results
    - (2) Acknowledgement of the 2006 Earnings Distribution
    - (3) Discussion of Amendments to Operating Procedures of Acquisition or Disposal of Assets
    - (4) Discussion of Issue of New Shares from Retained Earnings and Capital Reserve
    - (5) Discussion of Amendments to Articles of Incorporation
    - (6) Discussion of Releasing the Directors Elected from Non-competition Restrictions
  - 3. Provisional motions  
Meeting Adjourned
- III. Attachments
  - 1. Business Report
  - 2. 2006 Financial Statements and CPA Audit Report
  - 3. 2006 Consolidated Financial Statements and CPA Audit Report
  - 4. 2006 Supervisors' Report
  - 5. Rules and Procedures of the Meeting of Board of Directors
  - 6. Operating Procedures of Acquisition or Disposal of Assets
  - 7. Rules and Procedures of Shareholders' Meeting
  - 8. Articles of Incorporation
  - 9. Details of Major Acquisition or Disposal of Assets for 2006
  - 10. Employees' Bonuses and Directors'/Supervisors' Compensation
  - 11. Effect of Stock Distribution Resolved at This Shareholders' Meeting on Operating Performance and Earnings Per Share
  - 12. Shareholdings of All Directors and Supervisors
  - 13. Relevant Information on Proposals by Shareholders Who Hold More Than 1% of the Total Issued and Outstanding Shares of the Company

Note: The Company's 2006 Financial Statements, 2006 Consolidated Financial Statements and 2007 General Shareholders' Meeting Agenda are available on the "Market Observation Post System Website;" please visit <http://newmops.tse.com.tw> for details.

## **Procedures of Delta Electronics, Inc. 2007 Annual General Shareholders' Meeting**

1. Call Meeting to order
2. Chairman takes podium
3. All stand
4. Singing of national anthem
5. Three respectful bows to the national flag and image of Dr. Sun Yat-Sen
6. Chairman's address
7. Report items
8. Acknowledgement and Discussion items
9. Provisional motions
10. Meeting adjourned

## I. REPORT ITEMS

1. 2006 Operation Results  
See Attachment 1: Business Report (page 30~33)
2. 2006 Financial Results
  - (1) Price Waterhouse Coopers CPA Audit Report  
See Attachment 2: Price Waterhouse Coopers CPA Audit Report (page 34)
  - (2) Balance Sheet of December 31, 2006  
See Attachment 2: Balance Sheet (page 35~36)
  - (3) Income Statement (January 1, 2006 ~ December 31, 2006)  
See Attachment 2: Income Statement (page 37)
  - (4) Statement of Changes in Shareholders' Equity (January 1, 2006 ~ December 31, 2006)  
See Attachment 2: Statement of Changes in Shareholders' Equity (page 38)
  - (5) Cash Flow Statement (January 1, 2006 ~ December 31, 2006)  
See Attachment 2: Cash Flow Statement (page 39~40)
  - (6) Price Waterhouse Coopers CPA Audit Report (Consolidated Financial Statements)  
See Attachment 3: Price Waterhouse Coopers CPA Audit Report (page 41)
  - (7) Consolidated Balance Sheet of December 31, 2006  
See Attachment 3: Consolidated Balance Sheet (page 42~43)
  - (8) Consolidated Income Statement (January 1, 2006 ~ December 31, 2006)  
See Attachment 3: Consolidated Income Statement (page 44)
  - (9) Consolidated Statement of Changes in Shareholders' Equity (January 1, 2006 ~ December 31, 2006)  
See Attachment 3: Combined Statement of Changes in Shareholders' Equity (page 45)
  - (10) Consolidated Cash Flow Statement (January 1, 2006 ~ December 31,

2006)

See Attachment 3: Consolidated Cash Flow Statement (page 46~47)

3. 2006 Supervisors' Review Opinions on 2006 Financial Results

See Attachment 4: 2006 Supervisors' Review Opinions on 2006 Financial Results (page 48)

4. Report on Rules and Procedures of the Meeting of Board of Directors

(1) Pursuant to the "Regulations Governing Procedures for Board of Directors Meetings of Public Companies" by the Financial Supervisory Commission, Executive Yuan, the Company's Board of Directors has passed the amendment to the "Rules and Procedures of Meeting of Board of Directors" on October 26, 2006 and March 19, 2007. Please see Attachment 5 (page 49~55) for the articles after revision.

(2) Please be advised.

## **II. ACKNOWLEDGEMENT AND DISCUSSION ITEMS**

### **1. Acknowledge the 2006 Financial Results (Proposed by the Board of Directors)**

Explanation: (1) This Company's 2006 Financial Statements including the Business Report, Financial Statements and Consolidated Financial Statements (please refer to pages 30~47) have been reviewed by the Company's Supervisors. The Company's Supervisors have found no discrepancies after a thorough review and have made a written review report for records.  
(2) Please acknowledge.

Resolution:

## 2. Acknowledge the 2006 Earnings Distribution (Proposed by the Board of Directors)

- Explanation: (1) The proposal of the Company's 2006 distribution of earnings was made in accordance with the Company Law and the Company's Articles of Incorporation, and an earnings distribution table has been prepared and attached below. This earnings distribution table was approved by the meeting of the Board of Directors held on March 19, 2007.
- (2) With regard to shareholders' dividends in 2006, the record date for cash dividends and stock distribution shall be designated after the shareholders' meeting approves the distribution proposal. Each one thousand shares shall receive a distribution of 10 shares of new stock and a cash dividend of NT\$4,500 based on the number of shares held as recorded in the shareholders' register on the record date.
- (3) Please acknowledge.

### Delta Electronics, Inc. 2006 Earnings Distribution Table

Item	Explanation	(in NT\$) Amount
Undistributed earnings of previous year		1,759,433,086
Earnings in 2006		
Pre-tax earnings in 2006		12,685,875,703
Income tax expense		1,355,034,904
After-tax earnings in 2006		11,330,840,799
Subtract: Legal reserve		1,133,084,080
Long-term investment shareholding change adjustment under the equity method		3,717,351
Earnings available for distribution by the end of 2006		
[Note 1]		11,953,472,454

Distribution items:

Directors' and supervisors' compensation		16,700,000
Employee bonuses-- stocks		385,000,000
Employee bonuses-- cash		192,500,000
Shareholders bonuses-- stocks	NT\$0.1 per share	196,944,500
Shareholders bonuses-- cash [Note 2]	NT\$4.5 per share	8,862,502,500

Undistributed earnings by the end of 2006 2,299,825,454

Note 1: Principle of earnings distribution in the Company's 2006 Earnings Distribution Table: Distribution of 2006 distributable earnings first.

Note 2: Distribution of cash dividends will be calculated to New Taiwan Dollar. Fractional amount less than one dollar will be set aside as undistributed earnings.

Resolution:

### 3. Discussion of Amendments to Operating Procedures of Acquisition or Disposal of Assets (Proposed by the Board of Directors)

- Explanation: (1) Amendments to this Company's "Operating Procedures of Acquisition or Disposal of Assets" have been drafted in order to meet the revision of the "Regulations Governing Procedures for Board of Directors Meetings of Public Companies" promulgated by the Financial Supervisory Commission, Execution Yuan and the Company's business need. Please see the comparison table for Operating Procedures of Acquisition or Disposal of Assets before and after revision.
- (2) The proposed amendments are submitted for discussion and voting.

Comparison Table of Operating Procedures of Acquisition or Disposal of Assets

Article before revision	Article after revision	Explanation
<p>Article 1</p> <p>These operating procedures ("Operating Procedures") have been promulgated in accordance with Article 36-1 of the Securities and Exchange Act and the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" promulgated by the Securities and Futures Commission, Ministry of Finance ("SFC").</p>	<p>Article 1</p> <p>These operating procedures ("Operating Procedures") have been promulgated in accordance with Article 36-1 of the Securities and Exchange Act and the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" promulgated by <u>the Financial Supervisory Commission ("Competent Authority")</u>.</p>	<p>Amendments have been drafted in order to meet the establishment of the "Financial Supervisory Commission," which has become the competent authority of the "Regulations Governing Procedures for Board of Directors Meetings of Public Companies".</p>
<p>Article 2</p> <p>After approval by the Board of Directors, the Operating Procedures shall be submitted to each Supervisor and for approval by the shareholders' meeting before implementation. The same procedure shall apply to any amendment to the Operating Procedures. If any director expresses an objection and</p>	<p>Article 2</p> <p>After approval by the Board of Directors, the Operating Procedures shall be submitted to each Supervisor and for approval by the shareholders' meeting before implementation. The same procedure shall apply to any amendment to the Operating Procedures. If any director expresses an objection and</p>	<p>Amendments to wording description by referring to the "Securities and Exchange Act."</p>

<p>such objection is recorded in the meeting minutes or a written statement is made for such objection, the Company shall submit the objection to each Supervisor and for discussion by the shareholders' meeting. If the Company has any independent directors, when the Operating Procedures are submitted for discussion in the meeting of Board of Directors, the Board of Directors shall take into full consideration of each independent director's opinion and shall record each independent director's explicit opinion for assent or dissent and reasons for dissent in the meeting minutes of the Board of Directors.</p>	<p>such objection is recorded in the meeting minutes or a written statement is made for such objection, the Company shall submit the objection to each Supervisor and for discussion by the shareholders' meeting. <u>When the Operating Procedures are submitted for discussion in the meeting of Board of Directors, the Board of Directors shall take into full consideration of each independent director's opinion. If an independent director objects or expresses reservation about any matter, it shall be recorded in the meeting minutes of the Board of Directors.</u></p>	
<p>Article 4 The term "assets" as used in the Operating Procedures includes the following:</p> <ol style="list-style-type: none"> <li>1. Securities: including long-term and short-term investments such as stocks, government bonds, corporate bonds, financial debentures, domestic beneficiary certificates, foreign mutual funds, deposit receipts, call (put) warrants, beneficiary certificates and asset-backed securities.</li> <li>2. Real estate and other fixed assets.</li> <li>3. Membership certificates.</li> <li>4. Intangible assets: including patents, copyrights, trademarks, and franchises, etc.</li> <li>5. Claims against financial</li> </ol>	<p>Article 4 The term "assets" as used in the Operating Procedures includes the following:</p> <ol style="list-style-type: none"> <li>1. Securities: including long-term and short-term investments such as stocks, government bonds, corporate bonds, financial debentures, <u>securities representing interest in a fund</u>, deposit receipts, call (put) warrants, beneficiary certificates and asset-backed securities.</li> <li>2. Real estate and other fixed assets.</li> <li>3. Membership certificates.</li> <li>4. Intangible assets: including patents, copyrights, trademarks, and franchises, etc.</li> <li>5. Claims against financial</li> </ol>	<p>Amendments have been drafted in order to meet the revisions of the "Regulations Governing Procedures for Board of Directors Meetings of Public Companies" and the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers."</p>

<p>institutions (including receivables, loans and bills purchase discounts, and overdue receivables).</p> <p>6. Derivatives.</p> <p>7. Assets acquired or disposed through mergers or consolidations, splits, acquisitions, or assignment of shares in accordance with applicable laws.</p> <p>8. Other important assets.</p>	<p>institutions (including receivables, loans and bills purchase discounts, and overdue receivables).</p> <p>6. Derivatives.</p> <p>7. Assets acquired or disposed through mergers or consolidations, splits, acquisitions, or assignment of shares in accordance with applicable laws.</p> <p>8. Other important assets.</p>	
<p>Article 5</p> <p>The total value of real property or securities purchased by the Company and its subsidiaries ("Subsidiaries") for non-operating use and limit on investment in each specific security are as follows:</p> <p>1. The total value of real property purchased by the Company for non-operating use may not exceed 20% of the Company's net worth as stated in its latest financial statement.</p> <p>The total value of real property purchased by a Subsidiary for non-operating use may not exceed 20% of the Subsidiary's net worth as stated in its latest financial statement; however, if the Subsidiary is a holding company, the total value of real property purchased by the Subsidiary for non-operating use may not exceed 20% of the Subsidiary's net worth as stated in its latest financial statement.</p> <p>2. Not revised; omitted.</p> <p>3. Not revised; omitted.</p>	<p>Article 5</p> <p>The total value of real property or securities purchased by the Company and its subsidiaries ("Subsidiaries") for non-operating use and limit on investment in each specific security are as follows:</p> <p>1. The total value of real property purchased by the Company for non-operating use may not exceed 20% of the Company's net worth as stated in its latest financial statement.</p> <p>The total value of real property purchased by a Subsidiary for non-operating use may not exceed 20% of the Subsidiary's net worth as stated in its latest financial statement; if the Subsidiary is a holding company, the total value of real property purchased by the Subsidiary for non-operating use may not exceed 20% of the Subsidiary's net worth as stated in its latest financial statement, <u>either</u>.</p> <p>2. Not revised; omitted.</p> <p>3. Not revised; omitted.</p>	<p>Minor amendment to wording.</p>

<p>Article 7 When the Company should appoint a professional appraiser, accountant, lawyer, or underwriter to assist in appraisal work and obtain an expert opinion in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" promulgated by the SFC, the professional appraiser and its appraisal personnel, the accountant, lawyer, or underwriter so appointed shall not be a related party to the parties in the proposed transaction.</p>	<p>Article 7 When the Company should appoint a professional appraiser, accountant, lawyer, or underwriter to assist in appraisal work and obtain an expert opinion in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" promulgated by the <u>Competent Authority</u>, the professional appraiser and its appraisal personnel, the accountant, lawyer, or underwriter so appointed shall not be a related party to the parties in the proposed transaction.</p>	<p>Same as the explanation for Article 1.</p>
<p>Article 9 If any acquisition or disposal of assets should be approved by the Board of Directors or recognized by the Supervisor, or approved by the shareholders' meeting in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" promulgated by the SFC or other applicable laws, paragraph 1 of Article 6 of the Operating Procedures shall not apply to such acquisition or disposal of assets. In this case, the execution department shall evaluate the terms and conditions of the transaction according to the Company's internal operating procedures in advance and then submit it for approval by the Board of Directors, recognition by the Supervisor, or approval by the</p>	<p>Article 9 If any acquisition or disposal of assets should be approved by the Board of Directors or recognized by the Supervisor, or approved by the shareholders' meeting in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" promulgated by the Competent Authority or other applicable laws, paragraph 1 of Article 6 of the Operating Procedures shall not apply to such acquisition or disposal of assets. In this case, the execution department shall evaluate the terms and conditions of the transaction according to the Company's internal operating procedures in advance and then submit it for approval by the Board of Directors, recognition by the Supervisor, or approval by the</p>	<p>Same as the explanation for Article 1; amendments to wording description by referring to the "Securities and Exchange Act."</p>

<p>shareholders' meeting. In terms of any acquisition or disposal of assets which should be approved by the Board of Directors, if any director expresses an objection and such objection is recorded in the meeting minutes or a written statement is made for such objection, the Company shall submit the objection to each Supervisor. If the Company has any independent directors, when the transaction for acquisition or disposal of assets is submitted for discussion in the meeting of Board of Directors, the Board of Directors shall take into full consideration of each independent director's opinion and shall record each independent director's explicit opinion for assent or dissent and reasons for dissent in the meeting minutes of the Board of Directors.</p>	<p>shareholders' meeting. In terms of any acquisition or disposal of assets which should be approved by the Board of Directors, if any director expresses an objection and such objection is recorded in the meeting minutes or a written statement is made for such objection, the Company shall submit the objection to each Supervisor. <u>When the Operating Procedures are submitted for discussion in the meeting of Board of Directors, the Board of Directors shall take into full consideration of each independent director's opinion. If an independent director objects or expresses reservation about any matter, it shall be recorded in the meeting minutes of the Board of Directors.</u></p>	
<p>Article 10 The Company shall comply with the following guidelines with regard to the acquisition or disposal of securities: 1. When acquiring or disposing of securities, the Company shall first obtain the latest audited or reviewed financial statement of the issue company for reference in appraising the transaction price. 2. When acquiring or disposing of securities, if any of the following circumstances occurs, and the transaction amount</p>	<p>Article 10 When acquiring or disposing of securities, the Company shall first obtain the latest audited or reviewed financial statement of the issue company for reference in appraising the transaction price. <u>If the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall appoint an accountant to render an opinion on the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have</u></p>	<p>Amendments have been drafted in order to meet the revisions of the "Regulations Governing Procedures for Board of Directors Meetings of Public Companies" and the "Statements of Financial Accounting Standards No. 34."</p>

<p>reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall appoint an accountant to render an opinion on the reasonableness of the transaction price:</p> <p>(1) The securities acquired or disposed of were not traded at a stock exchange or over-the-counter market.</p> <p>(2) acquisition or disposal of privately placed securities.</p>	<p><u>an active market, or where otherwise provided by regulations of the Competent Authority.</u></p>	
<p>Article 11 The Company shall comply with the following guidelines with regard to the acquisition or disposal of real property and other fixed assets: When acquiring or disposing real property or other fixed assets, if the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, except for transacting with a governmental agency, engaging others to build on its own land, engaging others to build on leased land, or acquiring machinery and equipment for operating use, the Company shall obtain an appraisal report in advance from a professional appraiser and shall further comply with the following provisions:</p> <p>1. Where due to special circumstances a specific price or specified price should be used as reference price in determining the transaction</p>	<p>Article 11 The Company shall comply with the following guidelines with regard to the acquisition or disposal of real property and other fixed assets: When acquiring or disposing real property or other fixed assets, if the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, except for transacting with a governmental agency, engaging others to build on its own land, engaging others to build on leased land, or acquiring machinery and equipment for operating use, the Company shall obtain an appraisal report in advance from a professional appraiser and shall further comply with the following provisions:</p> <p>1. Where due to special circumstances a limited price, specific price or specified price should be used as reference price in determining the</p>	<p>Amendments have been drafted in order to meet the revisions of the "Regulations Governing Real Estate Appraisal Standards."</p>

<p>price, such transaction shall be submitted for approval by the Board of Directors in advance, and the same procedures shall apply for any future changes to the terms and conditions of such transaction.</p> <p>2. The rest of the articles have not been revised; omitted.</p>	<p>transaction price, such transaction shall be submitted for approval by the Board of Directors in advance, and the same procedures shall apply for any future changes to the terms and conditions of such transaction.</p> <p>2. The rest of the articles have not been revised; omitted.</p>	
<p>Article 12 Procedures governing acquisition of real property from a related party are as follows:</p> <p>1. Not revised; omitted.</p> <p>2. Appraisal and operating procedures: The Company may acquire real property from a related party only after submitting the following information to the Board of Directors for approval and to the Supervisors for recognition:</p> <p>(1) to (6) have not been revised; omitted.</p>	<p>Article 12 Procedures governing acquisition of real property from a related party are as follows:</p> <p>1. Not revised; omitted.</p> <p>2. Appraisal and operating procedures: The Company may acquire real property from a related party only after submitting the following information to the Board of Directors for approval and to the Supervisors for recognition:</p> <p>(1) to (6) have not been revised; omitted.</p> <p><u>When the items listed in subparagraph 2 of this Article 12 are submitted for discussion in the meeting of Board of Directors, the Board of Directors shall take into full consideration of each independent director's opinion. If an independent director objects or expresses reservation about any matter, it shall be recorded in the meeting minutes of the Board of Directors.</u></p>	<p>Amendment to 2. have been made by referring to the "Securities and Exchange Act."</p>

<p>3. Assessment of reasonableness of transaction cost:  (1) to (4) have not been revised; omitted.  (5) When the Company acquires real property from a related party and the results of appraisal performed in accordance with the provisions of items (1) and (2), subparagraph 3 of this Article 12 are both lower than the transaction price, the Company shall comply with the following provisions. In addition, if the Company and any public company that invests in the Company using the equity method have allocated a special reserve in accordance with the following provisions, the Company and the public company may not utilize such special reserve until it has recognized loss due to price decline for such real property, or such property has been disposed of, or adequate compensation has been made, or the original condition has been restored, or there is other evidence confirming that it is not unreasonable to do so, and approval in connection therewith</p>	<p>3. Assessment of reasonableness of transaction cost:  (1) to (4) have not been revised; omitted.  (5) When the Company acquires real property from a related party and the results of appraisal performed in accordance with the provisions of items (1) and (2), subparagraph 3 of this Article 12 are both lower than the transaction price, the Company shall comply with the following provisions. In addition, if the Company and any public company that invests in the Company using the equity method have allocated a special reserve in accordance with the following provisions, the Company and the public company may not utilize such special reserve until it has recognized loss due to price decline for such real property, or such property has been disposed of, or adequate compensation has been made, or the original condition has been restored, or there is other evidence confirming that it is not unreasonable to do so,</p>	<p>Same as the explanation for Article 1.</p>
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<p>from the SFC shall have been obtained.</p> <p>a. Not revised; omitted. b. Not revised; omitted. c. Not revised; omitted.</p> <p>(6) Not revised; omitted. (7) Not revised; omitted.</p>	<p>and approval in connection therewith from <u>the Competent Authority</u> shall have been obtained.</p> <p>a. Not revised; omitted. b. Not revised; omitted. c. Not revised; omitted.</p> <p>(6) Not revised; omitted. (7) Not revised; omitted.</p>	
<p>Article 15 Procedures governing derivatives trading activities are as follows:</p> <ol style="list-style-type: none"> <li>1. Trading principles and strategies: Not revised; omitted.</li> <li>2. Operating procedures: Not revised; omitted.</li> <li>3. Accounting treatment: When a derivative trade is done, no principal will be actually delivered; therefore, there is no need to record the amount of derivatives trade on the Company's balance sheet. Except for the Statements of Financial Accounting Standards No. 14 published by the ARDF ("Accounting Standards No. 14"), which relates to forward F/X transaction, currently there are no specific rules governing the accounting treatment of derivatives trading. Thus, except for forward F/X transaction, which the Company has recorded accounting entries in accordance with the requirements of Accounting Standards No. 14, for other types of derivatives, the</li> </ol>	<p>Article 15 Procedures governing derivatives trading activities are as follows:</p> <ol style="list-style-type: none"> <li>1. Trading principles and strategies: Not revised; omitted.</li> <li>2. Operating procedures: Not revised; omitted.</li> <li>3. Accounting treatment: <u>Accounting treatment shall be handled in accordance with the ROC Financial and Accounting Standards and other regulations.</u></li> </ol>	<ol style="list-style-type: none"> <li>1. Amendments have been drafted in order to meet the revisions of the "Statements of Financial Accounting Standards No. 34"</li> <li>2. Same as the explanation for Article 1.</li> </ol>

<p>Company only records the particulars of each trades and calculates the realized and unrealized profit/loss for preparing a derivative income statement on a monthly basis. The Operating Procedures also contain commonly adopted accounting treatments for each type of derivatives as reference for the Company's promulgation of relevant guidelines in the future.</p> <p>4. Internal control system: Not revised; omitted.</p> <p>5. Internal audit system:  (1) Not revised; omitted.  (2) The Company's internal auditor shall file the audit report together with the annual internal audit review report for the preceding year with the SFC by the end of February each year. The Company's internal auditor shall also report any improvements of irregularities during the preceding year to the SFC by the end of May each year.</p>	<p>4. Internal control system: Not revised; omitted.</p> <p>5. Internal audit system:  (1) Not revised; omitted.  (2) The Company's internal auditor shall file the audit report together with the annual internal audit review report for the preceding year with <u>the Competent Authority</u> by the end of February each year. The Company's internal auditor shall also report any improvements of irregularities during the preceding year to <u>the Competent Authority</u> by the end of May each year.</p>	
<p>Article 16  Procedures governing mergers or consolidations, splits, acquisitions, or assignment of shares are as follows:  1. Appraisal and operating procedures: Not revised;</p>	<p>Article 16  Procedures governing mergers or consolidations, splits, acquisitions, or assignment of shares are as follows:  1. Appraisal and operating procedures: Not revised;</p>	<p>1. Same as the explanation for Article 1.  2. Amendments are drafted pursuant to the "Securities and Exchange Act"</p>

<p>omitted.</p> <p>2. Other matters to be noted:  (1) Date of shareholders' meeting or meeting of the Board of Directors: Companies participating in a merger or consolidation, split, or acquisition shall convene their board meetings and shareholders' meetings on the same day to resolve matters relevant to the merger or consolidation, split, or acquisition, unless otherwise provided by applicable laws or there are extraordinary conditions which should be reported to and approved by the SFC in advance. Companies participating in an assignment of shares shall convene their board meetings on the same day, unless otherwise provided by applicable laws or there are extraordinary conditions which should be reported to and approved by the SFC in advance.</p>	<p>omitted.</p> <p>2. Other matters to be noted:  (1) Date of shareholders' meeting or meeting of the Board of Directors: Companies participating in a merger or consolidation, split, or acquisition shall convene their board meetings and shareholders' meetings on the same day to resolve matters relevant to the merger or consolidation, split, or acquisition, unless otherwise provided by applicable laws or there are extraordinary conditions which should be reported to and approved by <u>the Competent Authority</u> in advance. Companies participating in an assignment of shares shall convene their board meetings on the same day, unless otherwise provided by applicable laws or there are extraordinary conditions which should be reported to and approved by <u>the Competent Authority</u> in advance.  <u>When participating in a merger or consolidation, split, acquisition, or assignment of another company's shares, the Company shall prepare</u></p>	<p>and relevant laws and regulations.</p>
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	<p><u>a full written record of the following information and retain it for five years for reference:</u></p> <ul style="list-style-type: none"><li>a. <u>Basic identification data for personnel: including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved prior to disclosure of the information in the planning or implementation of any merger or consolidation, split, acquisition, or assignment of another company's shares.</u></li><li>b. <u>Dates of material events: including those for signing of any letter of intent or memorandum of understanding, engaging of a financial or legal advisor, execution of a contract, and convening of a board of directors meeting.</u></li><li>c. <u>Important documents and minutes: including merger or consolidation, split, acquisition, or plan of assignment of</u></li></ul>	
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	<p><u>share, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</u></p> <p><u>When participating in a merger or consolidation, split, acquisition, or assignment of another company's shares, the Company shall, within two days of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the aforementioned basic identification data for personnel and dates of material events to the Competent Authority for recordation.</u></p> <p><u>Where any of the companies participating in a merger or consolidation, split, acquisition, or assignment of another company's shares is neither listed in the securities exchange nor trading over-the-counter, the Company shall sign an agreement with such company in order to prepare a full written record of the</u></p>	
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<p>(2) Commitment to confidentiality obligations in advance: the rest of the articles are not been revised; omitted.</p>	<p><u>information of basic identification data for personnel, dates of material events and important documents and minutes and retain it for five years for reference and to report (in the prescribed format and via the Internet-based information system) the aforementioned basic identification data for personnel and dates of material events to the Competent Authority for recordation.</u></p> <p>(2) Commitment to confidentiality obligations in advance: the rest of the articles are not been revised; omitted.</p>	
<p>Article 18 Deadline for public announcement and reporting: When acquiring or disposing of assets, if such acquisition or disposal is one of the items that should be publicly announced and reported, and the transaction amount reaches the requirements for public announcement and reporting, the Company shall make the public announcement and reporting on the website designated by the SFC in the format prescribed by the "Regulations Governing Acquisition or Disposal of Assets by Public Companies" promulgated by</p>	<p>Article 18 Deadline for public announcement and reporting: When acquiring or disposing of assets, if such acquisition or disposal is one of the items that should be publicly announced and reported, and the transaction amount reaches the requirements for public announcement and reporting, the Company shall make the public announcement and reporting on the website designated by <u>the Competent Authority</u> in the format prescribed by the "Regulations Governing Acquisition or Disposal of Assets by Public Companies"</p>	<p>Same as the explanation for Article 1.</p>

SFC within two days of the date of occurrence.	promulgated by <u>the Competent Authority</u> within two days of the date of occurrence.	
<p>Article 19 Procedures governing public announcement and reporting are as follows:</p> <ol style="list-style-type: none"> <li>1. The Company shall make the public announcement and reporting of relevant information on the website designated by the SFC in accordance with the preceding Article 18.</li> <li>2. The Company shall post information regarding derivative trading activities of the Company and its subsidiaries that are not domestic public companies during the preceding month on the reporting website designated by the SFC in the required format by the tenth day of each month.</li> <li>3. Not revised; omitted.</li> <li>4. Not revised; omitted.</li> <li>5. After the Company has publicly announced and reported a transaction in accordance with applicable regulations, in case any of the following event occurs, it shall report relevant information on the website designated by the SFC within two days of the date of occurrence:</li> </ol>	<p>Article 19 Procedures governing public announcement and reporting are as follows:</p> <ol style="list-style-type: none"> <li>1. The Company shall make the public announcement and reporting of relevant information on the website designated by <u>the Competent Authority</u> in accordance with the preceding Article 18.</li> <li>2. The Company shall post information regarding derivative trading activities of the Company and its subsidiaries that are not domestic public companies during the preceding month on the reporting website designated by <u>the Competent Authority</u> in the required format by the tenth day of each month.</li> <li>3. Not revised; omitted.</li> <li>4. Not revised; omitted.</li> <li>5. After the Company has publicly announced and reported a transaction in accordance with applicable regulations, in case any of the following event occurs, it shall report relevant information on the website designated by <u>the Competent Authority</u> within two days of the date of occurrence:</li> </ol>	Same as the explanation for Article 1.

<p>(1) Any amendment, termination or discharge of the contracts originally executed in the transaction.</p> <p>(2) The merger or consolidation, split, acquisition, or assignment of shares is not completed by the scheduled completion date set forth in the relevant contract.</p>	<p>(1) Any amendment, termination or discharge of the contracts originally executed in the transaction.</p> <p>(2) The merger or consolidation, split, acquisition, or assignment of shares is not completed by the scheduled completion date set forth in the relevant contract.</p>	
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Resolution:

#### **4. Discussion of Issue of New Shares from Retained Earnings and Capital Reserve (Proposed by the Board of Directors)**

Explanation: (1) This Company plans to allocate NT\$196,944,500 as the shareholders' stock dividends and allocate NT\$385,000,000 as employee stock bonus from the earnings in 2006 for the issue of new shares in order to augment the Company's operating funds and strengthen its financial structure; besides, to allocate NT\$787,778,000 from the capital reserve to issue new shares, in total to NT\$1,369,722,500. The new stock shall be issued with a par value of NT\$10 per share. The shareholders' rights and obligations of the new shares are the same as those of existing shares. After issuing new shares, the paid-in capital will be NT\$21,064,172,500 divided into 2,106,417,250 shares.

(2) The record date with regard to this issue of new shares shall be determined after being approved by the shareholders' meeting and obtaining the competent authority's approval. Shareholders registered in the shareholders register on the record date shall be entitled to 10 shares per thousand shares allocated from the earnings and 40 shares per thousand shares allocated from the capital reserve (in total to 50 new shares per thousand shares gratuitously) in proportion to the total shareholdings registered in the shareholders register. For fractional shares, the distribution will be made in the form of cash calculated at par value. Such shares will be purchase by the Employee Welfare Committee of the Company.

(3) This proposal is submitted for discussion and approval.

Resolution:

## 5. Discussion of the Amendments to Articles of Incorporation (Proposed by the Board of Directors)

Explanation: (1) The Company plans to revise Articles 18 and 33 of the Articles of Incorporation in conformity with the Company Law and to better meet the Company's business needs. Please see the comparison table of articles of the Company's Articles of Incorporation before and after revision.

(2) The proposed amendments are submitted for discussion and approval.

Comparison Table of Articles of the Articles of Incorporation

Article	Article before revision	Article after revision	Explanation
Article 18	The Company shall have at least five but no more than nine directors and two or three supervisors to be elected at the shareholders' meeting by the shareholders from any person with legal capacity in accordance with the Company Law. The term of office for directors and supervisors shall be three years. All of the directors and supervisors are eligible for re-election. The aggregate number of the registered shares held by all directors and supervisors shall be subject to the regulations, if any stipulated by the competent securities authority. Remuneration for directors and supervisors shall be determined pursuant to the extent that they participate in the Company's operations and their contribution to the Company and the Board of Directors are authorized to set	The Company shall have at least five but no more than nine directors and two or three supervisors to be elected at the shareholders' meeting by the shareholders from any person with legal capacity in accordance with the Company Law. The term of office for directors and supervisors shall be three years. All of the directors and supervisors are eligible for re-election. The aggregate number of the registered shares held by all directors and supervisors shall be subject to the regulations, if any stipulated by the competent securities authority. <u>Remuneration for directors and supervisors shall be determined by the shareholders' meeting.</u>	Remuneration for directors and supervisors is determined by the shareholders' meeting pursuant to the Company Law.

	<p>up a remuneration standard conforming to the industry standard.</p> <p>The Company may purchase liability insurance for its directors and supervisors.</p>	<p>The Company may purchase liability insurance for its directors and supervisors.</p>	
Article 33	<p>These Articles of Incorporation were enacted on July 28, 1975. (the 1<sup>st</sup> through 38<sup>th</sup> revision dates have been omitted for simplicity)</p> <p>The 39<sup>th</sup> amendment is made on May 18, 2006.</p>	<p>These Articles of Incorporation were enacted on July 28, 1975. (the 1<sup>st</sup> through 39<sup>th</sup> revision dates have been omitted for simplicity)</p> <p><u>The 40<sup>th</sup> amendment is made on June 8, 2007.</u></p>	<p>Addition of the 40<sup>th</sup> revision date.</p>

Resolution:

## **6. Discussion of Releasing the Directors Elected from Non-Competition Restrictions (Proposed by the Board of Directors)**

- Explanation: (1) According to Article 209 of the Company Law, a director who conducts business within the business scope of the Company for himself or others shall explain in the shareholders' meeting the essential contents of such conduct and obtain the shareholders' approval.
- (2) The Company's directors holding concurrent positions and conducting an act subscribed in Article 209 of the Company Law submit for the shareholders' meeting to remove the non-competition restrictions on additional positions of the directors, provided that such act will not detriment the Company's benefit. Please see the details disclosed at the place of the shareholders' meeting.
- (3) The proposals are submitted for discussion and voting.

Resolution:

### **III. PROVISIONAL MOTIONS**

Meeting adjourned

**Business Report**

Dear Shareholders:

Delta Electronics had outstanding performance in 2006. Not only did we reach record highs in sales revenues, profits and market value, we also experienced success in every business unit, and continued to lead in power supplies and electrical components. In addition, we earned support from our customers in solar cells, and CCFLs for TFT-LCD monitors, and continue to develop and increase sales in networking products. Below is a summary of Delta's operations in 2006.

Delta's consolidated sales revenues totaled NT\$105.2 billion, an increase of 30% compared to 2005. Compared to 2005, gross profit totaled NT\$22.5 billion with an increase of 40%; net profit totaled NT\$12.4 billion with an increase of 67%; and net income after tax totaled NT\$11.3 billion with an increase of 50%. Earnings per Share (EPS) for 2006 totaled NT\$5.76. Delta is proactive in yearly budget allocation and our achievements in 2006 have exceeded the internal budget objectives of our major financial indices. I would like to express my deep appreciation to our management team and employees for their hard work and contributions.

In the power supply business, Delta has continued its leading position in switching power supplies and we are the world's number one in market shares for servers, workstations, PCs, laptops, and game consoles. We continue researching and developing products with new functions and designs and we are enthusiastic in meeting market trends and the demands of customers in the rapidly changing electrical product markets. In addition, we have established closer cooperative relationships with our customers, as we grow with them and strengthen Delta's competitive edge in the global power supply markets. As for electrical components, in addition to maintaining high growth in every category, Delta has actively developed high value-added products to face keen market competition. Our DC brushless fans & blowers was number one in global market share in 2006, which is a

**DELTA ELECTRONICS, INC.**

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Internet: <http://www.deltaca.com>



good example of Delta's competitiveness in electrical components. As for the industrial automation business, Delta's own-design servo motor made its appearance in 2006, receiving high recognition from the market upon its launch. Delta's industrial automation products such as converters and human machine interfaces (HMI) have received certificates from major European and Japanese companies. This is helping to build a base for future business. For the Visual Display business, we have made tremendous progress in developing high quality projection technology, which we believe will contribute significantly in the future. Delta's networking business also has an outstanding performance last year. Delta Networks Inc. (DNI) has obtained orders from global key networking players. DNI continues to enhance its competitiveness and is recognized for its quality and service. DNI experienced high growth in both sales revenues and profits. We anticipate that DNI will maintain high growth rates in the coming years and will become an important source of Delta's profits.

Environmental protection and energy saving have long been an important part of Delta's corporate mission, carried out in both product development and daily operations. An example is Delta's Tainan plant, which was awarded a gold-rated green building certificate by the Ministry of the Interior in 2006, and has become the most recognized green factory in Taiwan. Delta's subsidiaries are also dedicated to enhancing the efficiency of power management products and developing products with environmental protection and energy saving features. DelSolar has expertise in the research and development and manufacturing of solar cells, and is proceeding well, with revenues and profits growing rapidly. Faced by a shortage of raw materials, DelSolar has maintained stable operations and is headed for its planned objectives. We believe that as soon as the raw material market becomes stable, DelSolar will produce outstanding results. Cyntec has not only continued to develop high-efficiency energy-saving electrical components for home appliance markets, it has also concentrated on developing micro and IC technologies. Building a foundation for many years, Cyntec had excellent performance in portable IT product markets in 2006, and has earned the trust of customers and established a stable foundation for future development. In recent years, people have

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become aware of environmental protection and energy saving. In addition to paying attention to the issues of energy consumption and pollution prevention, the issue of how to reduce carbon-dioxide has become an urgent issue. We are happy to see that many corporations and the general public have started join us with their resources and energy. We believe that our joint efforts can expedite the realization and development of the green business concept, embody corporate social responsibility, and result in a clean living environment for generations to come.

Technologies that Delta has accumulated for the past 35 years are the foundation for our future growth. Looking to the future, in addition to our existing product fields, Delta will concentrate on the development of green energy, while promoting green facilities. We will invest more in research and development and deepen our knowledge in materials to strengthen Delta's core competencies and create a stable operational environment.

Technology is Delta's foundation. The endeavors of our employees and recognition from our customers are what drive Delta forward. Delta received a best supplier award from Fujitsu Siemens and attained recognition from SONY and Microsoft. In addition to the continuing trust and cooperation of our long term customers, employees are Delta's most important asset. We have carried out a series of systematic development plans for our global management teams, and we are seeding teams for our future businesses. This will align the training and growth of chosen employees with the direction of corporate development, and meet the needs of high-level management teams in the future. Our aim is to cultivate a pool of the most suitable talents for international technology and management.

As Delta pursues business development, we are also dedicated to corporate social responsibility and providing the most value to shareholders, employees and society as a whole. Delta was named The Most Admired company in the Electronics industry by CommonWealth magazine for 5 consecutive years, and received Corporate Social Responsibility awards from GlobalViews magazine for 2 consecutive years. Delta was

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also rated A-class in information disclosure by the Taiwan Securities and Exchange Corporation in 2006. In addition to enhancing the public's understanding of Delta by delivering precise, real time information, we hope this will inspire Delta to become an even better corporation and enhance our positive influence on society.

I wish to take this opportunity to thank our employees for their contributions to the corporation and helping Delta achieve its objectives. I also highly appreciate the continuing support of Delta's board members, shareholders, customers and suppliers, which allow us to maintain our healthy growth. This year we will adhere to our steadfast belief in sustainable operation and try our best to meet everyone's expectations. We sincerely hope our shareholders will continue to support and encourage Delta and together we can make each year better than the last.

Sincerely yours,

A handwritten signature in black ink that reads "Bruce CH Cheng". The signature is fluid and cursive, with a long, sweeping tail on the final stroke.

BRUCE CH Cheng  
Chairman

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資誠會計師事務所

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REPORT OF INDEPENDENT ACCOUNTANTS

To Delta Electronics, Inc.

We have audited, in accordance with the "Rules Governing the Audit of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China, the non-consolidated balance sheets of Delta Electronics, Inc. ("the Company") as of December 31, 2006 and 2005, and the related non-consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended appearing in the shareholders' meeting agenda and annual report. In our report dated March 1, 2007, in which we indicated that: (a) the financial statements and the related information of certain investees accounted for under the equity method were audited by other auditors and (b) effective January 1, 2006, the Company adopted R.O.C. Statements of Financial Accounting Standards No. 34, "Financial Instruments: Recognition and Measurement" and No. 36, "Financial Instruments: Disclosure and Presentation" and newly amended Statement of Financial Accounting Standards No. 5, "Long-term Investment under the Equity Method", we expressed a modified unqualified opinion on those non-consolidated financial statements.

The condensed non-consolidated financial statements presented in the shareholders' meeting agenda and annual report are fairly stated, in all material respects, in relation to the non-consolidated financial statements from which they have been derived.



PricewaterhouseCoopers

March 1, 2007

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The accompanying condensed non-consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such condensed non-consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying condensed non-consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

DELTA ELECTRONICS, INC.  
BALANCE SHEETS  
DECEMBER 31  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2006	2005
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7,634,603	\$ 5,768,692
Financial assets at fair value through profit or loss - current	3,757	4,108
Notes receivable, net	88,994	107,011
Accounts receivable	7,351,203	14,138,459
Accounts receivable, net - related parties	321,619	3,717,100
Other receivables	115,925	327,396
Other receivables - related parties	1,015,350	1,901,977
Other financial assets - current	21,139	21,123
Inventories	700,962	2,180,897
Deferred income tax assets - current	167,778	305,955
Other current assets - other	99,511	48,703
<b>Total current assets</b>	<u>17,520,841</u>	<u>28,521,421</u>
<b>Funds and Investments</b>		
Available-for-sale financial assets - non-current	1,199,158	795,666
Financial assets carried at cost - non-current	543,969	578,391
Investments in bonds without active markets - non-current	7,169,800	7,227,000
Long-term equity investments accounted for under the equity method	35,099,378	24,057,137
Cash surrender value of life insurance	82,365	77,699
<b>Total funds and investments</b>	<u>44,094,670</u>	<u>32,735,893</u>
<b>Property, Plant and Equipment, Net</b>		
<b>Cost</b>		
Land	816,068	796,297
Buildings	2,422,918	2,214,748
Machinery and equipment	1,453,429	1,080,955
Molding equipment	310,751	307,998
Computer and communication equipment	359,667	357,580
Testing equipment	1,378,136	1,249,314
Transportation equipment	18,871	18,626
Office equipment	132,880	124,658
Revaluation increments	230,228	168,738
Cost and revaluation increments	<u>7,122,948</u>	<u>6,318,914</u>
Less: Accumulated depreciation	( 2,959,570)	( 2,523,749)
Construction in progress and prepayments for equipment	185,136	383,835
<b>Total property, plant and equipment, net</b>	<u>4,348,514</u>	<u>4,179,000</u>
<b>Other Assets</b>		
Assets leased to others	597,889	671,243
Refundable deposits	5,904	10,556
Deferred expenses	179,463	169,476
<b>Total other assets</b>	<u>783,256</u>	<u>851,275</u>
<b>TOTAL ASSETS</b>	<u>\$ 66,747,281</u>	<u>\$ 66,287,589</u>

(Continued)

DELTA ELECTRONICS, INC.  
BALANCE SHEETS (CONTINUED)  
DECEMBER 31  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2006	2005
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Financial liabilities at fair value through profit or loss - current	\$ 1,517	\$ 632
Accounts payable	622,573	591,364
Accounts payable - related parties	9,925,645	17,184,249
Income tax payable	232,697	36,699
Accrued expenses	1,032,320	970,751
Other payables - related parties	485,587	127,450
Other payables	245,039	320,881
Receipts in advance	266,569	351,073
Long-term liabilities - current portion	-	440,847
Other current liabilities	79,492	39,652
<b>Total current liabilities</b>	<b>12,891,439</b>	<b>20,063,598</b>
<b>Reserves</b>		
Land value incremental reserve	53,085	44,837
<b>Other Liabilities</b>		
Accrued pension liabilities	653,984	597,274
Guarantee deposits received	5,912	5,912
Deferred income tax liabilities - non-current	3,173,802	2,176,417
Other liabilities - other	149,141	-
<b>Total other liabilities</b>	<b>3,982,839</b>	<b>2,779,603</b>
<b>Total liabilities</b>	<b>16,927,363</b>	<b>22,888,038</b>
<b>Stockholders' Equity</b>		
<b>Capital</b>		
Common stock	19,694,450	18,303,815
<b>Capital Reserves</b>		
Capital reserve from conversion of convertible bonds	11,470,341	11,140,668
Capital reserve - other	145,055	160,898
<b>Retained Earnings</b>		
Legal reserve	4,659,105	3,903,811
Special reserve	-	447,112
Undistributed earnings	13,086,557	8,895,809
<b>Other Adjustments to Stockholders' Equity</b>		
Unrealized gain or loss on financial instruments	280,829	( 3,252)
Asset revaluations	204,064	150,823
Cumulative translation adjustments	279,517	399,867
<b>Total stockholders' equity</b>	<b>49,819,918</b>	<b>43,399,551</b>
<b>Commitments And Contingent Liabilities</b>		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 66,747,281</b>	<b>\$ 66,287,589</b>

**DELTA ELECTRONICS, INC.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

	2006		2005	
Operating Revenues				
Sales	\$ 59,271,837	\$	61,052,652	
Sales returns	( 183,813)	(	260,151)	
Sales discounts	( 144,292)	(	162,351)	
Net Sales	58,943,732		60,630,150	
Service income	1,306,483		3,728,784	
Net Operating Revenues	60,250,215		64,358,934	
Operating Costs				
Cost of goods sold	( 54,316,852)	(	56,993,891)	
Gross profit	5,933,363		7,365,043	
Realized gain from intercompany transactions	-		2,875	
Gross profit, net	5,933,363		7,367,918	
Operating Expenses				
Sales and marketing expenses	( 609,895)	(	544,682)	
General and administrative expenses	( 1,093,201)	(	1,023,373)	
Research and development expenses	( 2,880,029)	(	2,434,027)	
Total Operating Expenses	( 4,583,125)	(	4,002,082)	
Operating income	1,350,238		3,365,836	
Non-operating Income and Gains				
Interest income	198,447		256,153	
Gain on valuation of financial assets	3,757		4,108	
Investment income accounted for under the equity method	11,010,092		4,293,737	
Dividend income	27,542		49,472	
Gain on disposal of property, plant and equipment	3,922		-	
Gain on disposal of investments	-		124,754	
Rental income	36,376		37,152	
Other non-operating income	290,473		404,831	
Non-operating Income and Gains	11,570,609		5,170,207	
Non-operating Expenses and Losses				
Interest expense	( 4,386)	(	102,262)	
Loss on valuation of financial liabilities	( 1,517)	(	632)	
Other investment loss	-	(	326,031)	
Loss on disposal of property, plant and equipment	( 722)	(	2,081)	
Foreign exchange loss	( 165,149)	(	484,687)	
Provision for loss on inventory obsolescence and market price declines	( 7,039)	(	-	
Other non-operating losses	( 56,158)	(	94,985)	
Non-operating Expenses and Losses	( 234,971)	(	1,010,678)	
Income from continuing operations before income tax	12,685,876		7,525,365	
Income tax (expense) benefit	( 1,355,035)		27,575	
Net income	\$ 11,330,841	\$	7,552,940	
	Before Tax	After Tax	Before Tax	After Tax
Earnings Per Share (in Dollars)				
Basic Earnings Per Share				
Net income	\$ 6.44	\$ 5.76	\$ 3.97	\$ 3.98
Diluted Earnings Per Share				
Net income	\$ 6.44	\$ 5.76	\$ 3.95	\$ 3.96

DELTA ELECTRONICS, INC.  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31,  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Retained Earnings				Unrealized gain or loss on financial instruments	Asset revaluations	Cumulative translation adjustments	Total	
	Common stock	Capital Reserves	Legal reserve	Special reserve					Undistributed earnings
<u>2005</u>									
Balance at January 1, 2005	\$ 15,859,720	\$ 6,738,315	\$ 3,237,641	\$ -	\$ 7,620,513	( \$ 2,967)	\$ 114,715	( \$ 444,144)	\$ 33,123,793
Distribution of 2004 earnings:									
Appropriation for legal reserve	-	-	666,170	-	( 666,170)	-	-	-	-
Appropriation for special reserve	-	-	-	447,112	( 447,112)	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	( 16,700)	-	-	( 16,700)	-
Employees' bonus	320,775	-	-	-	( 320,775)	-	-	-	-
Issuance of stock dividends	803,693	-	-	-	( 803,693)	-	-	-	-
Cash dividends	-	-	-	-	( 4,018,467)	-	-	( 4,018,467)	-
Convertible bonds converted into common stock	1,319,627	4,563,251	-	-	-	-	-	-	5,882,878
Proportional adjustments for change in ownership percentage of long-term investments	-	-	-	-	( 4,727)	-	-	( 4,727)	-
Proportional adjustments for investee companies' unrealized loss on financial instruments	-	-	-	-	-	( 285)	-	( 285)	-
Adjustments for land value incremental reserve	-	-	-	-	-	-	36,108	-	36,108
Changes in cumulative translation adjustments	-	-	-	-	-	-	-	844,011	844,011
Net income for 2005	-	-	-	-	7,552,940	-	-	-	7,552,940
Balance at December 31, 2005	<u>\$ 18,303,815</u>	<u>\$ 11,301,566</u>	<u>\$ 3,903,811</u>	<u>\$ 447,112</u>	<u>\$ 8,895,809</u>	<u>( \$ 3,252)</u>	<u>\$ 150,823</u>	<u>\$ 399,867</u>	<u>\$ 43,399,551</u>
<u>2006</u>									
Balance at January 1, 2006	\$ 18,303,815	\$ 11,301,566	\$ 3,903,811	\$ 447,112	\$ 8,895,809	( \$ 3,252)	\$ 150,823	\$ 399,867	\$ 43,399,551
Distribution of 2005 earnings:									
Reversal of special reserve	-	-	-	( 447,112)	447,112	-	-	-	-
Appropriation of legal reserve	-	-	755,294	-	( 755,294)	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	( 16,700)	-	-	( 16,700)	-
Employees' bonus	370,015	-	-	-	( 370,015)	-	-	-	-
Issuance of stock dividends	920,211	-	-	-	( 920,211)	-	-	-	-
Cash dividends	-	-	-	-	( 5,521,267)	-	-	( 5,521,267)	-
Convertible bonds converted into common stock	100,409	329,672	-	-	-	-	-	-	430,081
Change in ownership percentage of long-term equity investments accounted for under the equity method	-	( 15,842)	-	-	( 3,718)	-	-	( 19,560)	-
Proportional adjustments for investee companies' unrealized loss on financial instruments	-	-	-	-	-	( 119,411)	-	( 119,411)	-
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	403,492	-	-	403,492
Land value appraisal increments	-	-	-	-	-	-	53,241	-	53,241
Changes in cumulative translation adjustments	-	-	-	-	-	-	-	( 120,350)	( 120,350)
Net income for 2006	-	-	-	-	11,330,841	-	-	-	11,330,841
Balance at December 31, 2006	<u>\$ 19,694,450</u>	<u>\$ 11,615,396</u>	<u>\$ 4,659,105</u>	<u>\$ -</u>	<u>\$ 13,086,557</u>	<u>\$ 280,829</u>	<u>\$ 204,064</u>	<u>\$ 279,517</u>	<u>\$ 49,819,918</u>

DELTA ELECTRONICS, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2006		2005
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net income	\$ 11,330,841	\$	7,552,940
Adjustments to reconcile net income to net cash provided by operating activities :			
Changes in unrealized gain on valuation of financial assets	351	(	4,108)
Changes in unrealized loss on valuation of financial liabilities	885		632
Reversal of allowance for doubtful accounts	( 7,176)	(	5,219)
Loss on (reversal of) inventory obsolescence and market price declines	7,039	(	45,520)
Foreign exchange loss (gain) on investments in bonds without active markets	57,200	(	266,045)
Cash dividends received from investee companies accounted for under the equity method	1,084,301		8,986,835
Investment income recognized under the equity method, net of other investment loss	( 11,010,092)	(	3,967,706)
Gain on disposal of financial assets not for trading purposes	-	(	104,080)
Depreciation (including assets leased to others) and amortization	628,019		559,572
(Gain) loss on disposal of property, plant and equipment, net	( 3,200)		2,081
Exchange gain on revaluation of foreign currency denominated convertible bonds	( 10,766)	(	14,204)
Amortization of long-term deferred income	( 10,509)		-
Changes in assets and liabilities :			
Notes receivable, net	18,017	(	72,501)
Accounts receivable	6,794,432	(	5,249,591)
Accounts receivable, net - related parties	3,395,481	(	1,407,473)
Other receivables	211,471	(	139,103)
Other receivables - related parties	( 79,723)		204,194
Inventories	1,472,896	(	762,140)
Other current assets - other	( 50,808)		28,576
Accounts payable	31,209		76,914
Accounts payable - related parties	( 7,258,604)		4,974,260
Income tax payable	195,998		36,699
Accrued expenses	61,569		149,280
Other payables - related parties	358,137		127,450
Other payables	( 75,842)	(	54,136)
Receipts in advance	( 84,504)	(	69,805)
Other current liabilities - other	39,840		31,985
Deferred income tax	1,135,562	(	92,456)
Accrued pension liabilities	56,710		100,085
Other liabilities - others	-	(	2,875)
Net cash provided by operating activities	<u>8,288,734</u>		<u>10,822,423</u>

(Continued)

DELTA ELECTRONICS, INC.  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2006	2005
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Decrease in financial assets at fair value through profit or loss - current	\$ -	\$ 80,603
(Increase) decrease in other financial assets - current	( 16)	687
Proceeds from disposal of available-for-sale financial assets and remittance of capital reduction of financial assets carried at cost	197,151	376,023
Increase in investments in bonds without active markets - non-current	-	( 1,080,730)
Increase in long-term equity investments accounted for under the equity method	( 412,500)	( 4,496,581)
Increase in cash surrender value of life insurance	( 4,666)	( 5,268)
Acquisition of property, plant and equipment and deferred expenses	( 680,615)	( 1,229,001)
Proceeds from disposal of property, plant and equipment	11,138	28,887
Decrease (increase) in refundable deposits	<u>4,652</u>	<u>( 2,091)</u>
Net cash used in investing activities	<u>( 884,856)</u>	<u>( 6,327,471)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Decrease in short-term loans	-	( 158,925)
Payment of directors' and supervisors' remuneration	( 16,700)	( 16,700)
Payment of cash dividends	<u>( 5,521,267)</u>	<u>( 4,018,467)</u>
Net cash used in financing activities	<u>( 5,537,967)</u>	<u>( 4,194,092)</u>
Increase in cash and cash equivalents	1,865,911	300,860
Cash and cash equivalents at beginning of year	<u>5,768,692</u>	<u>5,467,832</u>
Cash and cash equivalents at end of year	<u>\$ 7,634,603</u>	<u>\$ 5,768,692</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the year for interest	<u>\$ 4,386</u>	<u>\$ 102,262</u>
Cash paid during the year for income taxes	<u>\$ 23,443</u>	<u>\$ 28,182</u>
Non-cash flows from investing and financing activities:		
Employees' stock bonus	<u>\$ 370,015</u>	<u>\$ 320,775</u>
Convertible bonds (par value) converted into common stock	<u>\$ 430,081</u>	<u>\$ 5,882,878</u>

資誠會計師事務所

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REPORT OF INDEPENDENT ACCOUNTANTS

To Delta Electronics, Inc.

We have audited, in accordance with the “Rules Governing the Audit of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China, the consolidated balance sheets of Delta Electronics, Inc. (“the Company”) and its subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended appearing in the shareholders' meeting agenda and annual report. In our report dated March 1, 2007, in which we indicated that: (a) the financial statements and the related information of certain subsidiaries and certain investees accounted for under the equity method were audited by other auditors, and (b) effective January 1, 2006, the Company and its subsidiaries adopted R.O.C. Statements of Financial Accounting Standards No. 34, “Financial Instruments: Recognition and Measurement” and No. 36, “Financial Instruments: Disclosure and Presentation” and newly amended Statement of Financial Accounting Standards No. 5, “Long-term Investment under the Equity Method”, we expressed a modified unqualified opinion on those consolidated financial statements.

The condensed consolidated financial statements presented in the shareholders' meeting agenda and annual report are fairly stated, in all material respects, in relation to the consolidated financial statements from which they have been derived.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

March 1, 2007

The accompanying condensed consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such condensed consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying condensed consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

DELTA ELECTRONICS, INC.  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2006	2005
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 24,926,394	\$ 23,779,563
Financial assets at fair value through profit or loss - current	162,014	169,629
Available-for-sale financial assets - current	6,969	-
Derivative financial assets for hedging - current	58,732	-
Notes receivable, net	358,668	172,041
Accounts receivable	22,011,500	19,589,237
Accounts receivable, net - related parties	1,006,638	1,131,164
Other receivables	582,600	650,747
Other financial assets - current	21,139	1,361,928
Inventories	7,926,468	6,888,311
Prepayments	563,508	323,836
Deferred income tax assets - current	228,859	309,661
Other current assets - other	29,976	63,093
<b>Total current assets</b>	<u>57,883,465</u>	<u>54,439,210</u>
<b>Funds and Investments</b>		
Available-for-sale financial assets - non-current	1,347,002	655,333
Financial assets carried at cost - non-current	918,719	974,658
Investments in bonds without active markets - non-current	7,169,800	7,227,000
Long-term equity investments accounted for under the equity method	5,512,690	5,272,920
Cash surrender value of life insurance	82,365	77,699
<b>Total funds and investments</b>	<u>15,030,576</u>	<u>14,207,610</u>
<b>Property, Plant and Equipment, Net</b>		
<b>Cost</b>		
Land	1,283,862	1,288,490
Buildings	7,251,406	5,777,152
Machinery and equipment	8,834,238	6,923,148
Molding equipment	1,277,722	1,178,400
Computer and communication equipment	859,242	811,450
Testing equipment	4,629,395	3,921,042
Transportation equipment	139,342	132,312
Office equipment	1,244,710	1,166,608
Leasehold improvements	143,250	74,158
Other equipment	7,995	-
Revaluation increments	230,228	168,738
Cost and revaluation increments	25,901,390	21,441,498
Less: Accumulated depreciation	( 11,978,384)	( 9,995,872)
Construction in progress and prepayments for equipment	1,510,786	1,098,556
<b>Total property, plant and equipment, net</b>	<u>15,433,792</u>	<u>12,544,182</u>
<b>Intangible assets</b>		
Deferred pension costs	-	6,261
Other intangible assets - other	340,390	226,459
<b>Total intangible assets</b>	<u>340,390</u>	<u>232,720</u>
<b>Other Assets</b>		
Idle assets	1,851	-
Refundable deposits	46,269	43,866
Deferred expenses	299,167	313,765
Other assets - other	74,105	63,149
<b>Total other assets</b>	<u>421,392</u>	<u>420,780</u>
<b>TOTAL ASSETS</b>	<u>\$ 89,109,615</u>	<u>\$ 81,844,502</u>

(Continued)

DELTA ELECTRONICS, INC.  
CONSOLIDATED BALANCE SHEETS (CONTINUED)  
DECEMBER 31  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2006	2005
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term loans	\$ 3,425,004	\$ 7,891,215
Financial liabilities at fair value through profit or loss - current	21,382	632
Derivative financial liabilities for hedging - current	115,791	-
Notes payable	-	64
Accounts payable	19,351,458	17,330,667
Accounts payable - related parties	318,100	441,256
Income tax payable	376,805	79,525
Accrued expenses	2,470,408	2,273,584
Other payables	2,673,661	2,195,019
Receipts in advance	351,872	484,148
Long-term liabilities - current portion	-	440,847
Other current liabilities	424,251	152,078
<b>Total current liabilities</b>	<u>29,528,732</u>	<u>31,289,035</u>
<b>Reserve</b>		
Land value incremental reserve	53,085	44,837
<b>Other Liabilities</b>		
Accrued pension liabilities	1,102,112	953,051
Guarantee deposits received	71,903	65,377
Deferred income tax liabilities - non-current	3,123,808	2,175,492
Other liabilities - other	165,264	42,922
<b>Total other liabilities</b>	<u>4,463,087</u>	<u>3,236,842</u>
<b>Total liabilities</b>	<u>34,044,904</u>	<u>34,570,714</u>
<b>Stockholders' Equity</b>		
<b>Capital</b>		
Common stock	19,694,450	18,303,815
<b>Capital Reserves</b>		
Capital reserve from conversion of convertible bonds	11,470,341	11,140,668
Capital reserve - other	145,055	160,898
<b>Retained Earnings</b>		
Legal reserve	4,659,105	3,903,811
Special reserve	-	447,112
Undistributed earnings	13,086,557	8,895,809
<b>Other Adjustments to Stockholders' Equity</b>		
Unrealized gain or loss on financial instruments	280,829	( 3,252)
Asset revaluations	204,064	150,823
Cumulative translation adjustments	279,517	399,867
	<u>49,819,918</u>	<u>43,399,551</u>
Minority interest	5,244,793	3,874,237
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>55,064,711</u>	<u>47,273,788</u>
<b>Commitments And Contingent Liabilities</b>		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 89,109,615</u>	<u>\$ 81,844,502</u>

**DELTA ELECTRONICS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

	2006		2005	
Operating Revenues				
Sales	\$	105,459,095	\$	81,120,153
Sales returns	(	645,140)	(	526,624)
Sales discounts	(	215,869)	(	179,313)
Net Sales		104,598,086		80,414,216
Service income		617,951		411,304
Net Operating Revenues		105,216,037		80,825,520
Operating Costs				
Cost of goods sold	(	82,709,130)	(	64,757,079)
Gross profit		22,506,907		16,068,441
Realized loss from intercompany transactions		-	(	11)
Gross profit, net		22,506,907		16,068,430
Operating Expenses				
Sales and marketing expenses	(	3,098,961)	(	2,735,229)
General and administrative expenses	(	2,319,384)	(	2,048,375)
Research and development expenses	(	4,657,680)	(	3,844,519)
Total Operating Expenses	(	10,076,025)	(	8,628,123)
Operating income		12,430,882		7,440,307
Non-operating Income and Gains				
Interest income		697,258		530,184
Gain on valuation of financial assets		3,697		4,108
Investment income accounted for under the equity method		466,613		152,691
Dividend income		44,463		60,471
Gain on disposal of property, plant and equipment		9,552		-
Gain on disposal of investments		15,529		342,299
Foreign exchange gain, net		116,514		78,256
Other non-operating income		1,093,542		877,524
Non-operating Income and Gains		2,447,168		2,045,533
Non-operating Expenses and Losses				
Interest expense	(	175,249)	(	276,012)
Loss on valuation of financial liabilities	(	21,382)	(	632)
Other investment loss	(	-	(	328,211)
Loss on disposal of property, plant and equipment	(	168,927)	(	14,304)
Provision for loss on inventory obsolescence and market price declines	(	302,355)	(	74,978)
Impairment loss	(	29,685)	(	-
Other non-operating losses	(	264,836)	(	435,241)
Non-operating Expenses and Losses	(	962,434)	(	1,129,378)
Income from continuing operations before income tax		13,915,616		8,356,462
Income tax expense	(	1,633,002)	(	148,863)
Income from continuing operations		12,282,614		8,207,599
Cumulative effect of changes in accounting principles		27,822		-
Consolidated net income	\$	12,310,436	\$	8,207,599
Attributable to:				
Equity holders of the Company	\$	11,330,841	\$	7,552,940
Minority interest		979,595		654,659
	\$	12,310,436	\$	8,207,599
	Before Tax	After Tax	Before Tax	After Tax
Earnings Per Share (in Dollars)				
Basic Earnings Per Share				
Net income from continuing operations	\$	7.07	\$	6.25
Cumulative effect of changes in accounting principles	\$	0.01	\$	4.41
Minority interest income	(	0.50)	(	-
Net income	\$	6.58	\$	4.06
Diluted earnings per share				
Net income from continuing operations	\$	7.07	\$	6.25
Cumulative effect of changes in accounting principles	\$	0.01	\$	4.38
Minority interest income	(	0.50)	(	-
Net income	\$	6.58	\$	4.04

DELTA ELECTRONICS, INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31,  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Retained Earnings				Undistributed earnings	Unrealized gain or loss on financial instruments	Asset revaluations	Cumulative translation adjustments	Minority interest	Total
	Common stock	Capital Reserves	Legal reserve	Special reserve						
<u>2005</u>										
Balance at January 1, 2005	\$ 15,859,720	\$ 6,738,315	\$ 3,237,641	\$ -	\$ 7,620,513	( \$ 2,967)	\$ 114,715	( \$ 444,144)	\$ 2,771,756	\$ 35,895,549
Distribution of 2004 earnings:										
Appropriation for legal reserve	-	-	666,170	-	( 666,170)	-	-	-	-	-
Appropriation for special reserve	-	-	-	447,112	( 447,112)	-	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	( 16,700)	-	-	-	-	( 16,700)
Employees' bonus	320,775	-	-	-	( 320,775)	-	-	-	-	-
Issuance of stock dividends	803,693	-	-	-	( 803,693)	-	-	-	-	-
Cash dividends	-	-	-	-	( 4,018,467)	-	-	-	-	( 4,018,467)
Convertible bonds converted into common stock	1,319,627	4,563,251	-	-	-	-	-	-	-	5,882,878
Proportional adjustments for change in ownership percentage of long-term investments	-	-	-	-	( 4,727)	-	-	-	-	( 4,727)
Proportional adjustments for investee companies' unrealized loss on financial instruments	-	-	-	-	-	( 285)	-	-	-	( 285)
Adjustment for land value incremental reserve	-	-	-	-	-	-	36,108	-	-	36,108
Changes in cumulative translation adjustments	-	-	-	-	-	-	-	844,011	-	844,011
Changes in minority interest	-	-	-	-	-	-	-	-	447,822	447,822
Consolidated net income for 2005	-	-	-	-	7,552,940	-	-	-	654,659	8,207,599
Balance at December 31, 2005	<u>\$ 18,303,815</u>	<u>\$ 11,301,566</u>	<u>\$ 3,903,811</u>	<u>\$ 447,112</u>	<u>\$ 8,895,809</u>	<u>( \$ 3,252)</u>	<u>\$ 150,823</u>	<u>\$ 399,867</u>	<u>\$ 3,874,237</u>	<u>\$ 47,273,788</u>
<u>2006</u>										
Balance at January 1, 2006	\$ 18,303,815	\$ 11,301,566	\$ 3,903,811	\$ 447,112	\$ 8,895,809	( \$ 3,252)	\$ 150,823	\$ 399,867	\$ 3,874,237	\$ 47,273,788
Distribution of 2005 earnings:										
Reversal of special reserve	-	-	-	( 447,112)	447,112	-	-	-	-	-
Appropriation of legal reserve	-	-	755,294	-	( 755,294)	-	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	( 16,700)	-	-	-	-	( 16,700)
Employees' bonus	370,015	-	-	-	( 370,015)	-	-	-	-	-
Issuance of stock dividends	920,211	-	-	-	( 920,211)	-	-	-	-	-
Cash dividends	-	-	-	-	( 5,521,267)	-	-	-	-	( 5,521,267)
Convertible bonds converted into common stock	100,409	329,672	-	-	-	-	-	-	-	430,081
Change in ownership percentage of long-term equity investments accounted for under the equity method	-	( 15,842)	-	-	( 3,718)	-	-	-	-	( 19,560)
Proportional adjustments for investee companies' unrealized loss on financial instruments	-	-	-	-	-	( 119,411)	-	-	-	( 119,411)
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	403,492	-	-	-	403,492
Land value appraisal increments	-	-	-	-	-	-	53,241	-	-	53,241
Changes in cumulative translation adjustments	-	-	-	-	-	-	-	( 120,350)	-	( 120,350)
Changes in minority interest	-	-	-	-	-	-	-	-	390,961	390,961
Consolidated net income for 2006	-	-	-	-	11,330,841	-	-	-	979,595	12,310,436
Balance at December 31, 2006	<u>\$ 19,694,450</u>	<u>\$ 11,615,396</u>	<u>\$ 4,659,105</u>	<u>\$ -</u>	<u>\$ 13,086,557</u>	<u>\$ 280,829</u>	<u>\$ 204,064</u>	<u>\$ 279,517</u>	<u>\$ 5,244,793</u>	<u>\$ 55,064,711</u>

DELTA ELECTRONICS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2006	2005
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Consolidated net income	\$ 12,310,436	\$ 8,207,599
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in unrealized gain on valuation of financial assets	411	-
Changes in unrealized loss on valuation of financial liabilities	20,750	632
Provision for (reversal of) allowance for doubtful accounts	2,114	(21,787)
Loss on inventory obsolescence and market price declines	302,355	74,978
Impairment loss on financial assets carried at cost - non-current	18,242	-
Foreign exchange loss (gain) on investments in bonds without active markets	57,200	(266,045)
Gain on disposal of financial assets not for trading purposes	(14,536)	(329,006)
Investment (income) loss recognized under the equity method, net of other investment loss	(466,613)	175,520
Cash dividends received from investee companies accounted for under the equity method	301,924	204,026
Depreciation and amortization	2,805,251	2,598,361
Loss on disposal of property, plant and equipment, net	159,375	14,304
Impairment loss on idle assets	11,443	-
Exchange gain on revaluation of foreign currency denominated convertible bonds	(10,766)	(14,204)
Amortization of long-term deferred income	(10,509)	-
Changes in assets and liabilities:		
Notes and accounts receivable, net	(2,612,668)	(7,002,926)
Accounts receivable, net - related parties	124,526	(200,432)
Other receivables	80,817	(98,440)
Inventories	(1,340,512)	(2,048,764)
Prepayments	(239,672)	(179,304)
Other current assets - other	33,117	90,271
Notes and accounts payable	2,020,727	5,815,061
Accounts payable - related parties	(123,156)	133,856
Income tax payable	297,280	45,323
Accrued expenses, other payables and receipts in advance	543,190	1,317,744
Other current liabilities - other	272,173	77,841
Deferred income tax	1,029,118	(97,959)
Accrued pension liabilities	155,322	175,162
Other liabilities - others	12,249	42,922
Net cash provided by operating activities	<u>15,739,588</u>	<u>8,714,733</u>

(Continued)

DELTA ELECTRONICS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2006	2005
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Decrease in financial assets at fair value through profit or loss - current	\$ 7,204	\$ 2,216,350
Increase in available-for-sale financial assets - current and non-current	( 327,732)	-
Decrease (increase) in other financial assets - current	1,340,789	( 1,320,945)
Increase in investments in bonds without active markets - non-current	-	( 1,080,730)
Proceeds from disposal of available-for-sale financial assets and remittance of capital reduction of financial assets carried at cost	133,693	821,710
Increase in long-term investments	( 189,356)	( 267,400)
Increase in cash surrender value of life insurance	( 4,666)	( 5,268)
Acquisition of property, plant and equipment and deferred expenses	( 5,983,152)	( 4,729,828)
Increase in other intangible assets	-	( 1,000)
Proceeds from disposal of property, plant and equipment	94,617	46,417
Increase in refundable deposits	( 2,403)	( 3,459)
Increase in other assets - other	( 10,956)	( 63,149)
Net cash used in investing activities	( 4,941,962)	( 4,387,302)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
(Decrease) increase in short-term loans	( 4,466,211)	3,808,857
Decrease in notes and bills payable	-	( 155,000)
Increase in guarantee deposits received	6,526	59,129
Payment of directors' and supervisors' remuneration	( 16,700)	( 16,700)
Payment of cash dividends	( 5,521,267)	( 4,018,467)
Increase in minority interest	390,961	447,822
Net cash (used in) provided by financing activities	( 9,606,691)	125,641
Foreign exchange difference	( 44,104)	344,546
Effect of changes in consolidated subsidiaries	-	1,083,059
Increase in cash and cash equivalents	1,146,831	5,880,677
Cash and cash equivalents at beginning of year	23,779,563	17,898,886
Cash and cash equivalents at end of year	\$ 24,926,394	\$ 23,779,563
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the year for interest	\$ 211,775	\$ 168,613
Cash paid during the year for income taxes	\$ 232,802	\$ 208,339
<u>Non-cash flows from investing and financing activities:</u>		
Employees' stock bonus	\$ 370,015	\$ 320,775
Convertible bonds (par value) converted to common stock	\$ 430,081	\$ 5,882,878

## 2006 Supervisors' Report

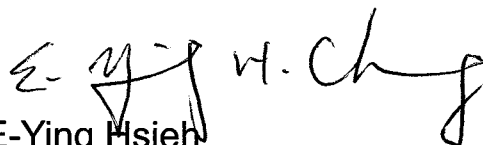
The Board of Directors has prepared and submitted to the undersigned, the supervisors of Delta Electronics, Inc. (the "Company"), the 2006 Business Report, financial statements, consolidated financial statements and proposal for distribution of earnings of the Company. The above Business Report, financial statements, consolidated financial statements, and earnings distribution proposal have been examined and determined to be correct and accurate by the undersigned. In accordance with Article 219 of the Company Law, we hereby submit this report.

To the 2007 General Shareholders' Meeting of Delta Electronics, Inc.

Supervisor Chung-Hsing Huang



Supervisor E-Ying Hsieh



March 21, 2007

Delta Electronics, Inc. (the "Company")  
Rules and Procedures of the Meeting of Board of Directors  
(Translation)

Passed by the Board of Directors on February 27, 2004  
Amended and passed by the Board of Directors on October 26, 2006  
Amended and passed by the Board of Directors on March 19, 2007

**Article 1**

The Rules and Procedures of Meeting of Board of Directors have been stipulated in order to establish an effective governance system, enhance supervising capability, and strengthen management functions for the Board of Directors pursuant to the "Regulations Governing Procedures for Board of Directors Meetings of Public Companies."

**Article 2**

The main agenda items, operational procedures, required content of the Meeting (as defined below) minutes, public announcements and other compliance requirements in the Company's rules and procedures of meeting of Board of Directors shall comply with the rules and procedures set forth below.

**Article 3**

The Board of Directors shall meet at least quarterly. The reasons for calling a Board of Directors meeting (the "Meeting") shall be notified to each director and supervisor at least seven (7) days in advance. In emergency circumstances, however, the Meeting may be called on shorter notice.

All matters set out in paragraph 1 of Article 12 shall be specified in the notice of the reasons for calling the Meeting; none of them may be raised by an extraordinary motion except in the case of an emergency or legitimate reason.

**Article 4**

The Investor Services Department of the Company shall be in charge of arranging the Meetings and be responsible for coordinating Meeting matters, preparing agenda items for the Meetings, and shall provide sufficient pre-Meeting materials, to be sent together with the notice of the Meetings.

A director of the opinion that the pre-Meeting materials provided is insufficient in content may request the agenda working group to supplement the materials. If a director is of the opinion that materials concerning any proposal are insufficient in content, the deliberation of such proposal may be postponed by a resolution of the Board of Directors.

#### **Article 5**

When the Meeting is held, an attendance book shall be made ready for signature by directors attending the Meeting and thereafter made available for future reference. Attendance via video-conference is deemed as attendance in person.

If a director is unable to attend the Meeting, he/she may appoint one of the other directors to attend the meeting on his/her behalf by executing a power of attorney specifying the power authorized in relation to the proposals to be discussed at the Meeting. However, each attending director may only act for one of the other directors.

#### **Article 6**

The Meetings shall be held at the location and during the business hours of the Company, or at a place and time convenient to all directors and suitable for holding such the Meeting.

#### **Article 7**

Meetings shall be called and chaired by the chairperson of the board. However, the first Meeting of each newly elected Board of Directors shall be called and chaired by the director who received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected; if there are two or more directors so entitled to call the Meeting, they shall choose one person by and from among themselves to do so.

When the chairperson of the board is on leave or for any reason is unable to exercise the powers of the chairperson, the vice chairperson shall do so in place of the chairperson; or the vice chairperson also is on leave or for any reason is unable to act, by a director designated thereby, or, if the chairperson does not make such a designation, by a director elected by and from among themselves.

## **Article 8**

The Investor Services Department shall prepare relevant materials for the directors' reference at any time during the course of the Meeting.

When holding a Meeting, the Company may, as necessary for the agenda items of the Meeting, notify non-director officers from relevant departments to attend the Meeting as nonvoting participants. When necessary, the Company may also invite certificated public accounts, attorneys, or other professionals to attend as nonvoting participants.

The chairperson of the Meeting shall call the Meeting to order at the scheduled time of the Meeting if a majority of the directors are present. When the time of a Meeting has arrived and one-half all board directors are not present, the Meeting chairperson may announce postponement of the Meeting time, provided that only two postponements, in combined total of not more than one hour, may be made. If the quorum is still not met after two such delays, the chairperson shall re-call the Meeting following the procedures provided in Article 3.

## **Article 9**

The Company shall record on audio or video tape the entire proceedings of a Meeting, and preserve the recordings for at least five years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph a lawsuit arises with respect to a resolution of a Meeting, the relevant audio or video recordings shall be preserved for a further period, in which case the preceding paragraph does not apply.

Where a Meeting is held via video-conference, the audio or video recordings of the Meeting form a part of the Meeting minutes and shall be preserved permanently.

## **Article 10**

Agenda items for regular Meetings shall include at least the following:

1. Reports:
  - (1) Minutes of the last Meeting and actions arising.

- (2) Reporting business conditions.
- (3) Reporting financial conditions.
- (4) Reporting internal audit activities.
- (5) Other important matters to be reported.

2. Discussions:

- (1) Items discussed and continued from the last meeting.
- (2) Scheduled items for discussion at this meeting.

3. Extraordinary motions.

### **Article 11**

The proceedings of a Meeting shall be conducted in a predetermined order of agenda items as stated in the Meeting notice. However, the order may be changed with the approval of a majority of directors present at the Meeting.

Before the predetermined agenda items under the preceding paragraph as well as extraordinary motions, the Meeting chairperson may not declare the Meeting closed unless with the approval of a majority of directors present at the Meeting.

If at any time during the proceeding of a Meeting, the directors sitting at the Meeting are not more than half of the directors present at the Meeting, then upon motion by the directors sitting at the Meeting, the chairperson shall declare a suspension of Meeting, in which case Article 8 shall apply mutatis mutandis.

### **Article 12**

A company shall submit the following items for discussion by the Board of Directors:

1. The Company's corporate business plan.
2. Annual and semi-annual financial reports.
3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act (the "SEA").
4. Adoption or amendment, pursuant to Article 36-1 of the SEA, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of any equity-type securities.

6. The appointment or discharge of a financial, accounting, or internal audit officer.
7. Any matter required by Article 14-3 of the SEA or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or to be submitted to a Meeting, or any such significant matter as may be prescribed by the competent authority.

Other than the items submitted for consideration by the Board of Directors under preceding paragraph, during periods when the Board of Directors is not in session, any delegation in accordance with laws and regulations or the Company's articles of incorporation by the Board of Directors of powers of the board shall be specific in terms of the levels, contents and matters so delegated, and general authorization is not permitted.

If the Company has independent directors, with respect to a matter required by Article 14-3 of the SEA to be submitted to a Meeting, each independent director shall attend the Meeting in person, and may not give a proxy to a non-independent director. If an independent director objects to or expresses reservations about the matter, it shall be recorded in the Meeting minutes; an independent director intending to express objection or reservations but unable to attend the Meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the Meeting minutes.

### **Article 13**

When the chairperson at a Meeting is of the opinion that a matter has been sufficiently discussed to a degree of putting to a vote, the chairperson may announce the discussion closed and bring the matter to vote.

When a matter comes to a vote at a Meeting, if upon inquiry by the chairperson no director voices an objection, the matter is deemed approved, as if it has been approved by vote. A proposal shall be put to a vote if there is any objection after solicitation by the chairperson, and voting shall be conducted by a show of raising hands.

### **Article 14**

Except as otherwise stated in the SEA or in the Company Act, a resolution on a matter at a Meeting requires the approval of a majority of the directors present at the Meeting that shall be attended by a majority of all directors.

If there is amendment to or substitute for an agenda item, the chairperson shall decide the sequence of voting for such original agenda item, the amendment, and the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting will be necessary.

The result of voting shall be announced at the Meeting and placed on record.

Directors who object to the results of voting may make a written statement, and such written statement shall be recorded in the minutes of the Meeting.

### **Article 15**

A board director is prohibited from participating in discussion of or voting on an agenda item in which the director or the juristic person that the director represents is an interested party, where such participation is likely to prejudice the interest of the Company, and likewise is prohibited from voting on such an item as a proxy of another director.

With respect to a resolution at a Meeting, the provisions of Article 180, paragraph 2, of the Company Act, as applied mutatis mutandis under Article 206, paragraph 2, of that Act, shall apply in cases where a board director is prohibited by the preceding paragraph from exercising voting rights.

### **Article 16**

This Company's Board of Directors may establish various types of functional committees. If the Company's Board of Directors has established functional committees, the functional committees shall be responsible to the Board of Directors and submit their proposals to the Board of Directors for approval.

### **Article 17**

Minutes shall be prepared of the discussions at Meetings; the Meeting minutes shall record the following:

1. Session (or year), time, and place of Meeting.
2. Name of the Meeting chairperson.
3. Attendance of directors at the Meeting, specifying the names and number of members present, excused, and absent.
4. Names and titles of those attending the Meeting as nonvoting participants.
5. Name of minutes taker.
6. Matters reported on.

7. Agenda items: specify the resolution method and result for each proposal, and summarize the comments made by, and specify any objections or reservations expressed by, directors, supervisors, experts, or any others at the Meeting that has been included in records or stated in writing, and any opinion issued in writing by an independent director under Article 12, paragraph 2.
8. Extraordinary motions: specify the name of the mover, the resolution method and result for each motion, and summarize the comments made by, and specify any objections or reservations expressed by, directors, supervisors, experts, or any others at the Meeting that has been included in records or stated in writing.
9. Other matters required to be recorded.

Any matter about which an independent director expresses an objection or reservation that has been included in records or stated in writing in relation to a resolution passed at a Meeting shall be stated in the Meeting minutes and within two days of the Meeting be published on an information reporting website designated by the competent authority:

The attendance book forms a part of the minutes for each Meeting and shall be preserved permanently.

The minutes of a Meeting shall bear the signature or seal of both the Meeting chairperson and the minutes taker; a copy of the minutes shall be distributed to each director and supervisor within twenty (20) days after the Meeting and well preserved as important company records during the existence of the Company.

The production and distribution of the Meeting minutes referred to in paragraph 1 may be done in electronic form.

## **Article 18**

The promulgation and amendment of the Rules and Procedures of Meeting of Board of Directors shall be approved by the Board of Directors.

Revised Articles Passed by the 2004 General Shareholders' Meeting

Delta Electronics, Inc. (the "Company")  
Operating Procedures of Acquisition or Disposal of Assets  
(Translation)

June 23, 1989--passed by the Board of Directors  
September 12, 1991--amendment passed by the Board of Directors  
May 29, 1995--amendment passed by the Board of Directors  
April 16, 1996--amendment passed by the Board of Directors  
November 26, 1999--amendment passed by the Board of Directors  
March 8, 2000--amendment passed by the Board of Directors  
February 13, 2003--amendment passed by the Board of Directors  
April 9, 2003--amendment passed by the Board of Directors  
May 6, 2003--amendment passed by the general shareholders' meeting  
May 18, 2004--amendment passed by the general shareholders' meeting

**Chapter 1 General Principles**

**Article 1: Legal Basis**

These operating procedures ("Operating Procedures") have been promulgated in accordance with Article 36-1 of the Securities and Exchange Act and the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" promulgated by the Securities and Futures Commission, Ministry of Finance ("SFC").

**Article 2: Promulgation and Amendment of the Operating Procedures**

After approval by the Board of Directors, the Operating Procedures shall be submitted to each Supervisor and for approval by the shareholders' meeting before implementation. The same procedure shall apply to any amendment to the Operating Procedures. If any director expresses an objection and such objection is recorded in the meeting minutes or a written statement is made for such objection, the Company shall submit the objection to each Supervisor and for discussion by the shareholders' meeting. If the Company has any independent directors, when the Operating Procedures are submitted for discussion in the meeting of Board of Directors, the Board of Directors shall take into full consideration of each independent director's opinion and shall record each independent director's explicit opinion for assent or dissent and reasons for dissent in the meeting minutes of the Board of Directors.

**Article 3: Definition of Terms**

1. Derivatives: refers to forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts comprising combinations of the foregoing products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired or disposed through mergers or consolidations, splits, acquisitions, or assignment of shares in accordance with applicable laws: refers to assets acquired or disposed through mergers, splits, or acquisitions conducted in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act or other applicable laws, or issuance of new shares and by use of the share equity so raised as the consideration payable for acquisition of another company's shares (the "assignment of shares") in accordance with Paragraph 6, Article 156 of the Company Law.
3. Related party: as defined in Statement of Financial Accounting Standards No. 6 published by the Accounting Research and Development Foundation of the Republic of China (the "ARDF").
4. Subsidiary: as defined in Statement of Financial Accounting Standards No. 5 and No. 7 published by the ARDF.
5. Professional appraiser: refers to a real estate appraiser or other person authorized by applicable laws to engage in the appraisal of real estate or other fixed assets.
6. Date of occurrence: refers to the date of contract signing, date of payment, date of completion of trading, date of transfer registration, date of board of directors resolution, or other date confirming the counterpart and amount of the transaction, whichever date is earlier. However, in the case of investments for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
7. Mainland China area investment: refers to investments in Mainland China area approved by the Investment Commission of the Ministry of Economic Affairs or conducted in accordance with the Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China.
8. As used in the Operating Procedures, "within one year" refers to the year preceding the date of occurrence of the acquisition or disposal of

assets; however, items duly announced in accordance with the Operating Procedures will be disregarded.

9. As used in the Operating Procedures, "latest financial statement" refers to the financial statement published and audited or reviewed by the Company's auditing CPA in accordance with applicable laws prior to the acquisition or disposal of assets.

## **Chapter 2 Scope of Assets and Investment Limits**

### **Article 4: Scope of assets applicable to the Operating Porcedures**

1. Securities: including long- term and short-term investments such as stocks, government bonds, corporate bonds, financial debentures, domestic beneficiary certificates, foreign mutual funds, deposit receipts, call (put) warrants, beneficiary certificates and asset-backed securities.
2. Real estate and other fixed assets.
3. Membership certificates.
4. Intangible assets: including patents, copyrights, trademarks, and franchises, etc.
5. Claims against financial institutions (including receivables, loans and bills purchase discounts, and overdue receivables).
6. Derivatives.
7. Assets acquired or disposed through mergers or consolidations, splits, acquisitions, or assignment of shares in accordance with applicable laws.
8. Other important assets.

**Article 5:** The total value of real property or securities purchased by the Company and its subsidiaries ("Subsidiaries") for non-operating use and limit on investment in each specific security are as follows:

1. The total value of real property purchased by the Company for non-operating use may not exceed 20% of the Company's net worth as stated in its latest financial statement.  
The total value of real property purchased by a Subsidiary for non-operating use may not exceed 20% of the Subsidiary's net worth as stated in its latest financial statement; however, if the Subsidiary is a holding company, the total value of real property purchased by the

Subsidiary for non-operating use may not exceed 20% of the Subsidiary's net worth as stated in its latest financial statement.

2. The total value of securities invested by the Company may not exceed 100% of the Company's net worth as stated in its latest financial statement.

The total value of securities invested by a Subsidiary may not exceed 150% of the Subsidiary's net worth as stated in its latest financial statement; however, if the Subsidiary is a holding company, the total value of securities invested by the Subsidiary may not exceed 200% of the Subsidiary's net worth as stated in its financial statement.

3. The investment in a specific security by the Company may not exceed 50% of the Company's net worth as stated in its latest financial statement.

The investment in a specific security by a Subsidiary may not exceed 100% of the Subsidiary's net worth as stated in its financial statement; however, if the Subsidiary is a holding company, its investment in a specific security may not exceed 150% of the Subsidiary's net worth as stated in its financial statement.

### **Chapter 3 Evaluation and Operating Process**

**Article 6:** When assets are acquired or disposed in accordance with the Operating Procedures, the execution department shall evaluate the terms and conditions of the transaction according to the Company's internal operating procedures in advance and then submit it for approval by the authorized person according to the authorized limit table approved by the Board of Directors. If the amount of the assets to be acquired or disposed exceeds the amount as set forth in the authorized limit table, the transaction may be implemented only after approved by the Board of Directors.

The execution departments referred to in the foregoing paragraph are as follows:

1. For long-term and short-term securities: the Investment Department and the Finance Department.
2. For real property and other fixed assets: the Department which uses such assets and the Finance Department.
3. For membership certificate: the Finance Department.
4. For intangible assets: each business unit and the Finance Department.

5. For claims against financial institutions: the Finance Department.
6. For derivatives: the Finance Department.
7. For assets acquired or disposed through mergers or consolidations, splits, acquisitions, or assignment of shares in accordance with applicable laws: the Investment Department.
8. For other important assets: the Department which uses such assets.

**Article 7:** When the Company should appoint a professional appraiser, accountant, lawyer, or underwriter to assist in appraisal work and obtain an expert opinion in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" promulgated by the SFC, the professional appraiser and its appraisal personnel, the accountant, lawyer, or underwriter so appointed shall not be a related party to the parties in the proposed transaction.

**Article 8:** When the Company acquires or disposes of assets through court auction procedures, the relevant evidence documentation issued by the court may be used as substitute for the appraisal report or the accountant opinion.

**Article 9:** If any acquisition or disposal of assets should be approved by the Board of Directors or recognized by the Supervisor, or approved by the shareholders' meeting in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" promulgated by the SFC or other applicable laws, paragraph 1 of Article 6 of the Operating Procedures shall not apply to such acquisition or disposal of assets. In this case, the execution department shall evaluate the terms and conditions of the transaction according to the Company's internal operating procedures in advance and then submit it for approval by the Board of Directors, recognition by the Supervisor, or approval by the shareholders' meeting.

In terms of any acquisition or disposal of assets which should be approved by the Board of Directors, if any director expresses an objection and such objection is recorded in the meeting minutes or a written statement is made for such objection, the Company shall submit the objection to each Supervisor. If the Company has any independent directors, when the transaction for acquisition or disposal of assets is submitted for discussion in the meeting of Board of Directors, the Board of Directors shall take into full consideration of

each independent director's opinion and shall record each independent director's explicit opinion for assent or dissent and reasons for dissent in the meeting minutes of the Board of Directors.

#### **Chapter 4 Guidelines for the Acquisition or Disposal of Assets and Operating Procedures**

**Article 10:** The Company shall comply with the following guidelines with regard to the acquisition or disposal of securities:

1. When acquiring or disposing of securities, the Company shall first obtain the latest audited or reviewed financial statement of the issue company for reference in appraising the transaction price.
2. When acquiring or disposing of securities, if any of the following circumstances occurs, and the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall appoint an accountant to render an opinion on the reasonableness of the transaction price:
  - (1) The securities acquired or disposed of were not traded at a stock exchange or over-the-counter market.
  - (2) acquisition or disposal of privately placed securities.

**Article 11:** The Company shall comply with the following guidelines with regard to the acquisition or disposal of real property and other fixed assets:

When acquiring or disposing real property or other fixed assets, if the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, except for transacting with a governmental agency, engaging others to build on its own land, engaging others to build on leased land, or acquiring machinery and equipment for operating use, the Company shall obtain an appraisal report in advance from a professional appraiser and shall further comply with the following provisions:

1. Where due to special circumstances a specific price or specified price should be used as reference price in determining the transaction price, such transaction shall be submitted for approval by the Board of Directors in advance, and the same procedures shall apply for any future changes to the terms and conditions of such transaction.
2. If the transaction amount is NT\$1 billion or more, the Company shall obtain appraisal reports from at least two professional

appraisers

3. If the professional appraiser's appraisal results revealed any of the following circumstances, the Company shall appoint an accountant to conduct the appraisal in accordance with the provisions of Statement of General Auditing Procedures No. 20 published by the ARDF and render a specific opinion regarding the cause of the differences and the reasonableness of the transaction price:
  - (1) Where the difference between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  - (2) Where the difference between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
4. Where an appraisal is conducted prior to the execution date of the relevant sale and purchase agreement, the period from the date of the appraisal report to the execution date of the relevant sale and purchase agreement should be no more than three months. However, where the publicly announced current land value for the same period is used and not more than six months have elapsed from the original appraisal report, an opinion may still be issued by the same professional appraiser.
5. Items which should be included in an appraisal report are:
  - (1) Items required in accordance with Regulations on Real Estate Appraisal.
  - (2) Matters regarding the professional appraiser and its appraisal personnel:
    - a. The professional appraiser's name, amount of paid-in capital, organizational structure, and personnel composition.
    - b. The names, ages, academic records and curriculum vitae (with relevant evidences), number of years performing appraisal work and employment period, and number of appraisals conducted of the appraisal personnel.
    - c. Relationship between professional appraiser, appraisal personnel, and the client.
    - d. Declaration of no false statement or omission being contained in the appraisal report.
    - e. Date of appraisal report.

- (3) Basic information of the subject property, which shall at least include the name and nature, location, and area of the subject property.
- (4) Examples of transactions involving other properties that are located within the area as the subject property.
- (5) When the appraisal type is for a specific price or specified price, the conditions of the specific or specified price and whether said conditions are met under current circumstances, the reason for the difference between the normal prices and such specific or specified price and the reasonableness of such difference, and whether the specific price or specified price is qualified to be used as reference for the transaction price.
- (6) In terms of a joint development contract, the reasonable allocation percentage between the parties should be provided.
- (7) An estimate of land value incremental tax.
- (8) In case that appraised value of the subject property at the same appraisal date among appraisers differs and the difference is twenty percent or more, whether measures provided in Article 41 of the Real Estate Appraiser Act has been taken.
- (9) Attachments to the appraisal report shall include an appraisal detail of the subject property, ownership registration information, photocopy of cadastral map, urban planning sketch, location map of the subject property, certificate of land use zoning, and photographs showing current condition of the subject property.

**Article 12:** Procedures governing acquisition of real property from a related party are as follows:

1. When the Company acquires real property from a related party through purchase or swap, in addition to compliance with the requirements set forth in Article 11, the Company shall follow required procedures and obtain required approvals, and assess the reasonableness of the transaction terms and other relevant matters in accordance with the following provisions. Furthermore, when determining whether the transaction counterparty is a related party, in addition to legal formalities, the Company shall take into consideration of the substance of the relationship between the transaction parties.
2. Appraisal and operating procedures:  
The Company may acquire real property from a related party only after

submitting the following information to the Board of Directors for approval and to the Supervisors for recognition:

- (1) The purpose, necessity and estimated benefits of the acquisition of the real property.
- (2) The reason for choosing the related party as the transaction counterparty.
- (3) Information regarding appraisal of the reasonableness of the proposed transaction terms in accordance with the provisions of items (1) and (4), subparagraph 3 of this Article 12.
- (4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
- (5) Monthly cashflow forecasts for the year beginning from the anticipated month of execution of the contract, and evaluation of the necessity of the transaction, and reasonableness of the use of funds.
- (6) Restrictive covenants and other important terms in connection with the transaction.

3. Assessment of reasonableness of transaction cost:

- (1) The Company shall use the following methods to assess the reasonableness of the transaction cost when acquiring real property from a related party:
  - a. Based upon the related party's transaction price plus necessary interest on funding and the costs payable by the buyer in accordance with applicable law. "Necessary interest on funding" refers to and is calculated by use of the weighted average interest rate on funds borrowed by the Company in the year when the Company plans to purchase the property as the basis. However, such necessary interest on funding may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - b. Based upon the total appraisal value from a financial institution if the related party has previously taken a mortgage on the property as security for a loan;

provided that the actual cumulative amount lent by the financial institution shall be 70% or more of the financial institution's appraisal value for the property and the loan shall have been disbursed and outstanding for one year or more. However, this method shall not apply if the financial institution is a related party of one of the transaction counterparties.

- (2) Where the land and the building situated thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the building may be separately appraised in accordance with either of the methods set forth in the preceding paragraph.
- (3) When the Company acquires real property from a related party, it shall appraise the cost of the real property in accordance with the provisions of items (1) and (2), subparagraph 3 of this Article 12, and shall also engage an accountant to review the appraisal result and issue a specific opinion regarding appraisal result.
- (4) Where the Company acquires real property from a related party and the results of appraisal performed in accordance with the provisions of items (1) and (2), subparagraph 3 of this Article 12 are both lower than the transaction price, the transaction shall be handled in accordance with the provisions of Item (5), subparagraph 3 of this Article 12. However, if any of the following circumstances occur and where any objective evidence has been provided and specific opinions on reasonableness of the transaction price have been obtained from a professional appraiser and an accountant have been obtained, the preceding paragraph shall not apply:
  - a. When the related party has acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
    - i. The undeveloped land is appraised in accordance with the foregoing methods, and the building is appraised according to the related party's construction cost plus reasonable construction profit, and the total appraised value of the land and the building is in excess of the actual transaction price. "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction

division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

- ii. Concluded transactions by unrelated parties within the preceding year involving other floors of the same target property or properties located in the neighboring area, of which the property size and transaction terms are similar to the proposed transaction after taking into consideration of reasonable price differences in floor or area prices in accordance with standard real property market practices.
- iii. Concluded leasing transactions by unrelated parties within the preceding year for other floors of the same target property, of which the transaction terms are similar to the proposed transaction after taking into consideration of reasonable price differences in floor according to standard real property leasing market practices.

- b. Where the Company provides evidences that the terms of the proposed acquisition of real property with the related party are similar to the terms of transactions concluded for the acquisition of property located in neighboring area of a similar size by unrelated parties within the preceding year. Concluded transactions for the acquisition of property located in neighboring area in the preceding paragraph in principle refers to property located at the same or an adjacent block of the target property and within a distance of no more than 500 meters or the publicly announced current value of the property is close to that of the target property; transaction of similar size refers to transactions concluded by unrelated parties with a land area of no less than 50% of the target property; within one year refers to one year preceding the date of occurrence of the proposed acquisition of the target property.

- (5) When the Company acquires real property from a related party and the results of appraisal performed in accordance with the provisions of items (1) and (2), subparagraph 3 of this Article 12 are both lower than the transaction price, the Company shall

comply with the following provisions. In addition, if the Company and any public company that invests in the Company using the equity method have allocated a special reserve in accordance with the following provisions, the Company and the public company may not utilize such special reserve until it has recognized loss due to price decline for such real property, or such property has been disposed of, or adequate compensation has been made, or the original condition has been restored, or there is other evidence confirming that it is not unreasonable to do so, and approval in connection therewith from the SFC shall have been obtained.

- a. The Company shall allocate the difference between the real property transaction price and the estimate cost as a special reserve in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act, and shall not be distribute this reserve or use it for capitalization and issuance of new shares. If an investor that has investment in the Company by using the equity method is a public company, it shall also allocate special reserve in an amount in proportion to its shareholding in the Company according to paragraph 1, Article 41 of the Securities and Exchange Act.
  - b. Supervisors of the Company shall comply with Article 218 of the Company Law.
  - c. The Company shall report matters handled under the foregoing items (1) and (2) to the shareholders' meeting and shall disclose the details of the transaction in its annual report and prospectus.
- (6) When the Company acquires real property from a related party and any of the following circumstances occur, it shall implement the transaction in accordance with the appraisal and operating procedures in subparagraphs 1 and 2 of this Article 12, and items (1), (2), and (3), subparagraph 3 of this Article 12 regarding the assessment of the reasonableness of transaction cost are not applicable:
- a. The related party acquired the real property through inheritance or as a gift.
  - b. More than five years will have elapsed from the time the related party signed the contract to obtain the real property to the execution date of the proposed

transaction.

- c. The real property is to be acquired through signing of a joint development contract with the related party.

(7) When the Company acquires real property from a related party and there is other evidence indicating that such acquisition does not conform to conventional business practice, the Company shall act in accordance with item (5), subparagraph 3 of this Article 12.

**Article 13:** The Company shall comply with the following guidelines with regard to the acquisition or disposal of membership certificates or intangible assets:

When the Company acquires or disposes of membership certificates or intangible assets and the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall appoint an accountant to render an opinion on the reasonableness of the transaction price. The accountant so appointed shall act in accordance with Statement of General Auditing Procedures No. 20 published by the ARDF accordingly.

**Article 14:** The Company shall comply with the following guidelines with regard to the acquisition or disposal of claims against financial institutions: The Company shall not engage in the acquisition or disposal of claims against financial institutions. If the Company wishes to acquire or dispose of claims against financial institutions in the future, it shall promulgate assessment and operating procedures after obtaining approval by the Board of Director.

**Article 15:** Procedures governing derivatives trading activities are as follows:

1. Trading principles and strategies:

(1) Types of trades:

The scope of the Company's derivatives trading shall be limited to forward foreign exchange, options, interest rate or exchange rate swaps, outright bond purchase and sale, and repurchase transactions. Prior approval of the Board of Directors is required for trading of other types of products.

(2) Operating and hedging strategies:

The Company shall engage in derivatives trading for the purpose of mitigating risks. When selecting derivatives products, the Company shall choose from the products with a view to

mitigate the risks arising from the Company's business operating. In addition, to avoid creating credit risk, the Company shall choose derivatives trading counterparties from the Company's correspondent banks to the extent possible.

(3) Delegation of powers and duties:

- a. Funds management: Funds management is the pivot of the foreign exchange management system; it is necessary to acquire foreign exchange market information, assess trends and risks, have knowledge of financial products, be familiar with relevant laws and regulations and have relevant skills in order to provide the management, sales, purchasing, accounting, and funds management departments with sufficient and up-to-date information.
- b. Accounting Department: Accounting Department is responsible for the control of the Company's overall foreign exchange position and shall accurately calculate realized and future positions for the Company to set account exchange rates and lock in profit and cost, which may avert the performance of the Company's core business from being influenced by exchange rate fluctuations. Accounting Department needs to rely on the information provided by purchasing and sales departments for the prediction and creation of positions, and a high level of accuracy of such information is essential to the holding of positions.

(4) Trading limits:

- a. Hedging trade limit: The Company shall use the monthly trading-type foreign exchange hedge net position as the hedging limit. Any excess of such limit shall be approved by the Board of Directors in advance.
- b. Special purpose trade limit: Special purpose trading limit shall be confined to capital expenditures, corporate bonds, and long-term investments and the actual amount of such transactions is used as the maximum hedging amount.
- c. Others: The trading limit, stop-loss limit, and authorized limit for other trades which does not belong to the two foregoing categories should be approved by the Board of Directors before execution.

(5) Performance evaluation:

- a. Performance evaluation shall be based on the exchange rate costs on the Company's books and profit/loss from derivatives trading.
- b. The Company has adopted a monthly profit/loss appraisal approach in order to accurately manage and disclose price risks of derivatives trading.

(6) Setting of loss limits:

a. Hedging trade:

- i. After a trading position has been established, a stop-loss spot must be set to prevent over-limit losses. The stop-loss spot shall not exceed 10% of the trading contract amount. If the loss amount exceeds 10% of the trading amount, such event shall be immediately reported to CEO and the Board of Directors for discussion of necessary counter measures.
- ii. The loss amount for each trading contract shall not exceed 10% of the contract amount.
- iii. After a trading position has been established, a clear stop-loss exchange rate and interest rate shall be set based on 10% of the amount shown on the trade approval sheet. The stop-loss exchange rate and interest rate shall be recorded in the trade approval sheet and prior approval for the transaction shall be obtained in accordance with the authorized limit table. Market fluctuations must be monitored constantly so long as a position is held; if the exchange rate or interest rate reached the stop-loss spot, stop loss measures must be immediately implemented.

b. Special purpose trade:

Special purpose trade is used to hedge risks for definite purpose, and there must be specific corresponding hedge positions. In principle, a special purpose trade will not be early terminated.

2. Operating procedures:

- (1) Authorized limit (including hedging trades and special purpose trades):

In accordance with the Company's growth of sales, change of risk positions, and designated purpose, the authorized limits of the Company are set as follows. Any amendment to the authorized limit shall be approved by the Board of Directors before implementation.

	<u>Upper limit on single trade</u>	<u>Total daily limit</u>
CEO	US\$40 million	US\$100 million
Chief Officer of Finance Department	US\$20 million	US\$50 million
Officer of Funds Management Department	US\$5 million	US\$15 million

To ensure that the Company's authorization cooperate with the corresponding bank's oversight, the foregoing authorized limits and operating and hedging strategies shall be reported to the relevant corresponding bank. The bank shall be notified of any amendment to the authorized limit and make corrections thereof. In addition to compliance with the existing terms between Company and the bank, the bank shall be requested to continue to control the Company's trading and positions in accordance with the foregoing authorized limit table.

(2) Execution department:

As derivatives trading is characterized by rapid fluctuations, large monetary amounts, frequent trading, and complex calculations, it is necessary to appoint well trained professionals to conduct the trading and management. Thus, all derivatives trading shall be executed by authorized funds management personnel designated by the Chief Officer of the Finance Department.

3. Accounting treatment:

When a derivative trade is done, no principal will be actually delivered; therefore, there is no need to record the amount of derivatives trade on the Company's balance sheet. Except for the Statements of Financial Accounting Standards No. 14 published by the ARDF ("Accounting Standards No. 14"), which relates to forward F/X transaction, currently there are no specific rules governing the accounting treatment of derivatives trading. Thus, except for forward F/X transaction, which the Company has recorded accounting entries in accordance with the requirements of Accounting Standards No. 14, for other types of derivatives, the Company only records the particulars of each trades and calculates the realized and unrealized profit/loss for preparing a derivative income statement on a monthly basis. The Operating Procedures also contain commonly adopted accounting treatments for each type of derivatives as reference for the Company's promulgation of relevant guidelines in the future.

4. Internal control system:

(1) Risk management measures:

- a. Credit risk considerations: In principle, transaction counterparties are limited to the Company's correspondent banks and those who could provide professional information.
- b. Market risk considerations: The major trading market is to trade in the OTC (over-the-counter) market via banks. The Futures market is not taken into consideration currently.
- c. Liquidity considerations: To ensure liquidity, the bank which the Company transacts with should have sufficient equipment, information, and trading capabilities, and should be able to trade in any market.
- d. Operation considerations: To avoid operation risk, the Company shall observe the authorized limit and operating procedures closely.
- e. Legal risk: To avoid legal risk, all documents to be entered into between the bank and the Company shall be reviewed by the Legal Department and the Finance Department before execution.
- f. Product risk: Internal trading officers and counterparty banks should possess extensive and correct professional knowledge in connection with the trading of financial products. It is required for the counterparty banks to fully disclose risks to the Company so as to avoid losses from incorrect use of financial products.
- g. Cashflow risk: In addition to strictly observe the limits as set forth in the authorized limit table, the trading officers shall pay close attention to the Company's foreign currency cash-flow so as to ensure that there is sufficient cash to pay for F/X settlements.

(2) Internal control:

- a. Trading personnel shall not concurrently serve as confirmation and settlement personnel.
- b. Trading personnel shall give trading vouchers or contracts to recording personnel for records.

- c. Recording personnel shall regularly check account balances with correspondent banks or request for bank statements.
- d. Recording personnel shall check whether the total amount of trades has exceeded the net position of foreign currency assets, liabilities and commitment net positions from time to time.
- e. The Funds Management Department shall assess the profit/loss status based on the final posted daily exchange rates and produce a report thereof at the end of each month. The Funds Management Department shall submit such report to the Chief Officer of the Finance Department and the Company's senior management officers.
- f. Personnel responsible for the risk assessment, monitoring, and control shall be assigned to different departments from the personnel referred to in the foregoing subparagraphs, and shall report to the Board of Directors or senior management officers not responsible for trading or position decisions.

(3) Regular evaluation methods:

- a. The Board of Directors shall authorize senior management personnel to regularly monitor and evaluate whether derivative trades are executed in compliance with the Company's trading procedures, and determine whether the risk exposure is within the acceptable limits. Whenever a market price evaluation report contains any irregularity (such as the position held exceeding the loss limit), the aforementioned personnel shall immediately report to the Board of Directors and take necessary counter measures.
- b. Derivative trading positions held shall be evaluated at least once each week. However, hedging trades executed for the Company's business needs shall be evaluated at least twice each month. Evaluation reports shall be submitted to the Chief Officer of the Finance Department.

(4) Oversight principles for derivative trading by the Board of Directors:

- a. The Board of Directors shall appoint senior management officers to regularly monitor and control the derivatives trading risk. The guidelines for monitoring and control are as follows:
    - i. Periodically evaluate whether the risk management measures currently adopted are appropriate and are conducted in accordance with these Operating Procedures and derivative trading operating guidelines promulgated by the Company.
    - ii. Monitoring trading activities and profit/loss status, whenever irregularities are found, the senior management officers shall take appropriate counter measures and shall immediately report to the Board of Directors. If the Company has independent directors, at least one independent director should be present at the meeting and express his opinion.
  - b. Periodically evaluate whether derivatives trading performance is consistent with the Company's established operational strategy and whether the risk exposure is acceptable to the Company.
  - c. When engaging in derivatives trading, the Company shall report to the Board of Directors after it authorizes relevant personnel to conduct derivatives trading in accordance with the derivative trading operating guidelines promulgated by the Company.
  - d. The Company shall establish a memorandum book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under items 3-2, 4-1 and 4-2, subparagraph 4 of this Article 15, shall be recorded in detail in the memorandum book for inspection.
5. Internal audit system:
- (1) The Company's internal auditor shall periodically review the appropriateness of the internal control system of derivatives trading, conduct a monthly audit of compliance of derivatives trading operating procedures by the execution department, analyze trading cycles, and prepare an audit report accordingly.

The internal auditor shall notify the Supervisors of Company in writing if any material violation is found.

- (2) The Company's internal auditor shall file the audit report together with the annual internal audit review report for the preceding year with the SFC by the end of February each year. The Company's internal auditor shall also report any improvements of irregularities during the preceding year to the SFC by the end of May each year.

**Article 16:** Procedures governing mergers or consolidations, splits, acquisitions, or assignment of shares are as follows:

1. Appraisal and operating procedures:

- (1) When the Company wishes to conduct a merger or consolidation, split, acquisition, or assignment of shares, it may engage an accountant, lawyer, and underwriter to jointly review statutory procedures and proposed timetable; the Company shall also form a project execution team to implement the transaction in accordance with statutory procedures. The Company should, prior to convening a meeting of the Board of Directors to decide on the matter, further engage an accountant, lawyer, or underwriter to render opinions regarding the reasonableness of the share swap ratio, acquisition price, or distribution of cash or other property to shareholders, and shall submit the same to the Board of Directors for discussion and approval.
- (2) When conducting a merger or consolidation, split, or acquisition, the Company shall prepare a public report to its shareholders, specifying important contractual contents and matters relevant to the merger or consolidation, split, or acquisition prior to the shareholders' meeting. The Company shall attach such public report and the expert opinions referred to in item (1), subparagraph 1 of this Article 16 when sending the notice of shareholders' meeting for shareholders' reference in determining whether to approve the merger or consolidation, split, or acquisition. However, if the convention of shareholders' meeting to approve the merger or consolidation, split, or acquisition is exempted by applicable laws, the notification requirement for sending the notification in the preceding paragraph shall not apply. Moreover, where any one of the companies participating in a merger or consolidation, split, or acquisition fails to convene or obtain a resolution due to lack of a quorum, insufficient votes, or restrictions by applicable laws, or the proposal was vetoed by the shareholders' meeting, such

company shall immediately publicly announce an explanation of the reason for such failure, follow-up measures to be taken, and the proposed date of the next shareholders' meeting.

2. Other matters to be noted:

- (1) Date of shareholders' meeting or meeting of the Board of Directors: Companies participating in a merger or consolidation, split, or acquisition shall convene their board meetings and shareholders' meetings on the same day to resolve matters relevant to the merger or consolidation, split, or acquisition, unless otherwise provided by applicable laws or there are extraordinary conditions which should be reported to and approved by the SFC in advance. Companies participating in an assignment of shares shall convene their board meetings on the same day, unless otherwise provided by applicable laws or there are extraordinary conditions which should be reported to and approved by the SFC in advance.
- (2) Commitment to confidentiality obligations in advance: Each person participating in or being informed of the plan for merger or consolidation, split, acquisition, or assignment of shares shall execute a written undertaking of confidentiality and shall not disclose the contents of the plan prior to public announcement of information in connection with the plan and shall not trade, in their own names or under the name of another person, in any stock or other equity security of any company related to the plan for merger or consolidation, split, acquisition, or assignment of shares.
- (3) Principles for setting and amending share swap ratio or acquisition price: When conducting a merger or consolidation, split, acquisition, or assignment of shares, except for the following circumstances, the share swap ratio or acquisition price shall not be amended arbitrarily and the circumstances in which the share swap ratio or acquisition price could be amended should be provided in the contract for the merger or consolidation, split, acquisition, or assignment of shares:
  - a. Capital increase by cash, issuance of convertible bonds, free distribution of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, and other equity securities.
  - b. Any disposal of material assets of the company or other action which may have a material adverse effect on the company's financial condition or business.

- c. A disaster or major technological shift or other event which may affect shareholder's equity or the share price.
  - d. An adjustment results from the buy-back of treasury stock by any of the companies participating in the merger or consolidation, split, acquisition, or assignment of shares.
  - e. An increase or decrease in the number of entities or companies participating in the merger or consolidation, split, acquisition, or assignment of shares.
  - f. Other terms and conditions allowing amendments which have been provided in the relevant contract and have been publicly disclosed.
- (4) Items to be provided in contract: In addition to those items required under Article 317-1 of the Company Law and Article 22 of the Business Mergers and Acquisitions Act, the contract for participation in a merger or consolidation, split, acquisition, or assignment of shares shall provide the following provisions:
- a. Remedy for breach of contract.
  - b. Principles for the handling of equity securities previously issued or treasury stock previously bought back by any company that is to be dissolved in a merger or that is spun off.
  - c. The amount of treasury stock that could be bought back by participating companies in accordance with applicable laws after the record date of calculation of the share swap ratio, and the handling principles thereof.
  - d. Methods for handling changes in the number of participating entities or companies.
  - e. Estimated schedule for execution of the plan, and anticipated completion date.
  - f. Scheduled date for convention of shareholders' meeting in accordance with applicable laws in the event that execution of the plan falls behind the estimated schedule and relevant handling procedures.

- (5) Changes in the number of companies participating in a merger or consolidation, split, acquisition, or assignment of shares: After relevant information has been publicly announced, if any company participating in the merger or consolidation, split, acquisition, or assignment of shares intends further to carry out a merger or consolidation, split, acquisition, or assignment of shares with another company, all of the participating companies shall repeat the procedures or legal actions that had originally been completed toward the merger or consolidation, split, acquisition, or assignment of shares; except that where the number of participating companies is decreased and the participating company's shareholders' meeting has resolved and authorized the Board of Directors to amend the terms, such participating company could be exempted from convening another shareholders' meeting to resolve the matter again.
- (6) Where a company participating in a merger or consolidation, split, acquisition, or assignment of shares is not a public company, the Company shall sign an agreement with that company, and shall conduct the merger or consolidation, split, acquisition, or assignment of shares in accordance with the Board of Directors meeting convention date specified in item (1), the confidentiality obligation in item (2), and the requirements regarding changes in the number of companies participating in a merger or consolidation, split, acquisition, or assignment of shares in item (5), subparagraph 2 of this Article 16.

## **Chapter 5 Disclosure of Information and Public Announcement and Reporting Procedures**

**Article 17:** Items to be publicly announced and reported and requirements for public announcement and reporting are as follows:

1. Acquisition of real property from a related party.
2. Investment in the Mainland China area.
3. Merger or consolidation, split, acquisition, or assignment of shares.
4. Any losses from derivatives trading which reaches the limits on aggregate losses or losses for individual contracts as set out in the operating procedures promulgated by the Company.
5. Other asset transactions other than those referred to in the preceding four subparagraphs, or disposal of receivables by a financial institution,

and the transaction amount of which reaches 20% of the company's paid-in capital or NT\$300 million or more; provided that the public reporting requirement shall not apply to the following circumstances:

- (1) Trading of government bonds.
  - (2) Where the company is an investment company, the securities trading in foreign securities exchanges or over-the-counter markets.
  - (3) Trading of bonds under repurchase/resale agreements.
  - (4) Where the type of asset acquired or disposed of is equipment and machinery for operational use, and the transaction counterparty is not a related party and the transaction amount is less than NT\$500 million.
  - (5) Acquisition or disposal of real property under arrangement of commissioned construction on self-owned land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale and the transaction amount to be invested by the Company is less than NT\$500 million.
6. The transaction amount referred to in the foregoing five subparagraphs shall be calculated as follows; and the term "within one year" refers to the year preceding the date of occurrence of the proposed transaction; and items which has been duly announced in accordance with applicable regulations may be disregarded for the calculation:
- (1) The amount of each transaction.
  - (2) The cumulative transaction amount of acquisitions and disposals of the same type of assets with the same transaction counterparty within one year.
  - (3) The cumulative transaction amount of acquisitions and disposals of real property in the same development project within one year (the amount for acquisition and the amount for disposal shall be calculated separately).
  - (4) The cumulative transaction amount of acquisitions and disposals of the same security within one year (the amount for acquisition and the amount for disposal shall be calculated separately).

**Article 18:** Deadline for public announcement and reporting:

When acquiring or disposing of assets, if such acquisition or disposal is one of the items that should be publicly announced and reported, and the transaction amount reaches the requirements for public announcement and reporting, the Company shall make the public announcement and reporting on the website designated by the SFC in the format prescribed by the "Regulations Governing Acquisition or Disposal of Assets by Public Companies" promulgated by SFC within two days of the date of occurrence.

**Article 19:** Procedures governing public announcement and reporting are as follows:

1. The Company shall make the public announcement and reporting of relevant information on the website designated by the SFC in accordance with the preceding Article 18.
2. The Company shall post information regarding derivative trading activities of the Company and its subsidiaries that are not domestic public companies during the preceding month on the reporting website designated by the SFC in the required format by the tenth day of each month.
3. If any required items publicly announced by the Company in accordance with applicable regulations contain errors or omissions and a correction thereof is necessary, the Company shall make a public announcement and report of such items in their entirety again.
4. When acquisition or disposal of assets, unless otherwise provided in other applicable laws, the Company shall keep all relevant contracts, resolution minutes, memorandum books, appraisal reports, and opinions of accountants, lawyers, or underwriters for at least five years.
5. After the Company has publicly announced and reported a transaction in accordance with applicable regulations, in case any of the following event occurs, it shall report relevant information on the website designated by the SFC within two days of the date of occurrence:
  - (1) Any amendment, termination or discharge of the contracts originally executed in the transaction.
  - (2) The merger or consolidation, split, acquisition, or assignment of shares is not completed by the scheduled completion date set forth in the relevant contract.

## Chapter 6 Supplemental Provisions

**Article 20:** The Subsidiaries shall comply with the following provisions:

1. The Subsidiaries shall promulgate its own "Operating Procedures of the Acquisition or Disposal of Assets" in accordance with the relevant provisions of the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies," and shall submit the said operating procedures for approval by the Board of Directors first and then by the shareholders' meeting. The same procedure shall apply in the event of any amendment to the said operating procedures.
2. When a Subsidiary acquires or disposes of assets, the Subsidiary shall act in accordance with these Operating Procedures. The Audit Division of the Company shall include the operating specifics of the acquisition or disposal of assets by the Subsidiaries as one of the internal audit items and shall conduct audits regularly or randomly; and shall review the self-check report prepared by the Subsidiaries.
3. If a Subsidiary is not a public company but its transaction amount of acquisition or disposal of assets meets the requirement of public announcement and reporting as set forth in the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies", the Company shall make the public announcement and reporting on behalf of the Subsidiary.
4. With regard to requirement of public announcement and reporting for subsidiaries, the provisions regarding "exceeding 20% of the company's paid-in capital" shall refer to the parent company's paid-in capital.

**Article 21:** Penalty provision is as follows:

If any of the Company's officers in charge of the acquisition or disposal of assets violates the Operating Procedures and such violation is verified, the person who violates the Operating Procedures will receive penalties commensurate with the severity of such violation according to the Company's working rules.

**Article 22:** Any matters not provided in these Operating Procedures shall be handled in accordance with applicable laws and regulations.

**Delta Electronics, Inc. Shareholders' Meeting Rules and Procedures  
(Translation)**

Passed by general shareholders' meeting on March 19, 1988  
Amendment passed by general shareholders' meeting on May 15, 1998  
Amendment passed by general shareholders' meeting on May 16, 2002  
Amendment passed by general shareholders' meeting on May 19, 2005  
Amendment passed by general shareholders' meeting on May 18, 2006

**Article 1**

These Rules and Procedures have been stipulated in accordance with the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies in order to establish effective governance of the shareholders' meeting, implement sound supervisory functions, and strengthen managerial functions.

**Article 2**

Unless otherwise provided for in applicable laws and regulation or this Company's Articles of Incorporation, the Company's Shareholders' Meeting Rules and Procedures shall comply with the following articles.

**Article 3**

The Company's shareholders' meeting shall be convened by the Board of Directors unless applicable laws and regulations provide otherwise.

All shareholders shall be notified of a general shareholders' meeting at least 30 days in advance. Those shareholders each holding less than 1,000 registered shares may be notified by means of an announcement on the Market Observation Post System Website 30 days in advance of the meeting.

All shareholders shall be notified of a special shareholders' meeting at least 15 days in advance. Those shareholders each holding less than 1,000 registered shares may be notified by means of an announcement on the Market Observation Post System Website 15 days in advance of the meeting. Notification and announcements shall state the reasons for the meeting.

The election or discharge of directors and supervisors, the amendment of this Company's Articles of Incorporation, the dissolution, merger, or spin-off of the Company, or the matters specified in Article 185, Paragraph 1 of the Company Law, or Article 26-1 or Article 43-6 of the Securities and Exchange Law shall be

listed among the reasons for the meeting, and may not be proposed as provisional motions.

#### **Article 4**

Before any shareholders' meeting, shareholders may submit proxy forms issued by the Company bearing the scope of authorization, name of proxy, and shareholders' meeting to be attended.

Each shareholder may submit one proxy form, and may appoint only one person to serve as a proxy. Proxy forms must be delivered to the Company at least five days before each shareholder's meeting. If multiple proxy letters are delivered, the first shall take precedence; however, if the shareholder has made a statement to cancel a prior proxy appointment, the preceding sentence shall not apply.

#### **Article 5**

Shareholders' meetings shall be held at the Company's premises or at another place that is convenient for shareholders to attend and suitable for such a meeting. The meeting shall not start earlier than 9:00 AM or later than 3:00 PM.

#### **Article 6**

The Company shall provide a sign-in book allowing attending shareholders or their appointed proxies (hereafter referred to as "shareholders") to sign in or require attending shareholders to submit attendance cards in lieu of signing in.

The Company shall provide meeting agenda, annual reports, attendance passes, speech notes, ballots, and other meeting materials to shareholders attending the shareholders' meeting; ballots shall be given to attending shareholders when the election of directors and supervisors is to be held.

Shareholders shall be admitted to the shareholders' meeting on the basis of attendance passes, attendance cards, or other attendance documents; those persons soliciting proxy forms shall be required to present identification documents for checking identities.

When the government or a legal entity is a shareholder, more than one representative may attend the shareholders' meeting. However, a legal entity serving as proxy to attend a shareholders' meeting may appoint only one representative to attend the meeting.

#### **Article 7**

If a shareholders' meeting is convened by the Board of Directors, the Chairman of the Board of Directors shall be the chairman presiding at the meeting. If the Chairman of the Board of Directors is on leave or cannot perform his duties for some reason, the Vice-Chairman shall preside at the meeting on the Chairman's behalf; if the Company does not have a vice-Chairman or the Vice-Chairman is on leave or cannot perform his duties for some reason, the Chairman of the Board of Directors shall appoint a managing director to serve on his behalf. If there are no managing directors, the Chairman shall appoint a director to serve on his behalf. If the Chairman has not appointed a representative, the managing directors or directors shall nominate among themselves to preside over the meeting.

More than one-half of the directors should attend the shareholders' meeting if that meeting has been convened by the Board of Directors.

If the shareholders' meeting is convened by any person entitled to convene the meeting other than the Board of Directors, such person shall be the meeting's chairman. If there is more than one such person entitled to convene the meeting, those persons shall nominate amongst themselves to be the meeting's chairman.

This Company may appoint designated legal counsel, CPA, or relevant persons to attend the shareholders' meeting.

#### **Article 8**

The proceeding of the meeting shall be audio recorded or videotaped in its entirety and these tapes shall be preserved for at least one year. However, the said tapes shall be preserved until the conclusion of the lawsuit if a shareholder initiates a lawsuit in accordance with Article 189 of the Company Law.

#### **Article 9**

Attendance at shareholders' meeting shall be determined based on the number of shares. The number of attending shares shall be calculated based on the sign-in book or attendance cards submitted by shareholders.

The chairman shall call the meeting to order at the time scheduled for the meeting. If the number of shares represented by the attending shareholders has not yet constituted more than one-half of all issued and outstanding shares at the time scheduled for the meeting, the chairman may postpone the time for the meeting. The postponements shall be limited to two times at the most and the meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements the number of shares represented by the attending shareholders has not yet constituted more than one-third of all issued and outstanding shares, the chairman shall announce the termination of the meeting.

If after two postponements the number of attending shares represented by the attending shareholders has not yet constituted more than one-half of all issued and outstanding shares but the attending shareholders at the meeting represent more than one-third of all issued and outstanding shares, provisional resolutions may be made in accordance with Article 175, Paragraph 1 of the Company Law, and shareholders shall be notified to attend another shareholders' meeting to approve the said provisional resolutions within one month.

If the attending shareholders have constituted more than one-half of all issued and outstanding shares by the end of the meeting, the chairman may submit the foregoing provisional resolutions to the meeting for approval in accordance with Article 174 of the Company Law.

#### **Article 10**

The agenda of the meeting shall be set by the Board of Directors if the meeting is convened by the Board of Directors. Unless otherwise resolved at the meeting, the meeting shall proceed in accordance with the agenda.

The above provision applies mutatis mutandis to cases where the meeting is convened by any person, other than the Board of Directors, entitled to convene such meeting.

Unless otherwise resolved at the meeting, the chairman cannot announce adjournment of the meeting before all the items (including provisional motions) listed in the agenda are completed. If the chairman announces the adjournment of the meeting in violation of these Rules and Procedures, other members of the Board of Directors shall promptly assist the attending shareholders to elect, by a majority of votes represented by attending shareholders in the meeting, another person to serve as chairman and continue the meeting in accordance with due procedures.

The chairman must provide sufficient time for the explanation and discussion of all items on the agenda and amendments and provisional motions submitted by shareholders; the chairman may announce an end of discussion and submit an item for a vote if the chairman deems that the agenda item is ready for voting.

#### **Article 11**

When a shareholder attending the meeting wishes to speak, a speech note should be filled out with summary of the speech, the shareholder's account number (or the number of attendance card) and the account name of the shareholder. The chairman shall determine the sequence of shareholders' speeches.

If any attending shareholder at the meeting submits a speech note but does not speak, no speech should be deemed to have been made by the shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the speech note, the contents of actual speech shall prevail.

The same shareholder may not speak more than twice concerning the same item without the chairman's consent, and each speech time may not exceed five minutes. The chairman may stop the speech of any shareholder who violates the above provision or exceeds the scope of the agenda item.

Unless otherwise permitted by the chairman and the speaking shareholder, no shareholder shall interrupt the speech of the speaking shareholder, otherwise the chairman shall stop such interruption.

When a legal-entity shareholder has appointed two or more representatives to attend the meeting, only one representative can speak for each agenda item.

The chairman may respond himself/herself or designate another person to respond after the speech of attending shareholder.

## **Article 12**

Voting at a shareholders' meeting shall be based on number of shares.

The shares of shareholders with no voting rights shall not be included in the total number of issued and outstanding shares when voting on resolutions.

If there is concern that a shareholder's interest may conflict with and adversely affect the Company's interests with regard to any matters discussed at the meeting, that shareholder may not participate in voting, and may not represent another shareholder to exercise his or her voting rights.

The number of shares of those persons not permitted to exercise their voting rights in the foregoing paragraph shall not be included in counting the total number of voting shares for attending shareholders.

Except in the case of a trust enterprise or securities proxy organization approved by the securities competent authority, the proxy voting rights of a person serving as a proxy for two or more shareholders may not exceed 3% of total issued and outstanding shares voting rights; if it does exceed 3%, the excess portion shall not be counted.

## **Article 13**

Each shareholder is entitled to one vote for each share held. The above provision shall not apply to those persons whose voting rights are restricted or who have no voting rights.

Except otherwise specified in the Company Law or the Company's Articles of Incorporation, a resolution shall be adopted by a majority of the votes represented by the attending shareholders.

An agenda item shall be deemed approved and shall have the same effect as if it was voted by casting ballots if no objection is voiced by all attending shareholders after solicitation by the chairman. If there is any objection, the agenda item shall be put to a vote by casting ballots in accordance with the foregoing paragraph.

If there is amendment to or substitute for an agenda item, the chairman shall decide the sequence of voting for such original agenda item, the amendment, and the substitute. If any one of them has been approved, the others shall be deemed vetoed and no further voting will be necessary.

The chairman shall appoint persons responsible for checking and counting ballots during votes on agenda items. However, the persons responsible for checking ballots must be shareholders.

The ballots shall be publicly counted at the meeting venue and the result of voting shall be announced at the meeting and placed on record.

#### **Article 14**

If the election of directors and supervisors is conducted at a shareholders' meeting, such an election shall be performed in accordance with the Company's Director and Supervisor Election Regulations, and the results must be announced at the meeting.

The ballots cast in the election in the foregoing paragraph must be given proper safekeeping and kept for at least one year. If a shareholder initiates a lawsuit in accordance with Article 189 of the Company Law, ballots shall be kept until the end of the lawsuit.

#### **Article 15**

Resolutions made at a shareholders' meeting shall be compiled in the form of minutes. The chairman shall affix his signature or seal to the minutes, which shall be issued to shareholders within 20 days after the end of the meeting.

With regard to the issue of minutes in the foregoing paragraph, the minutes may be distributed to those shareholders who each hold less than 1,000 registered and outstanding shares in the form of an announcement on the Market Observation Post System Website.

The minutes must faithfully record the meeting's date (year, month, day), place,

chairman's name, resolution method, summary of proceedings, and results of resolutions. The minutes of shareholders' meeting shall be preserved for as long as the Company exists.

"There is no objection from any shareholders after solicitation by the chairman and the resolution is passed" shall be recorded in the minutes if no objection is voiced after solicitation by the chairman before an agenda item is put to a vote. If there are any objections, however, and the agenda item is put to a vote, the number of approval votes cast and the percentage of the approval votes as to total votes shall be recorded in the minutes.

#### **Article 16**

The Company shall, on the day of the meeting, compile the number of shares obtained by solicitors and the number of shares represented by proxies in statistical tables in the specified format, and shall post such tables in prominent locations within the meeting place.

If any resolutions made by a shareholders' meeting are material information pursuant to applicable laws and regulations or the Taiwan Stock Exchange Corporation's regulations, the Company shall transmit the content of such resolutions to the Market Observation Post System Website within the specified period of time.

#### **Article 17**

Persons handling affairs of the meeting shall wear identification cards or arm badges.

The chairman may order disciplinary officers or security guards to assist in keeping order in the meeting place. Such disciplinary officers or security guards shall wear arm badges or identification cards marked "Disciplinary Personnel" when assisting in maintaining order in the meeting place.

If the meeting place is equipped with loudspeaker equipment, the chairman shall stop any shareholders using equipment not installed by the Company from speaking.

The chairman shall order disciplinary officers or security guard to escort any shareholders who violate these Rules and Procedures and fail to heed the chairman's correction, or disrupt the proceeding of the meeting and fail to desist, to leave the meeting place.

#### **Article 18**

During the meeting, the chairman may, at his discretion, set time for intermission. In case of incident of force majeure, the chairman may decide to temporarily suspend the meeting and announce, depending on the situation, when the meeting will resume.

Before the agenda set for the shareholders' meeting are completed, if the meeting place cannot continue to be used for the meeting, then, by resolution of the shareholders, another place may be sought to resume the meeting.

The shareholders may resolve to postpone or resume the meeting within five days in accordance with Article 182 of the Company Law.

### **Article 19**

These Rules and Procedure shall be effective from the date they are approved by the shareholders' meeting. The same applies in the case of amendments.

**ARTICLES OF INCORPORATION**  
**OF**  
**DELTA ELECTRONICS, INC.**  
**(Translation)**

**Section I - General Provisions**

**Article 1**

The Company is incorporated as a company limited by shares under the Company Law of the Republic of China, and its name is "Delta Electronics, Inc."

**Article 2**

The Company is engaged in the following businesses:

1. CC01010 Electronic power generating, Electric transmission and power distributing machinery manufacturing business;
2. CC01030 Household appliances manufacturing business;
3. CC01040 Lighting equipment manufacturing business;
4. CC01050 Data storage and processing equipment manufacturing business;
5. CC01060 Wire communication equipment and apparatus manufacturing business;
6. CC01080 Electronic parts and components manufacturing business;
7. CC01990 Other electrical and electronic machinery and materials manufacturing business (manufacturing of parts and components of household appliances, and parts and components of lighting equipment);
8. CE01030 Photographic and Optical Equipment Manufacturing business;
9. CB01990 Other machinery manufacturing business (mechanics components);
10. CD01030 Automobiles and auto-parts manufacturing business;
11. CD01040 Motorcycles and motorcycle parts manufacturing business;
12. CD01050 Bicycles and bicycle parts manufacturing business;
13. F401030 Manufacture and export business;

14. E605010 Computer equipment installation business;
15. E603050 Automation control equipment manufacturing business;
16. I1501010 Product external appearance designing business;
17. I599990 Other design business (electronics);
18. F219010 Electronic components and materials retail business;
19. F119010 Electronic components and materials wholesale business;
20. CC01090 Batteries manufacturing business;
21. CC01070 Wireless communication devices and equipment manufacturing business;
22. F113070 Telecommunication equipment wholesale business;
23. F213060 Telecommunication equipment retail business;
24. CC01101 Restrained telecommunication radio frequency equipment and materials manufacturing;
25. F113020 Electrical appliances wholesale business;
26. F113050 Office appliances and equipment wholesale business;
27. F213010 Electrical appliances retail business;
28. F213030 Office appliances and equipment retail business;
29. F401010 International trade business;
30. G801010 Warehousing and storage business;
31. E701010 Telecommunication engineering and construction business;
32. I301010 Software design and service business;
33. CF01011 Medical appliances and equipment business;
34. CB01010 Machinery equipment manufacturing business;
35. CE01040 Clocks and Watches manufacturing business;
36. CC01110 Computers and its peripheral equipment manufacturing business;
37. CE01010 General equipment and instruments manufacturing business;
38. F401021 Restricted telecommunication radio frequency equipment and materials import business;
39. All businesses that are not prohibited or restricted by laws and regulations other than those requiring special permits.

### **Article 3**

The Company shall have its head office in Taoyuan County, Taiwan, and may set up branch offices at various locations that the Board of Directors may deem necessary by resolution.

#### **Article 4**

The method to make public announcements of the Company shall be subject to Article 28 of the Company Law and regulations stipulated by the competent securities administration authority.

#### **Article 4-1**

When necessary for its operations, the Company may provide endorsement and guarantee in accordance with the "Operational Procedures for Providing Endorsement and Guarantee" of the Company.

### **Section II - Capital Stock**

#### **Article 5**

The total capital stock of the Company shall be in the amount of NT\$23,000,000,000, divided into 2,300,000,000 shares, at a par value of Ten New Taiwan Dollars (NT\$10) each, and may be issued in installments subject to the resolution of the Board of Directors. Within the aforementioned capital, NT\$600,000,000 divided into 60,000,000 shares shall be reserved for issuing warrants, preferred shares with warrants or corporate bonds with warrants.

#### **Article 5-1**

The aggregate amount of the Company's investment in other entities is not subject to the restriction stipulated in Article 13 of the Company Law.

#### **Article 5-2**

Deleted

#### **Article 6**

Subject to the Company Law or other related regulations, the stock certificates of the Company may be printed in combination form for the aggregate number of shares issued for each installment or may be made without physical certificates.

However, the stock of the Company shall be registered with the securities centralized depository institution.

**Article 6-1**

Deleted

**Article 7**

Unless otherwise provided for in applicable laws, regulations and rulings stipulated by the competent securities authority, the Company shall handle its stock affairs for shareholders in accordance with the Company Law and the - Regulations Governing Handling of Stock Affairs by Public Companies.

**Article 8**

Deleted

**Article 9**

Deleted

**Article 10**

Deleted

**Article 11**

Registration for stock transfer shall be suspended for sixty days before any general shareholders' meeting, thirty days before any special shareholders' meeting, and five days before a record date on which dividends, bonuses or any other interests are scheduled for distribution by the Company.

**Section III - Stockholders' Meeting**

**Article 12**

Shareholders' meetings shall be of two types: general meetings and special meetings. General shareholders' meetings shall be convened within six months after the end of each fiscal year. Special meetings shall be convened according to laws when necessary.

### **Article 13**

In case a shareholder is unable to attend a shareholders' meeting, the shareholder may issue a proxy form to appoint a proxy on his/her behalf to attend such meeting in accordance with Article 177 of the Company Law.

### **Article 14**

A shareholders' meeting shall be presided over by the Chairman of the Board of Directors. In case of his absence, the Chairman of the Board of Directors shall designate one director to act on his behalf. In the absence of such designation, the directors shall elect one from among themselves as the chairman of the meeting.

### **Article 15**

A stockholder shall be entitled to one vote for each share held by him/her; except those shares for which the voting rights are restricted or excluded as stipulated in Article 179 of the Company Law.

### **Article 16**

Unless otherwise provided for in the Company Law, any resolution at a shareholders' meeting shall be adopted if voted in favor by the majority of votes at a shareholders' meeting at which shareholders of more than one-half of the total issued and outstanding shares are present.

### **Article 17**

Resolutions adopted at a shareholders' meeting shall be recorded in the minutes and signed or sealed by the chairman of the meeting, which shall be distributed to each shareholder within twenty (20) days after the meeting. The minutes shall record the key contents and the results of the meeting. The minutes, the sign-in - book of attending shareholders and proxy forms shall be kept in the Company. For each registered shareholders whose shareholding is less than one thousand shares, the distribution of meeting minutes may be effected by means of a public announcement.

The preservation period for the minutes, sign-in book of attending shareholders, and proxy forms shall be subject to the Company Law.

## **Section IV - Directors and Supervisors**

### **Article 18**

The Company shall have at least five but no more than nine directors and two or three supervisors to be elected at the shareholders' meeting by the shareholders from any person with legal capacity in accordance with the Company Law. The term of office for directors and supervisors shall be three years. All of the directors and supervisors are eligible for re-election.

The aggregate number of the registered shares held by all directors and supervisors shall be subject to the regulations, if any stipulated by the competent securities authority.

Remuneration for directors and supervisors shall be determined pursuant to the extent that they participate in the Company's operations and their contribution to the Company, and the Board of Directors are authorized to set up a remuneration standard conforming to the industry standard.

The Company may purchase liability insurance for its directors and supervisors.

### **Article 19**

When one-third of the directors have vacated their offices, a shareholders' meeting shall be convened by the Board of Directors within sixty days to elect new directors to fill the vacancies. The term of office of the newly elected director shall be the same as the remaining term of the predecessor.

### **Article 20**

If the re-election of directors and supervisors is not held before the current term of office expires, the incumbent directors and supervisors shall hold office until their successors have been elected and have assumed their office.

### **Article 21**

The Board of Directors shall be formed by directors. The directors shall elect from among themselves the Chairman of the Board of Directors by a majority of votes cast by the directors present at the meeting attended by at least two-thirds of the directors, and such method may apply to the election of vice-Chairman. The Chairman and vice-Chairman shall conduct the business of the Company in accordance with applicable laws and regulations, these Articles of Incorporation of the Company, the resolutions adopted at shareholders' meetings and the resolutions adopted by the Board of Directors.

### **Article 21-1**

The Company may set up various functional committees under the Board of Directors. Each functional committee shall stipulate the operating rules for its functioning and such operating rules shall only take effect after the approval of the Board of Directors.

### **Article 22**

Business policy of the Company and other important matters shall be decided by resolutions adopted by the Board of Directors. Any meeting of Board of Directors shall be convened by the Chairman of the Board of Directors who shall also be the chairman of the meeting, provided that the first meeting of each term of the Board of Directors shall be convened in accordance with Article 203 of the Company Law. In case the Chairman of the Board of Directors is on leave or cannot exercise his powers, he may designate a proxy in accordance with Article 208 of the Company Law.

### **Article 23**

Unless otherwise provided in the Company Law, a meeting of the Board of Directors at which a resolution is adopted shall be attended by a majority of the directors and a majority of those present shall vote in favor of such a resolution. If a director cannot attend a meeting of Board of Directors, he shall appoint another director as proxy to attend the meeting and shall execute a power of attorney for the proxy. The power of attorney shall specify the scope and limitation of authority or powers in respect to the business to be transacted at the meeting. The proxy may accept the appointment of one director only. If a meeting of the Board of Directors is held by way of a videoconference, the director who attends the meeting in such manner shall be deemed as present in person.

### **Article 24**

Resolutions adopted at the meeting of the Board of Directors shall be recorded in the minutes and signed or sealed by the chairman of the meeting. The minutes shall be distributed to each director within twenty (20) days after the meeting. The minutes shall record the time, the date and place of the meeting, name of chairman and the manner for adopting a resolution, the key contents and the results of the meeting. The minutes, sign-in book of directors and proxy forms shall be kept in the Company, and the preservation period of the same shall be subject to the Company Law.

### **Article 25**

The supervisors, in addition to independently exercising their supervising powers according to applicable laws, may attend meetings of the Board of Directors to voice their opinions (but shall not be entitled to participate in voting).

## **Section V - Officers and Staffers**

### **Article 26**

The Company may appoint officers. The appointment and discharge of the officers shall be approved by a majority in a meeting of the Board of Directors attended by a majority of the directors.

### **Article 27**

Deleted

### **Article 28**

Deleted

## **Section VI - Finalization of Accounts**

### **Article 29**

The fiscal year of the Company shall be from January 1 to December 31 of each year. After the end of each fiscal year, the following reports shall be prepared by the Board of Directors, which deliver the same to the supervisors for audit thirty days before the convention of the general shareholders' meeting, and such documents, as well as the audit report made by the supervisors, shall be submitted to the general shareholders' meeting for acceptance:

1. Business Report;
2. Financial Statements; and
3. Proposal concerning allocation of earnings or making up losses.

### **Article 30**

The Company shall allocate the earnings for each fiscal year in the following order:

1. Paying tax;
2. Making up losses for preceding years;

3. Setting aside a legal reserve at 10% of the earnings;
4. Setting aside a special reserve when necessary;
5. The balance after the abovementioned payments are made, together with the undistributed earnings as of the beginning of that fiscal year, shall be allocated pursuant to resolution of the shareholders' meeting in the following order for that fiscal year:
  - (1) no more than 1% as the remuneration for directors and supervisors;
  - (2) at least 3% as the employee bonuses; when bonuses are distributed in the form of stock, persons eligible for such distribution shall include employees of the Company's subsidiaries who meet certain qualifications. The Board of Directors, or persons authorized by the Board of Directors, shall stipulate relevant regulations for distribution of employee bonuses; and
  - (3) the shareholders' dividends: the balance after deducting the preceding two items thereof shall then be allocated as dividends to the stockholders.

#### **Article 30-1**

The Company is situated in a volatile environment and is at the stable growth phase of the enterprise life cycle. Furthermore, taking into account the Company's financial structure, ability to generate operating profits, and the need to expand the operating scale, the Company decides to adopt a residual dividend policy.

The proposal concerning the allocation of earnings raised by the Board of Directors shall be made according to the principle that at least 50% of the distributable earnings as of that year should be allocated as the shareholders' dividends, and no less than 5% of the distributed dividends shall be in the form of cash.

### **Section VII - Supplementary Provisions**

#### **Article 31**

The internal organizational rules and regulations of the Company shall be separately stipulated by the Board of Directors.

#### **Article 32**

In regards to all matters not provided for in these Articles of Incorporation, the Company Law and other laws and regulations shall govern.

### **Article 33**

These Articles of Incorporation were enacted on July 28, 1975.

The first amendment was made on September 25, 1976;

The second amendment was made on January 10, 1977;

The third amendment was made on May 31, 1977;

The fourth amendment was made on May 29, 1978;

The fifth amendment was made on March 31, 1979;

The sixth amendment was made on May 28, 1979;

The seventh amendment was made on September 20, 1980;

The eighth amendment was made on September 9, 1982;

The ninth amendment was made on April 20, 1983;

The tenth amendment was made on June 25, 1984;

The eleventh amendment was made on June 10, 1985;

The twelfth amendment was made on June 20, 1985;

The thirteenth amendment was made on July 12, 1985;

The fourteenth amendment was made on April 18, 1987;

The fifteenth amendment was made on May 12, 1987;

The sixteenth amendment was made on November 17, 1987;

The seventeenth amendment was made on December 11, 1987;

The eighteenth amendment was made on March 19, 1988;

The nineteenth amendment was made on May 12, 1988;

The twentieth amendment was made on July 24, 1988;

The twenty-first amendment was made on November 25, 1988;

The twenty-second amendment was made on May 22, 1989;

The twenty-third amendment was made on May 9, 1990;

The twenty-fourth amendment was made on May 8, 1991;

The twenty-fifth amendment was made on May 8, 1992;

The twenty-sixth amendment was made on May 8, 1993;

The twenty-seventh amendment was made on May 9, 1994;

The twenty-eighth amendment was made on May 10, 1995;

The twenty-ninth amendment was made on June 6, 1996;  
The thirtieth amendment was made on June 3, 1997;  
The thirty-first amendment was made on May 15, 1998;  
The thirty-second amendment was made on May 12, 1999;  
The thirty-third amendment was made on May 18, 2000;  
The thirty-fourth amendment was made on May 16, 2001;  
The thirty-fifth amendment was made on May 16 2002;  
The thirty-sixth amendment was made on May 6, 2003;  
The thirty-seventh amendment was made on May 18, 2004;  
The thirty-eighth amendment was made on May 19, 2005; and  
The thirty-ninth amendment was made on May 18, 2006.

**Delta Electronics, Inc.**  
**Details of major Acquisition or Disposal of Assets for 2006**

Acquisition or disposal	Counterparty	Value of acquisition or disposal (NT\$)	Number of shares acquired or disposed of (shares)	Relationship with the Company
Acquisition	Peco II, Inc. Common Stock	68,795,105	1,575,077	Company with business relationship
Acquisition	Peco II, Inc. Warrants	51,806,395	NA	Company with business relationship
Acquisition	NuLight Technology Corporation	412,500,000	41,250,000	Subsidiary
Disposal	Peco II, Inc. Common Stock	100,625,684	1,575,077	Company with business relationship
Disposal	Peco II, Inc. Warrants	59,025,088	NA	Company with business relationship

### **Employees' Bonuses and Directors' and Supervisors' Compensation**

This Company's proposed distribution of earnings for 2006 in the form of employees' bonuses and directors' and supervisors' compensation as approved by the Board of Directors is as follows:

- (1) Proposed employees' cash bonuses will be NT\$192,500,000 and stock bonuses will be NT\$385,000,000. Directors' and supervisors' compensation will be NT\$16,700,000.
- (2) Employees' stock bonuses will represent 38,500,000 underlying shares, and will constitute 66.15751% of the total capitalized earnings.
- (3) After the distribution of employees' bonuses and directors' and supervisors' compensation, the estimate earnings per share of the Company is NT\$5.45343.

**Effect of Stock Distribution Resolved at This Shareholders' Meeting on  
Operating Performance and Earnings per Share**

in NT\$

Item	Year	2007 (Note 1)
Paid-in capital at beginning of the year		19,694,450,000
Distribution of stock dividends and cash dividends for the year	Cash dividends per share (NT\$)	4.5
	Number of shares allocated to per share for capitalized (NT\$)	0.1
	Number of shares allocated to per share for capitalization of legal reserve (NT\$)	0.4
Changes in operating performance	Operating income	(Note 2)
	Increase (decrease) in operating income in comparison with same period of the previous year	
	After-tax net profit	
	Increase (decrease) in after-tax net profit in comparison with same period of the previous year	
	Earnings per share (NT\$)	
	Increase (decrease) in earnings per share in comparison with same period of the previous year	
	Average rate return on investment for year (reciprocal of PE ratio)	
Hypothetical earnings per share and PE ratio	If capitalization of earnings was entirely distributed in the form cash dividends	Hypothetical earnings per share (NT\$)
		Hypothetical average rate of return on investment for year
	If capital reserve was not converted to capital	Hypothetical earnings per share (NT\$)
		Hypothetical average rate of return on investment for year

	If capital reserve were not converted to capital and capitalization of earnings was instead distributed in the form of cash dividends	Hypothetical earnings per share (NT\$)	
		Hypothetical average rate of return on investment for year	

Note 1: The proposed 2007 distribution of stock dividends and cash dividends indicated above was resolved at meetings of the Board of Directors held on March 19, 2007. The basis for distribution is the 1,969,445,000 outstanding shares as of April 10, 2007 (the book closing date of this year's general shareholders' meeting).

Note 2: The Company is not required to disclose 2007 financial forecasts according to relevant laws and regulations. Accordingly, changes in operating performance, hypothetical earnings per share, and PE ratio information are not applicable.

Chairman: Bruce CH Cheng

Manager: Yancey Hai

Officer in Charge: Roger Chu

### Shareholdings of All Directors and Supervisors

1. In accordance with Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Share Ownership Ratios of Directors and Supervisors at Public Companies:

- (1) The total shareholdings of all directors at the Company may not be less than 5% of the Company's total outstanding shares, and thus may not be less than 98,472,250 shares.
- (2) The total shareholdings of all supervisors at the Company may not be less than 0.5% of the Company's total outstanding shares, and thus may not be less than 9,847,225 shares.

2. As of the book closing date of this general shareholders' meeting, the Company's directors and supervisors had the following shareholdings as recorded in the shareholders register:

Title	Name	Current shareholdings	
		Shares	Percentage
Chairman	Bruce CH Cheng	127,983,907	6.498%
Vice Chairman	Yancey Hai	315,378	0.016%
Director	Mark Ko	945,531	0.048%
Director	Raymond R Y Hsu	1,735,118	0.088%
Director	Fred Chai Yan Lee	0	0%
Director	Ping Chen	6,218,801	0.316%
Director	Sam Liang	1,864,245	0.095%
Director	Simon Chang	417,353	0.021%
Independent director	Yi Chiang Lo	242,692	0.012%
<b>Shareholdings of all directors</b>		<b>139,723,025</b>	<b>7.094%</b>
Supervisor	E-Ying Hsieh	40,840,782	2.074%
Independent supervisor	Chung-Hsing Huang	0	0%
<b>Shareholdings of all supervisors</b>		<b>40,840,782</b>	<b>2.074%</b>

Note: This Company had a total of 1,969,445,000 outstanding shares as of the general shareholders' meeting's book closing date.

**Relevant information on proposals by shareholders who hold more than 1% of the total issued and outstanding shares of the Company**

1. In accordance with Article 172-1 of the Company Law, shareholders holding 1% or more of the total number of outstanding shares of the Company may propose to the Company a proposal for discussion at the 2007 general shareholders' meeting. Proposal accepting period: March 30, 2007 to April 10, 2007.
2. Proposals raised by shareholders holding 1% or more of the total number of outstanding shares during the 2007 general shareholders meeting: none