

DELTA ELECTRONICS, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2002, 2003 AND 2004

These English consolidated financial statements were translated from the consolidated financial statements originally prepared in Chinese language.

(05)R.D24P.4010

Report of Independent Accountants

To Delta Electronics, Inc.

We have audited the accompanying consolidated balance sheets of Delta Electronics, Inc. and its subsidiaries as of December 31, 2002, 2003 and 2004, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. As explained in Note 1(2), the financial statements of certain indirectly owned consolidated subsidiaries for the years ended December 31, 2002, 2003 and 2004, were audited by other auditors whose reports thereon have been furnished to us. These statements reflected total assets of NT\$735,985,000, NT\$216,083,000 and NT\$ 383,637,000 constituting 1.3%, 0.3% and 0.6%, respectively, of the Company's consolidated total assets as of December 31, 2002, 2003 and 2004, respectively, and total operating revenue of NT\$1,063,921,000, NT\$848,600,000 and NT\$723,481,000 constituting 2.2%, 1.7% and 1.3%, respectively, of the Company's consolidated operating revenue for the years then ended, respectively. In addition, as explained in Note 4(5), the financial statements of certain investee companies for the years ended December 31, 2002, 2003 and 2004, accounted for under the equity method, were audited by other auditors whose reports thereon have been furnished to us. The total amount of long-term investments in these investee companies were NT\$5,457,426,000, NT\$4,912,467,000 and NT\$4,251,481,000 constituting 9.9%, 7.8% and 6.6%, respectively, of the Company's consolidated total assets as of December 31, 2002, 2003 and 2004, respectively, and the related investment income were NT\$331,030,000, NT\$147,557,000 and NT\$83,791,000 constituting 6.8%, 3.0% and 1.3%, respectively, of the Company's consolidated income before income tax and minority interest for the years then ended, respectively. Our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements in respect of the above mentioned indirectly owned consolidated subsidiaries and investee companies are based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Delta Electronics, Inc. and its consolidated subsidiaries as of December 31, 2002, 2003 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with the "Rules Governing the Preparation of the Financial Statements of Securities Issuers" and generally accepted accounting principles in the Republic of China.

The consolidated financial statements of the Company as of and for the year ended December 31, 2004, expressed in US dollars are presented solely for the convenience of the reader and were translated from the New Taiwan dollars financial statements using the exchange rate of NT\$31.785 to US\$1.00 at December 31, 2004. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

February 3, 2005

The accompanying 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 consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of the 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 DOLLARS)

	New Taiwan Dollars			US Dollars
	2002	2003	2004	2004 (Unaudited - Note 2)
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4(1))	\$ 13,160,118	\$ 23,358,252	\$ 23,779,111	\$ 748,124
Short-term investments (Note 4(2))	3,599,746	4,805,343	2,305,115	72,522
Notes receivable – net	97,394	133,131	80,642	2,537
Accounts receivable – third parties (Note 4(3))	10,048,453	9,258,944	12,848,505	404,232
Accounts receivable – related parties (Note 4)	954,205	986,731	741,302	23,322
Other receivables – third parties (Note 4(16))	681,558	804,483	385,290	12,122
Other receivables – related parties (Note 5)	495,914	163,192	167,017	5,255
Other monetary assets – current (Note 6)	6,350	46,028	40,983	1,289
Inventories (Note 4(4))	4,097,939	3,910,451	4,895,044	154,005
Prepayments	307,830	487,256	144,532	4,547
Deferred income tax assets – current (Note 4(16))	-	-	22,980	723
Other current assets	257,821	61,414	153,364	4,825
	<u>33,707,328</u>	<u>44,015,225</u>	<u>45,563,885</u>	<u>1,433,503</u>
Funds and Long-term Investments				
Long-term investments under equity method (Note 4(5))	6,889,045	6,194,691	6,320,956	198,866
Long-term investments under cost method (Note 4(5))	2,181,380	1,864,459	2,108,050	66,322
Cash surrender value of life insurance	63,861	69,035	72,431	2,279
	<u>9,134,286</u>	<u>8,128,185</u>	<u>8,501,437</u>	<u>267,467</u>
Other Monetary Assets-Non Current				
Other monetary assets – non current (Note 6)	104,250	169,875	-	-
Property, Plant and Equipment (Notes 4(6) and 6)				
Cost				
Land	1,275,266	1,294,482	1,309,877	41,211
Buildings	5,343,882	5,300,670	5,425,476	170,693
Machinery and equipment	4,508,302	4,369,080	4,793,466	150,809
Molds	880,333	885,863	1,020,270	32,099
Computer and communication equipment	639,246	688,020	721,401	22,696
Test equipment	2,656,259	2,858,878	3,133,920	98,598
Motor vehicles	114,551	119,601	119,014	3,744
Furniture and fixtures	1,046,581	1,030,038	1,031,898	32,465
Leasehold improvements	26,718	26,587	16,026	504
Land value appraisal increment	168,738	168,738	168,738	5,309
Cost and appraisal increment	16,659,876	16,741,957	17,740,086	558,128
Less: Accumulated depreciation	(5,196,540)	(6,496,784)	(7,874,569)	(247,745)
Prepayments for equipment and construction in progress	111,132	147,104	418,263	13,159
	<u>11,574,468</u>	<u>10,392,277</u>	<u>10,283,780</u>	<u>323,542</u>
Intangible Assets				
Deferred pension costs (Note 4(11))	-	-	489	15
Other intangible assets	225,399	220,991	201,613	6,343
	<u>225,399</u>	<u>220,991</u>	<u>202,102</u>	<u>6,358</u>
Other Assets				
Deposits – out	45,253	26,733	40,407	1,271
Deferred charges	258,218	288,554	291,821	9,181
	<u>303,471</u>	<u>315,287</u>	<u>332,228</u>	<u>10,452</u>
TOTAL ASSETS	<u>\$ 55,049,202</u>	<u>\$ 63,241,840</u>	<u>\$ 64,883,432</u>	<u>\$ 2,041,322</u>

Please refer to the accompanying notes and report of independent accountants dated February 3, 2005.

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

	New Taiwan Dollars			US Dollars
	2002	2003	2004	2004
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Short-term loans (Note 4(7))	\$ 3,449,492	\$ 3,751,259	\$ 4,082,358	\$ 128,437
Commercial paper payable (Note 4(8))	2,644,550	1,748,148	155,000	4,876
Notes payable	20,961	-	64	2
Accounts payable – third parties	7,961,874	8,748,446	11,515,606	362,297
Accounts payable – related parties (Note 5)	433,450	438,252	307,400	9,671
Income tax payable (Note 4(16))	24,426	22,747	34,202	1,076
Accrued expenses	2,295,768	2,063,176	1,899,859	59,772
Other payables	548,972	570,659	1,359,213	42,763
Received in advance	251,684	332,674	375,935	11,827
Current portion of long-term loans (Notes 4(9) and 4(10))	30,580	31,791	-	-
Deferred income tax liabilities – current (Note 4(16))	52,939	90,584	-	-
Other current liabilities	145,691	295,837	74,237	2,336
	<u>17,860,387</u>	<u>18,093,573</u>	<u>19,803,874</u>	<u>623,057</u>
Long-term Liabilities				
Convertible bonds (Note 4(9))	-	6,795,000	6,337,929	199,400
Long-term loans (Note 4(10))	29,290	-	-	-
	<u>29,290</u>	<u>6,795,000</u>	<u>6,337,929</u>	<u>199,400</u>
Reserve				
Reserve for land value incremental tax (Note 4(6))	80,945	80,945	80,945	2,547
Other Liabilities				
Reserve for retirement plan (Note 4(11))	503,956	673,798	772,117	24,292
Deposits – in	8,833	13,603	6,248	196
Deferred income tax liabilities – non current (Note 4(16))	3,150,475	2,571,827	1,986,770	62,507
Minority interest	3,266,261	3,328,096	2,771,756	87,203
Other liabilities – others (Note 4(5))	14,973	3,496	-	-
	<u>6,944,498</u>	<u>6,590,820</u>	<u>5,536,891</u>	<u>174,198</u>
Total Liabilities	<u>24,915,120</u>	<u>31,560,338</u>	<u>31,759,639</u>	<u>999,202</u>
Stockholders' Equity				
Capital stock				
Common stock (Notes 1, 4(9) and 4(12))	13,878,790	14,802,730	15,859,720	498,969
Capital reserve (Note 4(9) and 4(13))				
Premium	6,560,927	6,560,927	6,577,417	206,934
Others	275,613	275,613	275,613	8,671
Retained earnings				
Legal reserve (Note 4(14))	2,288,536	2,716,104	3,237,641	101,860
Undistributed earnings (Note 4(15))	4,938,875	5,942,366	7,620,513	239,752
Other adjusted items in stockholders' equity				
Unrealized loss on market value decline of long-term investments	(96,227)	(2,690)	(2,967)	(93)
Cumulative translation adjustments	2,287,568	1,386,452	(444,144)	(13,973)
Total stockholders' equity	<u>30,134,082</u>	<u>31,681,502</u>	<u>33,123,793</u>	<u>1,042,120</u>
Commitments and contingent liabilities (Notes 5,7 and 10(3))				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 55,049,202</u>	<u>\$ 63,241,840</u>	<u>\$ 64,883,432</u>	<u>\$ 2,041,322</u>

Please refer to the accompanying notes and report of independent accountants dated February 3, 2005.

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

	New Taiwan Dollars			US Dollars
	2002	2003	2004	2004
Operating revenue (Note 5)				(Unaudited - Note 2)
Sales revenue	\$ 48,616,947	\$ 49,771,779	\$ 56,475,856	\$ 1,776,808
Sales returns	(375,855)	(484,337)	(352,128)	(11,078)
Sales allowances	(264,831)	(197,274)	(190,491)	(5,993)
Net sales revenue	47,976,261	49,090,168	55,933,237	1,759,737
Services revenue	538,461	451,744	541,749	17,044
Total operating revenue	48,514,722	49,541,912	56,474,986	1,776,781
Operating costs (Notes 4(18) and 5)				
Cost of goods sold	(38,571,831)	(38,929,313)	(44,211,328)	(1,390,949)
Gross profit	9,942,891	10,612,599	12,263,658	385,832
Unrealized intercompany loss (profit)	(815)	(815)	11	-
Realized intercompany profit	1,066	135	815	26
Net gross profit	9,943,142	10,611,919	12,264,484	385,858
Operating expenses (Note 4(18))				
Selling	(1,935,987)	(1,795,860)	(2,104,063)	(66,197)
Management and administrative	(1,447,191)	(1,387,682)	(1,592,438)	(50,100)
Research and development	(2,764,084)	(3,139,586)	(3,221,720)	(101,360)
Total operating expenses	(6,147,262)	(6,323,128)	(6,918,221)	(217,657)
Operating income	3,795,880	4,288,791	5,346,263	168,201
Non-operating income				
Interest income	227,657	268,875	380,354	11,966
Investment income under equity method-net(Note 4(5))	299,149	-	-	-
Dividend income	77,908	52,055	52,395	1,648
Gain on disposal of property, plant and equipment	18,130	25,344	10,846	341
Gain on disposal of investments	331,017	297,624	200,652	6,313
Foreign exchange gain - net	44,175	190,442	334,696	10,530
Other income	1,014,109	941,157	1,124,467	35,377
Total non-operating income	2,012,145	1,775,497	2,103,410	66,175
Non-operating expenses				
Interest expense	(145,167)	(109,659)	(126,099)	(3,967)
Investment loss under equity method-net (Note 4(5))	-	(9,417)	(74,177)	(2,334)
Other investment loss (Note 4(5))	-	(341,236)	(66,126)	(2,080)
Loss on disposal of property, plant and equipment	(55,081)	(154,661)	(38,247)	(1,203)
Loss on physical inventory	-	-	(1,570)	(49)
Provision for decline in market value and obsolescence of inventories	(344,906)	(268,862)	(398,051)	(12,523)
Other losses	(420,004)	(260,142)	(343,154)	(10,797)
Total non-operating expenses	(965,158)	(1,143,977)	(1,047,424)	(32,953)
Income before income tax and minority interest	4,842,867	4,920,311	6,402,249	201,423
Income tax (expense) benefit (Note 4(16))	(370,257)	489,879	635,400	19,991
Income before minority interest	4,472,610	5,410,190	7,037,649	221,414
Minority interest in net income of consolidated subsidiaries	(196,939)	(194,817)	(375,951)	(11,828)
Net income	<u>\$ 4,275,671</u>	<u>\$ 5,215,373</u>	<u>\$ 6,661,698</u>	<u>\$ 209,586</u>

Earnings per share (In dollars) (Note 4(17))

	Income		Income		Income		Income	
	before income tax	Net income	before income tax	Net income	before income tax	Net income	before income tax	Net income
Basic earnings per share								
Income before minority interest	\$ 3.05	\$ 2.82	\$ 3.10	\$ 3.41	\$ 4.04	\$ 4.44	\$ 0.13	\$ 0.14
Minority interest in net income of consolidated subsidiaries	(0.12)	(0.12)	(0.12)	(0.12)	(0.24)	(0.24)	(0.01)	(0.01)
Net income	<u>\$ 2.93</u>	<u>\$ 2.70</u>	<u>\$ 2.98</u>	<u>\$ 3.29</u>	<u>\$ 3.80</u>	<u>\$ 4.20</u>	<u>\$ 0.12</u>	<u>\$ 0.13</u>
Diluted earnings per share								
Income before minority interest	\$ 3.05	\$ 2.82	\$ 3.00	\$ 3.29	\$ 3.72	\$ 4.09	\$ 0.12	\$ 0.13
Minority interest in net income of consolidated subsidiaries	(0.12)	(0.12)	(0.12)	(0.12)	(0.22)	(0.22)	(0.01)	(0.01)
Net income	<u>\$ 2.93</u>	<u>\$ 2.70</u>	<u>\$ 2.88</u>	<u>\$ 3.17</u>	<u>\$ 3.50</u>	<u>\$ 3.87</u>	<u>\$ 0.11</u>	<u>\$ 0.12</u>

Please refer to the accompanying notes and report of independent accountants dated February 3, 2005.

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

	<u>Retained Earnings</u>				Unrealized loss on market value decline of long-term investments	Cumulative translation adjustments	<u>Total</u>
	<u>Common stock</u>	<u>Capital reserve</u>	<u>Legal reserve</u>	<u>Undistributed earnings</u>			
2002							
Balance at January 1, 2002	\$ 11,894,600	\$6,836,540	\$1,933,743	\$ 4,513,860	(\$ 67,380)	\$ 2,451,993	\$ 27,563,356
Distribution of 2001 earnings:							
Appropriation for legal reserve	-	-	354,793	(354,793)	-	-	-
Directors' and supervisors' remuneration	-	-	-	(2,100)	-	-	(2,100)
Employees' bonus	200,000	-	-	(200,000)	-	-	-
Issuance of stock dividends	1,784,190	-	-	(1,784,190)	-	-	-
Cash dividends	-	-	-	(1,486,825)	-	-	(1,486,825)
Adjustments due to change in long-term investment ownership percentage	-	-	-	(22,748)	-	-	(22,748)
Unrealized loss on market value decline of long-term investments	-	-	-	-	(28,847)	-	(28,847)
Cumulative translation adjustments on foreign long-term investments	-	-	-	-	-	(164,425)	(164,425)
Net income for the year	-	-	-	4,275,671	-	-	4,275,671
Balance at December 31, 2002	<u>13,878,790</u>	<u>6,836,540</u>	<u>2,288,536</u>	<u>4,938,875</u>	<u>(96,227)</u>	<u>2,287,568</u>	<u>30,134,082</u>
2003							
Distribution of 2002 earnings:							
Appropriation for legal reserve	-	-	427,568	(427,568)	-	-	-
Directors' and supervisors' remuneration	-	-	-	(2,100)	-	-	(2,100)
Employees' bonus	230,000	-	-	(230,000)	-	-	-
Issuance of stock dividends	693,940	-	-	(693,940)	-	-	-
Cash dividends	-	-	-	(2,775,758)	-	-	(2,775,758)
Adjustments due to change in long-term investment ownership percentage	-	-	-	(82,516)	-	-	(82,516)
Proportional adjustment on investees' unrealized loss on market value decline of long-term investments	-	-	-	-	93,537	-	93,537
Cumulative translation adjustments on foreign long-term investments	-	-	-	-	-	(901,116)	(901,116)
Net income for the year	-	-	-	5,215,373	-	-	5,215,373
Balance at December 31, 2003	<u>\$ 14,802,730</u>	<u>\$ 6,836,540</u>	<u>\$ 2,716,104</u>	<u>\$ 5,942,366</u>	<u>(\$ 2,690)</u>	<u>\$ 1,386,452</u>	<u>\$ 31,681,502</u>

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

2004	<u>Retained Earnings</u>				Unrealized loss on market value decline of long-term investments	Cumulative translation adjustments	Total
	<u>Common stock</u>	<u>Capital reserve</u>	<u>Legal reserve</u>	<u>Undistributed earnings</u>			
Balance at January 1, 2004	\$ 14,802,730	\$ 6,836,540	\$ 2,716,104	\$ 5,942,366	(\$ 2,690)	\$ 1,386,452	\$ 31,681,502
Distribution of 2003 earnings:							
Appropriation for legal reserve	-	-	521,537	(521,537)	-	-	-
Directors' and supervisors' remuneration	-	-	-	(13,000)	-	-	(13,000)
Employees' bonus	312,734	-	-	(312,734)	-	-	-
Issuance of stock dividends	740,136	-	-	(740,136)	-	-	-
Cash dividends	-	-	-	(3,330,613)	-	-	(3,330,613)
Shares issued for conversion of convertible bonds	4,120	16,490	-	-	-	-	20,610
Adjustments due to change in long-term investment ownership percentage	-	-	-	(44,748)	-	-	(44,748)
Proportional adjustment on investees' adjustment for change in long-term investment ownership percentage	-	-	-	(20,783)	-	-	(20,783)
Proportional adjustment on investees' unrealized loss on market value decline of long-term investments	-	-	-	-	(277)	-	(277)
Cumulative translation adjustments on foreign long-term investments	-	-	-	-	-	(1,830,596)	(1,830,596)
Net income for the year	-	-	-	6,661,698	-	-	6,661,698
Balance at December 31, 2004	<u>\$ 15,859,720</u>	<u>\$6,853,030</u>	<u>\$3,237,641</u>	<u>\$ 7,620,513</u>	<u>(\$ 2,967)</u>	<u>(\$ 444,144)</u>	<u>\$ 33,123,793</u>
2004 US Dollars (Unaudited - Note 2)							
Balance at January 1, 2004	\$ 465,714	\$ 215,087	\$ 85,452	\$ 186,955	(\$ 84)	\$ 43,620	\$ 996,744
Distribution of 2003 earnings:							
Appropriation for legal reserve	-	-	16,408	(16,408)	-	-	-
Directors' and supervisors' remuneration	-	-	-	(409)	-	-	(409)
Employees' bonus	9,839	-	-	(9,839)	-	-	-
Issuance of stock dividends	23,286	-	-	(23,286)	-	-	-
Cash dividends	-	-	-	(104,786)	-	-	(104,786)
Shares issued for conversion of convertible bonds	130	518	-	-	-	-	648
Adjustments due to change in long-term investment ownership percentage	-	-	-	(1,408)	-	-	(1,408)
Proportional adjustment on investees' adjustment for change in long-term investment ownership percentage	-	-	-	(653)	-	-	(653)
Proportional adjustment on investees' unrealized loss on market value decline of long-term investments	-	-	-	-	(9)	-	(9)
Cumulative translation adjustments on foreign long-term investments	-	-	-	-	-	(57,593)	(57,593)
Net income for the year	-	-	-	209,586	-	-	209,586
Balance at December 31, 2004	<u>\$ 498,969</u>	<u>\$ 215,605</u>	<u>\$ 101,860</u>	<u>\$ 239,752</u>	<u>(\$ 93)</u>	<u>(\$ 13,973)</u>	<u>\$ 1,042,120</u>

Please refer to the accompanying notes and report of independent accountants dated February 3, 2005.

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

	New Taiwan Dollars			US Dollars
	2002	2003	2004	2004
<u>Cash flows from operating activities</u>				(Unaudited - Note 2)
Net income	\$ 4,275,671	\$ 5,215,373	\$ 6,661,698	\$ 209,586
Adjustments to reconcile net income to net cash provided by operating activities:				
Minority interest in net income of consolidated subsidiaries	196,939	194,817	375,951	11,828
Provision for (reversal of) allowance for doubtful accounts	(172,331)	63,902	2,975	94
Depreciation and amortization	2,064,455	2,117,594	2,111,988	66,446
Cash dividend received from investee companies accounted for under the equity method	660,378	605,487	224,114	7,051
Investment loss (income) recognized under equity method and other investment loss-net	(299,149)	350,653	140,303	4,414
Gain on disposal of long-term investment	(191,871)	(217,826)	(112,533)	(3,540)
Loss on disposal of property, plant and equipment, net	36,950	129,317	27,401	862
Loss on inventory market value decline and obsolescence	344,906	268,862	398,051	12,523
Exchange loss on revaluation of foreign currency denominated convertible bonds	1,111	(85,463)	(436,461)	(13,732)
Impairment loss on property, plant and equipment	-	23,478	-	-
Changes in assets and liabilities:				
(Increase) decrease in:				
Notes and Accounts receivable - third parties	(2,221,241)	(394,703)	(3,460,803)	(108,882)
Accounts receivable - related parties	29,316	(32,526)	245,428	7,722
Other receivables - third parties	(281,456)	(122,925)	419,193	13,188
Other receivables - related parties	(339,466)	332,722	(3,825)	(120)
Inventories	(1,293,249)	(233,697)	(1,086,901)	(34,195)
Prepayments	(207,662)	(408,305)	342,724	10,783
Other current assets	(80,346)	196,407	(85,244)	(2,682)
Deferred pension costs	-	-	(489)	(15)
Increase (decrease) in:				
Notes and accounts payable - third parties	1,202,209	1,833,379	2,574,685	81,003
Accounts payable - related parties	(475)	4,802	(130,852)	(4,117)
Income tax payable	(34,901)	(1,679)	11,455	360
Accrued expenses, other payables and received in advance	1,348,417	18,518	652,347	20,524
Other current liabilities	95,878	150,229	(225,391)	(7,091)
Deferred income tax	243,218	(541,003)	(698,621)	(21,980)
Reserve for retirement plan	55,491	169,842	98,319	3,093
Other liabilities - others	9,010	(11,209)	(817)	(26)
Net cash provided by operating activities	<u>5,441,802</u>	<u>9,626,046</u>	<u>8,044,695</u>	<u>253,097</u>

(Continued)

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

	New Taiwan Dollars			US Dollars
	2002	2003	2004	2004
Cash flows from investing activities				(Unaudited - Note 2)
Decrease (increase) in short-term investments, net	\$ 696,341	(\$ 1,222,972)	\$ 2,500,228	\$ 78,661
(Increase) decrease in other monetary assets	(110,600)	(105,303)	174,920	5,503
Acquisition of long-term investments	(485,862)	(234,070)	(1,235,276)	(38,863)
Proceeds from the investee company's capital reduction or liquidation	218,677	716,693	-	-
Increase in cash surrender value of life insurance	(7,155)	(5,174)	(3,396)	(107)
Net cash received from the acquisition of subsidiary	-	-	145,375	4,574
Net cash received from the disposal of subsidiaries	-	231,780	-	-
Proceeds from disposal of long-term investments	667,834	406,560	161,961	5,095
Acquisition of property, plant and equipment and deferred charges	(2,250,687)	(1,478,990)	(2,266,800)	(71,317)
Proceeds from disposal of property, plant and equipment	327,381	224,612	62,864	1,978
Decrease (increase) in deposits-out, net	9,281	18,520	(8,398)	(264)
Net cash used in investing activities	(934,790)	(1,448,344)	(468,522)	(14,740)
Cash flows from financing activities				
Increase in short-term loans, net	1,222,196	301,767	251,636	7,917
Decrease in long-term liabilities-current portion	-	-	(31,791)	(1,000)
Decrease in commercial paper payable	(2,458,005)	(896,402)	(1,593,148)	(50,123)
Proceeds from issuance of convertible bonds	-	6,876,910	-	-
Payment for redemption of convertible bonds	(4,033,336)	(27,027)	-	-
Increase in long-term loans, net	1,886	2,501	-	-
Increase (decrease) in deposits-in, net	(11,937)	4,770	(7,355)	(231)
Increase (decrease) in minority interest	1,664,862	272,488	(1,122,457)	(35,314)
Payment of directors' and supervisors' remuneration	(2,100)	(2,100)	(13,000)	(409)
Payment of cash dividends	(1,486,825)	(2,775,758)	(3,330,613)	(104,786)
Net cash (used in) provided by financing activities	(5,103,259)	3,757,149	(5,846,728)	(183,946)
Foreign exchange difference	(132,165)	(1,736,717)	(1,308,586)	(41,170)
Effect on changes of consolidated subsidiaries	(1,400,008)	-	-	-
Net increase (decrease) in cash and cash equivalents	(2,128,420)	10,198,134	420,859	13,241
Cash and cash equivalents at beginning of the year	15,288,538	13,160,118	23,358,252	734,883
Cash and cash equivalents at end of the year	<u>\$ 13,160,118</u>	<u>\$ 23,358,252</u>	<u>\$ 23,779,111</u>	<u>\$ 748,124</u>
Supplemental disclosures of cash flow information				
Cash paid during the year for:				
Interest	<u>\$ 144,737</u>	<u>\$ 98,964</u>	<u>\$ 109,358</u>	<u>\$ 3,441</u>
Income taxes	<u>\$ 16,147</u>	<u>\$ 48,485</u>	<u>\$ 48,411</u>	<u>\$ 1,523</u>
Investing and financing activities not involving cash flows:				
Employees' stock bonus	<u>\$ 200,000</u>	<u>\$ 230,000</u>	<u>\$ 312,734</u>	<u>\$ 9,839</u>
Shares issued for conversion of convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,610</u>	<u>\$ 648</u>
The fair market value of assets and liabilities of the acquired and disposed subsidiaries were as follow				
Cash and cash equivalents	\$ -	\$ 405,470	\$ 288,408	\$ 9,074
Short-term investment	-	17,375	-	-
Accounts receivable	-	1,067,152	73,487	2,312
Inventories	-	157,634	267,339	8,411
Other current assets	-	228,879	6,706	211
Property, plant and equipment	-	-	165,564	5,209
Other assets	-	138	1,232	38
Short-term loans	-	-	(79,463)	(2,500)
Accounts payable	-	(1,067,768)	(192,539)	(6,058)
Accrued expenses	-	(148,433)	(16,151)	(508)
Other current liabilities	-	(82)	(3,792)	(119)
Minority interest	-	-	(190,166)	(5,983)
Less: Long-term investments in the subsidiaries before the acquisition or disposal	-	-	(177,592)	(5,587)
	<u>\$ -</u>	<u>\$ 660,365</u>	<u>\$ 143,033</u>	<u>\$ 4,500</u>
Cash and cash equivalents of the acquired or disposed subsidiaries	\$ -	(\$ 405,470)	\$ 288,408	\$ 9,074
Disposal (acquisition) price	-	637,250	(143,033)	(4,500)
Net cash received from the acquisition or disposal of subsidiaries	<u>\$ -</u>	<u>\$ 231,780</u>	<u>\$ 145,375</u>	<u>\$ 4,574</u>

Please refer to the accompanying notes and report of independent accountants dated February 3, 2005.

DELTA ELECTRONICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002, 2003 and 2004
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS INDICATED OTHERWISE)

1. HISTORY AND ORGANIZATION

1) Delta Electronics, Inc.

The Company was incorporated in April 1971 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. The total outstanding capital was \$15,859,720 as of December 31, 2004. The main activities of the Company are installation of electronic control systems and developing, designing, manufacturing and selling of communication products and components, computer information system and power supply. The number of the Company's employees approximated 3,600 as of December 31, 2004.

2) Consolidated subsidiaries

<u>Name of Company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31,</u>		
			<u>2002</u>	<u>2003</u>	<u>2004</u>
Delta International Holding Ltd. (DIH)	Note A	Equity investment	94.00%	94.00%	94.00%
Delta Electronics (H.K) Ltd. (DHK)	Note B	Operations management and engineering services	94.00%	94.00%	94.00%
Delta Electronics Agent Ltd. (DAL)	Note B	Operations management and engineering services	94.00%	94.00%	94.00%
Delta Electronics International Ltd. (DEIL)	Note B	Sales of electronic products	94.00%	94.00%	94.00%
Delta Electronics Trading Ltd. (DTL)	Note B	Sales of electronics product	94.00%	94.00%	94.00%
Delta Power Sharp Ltd. (DPS)	Note B	Operations management and engineering services	94.00%	94.00%	94.00%
DEI Logistics (USA) Corp. (ALI)	Note B	Warehousing and logistics services	94.00%	94.00%	94.00%

<u>Name of Company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held</u> <u>as of December 31,</u>		
			<u>2002</u>	<u>2003</u>	<u>2004</u>
Delta Electronics (Japan) Inc. (DEJ)	Note B	Operating and sales of electronic products	94.00%	94.00%	94.00%
Addtron Technology (Japan) Co., Ltd. (AT Japen)	Note C	Trading and import/export of networking system and peripherals	94.00%	94.00%	94.00%
Delta Electronics (Korea) Inc. (Delta Korea)	Note C	Operating and sales of electronic products	-	-	94.00%
Delta Electronics (Dong Guan) Co., Ltd. (DDG)	Note B	Manufacturing and sales of various power supplies	94.00%	94.00%	94.00%
Delta Electronics Components (Dong Guan) Co., Ltd. (DEC)	Note B	Manufacturing and sales of transformer	94.00%	94.00%	94.00%
Delta Electronics Power (Dong Guan) Co., Ltd. (DEP)	Note B	Manufacturing and sales of power supplies	94.00%	94.00%	94.00%
Delta Electronics (Shanghai) Co., Ltd.	Note B	Design the figure of the product	-	-	94.00%
Deltec Co., Ltd.	Note B	Import/export of computer and electrical equipment and its components	93.77%	94.00%	-
Delta Electronics (Jiang Su) Co., Ltd.	Note B	Manufacturing and sales of various power supplies	51.70%	51.70%	51.70%
Delta Electronics Components (Wu Jiang) Co., Ltd.	Note B	Manufacturing and sales of transformer and peripherals	51.70%	51.70%	51.70%
Delta Electro-optics (Wu Jiang) Ltd.)	Note B	Manufacturing and sales of peripherals and electronic control equipment	51.70%	51.70%	51.70%

<u>Name of Company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31,</u>		
			<u>2002</u>	<u>2003</u>	<u>2004</u>
Delta Video Display System (Wu Jiang) Co., Ltd.	Note B	Manufacturing and sales of various monitors	51.70%	51.70%	51.70%
DAC Holding Ltd. (DAC)	Note B	Equity investment	46.06%	46.06%	55.78%
Delta Electronics Mexico S.V DE C.V (DEM)	Note D	Manufacturing and sales of electronic products	-	46.06%	55.78%
Delta Video Technology Ltd. (DVT)	Note D	Operating and sales of electronic products	-	46.06%	55.78%
Delta Networks Holding Ltd. (DNH)	Note A	Equity investment	100%	100%	100%
Delta Networks Inc. (DNI Cayman)	Note E	Equity investment	100%	94.00%	94.00%
Delta Electronics Industrial (Dong Guan) Co., Ltd. (DII)	Note F	Manufacturing and sales of electronic ballast for energy saving lighting and interface cards	94.00%	94.00%	94.00%
Delta Networks, Inc. (registered in Taiwan)	Note F	Development, design, manufacturing and sales of networking system and peripherals.	87.39%	91.63%	93.25%
Delta Networks International Ltd. (DNIL)	Note F	Trading and import/export of networking system and peripherals	88.36%	94.00%	94.00%
DNI Logistics (USA) Corp. (ALN)	Note F	Trading and import/export of networking system and peripherals	83.36%	94.00%	94.00%
Pyramis Corporation (Pyramis)	Note A	Design and sales of electronic products	-	100%	99.24%
Pyramis Holding Ltd. (Pyramis Holding)	Note G	Equity investment	-	-	99.24%
Pyramis Corporation (Pyramis US)	Note H	Development of electronic products	62.67%	88.13%	99.24%

Note A: The Company's total voting rights in the consolidated subsidiaries is over 50%.

Note B: A subsidiary of Delta International Holding Ltd. (DIH), the Company owns total voting rights over 50% indirectly.

Note C: A subsidiary of Delta Electronics (Japan) Inc. (DEJ), the Company owns total voting rights over 50% indirectly.

Note D: A subsidiary of DAC Holding Ltd. (DAC), the Company owns total voting rights over 50% indirectly.

Note E: A subsidiary of Delta Networks Holding Ltd. (DNH), the Company owns total voting rights over 50% indirectly.

Note F: A subsidiary of Delta Networks Inc. (DNI Cayman), the Company owns total voting rights over 50% indirectly.

Note G: A subsidiary of Pyramis Corporation (Pyramis), the Company owns total voting rights over 50% indirectly.

Note H: Originally a subsidiary of DIH, the Company owned total voting rights over 50% indirectly. In connection with the group restructuring in the fourth quarter of 2004, DIH sold all of its investments in Pyramis US to Pyramis Holding Ltd. (Pyramis Holding). As a result, Pyramis US became a consolidated subsidiary of Pyramis Holding. The Company owns total voting rights over 50% indirectly.

Among the consolidated subsidiaries of DIH, DNH and Pyramis, the financial statements for the years ended December 31, 2002, 2003 and 2004 of Pyramis US, ALN and Delta Electronics Components (Thailand) were audited by other independent accountants. The total assets of these subsidiaries at December 31, 2002, 2003 and 2004 were NT\$735,985, NT\$216,083, NT\$383,637, constituting 1.3%, 0.3% and 0.6% of the Company's consolidated total assets, respectively, and the related total operating revenues were NT\$1,063,921, NT\$848,600 and NT\$723,481, constituting 2.2%, 1.7% and 1.3% of the Company's consolidated operating revenues for the years ended December 31, 2002, 2003 and 2004, respectively.

3) Changes of consolidated subsidiaries

A. The newly consolidated subsidiaries in each respective year were as follows:

<u>Name of Company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31</u>			<u>Note</u>
			<u>2002</u>	<u>2003</u>	<u>2004</u>	
Delta Electronics (Shanghai) Co., Ltd.	Note A	Communication power technique service	-	-	94.00%	Note B
Delta Electronics (Korea) Inc.	Note C	Operating and sales of electronic products	-	-	94.00%	Note B
DAC Holding Ltd.	Note A	Equity Investment	46.06%	46.06%	55.78%	Note D
Pyramis Corporation (Pyramis)	Note E	Design and sales of electronic Products	-	100.00%	99.24%	Note F
Pyramis Holding Ltd. (Pyramis Holding)	Note G	Equity investment	-	-	99.24%	Note G
Delta Electronics (Jiang Su) Co.,	Note A	Design the figure of the product	51.70%	51.70%	51.70%	Note J
Delta Electronics Components (Wu Jiang) Co., Ltd.	Note A	Manufacturing and sales of various power supplies	51.70%	51.70%	51.70%	Note J
Delta Electro-optics (Wu Jiang) Co., Ltd.	Note A	Manufacturing and sales of transformer and peripherals	51.70%	51.70%	51.70%	Note J
Delta Networks Holding Ltd. (DNH)	Note E	Equity investment	100%	100%	100%	Note J
Delta Networks (Cayman) Inc. (DNI Cayman)	Note I	Equity investment	100%	94%	94%	Note J

Note A: A subsidiary of DIH, the Company owns more than 50% voting rights indirectly.

Note B: The subsidiary was established during the first half year of 2004.

Note C: A subsidiary of DEJ, the Company owns more than 50% voting rights indirectly.

Note D: DAC Holding was acquired during the third quarter of 2004 by DIH, and the Company's voting rights increased from 46.06% to 55.78%.

Note E: The company's total voting rights in the consolidated subsidiaries is over 50%.

Note F: As consolidated entities should not be changed due to group restructuring, Pyramis was included in the consolidated entities in

2004 in order to consolidate Pyramis US which was consolidated through the Company's another subsidiary, DIH, prior to the group restructuring as described in Note 1. 2). – Note H.

Note G: A subsidiary of Pyramis, the company owns more than 50% voting rights indirectly.

Note H: The subsidiary was established during the fourth quarter of 2004.

Note I: A subsidiary of DNH, the Company owns more than 50% voting rights indirectly.

Note J: A new consolidated subsidiaries in 2002.

B. The exclusion from consolidated subsidiaries in each respective year were as follows:

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31,</u>			<u>Note</u>
			<u>2002</u>	<u>2003</u>	<u>2004</u>	
Deltec Co., Ltd.(DL)	Note A	Import/export of computer and electrical equipment and its components.	99.99%	94.00%	-	
DNT Holding Ltd.	Note B	Equity investment	88.36%	-	-	Note C
Delta Electronics Components (Thailand) Co., Ltd	Note B	Manufacturing and sales of electronic products	88.59%	-	-	Note C

Note A: The financial statements of the subsidiary was excluded from consolidated financial statements, as the subsidiary was liquidated in June 2004. Before the liquidation, it was a subsidiary of DIH and the Company owned more than 50% voting rights indirectly.

Note B: A subsidiary of Delta International Holding Ltd. (DIH). The Company owns more than 50% voting right indirectly.

Note C: This subsidiary was liquidated in 2003.

C. The financial statements of these newly included or excluded consolidated subsidiaries in 2003 and 2004, DAC, DL, DNT Holding and Delta Electronics Components (Thailand) Co., Ltd. have no significant impact on the total assets and operating revenues of the consolidated financial statements for the years ended December 31, 2002 and 2003, respectively. Thus, the consolidated financial statements for years ended December 31, 2002 and 2003 were not restated.

4) Subsidiaries in which the Company's voting right exceeded 50% but were not

included in the consolidated financial statements were as follows:

<u>Name of company</u>	<u>% of shares held</u>	<u>Remarks</u>
Deltronics (Netherland) B.V.	100.00%	Note
Delsolar Co., Ltd.	95.21%	"
Delta Optoelectronics, Inc.	82.50%	"
Volink Integrated System, Inc.	100.00%	"

Note: 1. Total assets and operating revenues are less than 10% of the Company's unconsolidated total assets and operating revenue, respectively.

2. Total combined assets and operating revenue of all such unconsolidated subsidiaries constitute less than 30% of the Company's unconsolidated total assets and operating revenue, respectively.

- 5) Difference in accounting period of the Company and the subsidiaries: None.
- 6) Difference in the accounting policies of the Company and the subsidiaries: No significant differences.
- 7) Special operating risk of foreign subsidiaries: No significant special operating risks which have material impact on the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The financial statements were prepared in accordance with the “Rules Governing the Preparation of Financial Statements of Securities Issuers” and generally accepted accounting principles in the Republic of China. Summaries of significant accounting policies of the Company and its subsidiaries are as follows:

- 1) The consolidated financial statements include the accounts of the Company and the consolidated financial statements of DIH、DNH and Pyramis, after eliminating all significant intercompany accounts and transactions.
- 2) For long-term investments in which the Company owns more than 50% of the voting rights of the subsidiary, consolidated financial statements are prepared; however, if the total assets and the operating income of the subsidiary are less than 10% of the respective unconsolidated total assets and operating income of the Company, and such subsidiary also does not meet other consolidation criteria issued by the R.O.C. Securities and Futures Bureau (SFB), the subsidiary's financial statements are not consolidated and instead are accounted for using the equity method.

Translation of financial statements of foreign subsidiaries

Assets and liabilities of the foreign subsidiaries are translated into New Taiwan dollars using the exchange rate at the balance sheet date; equity accounts are translated at historical rates, except for beginning retained earnings which are transferred from prior year's ending retained earnings, and profit and loss accounts which are translated using the weighted average rate. Translation differences are recorded as translation adjustments and are included as a component of the stockholders' equity.

Translation of foreign currency transactions

The accounts of the Company and its subsidiaries are maintained in their functional currencies. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated into their functional currencies at the rates of exchange prevailing at the balance sheet date. Transactions denominated in foreign currency, are translated into their functional currencies at the exchange rates prevailing at the transaction dates. Foreign currency gains or losses are included in current net income.

Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible to known amounts of cash and with maturity dates that do not present significant risk of changes in value due to changes in interest rates.

Forward currency option contracts

Premiums and discounts on option contracts are recorded at cost. Premiums and discounts and unrealized gains and losses on option contracts amortized over the contract period on a straight line basis. Outstanding put options at balance sheet date are accounted for at their fair values with the differences included in the current net income.

Forward exchange contracts

Forward exchange contracts entered into for hedging purposes are recorded using the spot rate on the contract date. Discounts or premiums on forward contracts are amortized over the periods of the contract. Gains or losses on forward contracts are determined by the difference between the spot rate at the balance sheet date and the spot rate at the date of inception of the contract. Exchange gains or losses are included in current net income.

Cross currency swap contracts

Cross currency swap contracts entered into for hedging purposes are recorded using the contract rate on the contract date and recorded as accrued receivable and accrued payable, respectively. Interest receivable and interest payable are accrued base on the contract rate. Gains or losses on cross currency swap contracts are determined by the difference between the spot rate at the balance sheet date and the spot rate at the date of inception of the contract. Exchange gains or losses are included in current net income.

Short-term investments

Short-term investments are recorded at cost when acquired and is stated at the lower of cost or market value at the balance sheet date. Cost is calculated by the weighted-average method. The market value of open-end fund is determined based on the net value at the balance sheet date.

Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on an evaluation of the collectibility and aging of ending balances of notes receivable, accounts receivable and other receivables.

Inventories

Inventories are stated at the lower of cost or market value; cost is determined by the standard cost. Variances from standard cost are allocated to ending inventories and cost of goods sold at the end of each period. When comparing with market

value, current replacement price is used for materials. Net realizable value is used as market value for work in process and finished goods. Provision is made for obsolete and slow-moving inventories at balance sheet date.

Funds and long-term investments

1) Long-term investments

- A. Long-term investments in which the Company owns less than 20% of the voting rights of the investee company and has no significant influence on the investee company's operational decisions are accounted for by the lower of cost or market value method if the investee company is listed, and by the cost method if the investee company is not listed. When it becomes evident that there has been a permanent impairment in value and the chance of recovery is minimal, loss is recognized in the current year's income.

If the Company owns at least 20% of the voting rights of the investee company, the investment is accounted for by the equity method, unless there is evidence that the Company cannot exercise significant influence over the investee company. The unrealized gains or losses arising from transactions between the Company and investee companies accounted for under the equity method are eliminated.

- B. The translation difference from foreign investments are included in the cumulative translation adjustment account in the stockholders' equity.
- C. The capital reserve and long-term investment amounts are adjusted by the variance between the investment cost and the net asset of the investee company due to the disproportionate acquisition of shares in connection with the capital increase by the investee company accounted for under the equity method. If the capital reserve arising from long-term investment is not sufficient, then retained earnings is debited.

- D. The Company recognizes its proportionate share in the changes of the unrealized loss on market value decline of long-term investments accounted for under the equity method by its consolidated subsidiaries and includes it in the stockholders' equity.
 - E. Under the equity method, the excess of investment cost over the underlying equity in net assets of the investee companies at the date of investment is amortized over 5~20 years.
 - F. The use of the equity method is discontinued if losses on investment reduce the balance of the investment to zero, unless the Company has a commitment to provide financial support to the investee company or acts as guarantor for loans made to the investee company. The credit balances of the investments should reduce the receivables from the investee company and the remaining balances are reported in the balance sheet as other liabilities.
 - G. Dividends received from long-term investments accounted for under cost method are recognized as dividend income. Dividends received from long-term investments accounted for under the equity method are credited to long-term investments.
- 2) Cash surrender value of life insurance

The cash surrender value of life insurance is recorded as an asset and classified as long-term investment. The increase in cash surrender value during the period is accounted for as an adjustment to insurance premiums paid.

Property, plant and equipment

- 1) With the exception of land, which is carried at appraised value, property, plant and equipment are carried at cost.
- 2) Prior to 2001, depreciation of the fixed assets of the Company, Pyramis and Delta Networks, Inc. (registered in Taiwan, DNIT), a subsidiary of Delta Networks, Inc. (registered in Cayman, DNI Cayman, the subsidiary of DNH) are provided on a straight-line method over the estimated useful lives of the assets plus one year as salvage value except for leasehold improvements which are based on the period of the contract. Salvage values of fixed assets, which are still in use after the end of their estimated useful lives, are depreciated over the newly estimated remaining useful lives of the assets.

Commencing 2001, depreciation of new assets which are purchased by the Company, Pyramis and DNIT is provided on a straight-line method over the estimated useful lives of the assets, with a nominal salvage value of \$1.00 (in dollar).

For subsidiaries of DIH and DNH in Mainland China, depreciation of assets is

provided on a straight-line method over the estimated useful lives of the assets with salvage value of \$1.00 (in dollar of reporting currency).

The estimated useful lives of fixed assets are 2 to 10 years, except for buildings which are 5 to 55 years.

- 3) Renewals and improvements are treated as capital expenditure and are depreciated accordingly. Maintenance and repairs are charged to expense as incurred. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating income or expense.

Other intangible assets

Land use rights are recorded at actual cost and amortized over the lease term.

Deferred charges

Deferred charges are recorded at actual cost and amortized over the estimated useful lives based on the straight-line method, except for the issuance costs for convertible bonds which are amortized over the outstanding period of the bonds. The unamortized bonds issuance costs relating to the bonds converted or redeemed before the maturity date are transferred to expense at the date of redemption or conversion.

Retirement plan

- 1) The Company, Pyramis and DNIT adopted R.O.C. SFAS No.18 "Accounting for Pension". The Company, Pyramis and DNIT recognized minimum pension liability for the excess of accumulated benefit obligation over the fair value of plan assets and pension cost based on actuarial valuation. Pension cost, which includes service cost, interest cost, expected return on plan assets and amortization of net obligation at transition and unrecognized pension loss, is recognized based on an actuarial valuation.
- 2) The Company's overseas subsidiaries maintain defined contribution pension plans in accordance with the regulations in the countries where these subsidiaries are operating. Each of these subsidiaries contributes a certain amount into a separate fund and records such a contribution as pension expenses.

Convertible bonds

- 1) The excess of the book value of the bonds over redemption price is treated as a contingent gain and should not be recognized until the bonds are redeemed.
- 2) When a bondholder exercises his/her conversion rights, the book value of bonds is credited to common stock at an amount equal to the par value of the stock with the excess credited to capital reserve; no gain or loss is recognized on bond conversion.

Income tax

- 1) The Company, Pyramis and DNIT adopted R.O.C. SFAS No. 22, "Accounting for Income Taxes". Income tax is provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax resulting from items reported in different periods for tax and financial reporting purposes. Deferred income tax assets or liabilities are further classified into current and non-current items based on the classifications of the related assets or liabilities or on the expected reversal date of the temporary differences and are presented on the financial statements as net balance. Valuation allowance for deferred income tax assets is recognized if it is more likely than not that the tax benefits will not be realized. Tax credits resulting from equipment purchase, technology acquisition, research and development expenditure, training expense and long-term equity investment, etc. are recognized as current income tax benefit when incurred.
- 2) The Company's overseas subsidiaries adopted liability method which is similar to R.O.C. SFAS No. 22 "Accounting for Income Taxes".
- 3) Over or under provision of prior years' income tax liabilities are included in the current year's income tax expense.
- 4) According to the Taiwan imputation tax system, undistributed current earnings of a company derived on or after January 1, 1998 is subject to an additional 10% corporate income tax if the earnings are not distributed in the following year. This 10% additional corporate income tax is recorded as income tax expense in the period when the stockholders approve a resolution to retain the earnings.

Earnings per share

- 1) In accordance with R.O.C. SFAS No. 24 "Earnings Per Common Share" as

revised on November 1, 2002, the basic earnings and diluted earnings per share are disclosed in income statements. The computation of earnings per share are as follows:

- A. Basic earnings per share: net income is divided by the weighted average number of shares outstanding during the period.
 - B. Diluted earnings per share: the computation is the same as basic earnings per share, except that potential common shares are assumed to have been converted to common stock at the beginning of the period and net income is adjusted by the amount associated with the conversion.
- 2) The potential common shares consist of Euro convertible bonds. The Company adopted the "if converted method" in computing the dilutive effect of the Euro convertible bonds.

Revenue, costs and expenses recognition

Revenue is recognized when the earning process is completed and realized or realizable. Costs and expenses are recorded as incurred.

Accounting estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the Republic of China requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

Convenience translation into US dollars

The Company maintains its accounting records and prepares its financial statements in New Taiwan dollars. The United States dollar amounts disclosed in the 2004 financial statements are presented solely for the convenience of the reader and were translated to US dollar using the exchange rate of NT\$31.785=US\$1.00, the average of buying and selling exchange rate published by Hua Nan Bank on December 31, 2004. Such translated amounts are unaudited and should not be construed as representations that the New Taiwan dollar amounts represent, or have been or could be converted into United States dollars at this or any other rate.

3. CHANGES IN ACCOUNTING PRINCIPLES

- 1) Effective the quarter ended December 31, 2004, in accordance with No. 32 ruling issued by Accounting Research and Development Foundation in 2005, "The Accounting Treatment of Foreign Exchange Option Contract Before the Effectiveness of Financial Accounting Standards No. 34", outstanding put options at balance sheet date shall be accounted for at their fair values with the differences included in the current net income. This change in accounting principles increased the consolidated net income for the year ended December 31, 2004 by \$13,800.
- 2) There were certain changes in the consolidated entities in each of 2002, 2003 and 2004. Please refer to Note 1. 3) for further details. In addition, as discussed in Note 1. 3). – Note F, the consolidated financial statements of 2003 have been restated so as to include the financial position and operation results of Pyramis as of and for the year ended December 31, 2003. This restatement had no impact on total consolidated assets as of December 31, 2003 and operating revenues of 2003.

4. DESCRIPTION OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalent

	December 31,		
	2002	2003	2004
Cash on hand	\$ 5,886	\$ 5,137	\$ 5,482
Checking and demand deposits	11,030,848	15,213,814	6,517,788
Time deposits	2,123,384	7,985,406	15,589,193
Cash equivalent –commercial paper	-	153,895	1,666,648
	<u>\$ 13,160,118</u>	<u>\$ 23,358,252</u>	<u>\$ 23,779,111</u>

2) Short-term investments

	December 31,		
	2002	2003	2004
Open-end Fund			
UBS Taiwan Bond Fund	\$ 1,134,477	\$ 343,000	\$ 44,508
ABN-AMRO Bond Fund	-	1,198,627	34,993
JF (Taiwan) First Bond Fund	-	789,156	10,087
NITC Bond Fund	1,342,487	-	-
Tachong Bond Fund	-	271,000	-
Core Pacific Well Pool Bond Fund	1,119,401	-	-
AIG Taiwan Bond Fund	3,381	1,062,627	-
	3,599,746	3,664,410	89,588
Foreign treasury bonds repurchasable by issuer	-	1,140,933	2,215,527
	<u>\$ 3,599,746</u>	<u>\$ 4,805,343</u>	<u>\$ 2,305,115</u>
Market value	<u>\$ 3,602,034</u>	<u>\$ 4,813,409</u>	<u>\$ 2,305,254</u>

3) Accounts receivable

	<u>December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Accounts receivable	\$ 10,091,155	\$ 9,275,866	\$ 12,884,022
Less: Allowance for doubtful accounts	(42,702)	(16,922)	(35,517)
	<u>10,048,453</u>	<u>9,258,944</u>	<u>12,848,505</u>
Overdue receivable (shown as other assets)	302,148	219,942	179,817
Less: Allowance for doubtful accounts	(302,148)	(219,942)	(179,817)
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,048,453</u>	<u>\$ 9,258,944</u>	<u>\$ 12,848,505</u>

4) Inventories

	<u>December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Raw materials	\$ 1,754,154	\$ 1,961,440	\$ 2,341,292
Work in process	516,863	494,501	670,066
Finished goods	2,276,350	1,627,329	2,385,923
Inventory in transit	<u>15,757</u>	<u>74,170</u>	<u>73,900</u>
	4,563,124	4,157,440	5,471,181
Less: Allowance for decline in market value and inventory obsolescence	(465,185)	(246,989)	(576,137)
	<u>\$ 4,097,939</u>	<u>\$ 3,910,451</u>	<u>\$ 4,895,044</u>

5) **Long-term investments**

A. List of long-term investments:

<u>Investee company</u>	<u>December 31, 2002</u>		<u>December 31, 2003</u>		<u>December 31, 2004</u>	
	<u>%</u>	<u>Book value</u>	<u>%</u>	<u>Book value</u>	<u>%</u>	<u>Book value</u>
<u>Equity method</u>						
Delta Electronics (Thailand) Public Co., Ltd. (DET) (Note A)	20.14	\$ 4,967,464	20.14	\$ 4,547,025	20.14	\$ 4,224,283
Cyntec Co., Ltd.	37.66	768,930	37.06	804,400	36.57	814,945
Grand Advance Technology Ltd.	39.20	214,925	39.20	221,105	39.20	184,785
Union Optronics Corp. (Union) (Note B)	32.92	341,111	32.92	345,646	-	-
Delta Optoelectronics, Inc.	86.11	123,694	90.17	113,012	95.21	575,166
DAC Holding Ltd (DAC)(Note C)	49.00	174,308	49.00	143,707	-	-
Delsolar Co., Ltd.	-	-	-	-	82.50	494,579
Others (individual amount less than NT\$50,000)		<u>295,663</u>		<u>17,117</u>		<u>27,198</u>
		6,886,095		6,192,012		6,320,956
The credit balance deducted from receivables and the remaining balance reported in balance sheet as other liabilities		<u>2,950</u>		<u>2,679</u>		<u>-</u>
		<u>6,889,045</u>		<u>6,194,691</u>		<u>6,320,956</u>

Investee company	December 31, 2002		December 31, 2003		December 31, 2004	
	%	Book value	%	Book value	%	Book value
<u>Cost method (or the lower of cost or market value method)</u>						
D-Link Co., Ltd.	2.11	433,275	2.18	433,275	2.09	433,275
Union Optronics Corp. (Union) (Note B)	-	-	-	-	12.70	348,072
Macronix International Co., Ltd	2.20	298,419	1.39	225,040	1.22	225,040
WK Technology Fund	4.56	118,782	4.56	118,782	4.56	118,782
Deltron-Cimic Electric and Electronics Co., Ltd.	10.38	106,529	10.38	104,152	10.38	97,440
Delta American Ltd.	Preferred stock	103,065	Preferred stock	103,065	Preferred stock	101,076
Loyalty Founder Enterprises Co., Ltd.	9.92	95,413	9.87	95,413	9.87	95,413
WK Technology Fund IV	3.13	82,204	3.13	82,204	3.13	82,204
Netgear Inc.	Preferred stock	104,250	3.25	101,925	1.63	52,447
WK Technology Fund V	3.89	70,000	3.89	70,000	3.89	70,000
Quantum Technologies, Inc.	Preferred stock	65,648	Preferred stock	64,873	Preferred stock	62,683
Prominent Communications, Inc.	Preferred stock	64,425	Preferred stock	64,425	-	-
Betacera Inc.	18.99	59,358	18.99	59,358	18.99	59,358
Analog and Power Electronics Corp.	16.54	62,813	14.09	54,631	13.61	54,631
Sheng Hua Venture Capital Corp.	2.50	50,000	2.50	50,000	2.50	50,000
Others (individual amount less than NT\$50,000)		568,740		238,733		259,347
		2,282,921		1,865,876		2,109,768
Less: Allowance for loss on market value decline of long-term investments		(101,541)		(1,417)		(1,718)
		2,181,380		1,864,459		2,108,050
		<u>\$ 9,070,425</u>		<u>\$ 8,059,150</u>		<u>\$ 8,429,006</u>

(Note A) : The combined ownership percentage in DET's common share held by the Company and DIH was more than 20%. Accordingly, the investment was accounted for under the equity method.

(Note B) : Because the ownership percentage in Union was reduced to below 20% in April 2004, the Company discontinued the recognition of the investment income/loss under the equity method thereafter.

(Note C) : In July 2004, due to the increase of ownership percentage in DAC, DAC became a consolidated subsidiary of DIH from an investee accounted for under the equity method. Therefore, the related long-term investment and investment loss were eliminated when preparing the consolidated financial statements.

(Note D) : The shares of Netgear Inc. owned by DIH were preferred stock in 2002, which were converted to common stock in 2003.

B. The Company and its subsidiaries recognized investment (loss) income under the equity method as follows:

<u>Name of investee company</u>	<u>For the years ended December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Delta Electronics (Thailand) Public Co., Ltd. (DET)	\$ 408,146	\$ 188,921	\$ 82,692
Cyntec Co., Ltd.	99,427	94,133	81,569
Delta Optoelectronics, Inc.	(200,877)	(187,967)	(202,584)
Others	(7,547)	(104,504)	(35,854)
	<u>\$ 299,149</u>	<u>(\$ 9,417)</u>	<u>(\$ 74,177)</u>

C. The financial statements of DET, Union, Delta Electronics Europe, Deltronics (Netherlands) B.V., Netpower Technologies Inc., Delcom Electronics Company Ltd., Volink Integrated System, Inc. and Addtron Technology Co., Ltd. of 2002, 2003 and 2004 were audited by other auditors. In 2002, 2003 and 2004, the net investment income recognized by the Company in these investee companies under the equity method was NT\$331,030, NT\$147,557 and NT\$83,791, respectively.

D. The Company and its subsidiaries, DIH and DNH, recognized impairment loss of NT\$341,236 and NT\$66,126 on some of their investee companies accounted for under the cost method for the years ended December 31, 2003 and 2004, respectively.

6) **Property, plant and equipment**

December 31, 2002

Item	Original cost	Appraisal increment	Total	Accumulated depreciation	Net book value
Land	\$ 1,275,266	\$ 168,738	\$ 1,444,004	\$ -	\$ 1,444,004
Buildings	5,343,882	-	5,343,882	(658,816)	4,685,066
Machinery and equipment	4,508,302	-	4,508,302	(1,676,939)	2,831,363
Molds	880,333	-	880,333	(515,418)	364,915
Computer and communication equipment	639,246	-	639,246	(370,220)	269,026
Test equipment	2,656,259	-	2,656,259	(1,503,203)	1,153,056
Motor vehicles	114,551	-	114,551	(58,245)	56,306
Furniture and fixtures	1,046,581	-	1,046,581	(399,523)	647,058
Leasehold improvements	26,718	-	26,718	(14,176)	12,542
Prepayments for equipment and construction in progress	111,132	-	111,132	-	111,132
	\$ 16,602,270	\$ 168,738	\$ 16,771,008	(\$ 5,196,540)	\$ 11,574,468

December 31, 2003

Item	Original cost	Appraisal increment	Total	Accumulated depreciation	Net book value
Land	\$ 1,294,482	\$ 168,738	\$ 1,463,220	\$ -	\$ 1,463,220
Buildings	5,300,670	-	5,300,670	(881,598)	4,419,072
Machinery and equipment	4,369,080	-	4,369,080	(1,920,116)	2,448,964
Molds	885,863	-	885,863	(636,613)	249,250
Computer and communication equipment	688,020	-	688,020	(500,885)	187,135
Test equipment	2,858,878	-	2,858,878	(1,929,053)	929,825
Motor vehicles	119,601	-	119,601	(70,279)	49,322
Furniture and fixtures	1,030,038	-	1,030,038	(533,815)	496,223
Leasehold improvements	26,587	-	26,587	(24,425)	2,162
Prepayments for equipment and construction in progress	147,104	-	147,104	-	147,104
	\$ 16,720,323	\$ 168,738	\$ 16,889,061	(\$ 6,496,784)	\$ 10,392,277

December 31, 2004

Item	Original cost	Appraisal increment	Total	Accumulated depreciation	Net book value
Land	\$ 1,309,877	\$ 168,738	\$ 1,478,615	\$ -	\$ 1,478,615
Buildings	5,425,476	-	5,425,476	(1,069,763)	4,355,713
Machinery and equipment	4,793,466	-	4,793,466	(2,465,212)	2,328,254
Molds	1,020,270	-	1,020,270	(773,161)	247,109
Computer and communication equipment	721,401	-	721,401	(531,060)	190,341
Test equipment	3,133,920	-	3,133,920	(2,302,010)	831,910
Motor vehicles	119,014	-	119,014	(79,473)	39,541
Furniture and fixtures	1,031,898	-	1,031,898	(638,195)	393,703
Leasehold improvements	16,026	-	16,026	(15,695)	331
Prepayments for equipment and construction in progress	418,263	-	418,263	-	418,263
	<u>\$ 17,989,611</u>	<u>\$ 168,738</u>	<u>\$ 18,158,349</u>	<u>(\$ 7,874,569)</u>	<u>\$ 10,283,780</u>

The appraisal increment of land amounted to \$168,738, the reserve for land value incremental tax amounted to \$80,945 and the capital reserve resulting from the appreciation on the revalued land amounted to \$114,714 as of December 31, 2004.

7) **Short-term loans**

	December 31,		
	2002	2003	2004
Unsecured bank loans	\$ 3,001,351	\$ 3,751,259	\$ 4,082,358
Secured bank loans	448,141	-	-
	<u>\$ 3,449,492</u>	<u>\$ 3,751,259</u>	<u>\$ 4,082,358</u>
Credit lines	<u>\$ 13,127,011</u>	<u>\$ 13,833,206</u>	<u>\$ 16,074,215</u>
Interest rates per annum	<u>0.8%~3.54%</u>	<u>0.79%~1.70%</u>	<u>0.78%~2.75%</u>

8) **Commercial paper payable**

	December 31,		
	2002	2003	2004
Commercial paper payable	\$ 2,650,000	\$ 1,750,000	\$ 155,000
Less: Unamortized discounts	(5,450)	(1,852)	-
	<u>\$ 2,644,550</u>	<u>\$ 1,748,148</u>	<u>\$ 155,000</u>
Interest rates	<u>1.67%~3.20%</u>	<u>1.00%~1.15%</u>	<u>1.288%</u>

9) **Convertible bonds**

A. As of December 31, 2002, 2003, and 2004, the details of the third and fourth foreign currency Euro convertible bonds (ECB III and ECB IV) were as follows:

	December 31,		
	2002	2003	2004
Issued amount	\$ 6,142,400	\$ 6,876,910	\$ 6,876,910
Early redemption	(6,115,373)	-	(20,610)
Ending balance	27,027	6,876,910	6,856,300
Add: Foreign currency revaluation	3,553	(81,910)	(518,371)
	\$ 30,580	\$ 6,795,000	\$ 6,337,929
Less: Current portion-for redemption next year	(\$ 30,580)	-	-
Book Value	<u>\$ -</u>	<u>\$ 6,795,000</u>	<u>\$ 6,337,929</u>

B. The issuances of ECB III and IV were approved by SFB. The issuance terms and conditions of ECB III and IV are summarized as follows:

	<u>ECB III</u>	<u>ECB IV</u>
(A) Trustee	The Bank of New York	The Bank of New York
(B) Amount of issuance (Thousand dollars)	US\$200,000	US\$200,000
(C) Nominal interest rate (net of tax)	0%	0%
(D) Period of issuance	5 years (Feb. 15, 2000 ~Feb. 15, 2005)	5 years (July 30, 2003 ~July 30, 2008)
(E) Listing exchange	Luxembourg	Luxembourg
(F) Period of conversion	March.15, 2000 ~ Jan. 15, 2005	Aug.30, 2003 ~ Jun. 30, 2008
(G) Exchange rate of conversion	Fixed exchange rate of NT\$30.699 to US\$1.00	Fixed exchange rate of NT\$34.35 to US\$1.00
(H) Redemption price and adjustment	The initial conversion price was NT\$182, and it will be adjusted for change in common shares outstanding. The conversion price as of December 31, 2002 was NT\$98.3	The initial conversion price was NT\$55, and it will be adjusted for change in common shares outstanding. The conversion price as of December 31, 2004 was NT\$50.03.
(I) Redemption of bonds	<p>a. Redemption at principal amount on due date.</p> <p>b. Early redemption</p> <p>(a) Redemption price: 100.00% of outstanding principal amount.</p> <p>(b) Redemption date: At any time on or after Feb. 15, 2003.</p> <p>(c) The condition of early redemption:</p> <p>1. the closing price of the common shares of the Company on each of 20 consecutive trading days is at least 140% of the</p>	<p>a. Redemption at principal amount on due date.</p> <p>b. Early redemption</p> <p>(d) Redemption price: 94.63% of outstanding principal amount.</p> <p>(e) Redemption date: At any time on or after July 30, 2006.</p> <p>(f) The condition of early redemption:</p> <p>1. the closing price of the common shares of the Company on each of 20 consecutive trading days is at least 125% of the</p>

	<u>ECB III</u>	<u>ECB IV</u>
	conversion price,	conversion price,
	2. at least 90% in principal amount of the bonds have been converted, redeemed or purchased and cancelled.	2. at least 90% in principal amount of the bonds have been converted, redeemed or purchased and cancelled.
(J) Bondholders' put option	a. Exercise date: Feb. 15, 2001, 2002 and 2003. b. Exercise price: face value (the investor should notify the Company not more than 60 nor less than 30 days prior to exercise date)	a. Exercise date: July 30, 2005 b. Exercise price: 97.82% of outstanding principal amount

C. As of December 31, 2004, US\$600 thousand of ECB IV had been converted into 412,000 common shares with the premium recognized as capital reserve amounting to \$16,490.

10) Long-term loans

		<u>December 31,</u>		
	<u>Due date</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Unsecured loans	December 25, 2004	\$ 29,290	\$ 31,791	\$ -
Less: Current portion of long-term loan		<u>-</u>	<u>(31,791)</u>	<u>-</u>
		<u>\$ 29,290</u>	<u>\$ -</u>	<u>\$ -</u>

11) Reserve for retirement plan

- A. The Company maintains a defined benefit employee retirement plan (the Plan) covering all regular employees. The Company contributes to the Central Trust of China at a fixed rate equal to 2% of monthly salaries and wages.

The subsidiaries of DNI Cayman, DNIT and Pyramis maintain employee retirement plans according to the Labor Law and related regulations of the country they operate.

DIH and DNH do not maintain an employee retirement plan. Each DIH's and DNH's subsidiary located in Mainland China maintains a contributory employee retirement plan covering all employees. Under the plan, the employees of each DIH's and DNH's subsidiary contribute to a separate fund for an amount based on certain percentage of the monthly basic salary of employees. Each DIH's and DNH's subsidiary also provides pension reserve for its employees for amounts depending on employees' positions.

The subsidiaries of DIH, DNH and Pyramis located in Hong Kong and United States of America have defined contribution plan in accordance with the regulations in the country where these subsidiaries operate and contribute pension fund based on certain percentage of salaries. Except for the annual contribution referred to above, the subsidiaries have no further employee retirement benefit obligations.

- B. As of December 31, 2002, 2003 and 2004, the total pension fund deposited in the Central Trust of China by the Company, Pyramis and DNIT, was \$309,043, \$384,825 and \$395,891, respectively.

C. The reconciliation of the funded status to accrued pension liability of the Company, Pyramis and DNIT as of December 31, 2002, 2003 and 2004, the respective measurement dates, were as follows:

	<u>December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Vested benefit obligation	(\$ 60,753)	(\$ 104,102)	(\$ 117,172)
Non-vested benefit obligation	(424,445)	(555,724)	(699,851)
Accumulated benefit obligation	(485,198)	(659,826)	(817,023)
Additional benefits based on future salary increases	(367,072)	(501,436)	(597,413)
Projected benefit obligation	(852,270)	(1,161,262)	(1,414,436)
Fair value of plan assets	<u>309,043</u>	<u>348,825</u>	<u>395,891</u>
Funded status	(543,227)	(812,437)	(1,018,545)
Unrecognized transition obligation	103,430	94,027	85,795
Unrecognized net pension loss	59,274	244,509	337,965
Additional pension liability	<u>-</u>	<u>-</u>	(489)
Accrued pension liability	<u>(\$ 380,523)</u>	<u>(\$ 473,901)</u>	<u>(\$ 595,274)</u>

The related assumptions used for the actuarial valuation were as follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Discount rate	4.00%	3.50%	3.50%
Expected return rate on plan assets	3.25%	2.75%	2.50%
The average rate of salary increase	4.00%	4.00%	4.00%

D. In 2002, 2003 and 2004, the details of net pension cost were as follows:

	December 31,		
	2002	2003	2004
Service cost	\$ 85,282	\$ 101,454	\$ 122,113
Interest cost	29,958	34,717	40,644
Expected return on plan assets	(10,048)	(10,072)	(9,592)
Amortization of unrecognized transition obligation	9,403	9,403	9,403
Unrecognized pension loss	<u>155</u>	<u>1,740</u>	<u>13,447</u>
Net pension cost	<u>\$ 114,750</u>	<u>\$ 137,242</u>	<u>\$ 176,015</u>

E. As of December 31, 2002, 2003 and 2004, the total balance of the reserve for retirement plan of DIH's subsidiaries located in Mainland China was \$123,433, \$199,897 and \$176,843, respectively.

12) Common stock

In accordance with the Company's Articles of Incorporation, as amended in the shareholders' meeting on May 18, 2004, the total shares of authorized common stock was 2,000,000,000 shares. As of December 31, 2004, the total issued and outstanding common stock was 1,585,972,000 shares with a par value of \$10 (in NT dollars).

13) Capital reserve

The R.O.C. Company Law requires that the capital reserve shall be exclusively used to offset against accumulated deficit or increase in capital and shall not be used for any other purpose. The capital reserve can be used to offset against accumulated deficit only when legal reserve and special reserve are insufficient. Only capital reserve from paid-in capital in excess of par value and donated surplus can be used to increase capital and the total amount shall be limited to 10% of outstanding capital each year.

14) Legal reserve

The R.O.C Company Law requires that the Company shall set aside 10% of its net income as legal reserve after offsetting against prior years' losses until the legal reserve equals the Company's capital. The legal reserve can be used only to offset against accumulated deficit or increase capital. The legal reserve can be used to increase capital only when the reserve exceeds 50% of the Company's capital, and should be limited to 50% of the excess portion of the reserve.

15) Undistributed earnings

A. Based on the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order:

- a) Payment of all taxes and dues.
- b) Offset against prior years' operating losses, if any.
- c) Set aside 10% of the remaining amount as legal reserve.
- d) Set aside a certain amount as special reserve, if necessary.
- e) The amount of distributable earnings after deducting items (a), (b), (c) and (d), plus beginning undistributed earnings (the earnings), shall be distributed in the following percentage according to the resolution of the meeting of stockholders:
 - (i) Directors' and supervisors' remuneration: up to 1% of the earnings.
 - (ii) Employees' bonus: at least 3% of the earnings.
 - (iii) Stockholders' bonus: balance of the earnings after deducting (i) and (ii).

According to the Company's Articles of Incorporation, at least 50% of the distributable retained earnings shall be distributed as stockholders' bonus, of which at least 5% is payable by cash.

B. As of February 3, 2005, the distribution of 2004 earnings had not been approved by the Company's board of directors. The distribution of 2003 earnings was approved by the stockholders meeting on May 18, 2004, which included the employees' bonuses of \$312,734, stock dividends of \$740,136 and cash dividends of \$3,330,613. The distribution of 2003 earnings was approved by the Securities and Futures Bureau ("SFB") and the Company set July 4, 2004 as the ex-rights/dividend date.

The subsequent resolutions of board of directors' and stockholders' meetings on the distribution of 2004 earnings will be disclosed in the "Market Observation Post System" of the Taiwan Stock Exchange Corporation.

For the distribution of 2003 earnings, the information relating to employee bonus is as follows:

- a) The distribution of employees' bonus and directors' and supervisors' remuneration set forth in the Articles of Incorporation: Please refer to Note 4 (16) A.
- b) The actual payment of employees' bonus and directors' and supervisors' remuneration from the distribution of 2003 earnings were \$312,734 and \$13,000, respectively. The Company issued 31,273 thousand shares of common stock as a payment of employees' bonus, which accounted for 2.11% of the outstanding common shares on December 31, 2003.

The effect on the 2003 earnings per share (EPS) was as follows:

	<u>Basic EPS</u>	<u>Fully diluted EPS</u>
Original EPS in 2003 financial statements	\$ 3.52	\$ 3.25
Effect of employees' bonus and directors' and supervisors' remuneration	(0.22)	(0.20)
Pro forma EPS	<u>\$ 3.30</u>	<u>\$ 3.05</u>

- c) The distribution of 2003 earnings approved at the stockholders' meeting was the same as that proposed at the board of directors' meeting.
- C. The Taiwan imputation tax system requires that any undistributed current earnings, on tax basis, be subject to an additional 10% corporate income tax if the earnings are not distributed in the following year. This 10% additional tax on undistributed earnings paid by the company may be used as tax credit by the stockholders, including foreign stockholders, against the withholding tax on dividends. In addition, the domestic stockholders can claim a proportionate share in the company's corporate income tax as tax credit against their individual income tax liability.
- D. As of December 31, 2002, 2003 and 2004, the information on tax credit of the Company were as follows:

December 31,		
2002	2003	2004
_____	_____	_____

Imputation tax credit account balance	<u>\$ 4,106</u>	<u>\$ 7,480</u>	<u>\$ 7,433</u>
	<u>2002 (Actual)</u>	<u>2003 (Actual)</u>	<u>2004 (Estimated)</u>
Creditable tax ratio	<u>0.30%</u>	<u>0.17%</u>	<u>0.11%</u>

The actual creditable tax ratio will be adjusted based on the imputation tax credit account balance as of ex-rights date. The earnings of 2003 and 2002 have been distributed, and the 2002 and 2003 creditable tax ratio were calculated based on the balance of the imputation tax credit account on June 28, 2003 and July 4, 2004, respectively.

- E. As of December 31, 2002, 2003 and 2004, the information on undistributed earnings of the Company were as follows:

	December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Before January 1, 1998	\$ 685,952	\$ 685,952	\$ 685,952
On and after January 1, 1998			
- Subjected to the 10% additional tax	-	123,557	338,394
- Not yet subject to the 10% additional tax	<u>4,252,923</u>	<u>5,132,857</u>	<u>6,596,167</u>
	<u>\$ 4,938,875</u>	<u>\$ 5,942,366</u>	<u>\$ 7,620,513</u>

16) Income tax

- A. As of December 31, 2002, 2003 and 2004, deferred income tax assets and liabilities were as follows:

	December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
A) Total deferred income tax assets	<u>\$ 1,662,296</u>	<u>\$ 1,720,028</u>	<u>\$ 2,247,436</u>
B) Allowance for deferred income tax assets	<u>\$ 953,544</u>	<u>\$ 968,001</u>	<u>\$ 1,311,872</u>
C) Total deferred income tax liabilities	<u>\$ 3,912,166</u>	<u>\$ 3,414,438</u>	<u>\$ 2,899,354</u>

B. The components of deferred income tax assets and liabilities are as follows:

	December 31, 2002		December 31, 2003		December 31, 2004	
	Original amount	Tax effects	Original amount	Tax effects	Original amount	Tax effects
Current:						
Allowance for inventory obsolescence	\$ 113,280	\$ 28,320	\$ 101,969	\$ 25,492	\$ 251,041	\$ 62,760
Unrealized exchange gain	(456,357)	(114,089)	(439,662)	(109,915)	(191,149)	(47,787)
Others	131,318	32,830	(68,296)	(17,074)	15,944	3,986
Income tax credit		<u>395,158</u>		<u>196,999</u>		<u>278,279</u>
		342,219		95,502		297,238
Less: allowance for deferred income tax assets-current		(<u>395,158</u>)		(<u>186,086</u>)		(<u>274,258</u>)
Net deferred income tax assets (liabilities)-current		(<u>\$ 52,939</u>)		(<u>\$ 90,584</u>)		(<u>\$ 22,980</u>)
Non-current:						
Investment income accounted for under the equity method	(\$14,791,089)	(\$ 3,697,772)	(\$13,025,888)	(\$ 3,256,472)	(\$11,206,914)	(\$ 2,801,728)
Unfunded pension	380,524	95,131	473,902	118,476	594,561	148,640
Loss carryforward	-	-	176,319	44,080	259,842	64,961
Others	(45,138)	(11,284)	241,652	60,413	129,058	32,264
Income tax credit		<u>1,021,836</u>		<u>1,243,591</u>		<u>1,606,707</u>
		(2,592,089)		(1,789,912)		(949,156)
Less: allowance for deferred income tax assets-non current		(<u>558,386</u>)		(<u>781,915</u>)		(<u>1,037,614</u>)
Net deferred income tax liabilities-non current		(<u>\$ 3,150,475</u>)		(<u>\$ 2,571,827</u>)		(<u>\$ 1,986,770</u>)

C. As of December 31, 2002, 2003 and 2004, income tax payable (refundable) were arrived at as follows:

	<u>For the years ended December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Current year's income tax expense (benefit)	\$ 370,257	(\$ 489,879)	(\$ 635,400)
Effect of deferred income tax	(376,960)	541,003	698,621
Interest income subject to separate tax	(184)	(2)	(483)
Over (under) provision of income tax in prior years	32,142	(8,043)	13,299
Prepaid income tax	(579)	(33,635)	(44,530)
Others	(1,467)	(1,406)	(2,014)
Income tax payable-net	23,209	8,038	29,493
Income tax refundable	<u>1,217</u>	<u>14,709</u>	<u>4,709</u>
Income tax payable	<u>\$ 24,426</u>	<u>\$ 22,747</u>	<u>\$ 34,202</u>

D. As of December 31, 2004, according to "Income Tax Law" and "Statute for Upgrading Industries", the income tax credits were as follows:

<u>Item</u>	<u>Total income tax credits</u>	<u>Unused income tax credits</u>	<u>Year of expiration</u>
R&D expenditure	\$ 1,738,419	\$ 1,691,623	Between 2004 and 2008
Training expenditure	18,023	17,691	Between 2004 and 2008
Expenditure for procurement of machinery and equipment	13,223	11,212	Between 2004 and 2008
Investment in important technology based enterprise	164,460	164,460	Between 2004 and 2007
	<u>\$ 1,934,125</u>	<u>\$ 1,884,986</u>	

E. DDG, DEC, DEP, Delta Electronics (Jiang Su) Co., Ltd., Delta Electronics Components (Wu Jiang) Co., Ltd., Delta Electro-optics (Wu Jiang) Ltd., Delta Video Display System (Wu Jiang) Co., Ltd., and DII are subject to tax laws applicable to foreign investment enterprises in the PRC and are fully exempt from PRC enterprise income tax for two years

starting from the first profit-making year followed by a 50% reduction for the next three years.

F. The Company's income tax returns have been assessed and approved by the Tax Authority for the years up to 2002.

The income tax return of DNIT has been assessed and approved by the Tax Authority for the years up to 2001.

17) Earnings per share (EPS)

	For the year ended December 31, 2002				
	Amount		Weighted average outstanding common shares (in thousands) (Note)	Earnings per share (in NT dollars)	
	Income before income tax	Net income		Income before income tax	Net income
Basic EPS	\$ 4,645,928	\$ 4,275,671	1,585,560	\$ 2.93	\$ 2.70
Effect of potential common shares with dilutive effect: 0% Euro convertible bonds	-	-	275		
Diluted EPS	\$ 4,645,928	\$ 4,275,671	1,585,835	\$ 2.93	\$ 2.70

	For the year ended December 31, 2003				
	Amount		Weighted average outstanding common shares (in thousands) (Note)	Earnings per share (in NT dollars)	
	Income before income tax	Net income		Income before income tax	Net income
Basic EPS	\$ 4,725,494	\$ 5,215,373	1,585,560	\$ 2.98	\$ 3.29
Effect of potential common shares with dilutive effect: 0% Euro convertible bonds	-	-	57,216		
Diluted EPS	\$ 4,725,494	\$ 5,215,373	1,642,776	\$ 2.88	\$ 3.17

	For the year ended December 31, 2004				
	Amount		Weighted average outstanding common shares (in thousands)	Earnings per share (in NT dollars)	
	Income before income tax	Net income		Income before income tax	Net income
Basic EPS	\$ 6,026,298	\$ 6,661,698	1,585,566	\$ 3.80	\$ 4.20
Effect of potential common shares with dilutive effect: 0% Euro convertible bonds	-	-	136,906		
Diluted EPS	\$ 6,026,298	\$ 6,661,698	1,722,472	\$ 3.50	\$ 3.87

Note: The weighted average outstanding common shares was retroactively adjusted for stock dividends and employee bonuses distributed in 2004.

18) Personnel expense, depreciation and amortization expense

	For the year ended December 31,		
	2002		
	Operating cost	Operating expense	Total
Personnel expense			
Salary and wages	\$ 1,324,626	\$ 2,121,164	\$ 3,445,790
Labor and health insurance	36,625	121,558	158,183
Pension expense	45,742	127,354	173,096
Others	55,466	110,222	165,688
	<u>\$ 1,462,459</u>	<u>\$ 2,480,298</u>	<u>\$ 3,942,757</u>
Depreciation expense	<u>\$ 1,370,251</u>	<u>\$ 481,349</u>	<u>\$ 1,851,600</u>
Amortization expense	<u>\$ 35,982</u>	<u>\$ 176,873</u>	<u>\$ 212,855</u>

For the year ended December 31,

2003

	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Personnel expense			
Salary and wages	\$ 1,421,174	\$ 2,140,958	\$ 3,562,132
Labor and health insurance	32,924	143,848	176,772
Pension expense	82,067	143,501	225,568
Others	<u>280,073</u>	<u>132,973</u>	<u>413,046</u>
	<u>\$ 1,816,238</u>	<u>\$ 2,561,280</u>	<u>\$ 4,377,518</u>
Depreciation expense	<u>\$ 1,453,021</u>	<u>\$ 492,918</u>	<u>\$ 1,945,939</u>
Amortization expense	<u>\$ 44,293</u>	<u>\$ 127,362</u>	<u>\$ 171,655</u>

For the year ended December 31,

2004

	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Personnel expense			
Salary and wages	\$ 1,740,971	\$ 2,357,592	\$ 4,098,563
Labor and health insurance	40,485	171,994	212,479
Pension expense	33,313	173,949	207,262
Others	<u>242,659</u>	<u>102,961</u>	<u>345,620</u>
	<u>\$ 2,057,428</u>	<u>\$ 2,806,496</u>	<u>\$ 4,863,924</u>
Depreciation expense	<u>\$ 1,471,126</u>	<u>\$ 475,074</u>	<u>\$ 1,946,200</u>
Amortization expense	<u>\$ 11,801</u>	<u>\$ 153,987</u>	<u>\$ 165,788</u>

5. RELATED PARTY TRANSACTIONS

1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Delta Optoelectronics, Inc (Delta Optoelectronics)	A subsidiary of the Company
Deltaromics (Netherlands) B.V (DEN)	"
Cyntec Co., Ltd.	Investee company accounted for under the equity method
Grand Advance Technology Ltd. (Grand)	"
Delta Electronics (Thailand) Public Co., Ltd. (DET)	"
Delta Products Corporation (DPC)	Affiliated enterprise
Delta-Cimic Electric and Electronics Co., Ltd. (Delta-Cimic)	Affiliated enterprise
Delta Video Technology Ltd. (DVT)	Indirectly held investee company accounted for under the equity method (Note 1)
Delta Green (Tianjin) Industries Company Limited (Delta Green (Tianjin))	Indirectly held investee company accounted for under the equity method
Delta Energy Systems (Switzerland) AG. (DES Switzerland)	A Subsidiary of DET
Delta Electronics Europe Ltd. (DEU)	A subsidiary of DES Switzerland (Note 2)

(Note 1): DAC Holding was acquired during the third quarter of 2004 by DIH. As the results, DVT became a consolidated subsidiary of the Company. The related party transactions with DVT disclosed as follows were only for the seven-month period ended July 31, 2004. After July 31, 2004, the significant intercompany transactions between the DVT and the consolidated subsidiaries were eliminated.

(Note 2): In connection with the group restructuring in Europe, the Company sold all of its investments in DEU to DES Switzerland at its net book value. As a result, DEU became a consolidated subsidiary of DES Switzerland from an investee company accounted for under the equity method of the Company.

2) **Significant transactions with related parties**

A. Sales

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Delta-Cimic	\$ 535,660	\$ 864,240	\$ 1,054,299
DPC	1,019,260	1,185,374	1,010,030
DVT	-	125,907	563,030
DEU	76,843	134,659	301,414
DET	391,861	228,985	165,326
Others	<u>45,110</u>	<u>9,716</u>	<u>12,573</u>
	<u>\$ 2,068,734</u>	<u>\$ 2,548,881</u>	<u>\$ 3,106,672</u>

The sales terms, including prices and collections, were negotiated based on cost, market, competitors and other factors.

B. Purchases

	<u>2002</u>	<u>2003</u>	<u>2004</u>
DET	\$ 2,219,200	\$ 1,412,339	\$ 934,823
DVT	-	92,150	317,800
Delta Green (Tianjin)	-	155,563	265,236
Others	<u>95,790</u>	<u>48,549</u>	<u>61,776</u>
	<u>\$ 2,314,990</u>	<u>\$ 1,708,601</u>	<u>\$ 1,579,635</u>

The purchases terms, including prices and payments, were negotiated based on cost, market, competitors and other factors.

C. Accounts receivable

	<u>December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Delta-Cimic	\$ 274,448	\$ 244,424	\$ 317,884
DPC	156,134	269,100	245,923
DEU	-	85,799	108,952
DET	496,255	225,947	51,843
DVT	-	160,331	-
Others	<u>27,368</u>	<u>1,130</u>	<u>16,700</u>
	<u>\$ 954,205</u>	<u>\$ 986,731</u>	<u>\$ 741,302</u>

D. Other receivables

	<u>December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
DET	\$ 370,342	\$ 138,111	\$ 128,015
Others	<u>125,572</u>	<u>25,081</u>	<u>40,404</u>
	495,914	163,192	168,419
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	(<u>1,402</u>)
	<u>\$ 495,914</u>	<u>\$ 163,192</u>	<u>\$ 167,017</u>

Other receivables mainly arose from supporting fee revenues and payments on behalf of related parties.

E. Accounts payable

	<u>December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
DET	\$ 398,305	\$ 290,889	\$ 218,784
Others	<u>35,145</u>	<u>147,363</u>	<u>88,616</u>
	<u>\$ 433,450</u>	<u>\$ 438,252</u>	<u>\$ 307,400</u>

F. Endorsements and guarantees

As of December 31, 2002, 2003 and 2004, the amounts of endorsements and guarantees provided by the Company for the related parties are listed below:

	<u>December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
DPC	\$ 347,500	\$ 339,750	\$ 317,850
Delta Optoelectronics	-	179,600	-
DEU	<u>97,303</u>	<u>1,580</u>	<u>-</u>
	<u>\$ 444,803</u>	<u>\$ 520,930</u>	<u>\$ 317,850</u>

6. DETAILS OF PLEDGED ASSETS

As of December 31, 2002, 2003 and 2004, details of pledged assets are listed below:

<u>Name of assets</u>	<u>December 31,</u>			<u>The purpose of pledged assets</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	
Time deposits (Shown as other monetary assets-current)	\$ -	\$ 43,362	\$ 39,173	Collateral for provisional measures of lawsuit
Time deposits (Shown as other monetary assets-current)	6,350	2,666	1,810	Collateral for bonded warehouse and bond for a bid
Demand deposits (Shown as other monetary assets-non current)	104,250	169,875	-	Collateral for foreign currency transaction
Land	45,232	-	-	Collateral for credit line
Buildings	<u>17,023</u>	<u>-</u>	<u>-</u>	Collateral for credit line
	<u>\$ 172,855</u>	<u>\$ 215,903</u>	<u>\$ 40,983</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

Except for Note 5, the Company's commitments in relation to the leases and constructions of property and plant for new product lines were as follows:

- 1) The Company leased the land and building in Taiwan Science-Based Industrial Park under operating leases. The leasing period was 20 years. As of December 31, 2004, the future lease payments and the net present value discounted at 1.665%, one-year time deposit interest rate given by the Chunghwa Post Co., Ltd. at the end of 2004, are as follows:

<u>Year</u>	<u>Amount</u>
2005	\$ 5,000
2006	2,930
2007	2,930
2008	2,930
2009	2,930
2010~2014 (the net present value is \$ 12,422)	14,653
2015~2019 (the net present value is \$ 11,438)	14,653
2020~2023 (the net present value is \$ 8,425)	<u>11,722</u>
	<u>\$ 57,748</u>

- 2) For the new product line of CCFL, the Company entered into a contract for the construction of new plant with total future payments approximating \$248,000.
- 3) As of December 31, 2004, unused letter of credit of the Company was \$176,709.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

10. OTHERS

- 1) Certain accounts in the 2003 and 2002 consolidated financial statements have been reclassified to conform with the presentation adopted for 2004.
- 2) Fair value of non-derivative assets and liabilities

	<u>December 31, 2002</u>		<u>December 31, 2003</u>		<u>December 31, 2004</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
<u>ASSETS</u>						
Non-derivative assets with fair values equal to book values	\$25,657,356	\$25,657,356	\$35,016,404	\$35,016,404	\$ 38,155,688	\$38,155,688
Short-term investments	3,599,746	3,602,034	4,805,343	4,813,409	2,305,115	2,305,254
Long-term investments	9,070,425	11,221,989	8,059,150	11,686,936	8,429,006	8,287,467
<u>LIABILITIES</u>						
Non-derivative liabilities with fair values equal to book values	17,593,887	17,593,887	24,478,918	24,478,918	25,772,116	25,772,116
Reserve for retirement plan	503,956	666,660	673,798	1,012,334	772,117	1,195,388

The related assumptions on the fair value of non-derivative assets and liabilities are as follows:

- A. Non-derivative assets and liabilities with fair values equal to book values.
 - a. The carrying amounts of short-term non-derivative assets and liabilities including cash and cash equivalents, notes receivable and accounts receivable, other receivables, other monetary assets-current, other monetary assets-non current, short-term loans, commercial paper payable, notes payable, accounts payable, income tax payable, accrued expenses, other payables and other current liabilities approximate their fair values because of their short-term maturities.
 - b. The fair value of cash surrender value of life insurance is based on the book value at balance sheet date.
 - c. The fair values of deposits-out and deposits-in are based on book value, which approximate present value.
 - d. The fair value of convertible bonds, including current portion of

long-term loans, is based on book value at balance sheet date. According to the terms and condition of convertible bonds, the interest rate is zero, and the redemption price is lower than the face value. The discounted value was not easily determinable due to uncertain redemption or conversion dates and the amount denominated in foreign currency was translated into New Taiwan dollars using the exchange rate at the balance sheet date.

- B. The short-term investments are open-ended funds and foreign treasury bonds repurchasable by issuer. The fair values are based on the net assets of the open-end funds and the book value of the foreign treasury bonds repurchasable by issuer at the balance sheet date.
- C. The fair values of long-term investments are based on their market values at the balance sheet date or the underlying equity in net assets if market value is not available.
- D. The fair value of reserve for retirement plan is the funded status based on the pension actuarial report as of December 31, 2002, 2003 and 2004. The fair value of reserve for retirement plan which was not based on an actuarial report is based on book value.

3) Financial instruments with credit risk:

	December 31,		
	2002	2003	2004
Loan guarantees for related parties	<u>\$ 444,803</u>	<u>\$ 520,930</u>	<u>\$ 317,850</u>

Loan guarantees provided by the Company are in compliance with the Company's "Procedures for Provision of Endorsements and Guarantees" and are only provided to affiliated companies of which the Company owns directly or indirectly more than 50% ownership and has control over decision making processes. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In these event that these related parties fail to comply with the loan agreements with banks, the maximum loss to the Company is the total amount of the loan guarantees as listed above.

4) Information on derivative transactions

A. General information disclosure:

a. The Company and its consolidated subsidiaries entered into certain foreign currency option contracts, foreign currency deposit contracts, forward foreign currency contracts and cross currency swap contracts to hedge foreign exchange risks in foreign currency denominated accounts receivable and payable, and Euro convertible bonds.

b. Accounting policy: See Note 2.

c. Credit risk:

The banks, which the Company and its consolidated subsidiaries deal with, are all in good credit standing and, therefore, the possibility is low for these banks not to comply with the terms of the contracts.

d. Market risk:

The Company and its consolidated subsidiaries, entered into these contracts in order to hedge foreign exchange losses. The exchange gain or loss from exchange rate fluctuation of hedge items will be offset by these transactions. Accordingly, no material market risk is expected.

e. The information on derivative transactions of the Company and its consolidated subsidiaries for the years ended December 31, 2002, 2003 and 2004 are as follows:

Derivative transactions	Par value, contracts amount or nominal principal	Transaction terms				Recognized gain (loss)	Related future cash flows	
		Contract dates	Exercise dates	Exercise prices/ Exercise rates	Cash inflow		Cash outflow	
<u>Derivative transactions of the Company during 2002</u>								
Buy option (TWD PUT/USD CALL)	USD	3,000	2002.09.23	2002.10.23	USD1:NTD34.750	\$ 449	-	-
Buy option (USD PUT/TWD CALL)	USD	3,000	2002.01.02	2002.01.25	USD1:NTD35.3	737	-	-
Sell option (TWD CALL/USD PUT)	USD	38,972	2002.10.17~2002.12.10	2002.10.23~2002.12.30	USD1:NTD34.872~34.93	(3,156)	-	-
Sell option (USD CALL/JPY PUT)	USD	3,000	2002.04.03	2002.06.05	USD1:JPY134.35	(6,598)	-	-
Sell option(EUR CALL/USD PUT)	USD	15,120	2002.04.26~2002.12.13	2002.05.29~2003.06.13	USD1:EUR0.890	(7,932)	USD 10,670	EUR 11,000
Foreign currency deposit contracts	USD	1,000	2002.01.17	2002.01.22	USD1:JPY132.50/4%	9	-	-
"	USD	10,000	2002.02.07~2002.11.26	2002.03.04~2002.11.26	USD:LIBOR of three months plus 150 bps~200 bps	686	-	-
Forward foreign currency contracts	USD	11,000	2002.05.17~2002.07.25	2002.05.22~2002.10.29	USD1:NTD33.352~35.132	3,868	-	-
"	USD	10,000	2002.07.29	2002.08.29	USD1:NTD33.950	1,499	-	-
"	USD	7,000	2002.05.17~2002.09.16	2002.06.05~2002.11.21	USD1:JPY120.5~132.5	7,892	-	-
"	USD	2,000	2002.10.30	2002.11.21	USD1:JPY122.71	(188)	-	-
"	USD	28,137	2002.08.06~2002.12.16	2002.11.08~2003.03.18	USD1:THB42.468~43.197	1,333	USD 27,715	THB 1,200,000
"	USD	28,099	2002.08.06~2002.12.16	2002.11.08~2003.03.18	USD1:THB42.518~43.282	-	THB 1,200,000	USD 27,705
Accumulation Disappearing Option	USD	39,000	2001.07.02~2002.04.09	2002.12.17~2002.12.23	USD34.75~35.5	28,825	-	-
		(Note a)						
Interest Rate Swap	NTD	1,000,000	2001.10.24~2002.06.27	2002.10.28~2004.07.01	2.1%~2.7%	(116)	(Note d)	(Note d)
		(Note b)						
Callable Range Accrual Swap	USD	15,000	2001.10.17~2002.07.19	2002.03.10~2007.07.19	4.00%~5.00%	14,115	(Note d)	(Note d)
		(Note c)						
Inflating Reverse Strangle	USD	12,000	2002.02.25	2002.03.25~2002.08.23	(Note e)	(9,274)	-	-
USD NTD Selling Strategy	USD	30,000	2002.04.22~2002.06.10	2002.07.30~2003.01.20	(Note f)	2,713	(Note d)	(Note d)
		(Note f)						
Limited Average Strike Forward	USD	20,000	2002.04.04~2002.06.27	2002.05.29~2002.06.27	(Note g)	22,920	-	-
		(Note g)						
Enhanced Premium Range Trade	USD	6,840	2002.05.29	2002.12.28	(Note f)	<u>6,463</u>	-	-
		(Note f)						
Total						<u>\$ 64,245</u>		

Derivative transactions	Par value, contracts amount or nominal principal	Transaction terms			Recognized gain (loss)	Related future cash flows	
		Contract dates	Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow
<u>Derivative transactions of the consolidated subsidiary during 2002</u>							
1.Delta International Holding Ltd. (DIH)							
Forward foreign currency contracts	USD	570,655	2002.01.09-2002.12.26	2002.02.27-2003.03.18	USD1:THB41.787-44.204	\$ -	THB 2,900,000 USD 66,831
"	USD	571,207	2002.01.09-2002.12.26	2002.02.27-2003.03.18	USD1:DTHB41.732-44.140	372	USD 66,864 THB 2,900,000
Total						\$ 372	
2.Delta Electronics International Ltd. (the subsidiary of DIH)							
Buy option (USD CALL/EUR PUT)	USD	8,800	2002.02.05	2002.02.05	EUR1:USD0.88	\$ 3,456	- -
Sell option (USD PUT/EUR CALL)	USD	10,820	2001.04.26-2002.12.16	2002.05.29-2003.06.13	EUR1:USD0.89-0.97	(9,009)	USD 5,820 EUR 6,000
Buy option (USD CALL/JPY PUT)	USD	5,000	2002.01.15-2002.04.03	2002.01.18-2002.06.12	USD1:JPY121.76-132.00	347	- -
Buy option (USD PUT/JPY CALL)	USD	5,000	2002.11.08	2002.11.19	USD1:JPY124.00	4,255	- -
Sell option (USD PUT/JPY CALL)	USD	16,500	2002.02.07-2002.05.17	2002.08.08-2002.06.12	USD1:JYP124.00-135.00	(21,293)	- -
Foreign currency deposit contracts	USD	28,000	2002.02.05-2002.03.15	2002.06.17-2004.08.09	3-Month LIBOR+40bps-175bps	-	USD 28,000 -
Forward foreign currency contracts	USD	15,273	2002.05.28-2002.09.17	2002.06.14-2002.11.19	USD1:JPY117.44-132.00	5,413	- -
"	USD	4,068	2002.11.05	2002.11.19	USD1:JPY121.92	779	- -

Derivative transactions	Par value, contracts amount or nominal principal	Transaction terms				Recognized gain (loss)	Related future cash flows	
		Contract dates	Exercise dates	Exercise prices/ Exercise rates	Cash inflow		Cash outflow	
Inflating Reverse Strangle	USD 2,000	2002.02.25	2002.03.25-2002.08.23	(Note e)	(\$ 7,068)	-	-	
USD Buying Strategy	USD (Note f)	2002.05.28	2002.10.30-2002.12.30	(Note f)	1,590	-	-	
Callable Range Accrual Swap	USD 5,000 (Note c)	2002.07.17	2007.07.19	(Note c)	11,716	(Note d)	(Note d)	
Callable Range Accrual Notes	USD 15,000 (Note c)	2002.07.24	2004.11.07	(Note c)	<u>18,144</u>	(Note d)	(Note d)	
Total					<u>\$ 8,330</u>			
3.Delta Networks, Inc.(DNIT). (registered in Taiwan, the subsidiary of DNI Cayman)								
Buy option (TWD PUT/USD CALL)	USD 6,000	2002.01.07-2002.09.20	2002.05.24-2002.10.25	USD1:NTD33.51-34.75	\$ 3,622	-	-	
Sell option (USD CALL/TWD PUT)	USD 4,000	2001.05.23	2002.05.28	USD1:NTD33.51	(3,628)	-	-	
Buy option (USD PUT/TWD CALL)	USD 3,000	2002.01.02	2002.01.25	USD:NTD35.3	737	-	-	
Sell option (TWD CALL/USD PUT)	USD 56,000	2002.10.17-2002.12.13	2002.10.29-2002.12.30	USD1:NTD34.855-34.93	(4,694)	-	-	
Buy option (USD PUT/JPY CALL)	USD 4,000	2002.12.13	2002.12.26	USD1:JPY132.8	13,922	-	-	
Sell option (USD PUT/JPY CALL)	USD 23,500	2002.02.07-2002.12.13	2002.06.12-2003.12.17	USD1:JPY125-135	(12,405)	USD 10,000	JPY 1,258,000	
Sell option (USD CALL/JPY PUT)	USD 5,000	2002.03.27	2002.09.26	USD1:JPY132.5	1,488	-	-	
Sell option (USD CALL/EUR PUT)	USD 10,315	2002.03.21-2002.12.13	2002.04.26-2003.06.17	USD1:EUR0.880-1.045	7,022	USD 7,315	EUR 7,000	
Sell option (USD PUT/EUR CALL)	USD 9,790	2002.03.21-2002.12.13	2002.04.26-2003.06.17	USD1:EUR0.880-0.97	368	USD 6,790	EUR 7,000	

Derivative transactions	Par value, contracts amount or nominal principal	Transaction terms				Recognized gain (loss)	Related future cash flows	
		Contract dates	Exercise dates	Exercise prices/ Exercise rates	Cash inflow		Cash outflow	
Interest Rate Swap	NTD 500,000 (Note b)	2002. 06. 26	2002. 10. 01~2004. 07. 01	2. 1%-2. 7%	(\$ 359)	(Note d)	(Note d)	
Callable Range Accrual Swap	USD 5,000 (Note c)	2002. 07. 17	2002. 10. 19~2007. 07. 19	4. 30%	10,245	(Note d)	(Note d)	
USD NTD Selling Strategy	USD 101,000 (Note f)	2002. 04. 22~2002. 09. 19	2002. 10. 28~2003. 02. 26	(Note f)	(1,063)	(Note d)	(Note d)	
USD JPY Selling Strategy	USD 6,000 (Note f)	2002. 05. 29	2002. 10. 30~2002. 12. 30	(Note f)	142	-	-	
USD EUR Selling Strategy	USD 4,320 (Note f)	2002. 05. 29	2002. 12. 18	(Note f)	(10,523)	-	-	
Limited Average Strike Forward	USD 20,000 (Note g)	2002. 04. 04~2002. 04. 09	2002. 06. 27~2002. 12. 26	(Note g)	<u>17,667</u>	-	-	
Total					<u>\$ 22,541</u>			

(Note a): There are 372 fixing dates in the life of this contract. If spot rate is above 35.5 NTD/USD on a fixing date, the notional amount shall be reduced by USD26.9 thousand. The remaining notional amount will be settled based on the exercise rates on the exercise dates.

(Note b): The company will pay or receive the difference between the floating and predetermined interest rate multiplied by the notional amount.

(Note c): If LIBOR is between the contract range, the company will receive the difference between predetermined rate and floating rate multiplied by the notional amount from bank. However, when LIBOR falls outside of the contract range, the company will pay the predetermined rate multiplied by the notional amount to bank.

(Note d): Due to the uncertainty of the transaction, the future cash flow cannot be reasonably estimated.

(Note e): The exercise price varies depending on the spot rate on the exercise date within the range of JPY127~JPY141.

(Note f): The notional amount and exercise price vary depending on the spot rate of the exercise date.

(Note g): The notional amount and exercise price vary depending on the accumulated changes of the average exchange rate.

Derivative transactions	Par value, contracts amount or nominal principal	Transaction terms				Recognized gain (loss)	Related future cash flows		
		Contract dates	Exercise dates	Exercise prices/ Exercise rates	Cash inflow		Cash outflow		
<u>Derivative transactions of the Company during 2003</u>									
Buy option (USD PUT/TWD CALL)	USD	35,000	2003.02.10~2003.10.14	2003.02.25~2003.10.30	USD1:NTD34.0~35.10	\$ 8,065	(closed)		(closed)
Sell option (USD PUT/TWD CALL)	USD	22,000	2003.10.02~2003.12.29	2004.01.02~2004.12.26	USD1:NTD33.392~33.5	-	USD 22,000	NTD	738,320
Buy option (USD CALL/TWD PUT)	USD	225,000	2003.07.30~2003.10.09	2003.11.24~2008.07.30	USD1:NTD33.392~34.40	17,396	USD 195,000	NTD	6,697,920
Sell option (USD CALL/TWD PUT)	USD	142,000	2003.08.07~2003.12.29	2004.01.08~2004.05.20	UAD1:NTD34.10~34.80	-	NTD 4,886,460	USD	142,000
Sell option (USD PUT/JPY CALL)	USD	15,000	2001.12.13	2003.10.01~2004.12.15	UAD1:JPY125.80	-	USD 2,500	JPY	314,500
Sell option (USD CALL/JPY PUT)	USD	10,000	2003.09.30~2003.10.01	2003.10.21~2004.07.19	(Note d)	-	(Note d)		(Note d)
Sell option (EUR CALL/USD PUT)	USD	10,670	2002.12.13	2003.06.13	EUR1:USD0.9700	(56,509)	(closed)		(closed)
Forward foreign currency contracts	USD	68,139	2002.11.06~2003.11.18	2003.02.10~2003.12.22	USD1:THB39.912~43.357	-	(closed)		(closed)
"	USD	68,096	2002.11.06~2003.11.18	2003.02.10~2003.12.22	USD1:THB39.992~43.372	1,388	(closed)		(closed)
"	USD	2,500	2003.12.26	2004.12.17	USD1:JPY105.44	-	JPY 263,600	USD	2,500
"	USD	5,000	2003.10.02	2004.01.02	USD:NTD33.674	-	NTD 168,370	USD	5,000
Interest Rate Swap	NTD	1,500,000 (Note a)	2002.06.27~2003.07.30	2002.10.01~2006.06.10	1.73%~2.7%	(5,345)	(Note c)		(Note c)
Callable Range Accrual Swap	USD	220,000 (Note b)	2002.07.17~2003.07.30	2002.07.18~2007.07.30	1%~4.3%	59,841	(Note d)		(Note d)
						<u>\$ 24,836</u>			

Derivative transactions	Par value, contracts amount or nominal principal	Transaction terms				Recognized gain (loss)	Related future cash flows			
		Contract dates	Exercise dates	Exercise prices/ Exercise rates	Cash inflow		Cash outflow			
<u>Derivative transactions of the consolidated subsidiary during 2003</u>										
1.Delta International Holding Ltd. (DIH)										
Forward foreign currency contracts	USD	243,983	2002.10.28-2003.12.03	2003.01.15-2004.03.08	USD1:THB39.936-43.5985	\$ -	THB 1,000,000	USD 25,029		
"	USD	244,085	2002.10.28-2003.12.03	2003.01.15-2004.03.08	USD1:THB39.916-43.5785	82	USD 25,047	USD 1,000,000		
Total						<u>\$ 82</u>				
2.Delta Electronics International Ltd. (the subsidiary of DIH)										
Sell option (USD PUT/EUR CALL)	USD	5,820	2002.12.16	2003.06.13	EUR1:USD0.97	(\$ 633)	-	-		
Buy option (USD PUT/RMB CALL)	USD	1,000	2003.08.28	2004.01.28	USD1:RMB8.28	-	RMB 8,280	USD 1,000		
Forward foreign currency contracts	USD	11,439	2003.05.01-2003.06.12	2003.06.17-2003.09.03	EUR1:USD1.1123-1.175	(282)	-	-		
"	USD	18,041	2003.05.26-2003.08.26	2003.06.17-2003.11.26	EUR1:USD1.0810-1.1825	(61)	-	-		
"	USD	15,000	2003.06.10-2003.06.11	2003.06.23-2003.09.03	USD1:JPY118.25-118.82	(60)	-	-		
"	USD	15,000	2003.05.05-2003.05.29	2003.06.23-2003.09.03	USD:JPY116.08-118.10	(123)	-	-		
"	USD	48,000	2003.04.29-2003.12.05	2003.12.22-2004.12.10	USD1:RMB7.8670-8.258	-	USD 46,000	RMB 372,765		
"	USD	18,000	2003.08.13	2003.08.13-2004.03.22	USD1:RMB8.1520-8.2270	5	RMB 130,868	USD 16,000		
Callable Range Accrual Notes	USD	15,000	2002.07.24	2004.11.07	(Note e)	-	(Note b)	(Note b)		
Callable Range Accrual Swap	USD	5,000	2002.07.17	2007.07.19	(Note e)	-	(Note b)	(Note b)		
Libor-linked USD/YEN Strategy	USD	60,000	2003.12.22	2004.07.29	(Note e)	-	(Note d)	(Note d)		
Total						<u>(\$ 1,154)</u>				

Derivative transactions	Par value, contracts amount or nominal principal	Transaction terms				Related future cash flows			
		Contract dates	Exercise dates	Exercise prices/ Exercise rates	Recognized gain (loss)	Cash inflow	Cash outflow		
3.Delta Electronics (Dong Guan) Co., Ltd. (the subsidiary of DIH)									
Forward foreign currency contracts	USD	16,000	2003.04.30~2003.12.05	2004.01.28~2004.12.08	USD1:RMB8.2063-8.337	\$ -	RMB 132,651	USD	16,000
4.Delta Electronics Power (Dong Guan) Co., Ltd. (the subsidiary of DIH)									
Forward foreign currency contracts	USD	23,000	2003.04.29~2003.12.05	2004.01.05~2004.12.18	USD1:RMB8.2063-8.337	\$ -	RMB 190,716	USD	23,000
5.Delta Electronics Components (Dong Guan) Co., Ltd. (the subsidiary of DIH)									
Forward foreign currency contracts	USD	16,000	2003.04.29~2003.12.05	2004.02.05~2004.12.08	USD1:RMB8.2063-8.337	\$ -	RMB 132,385	USD	16,000
6.Delta Electronics (Jiang Su) Co., Ltd. (the subsidiary of DIH)									
Forward foreign currency contracts	USD	32,000	2003.08.11~2003.08.25	2004.01.12~2004.08.25	USD1:RMB8.2925-8.3083	\$ -	RMB 265,645	USD	32,000
7.Delta Networks, Inc. (registered in Taiwan, the subsidiary of DNI Cayman)									
Buy option (USD PUT/TWD CALL)	USD	20,000	2003.01.15~2003.12.18	2003.01.29~2003.12.19	USD1:NTD33.90~35.10	\$ 884	-		-
Buy option (USD CALL/TWD PUT)	USD	1,000	2003.10.02	2004.01.06	USD1:NTD33.381	-	USD 1,000	NTD	33,381
Sell option (USD CALL/TWD PUT)	USD	39,800	2003.01.22~2003.12.18	2003.03.24~2004.06.16	USD1:MTD34.00~35.45	204	NTD 544,680	USD	15,800
Sell option (USD PUT/TWD CALL)	USD	7,000	2003.01.02~2003.10.09	2003.01.15~2004.01.06	USD1:NTD33.375-34.77	(898)	USD 1,000	NTD	33,381
Sell option (USD PUT/EUR CALL)	USD	6,790	2002.12.13	2003.06.17	USD1:EUR1.031	(35,149)	-		-
Sell option (USD PUT/JPY CALL)	USD	3,000	2003.01.06	2003.01.27	USD1:JPY122	28	-		-
Forward foreign currency contracts	USD	1,000	2003.10.02	2004.01.02	USD1:NTD33.672	-	NTD 33,672	USD	1,000
Interest Rate Swap	NTD	500,000	2002.06.27	2004.07.01	2.1%~2.7%	-	(Note c)		(Note c)
	USD	6,500	2002.07.17~2003.05.21	2007.07.19~2008.05.23	3.5%~4.3%	-	(Note c)		(Note c)

(Note a)

Derivative transactions	Par value, contracts amount or nominal principal		Transaction terms			Recognized gain (loss)		Related future cash flows	
			Contract dates	Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow	
Libor Link Forward	EUR	2,000	2003.04.14	2004.03.29-2004.04.29	(Note e)	-	(Note c)	(Note c)	
		(Note a)							
Callable Put Spread Option	EUR	9,000	2003.05.02	2003.06.17	EUR1:USD1.0986~1.1570				
	USD	13,000	2003.05.02	2003.06.17	USD1:JPY117.9~128.65	17,981	-	-	
Total						<u>(\$ 16,950)</u>			
8.Delta Electronics Industrial (Dong Guan) Co., Ltd. (the subsidiary of DNI Cayman)									
Forward foreign currency contracts	USD	6,000	2003.4.29-2003.8.4	2004.1.5-2004.7.9	USD1:RMB8.2924-8.337	<u>\$ -</u>	RMB 49,899	USD 6,000	

(Note a) The company will pay or receive the difference between the floating and predetermined interest rate multiplied by the notional amount.

(Note b) If LIBOR is between the contract range, the company will receive the difference between the predetermined and floating rate multiplied by the notional amount from the bank.

However, when LIBOR falls outside of the contract range, the company will pay predetermined rate multiplied by the notional amount to the bank.

(Note c) Due to the uncertainty of the transaction, the future cash flow cannot be reasonably estimated.

(Note d) As the exercise rates of the transactions will not be determined until the exercise dates, the future cash flow cannot be reasonably estimated.

(Note e) The notional amount and exercise rate vary depending on the spot rate on the exercise date.

Derivative transactions	Par value, contracts amount or nominal principal	Transaction terms			Recognized gain (loss)	Related future cash flows				
		Contract dates	Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow			
<u>Derivative transactions of the Company during 2004</u>										
Buy option (USD PUT/TWD CALL)	USD	208,000	2004.03.24~2004.12.30	2004.07.27~2005.01.03	USD1:NTD32.23~34.10	\$ -	NTD 1,009,900	USD	31,000	
Sell option (USD CALL/TWD PUT)	USD	257,900	2003.12.29~2004.12.30	2004.07.27~2005.06.28	UAD1:NTD32.23~33.878	4,815	NTD 6,296,805	USD	192,900	
Sell option (USD CALL/JPY PUT)	USD	9,500	2004.09.03~2004.12.15	2004.09.22~2005.04.17	USD1:JYP102.20~108.70	-	JPY 617,000	USD	6,000	
Sell option (USD PUT/TWD CALL)	USD	62,000	2003.12.29~2004.09.01	2004.04.27~2004.12.23	USD1:NTD32.97~33.5	-	USD (closed)	NTD	(closed)	
Buy option (USD CALL/TWD PUT)	USD	110,000	2003.10.02~2004.06.09	2004.01.02~2004.12.23	USD1:NTD32.807~33.392	22,191	USD (closed)	NTD	(closed)	
Buy option (USD PUT/JPY CALL)	USD	2,000	2004.12.15	2004.12.21~2004.12.28	UAD1:JPY102.20	-	USD (closed)	JPY	(closed)	
Sell option (USD PUT/JPY CALL)	USD	2,500	2002.12.13	2004.12.15	USD:JYP125.80	(13,418)	USD (closed)	JPY	(closed)	
Forward foreign currency contracts	USD	37,694	2004.02.24~2004.06.10	2004.03.26~2004.09.14	USD1:THB39.72~40.6075	-	USD (closed)	THB	(closed)	
"	USD	37,684	2004.02.24~2004.06.10	2004.03.26~2004.09.14	USD1:THB39.28~40.6175	317	THB (closed)	USD	(closed)	
"	USD	63,000	2004.01.08~2004.03.24	2004.04.12~2004.06.29	USD1:NTD33.054~33.71	-	JPY (closed)	USD	(closed)	
"	USD	1,000	2004.09.01	2004.09.30	USD:JYP105.50	-	NTD (closed)	USD	(closed)	
Interest Rate Swap	NTD	1,500,000 (Note a)	2002.06.27~2003.07.30	2002.10.01~2006.06.10	1.73%-2.7%	(2,142)	(Note c)		(Note c)	
Callable Range Accrual Swap	USD	190,000 (Note b)	2002.07.18~2003.07.30	2002.07.18~2008.07.30	1%-4.3%	(47,013)	(closed)		(closed)	
						(\$ 35,250)				

[Note a]: The Company will pay or receive the difference between the floating and predetermined interest rate multiplied by the notional amount.

[Note b]: If LIBOR is between the contract rate range, the Company will receive the difference between the predetermined and floating rate multiplied by the notional amount from the bank.

However, when LIBOR falls outside the contract rate range, the Company will pay predetermined rate multiplied by the notional amount to the bank.

[Note c]: The Interest Rate Swap in the amount of \$500,000 was closed. For the remaining outstanding contract amount, as the Company will pay or receive the difference net of total transactions, so future cash flows cannot be reasonably estimated.

Derivative transactions	Par value, contracts amount or nominal principal	Transaction terms				Recognized gain (loss)	Related future cash flows	
		Contract dates	Exercise dates	Exercise prices/ Exercise rates	Cash inflow		Cash outflow	
<u>Derivative transactions of the consolidated subsidiary during 2004</u>								
1.Delta International Holding Ltd. (DIH)								
Forward foreign currency contracts	USD	207,241	2003.12.03-2004.09.01	2004.01.08-2004.12.03	USD1:THB39.2205-41.61	\$ -	(closed)	(closed)
"	USD	207,178	2003.12.03-2004.09.01	2004.01.08-2004.12.03	USD1:THB39.2305-41.6225	63	(closed)	(closed)
Total						\$ 63		
2.Delta Electronics International Ltd. (the subsidiary of DIH)								
Buy option (USD PUT/RMB CALL)	USD	1,000	2003.08.28	2004.01.28	USD1:RMB8.28	\$ 0.35	(closed)	(closed)
Forward foreign currency contracts	USD	6,000	2003.08.13	2004.01.30-2004.03.22	USD1:RMB8.2030-8.2270	8	(closed)	(closed)
"	USD	119,000	2003.04.29-2004.12.06	2004.01.30-2005.12.07	USD1:RMB7.8340-8.2580	858	(Note c)	(Note c)
"	USD	25,500	2004.02.06-2004.12.30	2004.04.15-2005.01.25	USD1:JPY103.20-111.00	31	JPY 417,023	USD 4,000
Callable Range Accrual Swap	USD	5,000	2002.07.17	2007.07.19	(Note d)	(72)	(closed)	(closed)
		(Note b)						
Libor-linked USD/YEN Strategy	USD	60,000	2003.12.22	2004.07.29		(159)	(closed)	(closed)
Total						\$ 666		

Derivative transactions	Par value, contract amount or nominal		Transaction terms			Recognized gain (or loss)	Related cash flows			
	principal		Contract dates	Exercise dates	Exercise prices/ Exercise rates		Cash inflow		Cash outflow	
3.Delta Electronics (Dong Guan) Co., Ltd (the subsidiary of DIH)										
Forward foreign currency contracts	USD	16,000	2004.01.06-2004.12.07	2005.01.07-2005.12.07	USD1:RMB8.1122-8.2235	(\$ 1,450)	USD	16,000	USD	130,965
4.Delta Electronics Power (Dong Guan) Co., Ltd (the subsidiary of DIH)										
Forward foreign currency contracts	USD	34,000	2004.01.06-2004.12.06	2005.01.07-2005.12.07	USD1:RMB8.1122-8.2235	(\$ 2,346)	RMB	278,097	USD	34,000
5.Delta Electronics components (Dong Guan) Co., Ltd. (the subsidiary of DIH)										
Forward foreign currency contracts	USD	34,000	2004.01.07-2004.12.06	2005.01.08-2005.12.07	USD1:RMB8.1122-8.2235	(\$ 2,537)	RMB	278,467	USD	34,000
6.Delta Electronics Industrial (Dong Guan) Co., Ltd (the subsidiary of DNI Cayman)										
Forward foreign currency contracts	USD	1,000	2004.01.07	2005.01.07	USD1:RMB8.2160	(\$ 227)	RMB	8,216	USD	1,000

Derivative transactions	Par value, contract amount or nominal principal	Transaction terms			Recognized gain (or loss)	Related cash flows	
		Contract dates	Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow
7. Delta Networks, Inc (registered in Taiwan, the subsidiary of DNI Cayman)							
Sell option (USD CALL/TWD PUT)	USD 117,900	2004.02.13-2004.12.30	2004.08.06-2005.09.28	USD1:NTD31.82-.34.50	NTD 600	NTD 3,181,643	USD 97,000
Sell option (USD PUT/TWD CALL)	USD 39,400	2004.01.06-2004.12.30	2004.02.02-2005.08.25	USD1:NTD31.00-34.00	(NTD 2,649)	USD 17,900	NTD 560,250
Sell option (USD CALL/JPY PUT)	USD 4,200	2004.10.28-2004.12.02	2004.12.30-2005.02.24	USD1:JPY104.50-108.00	NTD 64	JPY 316,500	USD 3,000
Buy option (USD PUT/TWD CALL)	USD 32,100	2004.01.13-2004.12.30	2004.01.14-2005.03.22	USD1:NTD32.00-34.14	NTD 5,612	(closed)	(closed)
Buy option (USD CALL/TWD PUT)	USD 11,000	2004.01.28-2004.12.30	2004.03.24-2005.02.22	USD1:NTD32.887-33.45	NTD 3,077	(closed)	(closed)
Buy option (USD CALL /JPY PUT)	USD 2,000	2004.12.10	2004.12.17	USD1:JPY97.40-99.45	NTD 4,231	(closed)	(closed)
Forward foreign currency contracts	USD 980	2004.04.12	2004.04.26	USD1:NTD32.881	-	(closed)	(closed)
"	USD 19,000	2003.10.02-2004.04.3	2004.01.02-2004.08.04	USD1:NTD32.946-33.733	-	(closed)	(closed)
Interest Rate Swap	NTD 500,000	2002.06.27	2002.07.01-2004.07.01	2.1%-2.7%	(6,436)	(closed)	(closed)
	USD 5,000	2002.07.17	2002.10.19-2007.07.19	4.30%	(3,754)	(closed)	(closed)
	(Note a)						
Total					\$ 745		

[Note a]: The company will pay or receive the difference between the floating and predetermined interest rate multiplied by the notional amount.

[Note b]: If LIBOR is between the contract rate range, the company will receive the difference between the predetermined and floating rate multiplied by the notional amount from the bank. However, when LIBOR falls outside the contract rate range, the Company will pay predetermined rate multiplied by the notional amount to the bank.

[Note c]: The Company will pay or receive the difference net of all transactions, so future cash flow cannot be reasonably estimated.

[Note d]: The exercise rates of the transactions will be decided on exercise dates.

(F) The Company and its consolidated subsidiaries combined the buy and sell option contracts to form the range forward contract. The premiums expense and income from buy and sell options are to be offset and the net premium income of the Company and its consolidated subsidiaries was NT\$18,645, NT\$128,497 and NT\$41,517 for the years ended December 31, 2002, 2003 and 2004, respectively.

(G) Fair value:

	December 31,					
	2002		2003		2004	
	Nominal principal	Fair value	Nominal principal	Fair value	Nominal principal	Fair value
Foreign currency option contracts	\$ 2,383,676	(\$ 62,018)	\$13,158,518	(\$ 43,390)	\$11,054,824	(\$ 10,148)
Interest Rate SWAP	\$ 1,500,000	(\$ 13,392)	\$ 2,220,838	(\$ 42,979)	\$ 1,000,000	(\$ 16,883)
Callable Range Accrual SWAP	\$ 868,750	(\$ 21,350)	\$ 8,154,000	(\$ 152,973)	\$ -	\$ -
Selling Strategy	\$ 4,552,250	(\$ 120)	\$ -	\$ -	\$ -	\$ -
Range accrual notes	\$ 521,250	\$ -	\$ 85,680	(\$ 10)	\$ -	\$ -
Foreign currency deposit contracts	\$ 973,000	\$ -	\$ -	\$ -	\$ -	\$ -
Forward foreign currency contract	\$ 6,571,746	\$ 361	\$ 7,255,372	\$ 3,254	\$ 5,403,450	\$ 45,559

(H) The book value for related derivative transactions of the Company and the subsidiaries are as follows:

	December 31,		
	2002	2003	2004
Other receivables	\$1,935,120	\$5,494,344	\$5,398,531
Other payables	(1,935,120)	(5,486,487)	(5,357,077)
Other receivable-net	\$ -	\$ 7,857	\$ 41,454

B. Additional disclosure information

Pursuant to the terms of the contracts, the premiums are delivered or paid on the trade date. The Company and the consolidated subsidiaries provided time deposit amounting to US\$1,000 and US\$4,000 as collateral as of December 31, 2002 and 2003, respectively.

11. Disclosure information of investee company

(1) Related information of significant transactions

A. Financing activities to any company or person: None.

B. Guarantee information:

Number (Note 1)	Name of the company providing guarantee		Parties being guaranteed		The limit of guarantee for such party (Note 3)	The highest outstanding guarantee amount in 2004 (Note 5)	The outstanding guarantee amount at 12/31/2004	The amount of guarantee with collateral placed	The ratio of accumulated guarantee amount to net value of the Company	The ceiling of the outstanding guarantee to the respective party
	Name	Name	Relationship with the Company (Note 2)							
0	Delta Electronics, Inc.	Delta Products Corp.	1	\$ 317,850	\$ 317,850	\$ 317,850	\$ -	0.96%	(Note 4)	
0	"	Delta Optoelectronics Inc.	2	450,000	306,800	-	-	-	(Note 4)	

(Note 1): Number 0 represents the Company.

(Note 2): Number 1 means the Company has business transactions with the party.

Number 2 means the Company and its subsidiaries directly own over 50% of the shares.

(Note 3): The limit was determined by the Board of Directors.

(Note 4): In accordance with the guarantee procedure of the Company, the Company's guarantee to others should not be in excess of 80% of the Company's net assets. As of December 31, 2004, the maximum amount of guarantee that the Company can provide was NT\$26,499,034.

(Note 5): The highest outstanding guarantee amount is exchanged by the rate at Dec. 31, 2004.

C. Marketable Securities held at December, 31, 2004: (Combine the individual amount less than 50,000 on December 31,2004)

Name of investor	Name and kind of marketable securities		The relationship of the issuers with the Company	General ledger accounts	December 31, 2004				Note
	Kind of marketable securities	Name of marketable securities			Number of shares (In thousand)	Book value	Percentage ownership	Market value	
Delta Electronics Inc.	Common stock	Delta International Holding Ltd.	A subsidiary of the company	Long-term investment	51,700	\$ 14,140,739	94.00	\$15,763,594	-
"	"	Delta Electronics (Thailand) Public Co., Ltd.	Investee Company accounted for under equity method	"	69,128	1,260,707	5.82	968,900	-
"	"	Delta Networks Holding Ltd.	A subsidiary of the company	"	39,800	1,423,302	100.00	1,423,302	-
"	"	Cyntec Co., Ltd.	Investee Company accounted for under equity method	"	49,319	814,945	36.57	846,322	-

Name of investor	Name and kind of marketable securities		The relationship of the issuers with the Company	General ledger accounts	December 31, 2004				Note
	Kind of marketable securities	Name of marketable securities			Number of shares (In thousand)	Book value	Percentage ownership	Market value	
Delta Electronics Inc.	Common stock	Delta Optoelectronics Inc.	A subsidiary of the company	Long-term investment	128,057	\$ 575,166	95.21	\$ 572,108	-
"	"	DelSolar Co., Ltd.	"	"	49,500	494,579	82.50	494,586	-
"	"	Grand Advance Technology Ltd.	Investee Company accounted for under equity method	"	19,600	184,785	39.20	184,850	-
"	"	Pyramis Corporation	A subsidiary of the company	"	30,346	224,654	99.24	223,952	-
"	"	D-Link Corporation	None	"	11,454	653,362	2.09	412,443	-
"	"	Union Optronics Corp.	"	"	24,031	348,072	12.70	121,139	-
"	"	Macronix International Co., Ltd	"	"	61,335	225,040	1.22	444,068	-
"	"	WK Technology Fund.	"	"	11,098	118,782	4.56	149,202	-
"	Preferred Stock	Delta America Ltd.	"	"	2,100	101,076	Preferred Stock	101,076	-
"	Common Stock	Loyalty Funder Enerprise Co., Ltd.	"	"	12,909	95,413	9.87	187,127	-
"	"	WK Technology Fund IV	"	"	8,254	82,204	3.13	91,136	-
"	"	WK Technology Fund V	"	"	7,000	70,000	3.89	69,107	-
"	"	Betacera Inc.	"	"	7,134	59,358	18.99	87,551	-
"	"	Analog and Power Electronics Corp	"	"	9,752	54,631	13.61	278,571	-
"	"	Sheng Hua Venture Capital Corp.	"	"	5,000	50,000	2.50	53,136	-
"	"	Others	"	"		<u>208,973</u>		<u>148,382</u>	-
			"	"		<u>\$ 21,185,788</u>		<u>\$22,620,552</u>	

D. Marketable securities acquired or sold during 2004 in excess of \$100,000 or 20% of capital:

Acquirer/seller	Name of marketable security	General ledger accounts	Name of transaction parties	Relationship	January 1, 2004		Addition		Disposal			December 31, 2004		
					Number of shares (In thousand)	Amount	Number of shares (In thousand)	Amount	Number of shares (In thousand)	Sales amount	Cost	Disposal gain (loss)	Number of shares (In thousand)	Amount
Delta Electronics, Inc.	UBS Taiwan Bond Fund	Short-term investments	-	-	24,003	\$ 343,000	221,048	\$3,172,400	(245,051)	\$3,522,158	(\$3,515,400)	\$ 6,758	-	\$ -
"	Core Pacific Well Pool Bond Fund	"	-	-	88,597	1,062,627	120,665	1,457,500	(209,262)	2,530,502	(2,520,127)	10,375	-	-
"	JF (Taiwan) First Bond Fund	"	-	-	58,434	789,156	201,	2,738,500	(259,724)	3,536,393	(3,527,656)	8,737	-	-
"	ABN-AMRO Bond Fund	"	-	-	82,550	1,192,627	265,	3,868,000	(348,219)	5,073,235	(5,060,627)	12,608	-	-
"	Tachong Bond Fund	"	-	-	21,736	271,000	-	-	(21,736)	272,639	(271,000)	1,639	-	-
"	Taiwan Life Asset Management-Solomon	"	-	-	-	-	8,	100,000	(8,839)	100,109	(100,000)	109	-	-
"	Dresdner Bond	"	-	-	-	-	18,	210,000	(18,832)	210,546	(210,000)	546	-	-
"	Delta Optoelectronics Inc.	Long-term investment	Delta Optoelectronics Inc.	A subsidiary of the Company	58,160	113,011	69,	462,155	-	-	-	-	128,057	575,166
				(Note 1)				(Note 2)						
"	Pyramis Corporation	"	Pyramis Corporation	"	100	1,000	30,	223,654	-	-	-	-	30,346	224,654
				(Note 1)				(Note 3)						
"	DelSolar Co., Ltd.	"	DelSolar Co., Ltd.	"	-	-	49,	494,579	-	-	-	-	49,500	494,579
				(Note 1)				(Note 3)						

(Note 1): Investee company issuance of common stock for cash.

(Note 2): Including investment loss accounted for under the equity method and the adjustments due to change in long-term investment ownership percentage.

(Note 3): Including investment loss accounted for under the equity method.

E. Acquisition of real estate in excess of \$100,000 or 20% of capital: None.

F. Disposal of real estate in excess of \$100,000 or 20% of capital: None.

G. Related party purchases or sales transactions in excess of \$100,000 or 20% of capital: Please refer to Note 5 (2) A and C.

H. Receivable from related parties in excess of \$100,000 or 20% of capital:

Name of creditor	Transaction parties	Relationship	Balance of receivable		Turnover rate	Overdue receivable (Note 1)		Subsequent collections (Note 2)	Allowance for doubtful accounts provided
			from related parties			Amount	Action adopted for overdue accounts		
Delta Electronics, Inc.	Delta International Holding Ltd. (DIH)	A subsidiary of the Company	Accounts receivable	\$ 398,383	9.94	\$ -	-	\$ -	\$ -
			Other receivables	5,935,204	-	922	-	1,589,250	-
"	DEI Logistics (USA) Corp.	A subsidiary of DIH	Accounts receivable	899,778	3.33	-	Continued collection	296,663	-
			Other receivables	76,927	-	67,306	expected in 2005	-	-
"	Delta Electronics (Thailand) Public Co., Ltd.	Investee company accounted for under equity method	Accounts receivable	47,565	0.99	-	-	41,195	-
			Other receivables	124,402	-	323	-	3,526	-
"	Delta Products Corporation	Affiliated enterprise	Accounts receivable	245,496	3.90	-	-	106,392	-
			Other receivables	7,640	-	1,755	-	-	-
"	Delta Electronics Europe Ltd.	Investee company accounted for under equity method	Accounts receivable	108,952	3.10	-	-	36,167	-
			Other receivables	5,898	-	-	-	2,264	-
"	Delta Video Display System (Wu Jiang) Co., Ltd.	A subsidiary of DIH	Accounts receivable	145,882	3.92	-	-	85,261	-
			Other receivables	9,989	-	7,715	-	-	-
"	Delta Electronics International Ltd.	A subsidiary of DIH	Account receivable	4,535	1.46	-	-	1,395	-
			Other receivables	164,458	-	-	-	113,569	-

(Note 1): The overdue accounts receivable which was reported as other receivables.

(Note 2): The amounts collected subsequently by February 3, 2005.

I. Information on derivative transactions: Please refer to Note 10 (3).

(2) Disclosure information of investee company

Information relating to investee companies' investment income or loss was translated at the average exchange rate in 2004 while others were translated at the rate of exchange prevailing at December 31, 2004.

A. Information of investee company:

Name of investor	Name of investee company	Address	Main activities	Original investment		Held as of December 31, 2004			Income (loss) of the investee company	Investment income (loss) recognized by the Company	Note
				Balance as of December 31, 2004	Balance as of December 31, 2003	Number of shares (In thousand)	Percentage of ownership	Book value			
Delta Electronics, Inc.	Delta International Holding Ltd.	Cayman Islands	Equity investments	\$ 4,425,537	\$ 4,425,537	51,700	94.00	\$ 14,140,739	\$ 5,263,135	\$ 4,873,357	(Note d)
"	Delta Networks Holding Ltd.	Cayman Islands	Equity investments	1,377,206	1,377,206	39,800	100.00	1,423,302	209,826	209,826	-
"	Delta Electronics (Thailand) Public Co., Ltd.	Thailand	Manufacturing and sales of electronic products	114,615	114,615	69,128	5.82	1,260,707	1,034,355	82,692	(Note e)
"	Pyramis Corporation	Taipei Taiwan R.O.C.	Development and sales of electronics products.	316,263	1,000	30,346	99.24	224,654	(91,696)	(91,608)	-
"	Delta Optoelectronics, Inc.	Science-Based Industrial Park, Hsinchu, Taiwan	Development, design, manufacturing and sales of displays with polymer light emission display (PLED) and carbon nano-tube electronic emitter (CNT) technologies	1,418,882	719,912	128,057	95.21	575,166	(224,046)	(202,584)	-
"	Grand Advance Technology Ltd.	Tao-Yuan, Taiwan	Manufacturing and sales of CD, CDR, VCD and DVD	400,000	400,000	19,600	39.20	184,785	(92,654)	(36,321)	-
"	Cyntec Co., Ltd.	Science-Based Industrial Park, Hsinchu, Taiwan	Research, development, manufacturing and sales of various thin film components, such as thermal printer head, temperature sensor and its application modules, chip resistors and hybrid circuits	455,814	455,814	49,319	36.57	814,945	225,821	81,569	-
"	Deltronics (Netherlands) B.V.	Netherlands	Trading and import-export of the related equipment, components and materials telecom system, computer system and instruments.	11,306	-	450	100.00	13,314	1,232	1,232	-
"	DelSolar Co., Ltd.	Science-based Industrial Park Hsinchu, Taiwan	Research, development, manufacturing and sales of solar batheries and related systems.	495,000	-	49,500	82.50	494,579	(502)	(421)	-

Name of investor	Name of investee company	Address	Main activities	Original investment		Held as of December 31, 2004				Investment income (loss) recognized by the Company	Note
				Balance as of December 31, 2004	Balance as of December 31, 2003	Number of shares (In thousand)	Percentage of ownership	Book value	Income (loss) of the investee company		
Delta International Holding Ltd.	Delta Electronics (H.K.) Ltd.	Hong Kong	Operations management and engineering services	\$ 41,130	\$ 41,130	10,000	100.00	\$ 42,322	(\$ 23)	(Note a)	-
"	Delta Electronics Agent Ltd.	British Virgin Islands	Operations management and engineering services	318	318	10	100.00	2,206	1,331	(Note a)	-
"	Delta Electronics International Ltd.	British Virgin Islands.	Manufacturing and sales of electronic products	28,607	28,607	900	100.00	7,544,443	7,408,105	(Note a)	-
"	Delta Electronics Trading Ltd.	British Virgin Islands	Electronics product sales	318	318	10	100.00	5,881	(115)	(Note a)	-
"	Delta Power Sharp Ltd.	Hong Kong	Operations management and engineering services	41,106	41,106	10,000	100.00	47,928	716	(Note a)	-
"	Delta Electronics (Dong Guan) Co., Ltd.	Dongguan, Guangdong, P.R.C.	Manufacturing and sales of various power supplies	1,176,045	1,176,045	-	100.00	1,358,034	48,722	(Note a)	-
"	Delta Electronics (Shanghai) Co., Ltd.	Shanghai	Design the figure of the product	317,288	-	-	100.00	297,321	(21,590)	(Note a)	-
"	Delta Electronics Components (Dong Guan) Co., Ltd.	Dongguan, Guangdong, P.R.C.	Manufacturing and sales of transformers	1,017,120	1,017,101	-	100.00	1,342,429	382,439	(Note a)	-
"	Delta Electronics Power (Dong Guan) Co., Ltd.	Dongguan, Guangdong, P.R.C.	Manufacturing and sales of other power supplies	572,130	572,130	-	100.00	1,815,143	439,939	(Note a)	-
"	DEI Logistics (USA) Corp.	U.S.A.	Warehousing and logistics services	15,893	15,893	500	100.00	22,383	1,525	(Note a)	-
"	Delta Electronics (Japan) Inc.	Japan	Operating and sales of electronic products	56,465	56,465	3.8	100.00	76,193	2,600	(Note a)	-
"	Delta Video Display System (Wu Jiang) Co., Ltd.	Jiang Su Province, P.R.C.	Manufacturing and sales of various monitor	227,263	227,263	-	55.00	133,289	(113,218)	(Note a)	-
"	Delta Electronics (Jiang Su) Co., Ltd.	Jiang Su Province, P.R.C.	Manufacturing and sales of various power supplies	669,270	699,270	-	55.00	782,031	152,162	(Note a)	-
"	Delta Electronics Components (Wu Jiang) Co., Ltd.	Jiang Su Province, P.R.C.	Manufacturing and sales of transformer and peripherals	699,270	699,270	-	55.00	690,128	130,177	(Note a)	-

Name of investor	Name of investee company	Address	Main activities	Original investment		Held as of December 31, 2004			Income (loss) of the investee company	Investment income (loss) recognized by the Company	Note
				Balance as of December 31, 2004	Balance as of December 31, 2003	Number of shares (In thousand)	Percentage of ownership	Book value			
Delta International Holding Ltd.	Delta Electro-optics (Wu Jiang) Co., Ltd.	Jiang Su Province, P.R.C.	Manufacturing and sales of peripherals and electronic control equipment	\$ 437,044	\$ 437,044	-	55.00	\$ 525,991	\$ 91,468	(Note a)	-
"	DAC Holding Ltd.	Cayman Islands	Equity investment	418,704	227,390	13,173	59.34	209,417	(162,991)	(Note a)	-
"	Netpower Technologies, Inc.	U.S.A.	Produce DC/DC/Power /Module, product design, sample production , and marketing & sales	57,211	57,211	3,913	24.14	13,884	(20,180)	(Note a)	-
Delta Networks Holding Ltd.	Delta Networks (Cayman) Inc.	Cayman Islands.	Equity Investment	1,251,287	1,251,287	39,367	94.00	1,399,130	215,318	(Note b)	-
Delta Networks, Inc. (registered in Cayman)	Delta Networks Inc.	Tao-Yuan , Taiwan	Development design manufacturing and sales of networking system and peripherals.	458,969	455,243	49,599	99.20	225,204	15,959	(Note c)	-
"	DNI Logistics (USA) Corp.	USA	Trading and import/export of networking system and peripherals	17,674	17,674	500	100.00	21,606	2,177	(Note c)	-
"	Delta Networks International Ltd.	Hong Kong	Trading and import/export of networking system and peripherals	274,622	274,622	10	100.00	508,573	103,219	(Note c)	-
"	Delta Electronics Industrial (Dong Guan) Co., Ltd.	Dongguan, Guangdong P.R.C.	Manufacturing and sales of electronic ballast for energy saving lighting and interface cards	610,131	537,022	-	100.00	732,057	83,474	(Note c)	-
Pyramis Corporation	Pyramis Holding Ltd.	Cayman Islands	Equity investment	132,285	-	4,100	100.00	128,388	(1,958)	(Note f)	-

(Note a): Investment income/loss recognized by Delta International Holding Ltd.

(Note b): Investment income/loss recognized by Delta Networks Holding Ltd.

(Note c): Investment income/loss recognized by Delta Networks, Inc.(registered in Cayman)

(Note d): The investment income is net of the elimination of intercompany transactions.

(Note e): The weighted average shareholding ratio was 20.14% and the investment income included the amortization of the excess of investment cost over the net assets of the investee as well as the elimination of intercompany transactions.

(Note f): Investment income/loss recognized by Pyramis Corporation

B. Financing activities to any company or person: None.

C. Guarantee information: None.

D. Marketable securities held by the company at December 31, 2004: (Combine the individual amount less than 50,000 on December 31, 2004)

<u>Name of investor</u>	<u>Name and kind of marketable securities</u>		<u>The relationship of the issuers with the Company</u>	<u>General ledger accounts</u>	<u>December 31, 2004</u>			
	<u>Kind of marketable securities</u>	<u>Name of marketable securities</u>			<u>Number of shares</u>	<u>Book value</u>	<u>Percentage</u>	<u>Market value</u>
Delta International Holding Ltd. (DIH)	Common stock	Delta Electronics International Ltd.	A subsidiary of DIH	Long-term investment	900	\$7,544,443	100.00	\$ 7,544,443
"	"	Delta Electronics (Japan) Inc.	"	"	3.8	76,193	100.00	76,193
"	Certificate of amount contributed	Delta Electronics (Dong Guan) Co., Ltd.	"	"	-	1,358,034	100.00	1,358,034
"	"	Delta Electronics Components (Dong Guan) Co., Ltd.	"	"	-	1,342,429	100.00	1,342,429
"	"	Delta Electronics Power (Dong Guan) Co., Ltd.	"	"	-	1,815,143	100.00	1,815,143
"	"	Delta Electronics (Shanghai) Co., Ltd.	"	"	-	297,321	100.00	297,321
"	"	Delta Electronics (Jiang Su) Co., Ltd.	"	"	-	782,031	55.00	782,031
"	"	Delta Electronics Components (Wu Jiang) Co., Ltd.	"	"	-	690,128	55.00	690,128
"	"	Delta Electro-optics (Wu Jiang) Ltd.	"	"	-	525,991	55.00	525,991
"	"	Delta Video Display System (Wu Jiang) Co., Ltd.	"	"	-	133,289	55.00	133,289
"	Common stock	DAC Holding Ltd.	"	"	13,173	209,417	59.34	209,417
"	"	Delta Electronics (Thailand) Public Co., Ltd.	Investee company accounted for under equity method	"	180,984	4,365,421	15.23	2,536,678
"	"	Deltron-Cimic Electric and Electronics Co., Ltd.	Affiliated enterprise	"	34,036	97,440	10.38	97,440
"	"	Netgear Inc.	-	"	506	52,447	1.63	292,114
"	"	Others				227,872		240,511
Delta Networks Holding Ltd.	"	Delta Networks, Inc.(registered in Cayman)	A subsidiary of DNH	"	39,367	1,399,130	94.00	1,399,130

E. Marketable securities acquired or sold during 2004 in excess of \$100,000 or over 20% of capital:

Acquirer/seller	Name of marketable security	General ledger accounts	Name of transaction parties		January 1, 2004		Addition		Disposal			December 31, 2004			
					Number of shares (In thousand)	Amount	Number of shares (In thousand)	Amount	Number of shares (In thousand)	Sales amount	Cost	Disposal gain/(loss)	Number of shares (In thousand)	Amount	
Delta International Holding Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Long-term investments	-		Affiliated enterprise	-	\$ -	-	\$ 297,321	-	\$ -	\$ -	-	\$ 297,321	
"	DAC Holding Ltd.	"	DAC Holding		A subsidiary of the company	7,154	134,444	6,019	74,973	-	-	-	13,173	209,417	
"	Netgear Inc.	"	Open Market		-	920	95,355	-	-	414	192,491	42,908	149,583	506	52,447

(Note a): The cost of securities acquired this year is \$317,288, including the cumulative translation adjustment on foreign long-term investment and investment loss under equity method.

(Note b): The cost of securities acquired this year is \$191,314, including the cumulative translation adjustment on foreign long-term investment, investment loss under equity method and long-term investment adjustment for change in investment ownership percentage.

F. Acquisition of real estate in excess of \$100,000 or 20% of Capital: None.

G. Disposal of real estate in excess of \$100,000 or 20% of Capital: None.

H. Related party purchases or sales transactions in excess of NT\$100,000 or 20% of Capital:
The transaction of the Company and its consolidated subsidiaries: Please see note 5(2) A and B

Name of the counterparty	Name of transaction parties	Relationship	Transaction terms				Description of and reasons for difference in transaction terms compared to non-related party transactions		Accounts or notes receivable (payable)	
			Purchases (sales)	Amount	% of total purchases (sales)	Credit terms	Unit price	Credit period	Balance (Note)	% of total accounts or notes receivable (payable)
Delta Electronics International Ltd	Delta Electronics (Thailand) Public Co., Ltd	Affiliated enterprise	Purchase	\$ 210,371	0.42	75 days	-	-	(\$ 34,463)	(0.39)
"	Delta Green (Tianjin) Industries Co.	"	"	264,207	0.52	"	-	-	(55,781)	(0.63)
"	Delta Electronics (JAPAN) Inc.	"	"	186,849	0.37	"	-	-	(26,700)	(0.30)
"	Delta Electronics (Dong Guan) Co., Ltd	"	"	1,244,615	2.47	"	According to the contract	-	-	-
"	Delta Electronics Components (Dong Guan) Co., Ltd	"	"	4,888,777	9.70	"	"	-	(1,249,341)	(14.03)
"	Delta Electronics Power (Dong Guan) Co., Ltd	"	"	16,824,414	33.38	"	"	-	(1,078,506)	(12.11)
Delta Video Display System (Wu Jiang) Co., Ltd.	Delta Electronics (JAPAN) Inc.	"	"	287,966	14.60	"	-	-	(137,027)	(22.58)
Delta Networks International Ltd.	Delta Electronics Industrial (Dong Guan)Co., Ltd.	"	"	4,489,022	51.18	"	According to the contract	-	-	-
Delta Electronics International Ltd	Delta Electronics (Dong Guan) Co., Ltd	"	Sales	1,555,587	2.65	"	"	-	1,029,951	7.82
"	Delta Electronics Power (Dong Guan) Co., Ltd	"	"	13,206,296	22.50	"	"	-	-	-
"	Delta Electronics Components (Dong Guan) Co., Ltd	"	"	4,201,611	7.16	"	"	-	-	-
"	Delta Electronics, Inc.	The ultimate parent company	"	39,761,526	67.75	"	-	-	12,019,547	91.22

Name of the counterparty	Name of transaction parties	Relationship	Transaction terms				Description of and reasons for difference in transaction terms compared to non-related party transactions		Accounts or notes receivable (payable)	
			Purchases (sales)	Amount	% of total purchases (sales)	Credit terms	Unit price	Credit period	Balance (Note)	% of total accounts or notes receivable (payable)
Delta Electronics Component (Dong Guan) Co., Ltd.	Delta Electronics Power (Dong guan) Co., Ltd.	Affiliated enterprise	Sales	\$ 593, 213	9. 15	75 days	According to the contract	-	\$ 312, 773	18. 41
Delta Electronics (Jiang Su) Co., Ltd.	Deltron-Cimic Electric and Electronics Co., Ltd.	"	"	526, 629	6. 78	"	-	-	128, 494	9. 23
"	Delta Electronics International Ltd.	"	"	4, 907, 616	63. 21	"	-	-	588, 353	42. 26
Delta Electronics Components (Wu Jiang) Co., Ltd.	Delta Electronics (Jiang Su) Co., Ltd.	"	"	698, 405	21. 83	"	-	-	231, 797	29. 47
"	Delta Electronics International Ltd.	"	"	1, 390, 266	43. 46	"	-	-	131, 659	16. 74
Delta Electro-Optics (Wu Jiang) Co., Ltd.	"	"	"	641, 503	51. 40	"	-	-	58, 470	25. 88
"	Deltron-Cimic Electric and Electronics Co., Ltd.	"	"	470, 900	37. 73	"	-	-	166, 221	73. 56
Delta Video Display System (Wu Jiang) Co., Ltd.	Delta Electronics International Ltd.	"	"	1, 062, 198	57. 82	"	-	-	110, 651	54. 46
Delta Networks International Ltd.	Delta Electronics Industrial (Dong Guan) Co., Ltd	"	"	4, 256, 510	44. 40	"	According to the contract	-	34, 122	2. 15
"	DNI Logistics(USA) Corp.	"	"	774, 077	8. 07	"	-	-	266, 148	16. 8
Delta Networks, Inc.	Delta Networks International Ltd.	"	"	116, 945	9. 33	"	-	-	247, 057	47. 73
"	Delta Electronics, Inc.	The ultimate parent company	"	217, 626	17. 36	"	-	-	40, 538	7. 83
Delta Electronics (Dong Guan) Co., Ltd.	Delta Electronics Power (Dong Guan) Co., Ltd.	Affiliated enterprise	"	1, 085, 745	45. 71	"	According to the contract	-	315, 650	29. 32
"	Delta Electronics Components (Dong Guan) Co., Ltd	"	"	1, 159	0. 05	"	"	-	754, 969	70. 12

(Note):According to the agreement between Delta Electronics International Ltd., Delta Networks International Ltd and the companies in Dong Guan, the accounts receivable (payable) from the sales (purchases) among these companies are settled in net, therefore they were presented on balance sheet in net amount.

I. Receivable from related parties in excess of \$100,000 or 20% capital:

Name of the creditor	Transaction parties	Relationship	Balance of receivable		Overdue receivable		Subsequent collections (Note b)	Allowance for doubtful accounts provided
			from related parties (Note a)	Turnover rate	Amount	Action adopted for overdue accounts		
Delta Electronics International Ltd.	Delta Electronics (Dong Guan) Co., Ltd.	Affiliated enterprise	\$ 1,029,951	2.05	\$ -	-	\$ -	\$ -
"	Delta Electronics, Inc.	The ultimate parent company	12,021,809	3.81	-	-	3,592,106	-
"	Delta Networks, Inc.	Affiliated enterprise	197,357	0.44	-	-	2,892	-
"	Delta Networks International Ltd.	"	191,410	-	-	-	-	-
Delta Electronics Power (Dong Guan) Co., Ltd.	Delta Electronics International Ltd.	"	1,078,506	22.63	-	-	128,443	-
Delta Electronics Components (Dong Guan) Co., Ltd.	"	"	1,249,341	3.69	-	-	87,194	-
"	Delta Electronics Power (Dong Guan) Co., Ltd.	"	312,773	2.47	-	-	32	-
Delta Electronics (Dong Guan) Co., Ltd.	"	"	315,650	4.27	-	-	-	-
"	Delta Electronics components (Dong Guan) Co., Ltd.	"	754,969	-	-	-	-	-
Delta Electro-optics (Wu Jiang) Co., Ltd.	Deltron-Cimic Electric and Electronics Co., Ltd.	"	166,221	3.27	-	-	52,881	-
Delta Electronics (Jiang Su) Co., Ltd.	"	"	128,494	4.58	-	-	41,066	-
"	Delta Electronics International Ltd.	"	588,353	7.67	-	-	587,959	-
Delta Electronics Components (Wu Jiang) Co., Ltd.	"	"	131,659	6.41	-	-	131,659	-
"	Delta Electronics (Jiang Su) Co., Ltd.	"	231,797	3.17	-	-	86,130	-
Delta Video Display System (Wu Jrang) Co., Ltd.	Delta Electronics International Ltd.	"	110,651	5.03	-	-	110,555	-
Delta Networks International Ltd.	DNI Logistics (USA) Corp.	"	266,148	4.22	-	-	89,558	-
"	Delta Networks, Inc.	"	144,950	4.60	-	-	138,591	-
Delta Networks, Inc.	Delta Networks International Ltd.	"	255,150	0.80	-	-	222,113	-
Delta Electronics (JAPAN) Inc.	Delta Video Display System (Wu Jiang) Co., Ltd.	"	161,824	2.95	-	-	73,168	-

(Note a): Including the Accounts receivable and Other receivable.

(Note b): The amounts collected subsequently by February 3, 2005.

J. Information on derivative transactions

(A) General information disclosure:

a. Purpose:

The investee companies entered into certain foreign currency option contracts, foreign currency forward contracts and cross currency swap contracts to hedge foreign exchange risks in foreign currency denominated accounts receivable and payable.

b. Accounting policy: See Note 2.

c. Credit risk:

The banks, which the investee companies deal with, are all in good credit standing and the investee companies will deal with several banks to disperse the credit risk, therefore, the possibility is low for the banks not to comply with the terms of the contracts.

d. Market risk:

The investee companies entered into these contracts in order to hedge foreign exchange losses. The exchange gain or loss from exchange rate fluctuation of hedged items will be offset by these transactions. Accordingly, no material market risk is expected.

e. The information on derivative transactions of the investee companies for the year ended December 31, 2004 are as follows (unit: thousand of dollars):

Derivative transactions	Par value, contracts amount or nominal principal	Transaction terms				Recognized gain (loss)	Related future cash flows	
		Contract dates	Exercise dates	Exercise prices/ Exercise rates	Cash inflow		Cash outflow	
<u>Derivative transactions of the consolidated subsidiary during 2004</u>								
1.Delta International Holding Ltd. (DIH)								
Forward foreign currency contracts	USD	207,241	2003.12.03-2004.09.01	2004.01.08-2004.12.03	USD1:THB39.2205-41.61	\$ -	(closed)	(closed)
"	USD	207,178	2003.12.03-2004.09.01	2004.01.08-2004.12.03	USD1:THB39.2305-41.6225	63	(closed)	(closed)
Total						<u>\$ 63</u>		
2.Delta Electronics International Ltd. (the subsidiary of DIH)								
Buy option (USD PUT/RMB CALL)	USD	1,000	2003.08.28	2004.01.28	USD1:RMB8.28	\$ 0.35	(closed)	(closed)
Forward foreign currency contracts	USD	6,000	2003.08.13	2004.01.30-2004.03.22	USD1:RMB8.2030-8.2270	8	(closed)	(closed)
"	USD	119,000	2003.04.29-2004.12.06	2004.01.30-2005.12.07	USD1:RMB7.8340-8.2580	858	(Note c)	(Note c)
"	USD	25,500	2004.02.06-2004.12.30	2004.04.15-2005.01.25	USD1:JPY103.20-111.00	31	JPY 417,023	USD 4,000
Callable Range Accrual Swap	USD	5,000	2002.07.17	2007.07.19	(Note d)	(72)	(closed)	(closed)
		(Note b)						
Libor-linked USD/YEN Strategy	USD	60,000	2003.12.22	2004.07.29		(159)	(closed)	(closed)
Total						<u>\$ 666</u>		

Derivative transactions	Par value, contract amount or nominal principal		Transaction terms			Recognized gain (or loss)	Related cash flows			
			Contract dates	Exercise dates	Exercise prices/ Exercise rates			Cash inflow		Cash outflow
3.Delta Electronics (Dong Guan) Co., Ltd (the subsidiary of DIH)										
Forward foreign currency contracts	USD	16,000	2004.01.06~2004.12.07	2005.01.07~2005.12.07	USD1:RMB8.1122-8.2235	(\$ 1,450)	USD	16,000	USD	130,965
4.Delta Electronics Power (Dong Guan) Co., Ltd (the subsidiary of DIH)										
Forward foreign currency contracts	USD	34,000	2004.01.06~2004.12.06	2005.01.07~2005.12.07	USD1:RMB8.1122-8.2235	(\$ 2,346)	RMB	278,097	USD	34,000
5.Delta Electronics components (Dong Guan) Co., Ltd. (the subsidiary of DIH)										
Forward foreign currency contracts	USD	34,000	2004.01.07~2004.12.06	2005.01.08~2005.12.07	USD1:RMB8.1122-8.2235	(\$ 2,537)	RMB	278,467	USD	34,000
6.Delta Electronics Industrial (Dong Guan) Co., Ltd (the subsidiary of DNI Cayman)										
Forward foreign currency contracts	USD	1,000	2004.01.07	2005.01.07	USD1:RMB8.2160	(\$ 227)	RMB	8,216	USD	1,000

Derivative transactions	Par value, contract amount or nominal principal	Transaction terms			Recognized gain (or loss)	Related cash flows	
		Contract dates	Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow
7. Delta Networks, Inc (registered in Taiwan, the subsidiary of DNI Cayman)							
Sell option (USD CALL/TWD PUT)	USD 117,900	2004.02.13-2004.12.30	2004.08.06-2005.09.28	USD1:NTD31.82-.34.50	NTD 600	NTD 3,181,643	USD 97,000
Sell option (USD PUT/TWD CALL)	USD 39,400	2004.01.06-2004.12.30	2004.02.02-2005.08.25	USD1:NTD31.00-34.00	(NTD 2,649)	USD 17,900	NTD 560,250
Sell option (USD CALL/JPY PUT)	USD 4,200	2004.10.28-2004.12.02	2004.12.30-2005.02.24	USD1:JPY104.50-108.00	NTD 64	JPY 316,500	USD 3,000
Buy option (USD PUT/TWD CALL)	USD 32,100	2004.01.13-2004.12.30	2004.01.14-2005.03.22	USD1:NTD32.00-34.14	NTD 5,612	(closed)	(closed)
Buy option (USD CALL/TWD PUT)	USD 11,000	2004.01.28-2004.12.30	2004.03.24-2005.02.22	USD1:NTD32.887-33.45	NTD 3,077	(closed)	(closed)
Buy option (USD CALL /JPY PUT)	USD 2,000	2004.12.10	2004.12.17	USD1:JPY97.40-99.45	NTD 4,231	(closed)	(closed)
Forward foreign currency contracts	USD 980	2004.04.12	2004.04.26	USD1:NTD32.881	-	(closed)	(closed)
"	USD 19,000	2003.10.02-2004.04.3	2004.01.02-2004.08.04	USD1:NTD32.946-33.733	-	(closed)	(closed)
Interest Rate Swap	NTD 500,000	2002.06.27	2002.07.01-2004.07.01	2.1%-2.7%	(6,436)	Unwind	
	USD 5,000	2002.07.17	2002.10.19-2007.07.19	4.30%	(3,754)	(closed)	(closed)
	(Note a)						
Total					\$ 745		

[Note a]: The company will pay or receive the difference between the floating and predetermined interest rate multiplied by the notional amount.

[Note b]: If LIBOR is between the contract rate range, the company will receive the difference between the predetermined and floating rate multiplied by the notional amount from the bank. However, when LIBOR falls outside the contract rate range, the Company will pay predetermined rate multiplied by the notional amount to the bank.

[Note c]: The Company will pay or receive the difference among the transactions, so future cash flow cannot be reasonably estimated.

[Note d]: The exercise rates of the transactions will be decided on exercise dates.

f. The information of book value on derivative transactions of investee company as of December 31, 2004

	<u>Book Value</u>		
	<u>Other receivable</u>	<u>Other payable</u>	<u>Other receivable (payable)-net</u>
Delta Electronics International Holding Ltd.	<u>\$ 2,703,366</u>	<u>(\$ 2,655,352)</u>	<u>\$ 48,014</u>
Delta Electronics (Dong Guan)Co., Ltd.	<u>\$ 507,110</u>	<u>(\$ 508,560)</u>	<u>(\$ 1,450)</u>
Delta Electronics Power (Dong Guan) Co., Ltd	<u>\$ 1,078,344</u>	<u>(\$ 1,080,690)</u>	<u>(\$ 2,346)</u>
Delta Electronics Components (Dong Guan) Co., Ltd.	<u>\$ 1,078,153</u>	<u>(\$ 1,080,690)</u>	<u>(\$ 2,537)</u>
Delta Electronics Industrial (Dong Guan) Co., Ltd.	<u>\$ 31,558</u>	<u>(\$ 31,785)</u>	<u>(\$ 227)</u>

(B) Additional disclosure

Pursuant to the terms of the contracts. The investee companies does not provide any pledged assets.

(3) Disclosure of information on indirect investments in Mainland China (Units: In thousands)

A. Basic information

Investment Income or loss recognized are translated at the annual average rate, others are translated at the rate of exchange prevailing at the balance sheet date.

Name of investee in Mainland China	Main activities of investee	Capital	Investment method	Accumulated remittance as of January 1, 2004	Remitted or collected this period		Accumulated remittance as of December 31, 2004	Ownership held by the Company (direct and indirect)	Investment income (loss) recognized by the Company during the year	Ending balance of investment	The investment income (loss) remitted back as of December 31, 2004
					Remitted out	Collected					
Delta Electronics (Dong Guan) Co., Ltd.	Manufacturing and sales of various power supplies	NT\$ 1,176,045 (Equivalent to US\$ 37,000) (RMB 306,360)	Invested by Delta International Holding Ltd.	NT\$ 1,179,435 (Equivalent to US\$ 37,107)	-	-	NT\$1,179,435 (Equivalent to US\$ 37,107)	94.00%	\$ 45,798	\$ 1,276,552	- (Note b and f)
Deltron-Cimic Electric and Electronics Co., Ltd.	Manufacturing and sales of uninterruptible power system	NT\$ 1,259,116 (Equivalent to US\$ 39,614) (RMB328,000) (Note a and d)	"	NT\$ 95,421 (Equivalent to US \$ 3,002)	-	-	NT\$ 95,421 (Equivalent to US\$ 3,002)	9.76%	-	91,593	-
Delta Electronics Industrial (Dong Guan) Co., Ltd.	Manufacturing and sales of electronic ballast for energy saving lighting and interface cards	NT\$ 711,984 (Equivalent to US\$ 22,400) (RMB185,472)	Invested by Delta Networks, Inc. (registered in Cayman)	NT\$ 601,541 (Equivalent to US\$18,925)	NT\$ 68,722 (Equivalent to US\$ 2,162)	-	NT\$ 670,263 (Equivalent to US\$ 21,087)	94.00%	78,466	688,134	-
Delta Electronics Components (Dong Guan) Co., Ltd.	Manufacturing and sales of transformer and peripherals	NT\$ 1,017,120 (Equivalent to US\$ 32,000) (RMB264,960)	Invested by Delta International Holding Ltd.	NT\$ 957,485 (Equivalent to US\$30,124)	NT\$ 17 (Equivalent to US\$ 0.5)	-	NT\$ 957,502 (Equivalent to US\$ 30,124)	94.00%	359,492	1,261,883	-
Delta Electronics Power (Dong Guan) Co., Ltd.	Manufacturing and sales of power supplies	NT\$ 572,130 (Equivalent to US\$18,000) (RMB149,040)	"	NT\$ 537,800 (Equivalent to US\$16,920)	NT\$ 2 (Equivalent to US\$ 0.07)	-	NT\$ 537,802 (Equivalent to US\$ 16,920)	94.00%	413,543	1,706,234	(Note e)
Delta Electronics Components (Wu Jiang) Co., Ltd.	Manufacturing and sales of transformer and peripherals	NT\$ 1,271,400 (Equivalent to US\$ 40,000) (RMB331,200)	"	NT\$ 657,314 (Equivalent to US\$20,680)	-	-	NT\$ 657,314 (Equivalent to US\$20,680)	51.7%	67,301	648,720	-
Delta Electronics (Jiang Su) Co., Ltd.	Manufacturing and sales of various power supplies	NT\$ 1,271,400 (Equivalent to US\$ 40,000)	"	NT\$ 657,314 (Equivalent to US\$20,680)	-	-	NT\$ 657,314 (Equivalent to US\$20,680)	51.7%	78,668	735,109	-

Name of investee in Mainland China	Main activities of investee	Capital	Investment method	Accumulated remittance as of January 1, 2004	Remitted or collected this period		Accumulated remittance as of December 31, 2004	Ownership held by the Company (direct and indirect)	Investment income (loss) recognized by the Company during the year	Ending balance of investment	The investment income (loss) remitted back as of December 31, 2004
					Remitted out	Collected					
		(RMB331, 200)									
Delta Electro-optics (Wu Jiang) Ltd.	Manufacturing and sales of peripherals and electronic control equipment	NT\$ 794, 625 (Equivalent to US\$ 25,000) (RMB207,000)	Invested by Delta International Holding Ltd.	NT\$ 410, 821 (Equivalent to US\$12, 925)	NT\$ -	NT\$ -	NT\$ 410,821 (Equivalent to US\$12,925)	51. 7%	\$ 47, 289	\$ 494, 432	\$ -
Delta Video Display System (Wu Jiang) Co., Ltd.	Manufacturing and sales of various monitors	NT\$ 413, 205 (Equivalent to US\$ 13, 000) (RMB107, 640)	"	NT\$ 213, 627 (Equivalent to US\$ 6, 721)	-	-	NT\$ 213, 627 (Equivalent to US\$6, 721)	51. 7%	(58, 534)	125, 292	-
Delta Electronics (Shanghai) Co., Ltd	Design the figure of the product	NT\$ 317, 850 (Equivalent to US\$ 10, 000) (RMB 82, 800) (Note c)	"	-	-	-	-	94%	(20, 295)	279, 482	-

Note a: Some parts of the investment was paid by RMB, and the investment was translated at the exchange rate of RMB8.28 to US\$1.

Note b: The company is permitted by Investment Commission to use Delta Electronics (Dong Guan) Co., Ltd's earning distribution of RMB\$82,800 (US\$10,000) paid to DIH to establish Delta Electronics (Shanghai) Co., Ltd. As capital.

Note c: The company is permitted by Investment Commission to use Delta Electronics (Dong Guan) Co., Ltd's earning distribution paid to DIH to establish Delta Electronics (Shanghai) Co., Ltd as capital. The investment was transferred from earning, therefore, the investment amount is excluded from the ceiling of investment amount.

Note d: The company is permitted by Investment Commission to use Deltron-Cimic Electric and Electronics Co., Ltd's earning distribution of RMB\$8,122 (US\$980) paid to DIH to increase capital of Deltron-Cimic Electric and Electronics Co., Ltd.

Note e: The company is permitted by Investment Commission to use Delta Electronics Power (Dong Guan) Co., Ltd.'s earning distribution of US\$9,000 paid to DIH to increase capital of Delta Electronics Power (Dong Guan) Co., Ltd..

Note f: The company is permitted by Investment Commission to use Delta Electronics (Dong Guan) Co., Ltd.'s earning distribution of US\$700 paid to DIH to increase capital of Delta Electronics (Dong Guan) Co., Ltd..

Accumulated amount remitted out of Taiwan to Mainland China	Investment amount approved by the Investment Commission	Ceiling of investment amount of the Company
NT\$ 5, 379, 499 (US\$ 169, 246)	NT\$ 5, 461, 078 (US\$ 171, 813)	NT\$ 8, 124, 759

B. The significant direct and indirect transactions of the Company with the investee companies in Mainland China:

The significant purchases, sales, accounts payable and accounts receivable of the Company indirectly conducted with investee companies in Mainland China through the DIH's subsidiary, Delta Electronics International Ltd. (DEIL), and DNI Cayman's subsidiary, Delta Networks International Ltd. (DNIL) for 2004. Please refer to Notes 5 and Note 11(2)H.

12. SEGMENT FINANCIAL INFORMATION

A. Financial information by industry

The Company and its consolidated subsidiaries operate in one single industry. The electronics industry. Accordingly, no different industry information is presented in 2002, 2003 and 2004.

B. Financial information by geographic area

Geographic area information in 2002, 2003 and 2004 were as follows:

	<u>2002</u>				
	<u>Asia</u>	<u>Others</u>	<u>Domestic</u>	<u>Elimination</u>	<u>Consolidated</u>
Operating revenues from unaffiliated customers	\$ 18,286,222	\$ 3,821,485	\$ 26,407,015	\$ -	\$ 48,514,722
Operating revenues from the Company and its consolidated subsidiaries	<u>24,625,446</u>	-	<u>7,298,658</u>	<u>(31,924,104)</u>	-
Total operating revenues	<u>\$ 42,911,668</u>	<u>\$ 3,821,485</u>	<u>\$ 33,705,673</u>	<u>(\$ 31,924,104)</u>	<u>\$ 48,514,722</u>
Segment profits	<u>\$ 7,931,504</u>	<u>\$ 9,918</u>	<u>\$ 367,439</u>	<u>(\$ 3,065,790)</u>	\$ 5,243,071
Investment loss under equity method					299,149
General expense					(544,186)
Interest expense					(145,167)
Net income before income tax and minority interest					<u>\$ 4,842,867</u>
Identifiable assets	<u>\$ 34,698,448</u>	<u>\$ 1,375,484</u>	<u>\$ 21,540,151</u>	<u>(\$ 11,635,306)</u>	\$ 45,978,777
Long-term investments					9,070,425
General assets					-
Total assets					<u>\$ 55,049,202</u>
Depreciation expense	<u>\$ 1,340,944</u>	<u>\$ 2,604</u>	<u>\$ 508,052</u>	<u>\$ -</u>	<u>\$ 1,851,600</u>
Capital expenditure	<u>\$ 4,342,354</u>	<u>\$ 20,244</u>	<u>\$ 355,621</u>	<u>\$ -</u>	<u>\$ 4,718,219</u>

	2003				
	Asia	Others	Domestic	Elimination	Consolidated
Operating revenues from unaffiliated customers	\$ 6,170,579	\$ 2,867,508	\$ 40,503,825	\$ -	\$ 49,541,912
Operating revenues from the Company and its consolidated subsidiaries	<u>34,520,956</u>	-	<u>6,227,775</u>	<u>(40,748,731)</u>	-
Total operating revenues	<u>\$ 40,691,535</u>	<u>\$ 2,867,508</u>	<u>\$ 46,731,600</u>	<u>(\$ 40,748,731)</u>	<u>\$ 49,541,912</u>
Segment profits	<u>\$ 8,387,951</u>	<u>\$ 16,226</u>	<u>\$ 912,942</u>	<u>(\$ 3,640,646)</u>	\$ 5,676,473
Investment loss under equity method					(9,417)
General expense					(637,086)
Interest expense					(109,659)
Net income before income tax and minority interest					<u>\$ 4,920,311</u>
Identifiable assets	<u>\$ 40,704,879</u>	<u>\$ 721,479</u>	<u>\$ 25,307,265</u>	<u>(\$ 11,550,933)</u>	\$ 55,182,690
Long-term investments					8,059,150
General assets					-
Total assets					<u>\$ 63,241,840</u>
Depreciation expense	<u>\$ 1,485,338</u>	<u>\$ 3,775</u>	<u>\$ 456,826</u>	<u>\$ -</u>	<u>\$ 1,945,939</u>
Capital expenditure	<u>\$ 819,206</u>	<u>\$ 2,064</u>	<u>\$ 419,568</u>	<u>\$ -</u>	<u>\$ 1,240,838</u>

	2004				
	Asia	Others	Domestic	Elimination	Consolidated
Operating revenues from unaffiliated customers	\$ 7,369,303	\$ 7,923,201	\$ 41,182,482	\$ -	\$ 56,474,986
Operating revenues from the Company and its consolidated subsidiaries	<u>267,518</u>	<u>39,559,870</u>	<u>6,547,228</u>	<u>(46,374,616)</u>	<u>-</u>
Total operating revenues	<u>\$ 7,636,821</u>	<u>\$47,483,071</u>	<u>\$ 47,729,710</u>	<u>(\$ 46,374,616)</u>	<u>\$ 56,474,986</u>
Segment profits	<u>\$ 2,037,673</u>	<u>\$ 6,959,419</u>	<u>\$ 1,229,406</u>	<u>(\$ 3,287,798)</u>	\$ 6,938,700
Investment loss under equity method					(74,177)
General expense					(336,175)
Interest expense					(126,099)
Net income before income tax and minority interest					<u>\$ 6,402,249</u>
Identifiable assets	<u>\$ 17,798,370</u>	<u>\$23,368,034</u>	<u>\$ 35,796,752</u>	<u>(\$ 20,508,730)</u>	\$ 56,454,426
Long-term investments					8,429,006
General assets					<u>-</u>
Total assets					<u>\$ 64,883,432</u>
Depreciation expense	<u>\$ 1,253,887</u>	<u>\$ 253,082</u>	<u>\$ 439,231</u>	<u>\$ -</u>	<u>\$ 1,946,200</u>
Capital expenditure	<u>\$ 1,344,631</u>	<u>\$ 72,848</u>	<u>\$ 629,144</u>	<u>\$ -</u>	<u>\$ 2,046,623</u>

C. Information about export sales

The export sales of the Company and its consolidated subsidiaries in 2002, 2003 and 2004 were as follows:

<u>Destination</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Southeast Asia	\$ 11,034,475	\$ 8,683,595	\$ 28,758,837
U.S.A.	15,870,703	22,106,202	12,281,384
Europe	4,128,910	9,318,376	6,035,965
Northeast Asia	3,430,370	5,321,207	3,280,435
Americas	292,572	1,646,315	652,549
Others	<u>612,219</u>	<u>1,296,248</u>	<u>567,733</u>
	<u>\$ 35,369,249</u>	<u>\$ 48,371,943</u>	<u>\$ 51,576,903</u>

D. Major customer information

No single customer of the Company and its consolidated subsidiaries accounted for more than 10% of the consolidated operating revenue in 2002, 2003 and 2004.