

2010 ANNUAL REPORT

DELTA ELECTRONICS, INC.



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Delta Electronics' 40th anniversary celebration
at the National Theatre Concert Hall Plaza, Taipei.



For 40 years Delta Group has pursued the mission :

" To provide innovative, clean and energy-efficient solutions for a better tomorrow. "

With its focus on continuous innovation,

Delta has become a global leader in a range of products.

We also strive to do our utmost to develop energy-saving and renewable energy solutions.



Delta presents its electric and hybrid vehicle propulsion systems as well as an extended-range bus at the Eco Taiwan Expo to President Ma Ying-Jio.



The Delta management team expresses their appreciation to customers, suppliers, and Delta employees at the 40th Anniversary Banquet.



Delta's Founder and Chairman Mr. Bruce Cheng invites experts from the electrical engineering and energy science fields to participate in Delta Electronics' 40th Anniversary Technology Symposium.



Delta held a Science Expo for all colleagues and their families at National Chiang Kai-Shek Memorial Hall to celebrate Delta's 40th birthday.



Delta's LED Wall demonstrates modern art for the "Pavilion of New Fashion" at the 2010 Taipei International Flora Expo.



Delta sponsors a 3D animation film "Face the Truth" at the Flora Expo Theater to raise public awareness on environmental issues.



Delta uses the latest projection technology and products to present a 360-degree immersive interactive theater at the 2010 Taipei International Flora Expo.



Delta participates in the 2010 National Day Parade to celebrate the Republic of China's 100th birthday.



Delta's CEO Mr. Yancey Hai receives Delta's 9th consecutive award for "Most Admired Company in the Electronics Industry" from Taiwan's Vice President Mr. Vincent C. Siew.



Delta's Founder and Chairman Mr. Bruce Cheng endows National Central University (NCU) with the Kuo-Ting Optics and Photonics Building, NCU's very first green building.



Delta's Founder and Chairman Mr. Bruce Cheng endows National Cheng-Kung University with the Y. S. Sun Green Building Research Center, Taiwan's first zero-carbon building.



Delta's LED lighting solutions illuminate the Tainan Science Park.



Delta's LED Wall at the TianMu Baseball Stadium.



Delta broadcasts the very first 3D Live World Cup to mark a new 3D broadcasting era in Taiwan.



Delta's solar energy system covers the 2009 World Games Stadium.

A Letter to Our Shareholders

2010 Delta Electronics Annual Report – Business Summary

As Delta Electronics celebrates its fortieth anniversary in 2011 and the beginning of our fifth decade, we look back at the year 2010, which crowned forty years of remarkable achievement. In 2010, the Company's revenues, profits, and market value surpassed all previous records. We solidified our leading position in power management and components, and continued our multi-year effort in developing renewable energy, energy-saving and new energy technologies. Delta also made major progress in such advanced business areas as industrial automation, display solutions, solar energy, LED lighting, and electric vehicle control systems and full-car power train systems. These efforts are not only in step with global green energy trends but also drive the future growth of Delta. We summarize our business results of the past year and the outlook for the future below.

Delta Electronics' 2010 consolidated sales revenues were NT\$171.3 billion, increasing 38% compared to the previous year; gross profit was NT\$36.6 billion, or 21.4% of revenues, representing 37% growth from the previous year; net operating profit was NT\$17.3 billion, or 10.1% of revenues, increasing 40% from the previous year. Net income after tax was NT\$15.8 billion, or 9.2% of revenues, rising 35% from the previous year. Earnings per share was NT\$6.69 in 2010.

Delta's global market share in switching power supplies has stayed at number one since 2002. In recent years, we have aggressively brought into new applications our longtime accumulated power electronics technologies as well as other innovations, fortifying Delta's industry leadership and its contribution to global energy efficiency. Last year, Delta introduced a green telecommunication power solution, successfully integrating renewable energy with an existing high-efficiency telecommunication power system, and thus winning business from telecommunication operators in India and Mainland China. Delta not only maintained its number one market share, but also helped customers achieve their goals of reducing energy consumption and carbon emissions.

In addition to the power supply business, Delta also ranks number one globally in brushless DC fans. Through advanced high-efficiency thermal technologies, we are able to help customers solve system-level heat dissipation issues, improve energy efficiency and recycle energy. With efficient energy technologies such as variable frequency servo motors and drives, Delta helps customers renovate labor-intensive legacy factory equipment with cutting edge automation technologies, dramatically reducing their reliance on labor and electricity. Delta has also been developing the China market. Along with expanding distribution networks and setting up closer partnerships, we

have established logistics centers as well as intelligent information systems to monitor market trends and respond in a timely manner. As a result, in 2010 Delta could contend with first-tier industrial names from Europe, America, and Japan in the China market. As labor shortages, wage inflation, energy conservation and carbon reduction issues continue unabated, the potential for Delta's industrial automation business is significant.

Delta's display solution business continues to spearhead into professional areas such as home and commercial cinemas, high-end large-venue conference projection systems, and large outdoor LED displays. It also leads the industry in developing LED ultra-short-throw projectors, 3D high quality projection systems, and glass-less 3D displays. Combining with system software technologies, our large real-time interactive monitoring systems and 360-degree surround video walls are also widely praised. Delta displayed its world-leading 3D projection systems at the 2010 Taipei International Flora Exposition's Palace of Dreams and EXPO Theater. Our participation highlighted the urgency of global warming and environmental protection, and promoted the use of innovative, clean and efficient energy solutions.

Delta's strategy for renewable energy is reaching new milestones. In solar energy, our subsidiary DelSolar focuses on developing solar cells and modules, and targets expanding its capacity to over one gigawatt this year. In 2010, besides introducing solar inverters with 98% efficiency and a high-precision solar tracking system, Delta also expanded its solar system business into overseas markets. For example, we partner with a major U.S. food distributor for solar projects that operate on an innovative leasing model, and we completed a landmark solar system on the city hall roof of historical Zhenjiang City in China, based on our superior design capabilities and our experience building the solar energy system for the Kaohsiung 2009 World Games Stadium. Wind power is another market with enormous potential. In addition to small wind power generators and systems, Delta has developed several megawatt level large-scale wind power inverters for generators ashore or offshore, to further strengthen the Company's green energy portfolio.

Delta is also focusing on LED lighting and electric vehicles. Current LED light bulbs are nine times more efficient than traditional light sources, and still improving. LED bulbs also enjoy lifetimes of over forty thousand hours, which translates into 11 years of 10-hour usage everyday without having to replace the bulb. Offering greater energy efficiency and a much longer life, but lacking the

mercury pollution of fluorescent lamps, LED bulbs are the ideal eco-friendly energy-saving lighting product. The general public is reluctant to deploy LED bulbs due to the cost difference. However, with superior longevity and energy efficiency, LED lighting is more economical than other lighting technologies. Delta has successfully developed high-efficiency indoor and outdoor LED lighting systems. Last year, we introduced high color rendition LED light bulbs that have the number one efficiency rating in Taiwan, and are the first to obtain TÜV certification. Delta has become a recognized LED lighting manufacturer and we are successfully developing green business opportunities and winning business from renowned international customers. Delta is also devoting great effort to the area of hybrid and pure electric vehicles, providing major multinational automobile companies with chargers and power converters. We have also begun road testing hybrid cars with full power train systems that integrate Delta's captive automatic control, motor drive, servo motor, and power electronics technologies. The performances are exceeding expectations.

With our emphasis on long-term development, Delta continues to strengthen through expanding R&D centers and developing talent. The construction of Taoyuan Plant 3 will finish this year and we will establish the global research and development center of our Industrial Automation business. The Pingjhen Plant was acquired last year to become our main manufacturing base for e-paper. DelSolar has boosted its capacity in Zhunan to cope with increasing market demand. Developing green energy technology is Delta's corporate mission and social commitment, and we know that humanity must pursue sustainable growth. We believe the advanced technologies such as solar energy, LEDs, electric vehicles, e-paper, and fuel cells that we have dedicated ourselves to over the years will bear fruit. We are committed to providing the market with new products and services, reduce greenhouse gas emissions, and contribute to the protection of our earth.

Delta's achievements are receiving global recognition. In 2010, the management team won honors such as the CNBC China Business Leader of the Year and Asia Innovator of the Year awards, and Ernst & Young Entrepreneur of the Year and CSR Entrepreneur awards. In addition, we have received best-of-the-best awards from customers such as ASUSTeK, Cisco, and Rockwell, in recognition of our dedicated efforts. Delta's fulfillment of corporate social responsibilities was also recognized last year: We were ranked number one for Corporate Citizenship by Commonwealth Magazine and won its Most Admired Company award in the electronics industry for the 9th consecutive year, and we were also rated A+ for the third time for the Securities and Futures Institute's Information Transparency and Disclosure Ranking. We are devoted to corporate social responsibility and we strive to continuously enhance Delta's international standing.

We sincerely offer our gratitude to our Delta colleagues who have achieved their targets through dedicated effort, and to our customers, suppliers, shareholders, and the the public for their support. Together we will continue to build on Delta's four full decades of achievement as we pursue our mission to contribute to a greener planet and a better tomorrow.

Chairman

Handwritten signature of Bruce Cheng in black ink.

Chief Executive Officer

Handwritten signature of Yancy Hsu in black ink.Handwritten signature of She Chih-guan in black ink.

Chief Financial Officer

Corporate Governance

"Maintain sound corporate governance and strictly abide by commercial and ethical standards" is a core commitment at Delta. We view this as a fundamental requirement for a responsible company, and we are dedicated to realizing this ideal in our everyday operations.

At Delta, the board currently consists of nine directors and two supervisors, including one independent director and one independent supervisor. The board chairman does not hold an administrative position within the company. The remuneration for directors and supervisors is no more than 1% of the distributed balance.

To enhance the board's responsibility and trust, it convenes at least once quarterly. The board convened on six occasions in 2010, and the overall attendance rate was 94%. Key resolutions passed by the board are published in a timely manner on the Market Observation Post System of the Taiwan Stock Exchange and in the corporate governance section of the Delta website. Other relevant documents are also provided online for reference. An internal audit team submits its audit report to the supervisors monthly, and the Chief Auditing Officer presents critical findings to board members at board meetings.

The Board organized the Compensation Committee to evaluate the overall compensation policy, the compensation of the company's directors and officers, and carry out other assignments by the board. The Committee is composed of at least three directors from the Board, and at least one of the committee members is an independent director. In addition, the chief director of the Human Resources Department joins the committee as a councilor without a right to vote. Committee members are prohibited from approving their own or relevant parties' compensation.

The core areas of the company are R&D, manufacturing, and sales. We do not participate in businesses of high-risk and highly leveraged investment. Delta consistently monitors capital on the market and interest rates, makes cautious funding decisions, and hedges against foreign exchange rate risks. Simultaneously, through our departments of auditing, finance, corporate investment, legal and intellectual property, and more, we are able to assess and manage risks associated with all operations to maintain company sustainability.

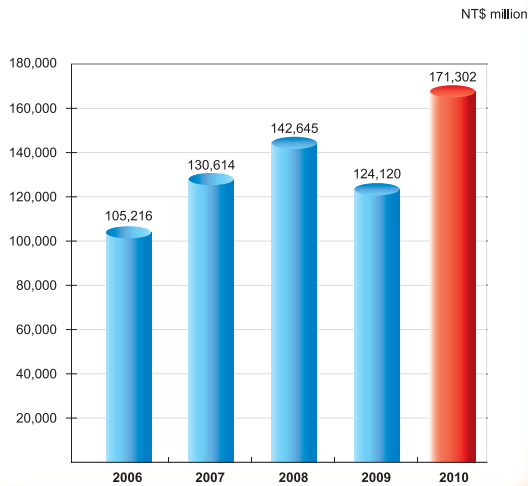
Delta's efforts in corporate governance continued to win outside recognition in 2010. Besides winning Commonwealth Magazine's corporate citizen award and Yazhou Zhoukan's 2010 "Global Chinese Business 1000-Best Performance Award", Delta placed first as Commonwealth Magazine's top electronics company since 2002. We received an A+ rating once again from the Securities and Futures Institute in Taiwan in 2010. Moreover, our top management received "CNBC Asia Innovator of the Year", the "China Business Leaders Awards 2010", and Ernst & Young's "Entrepreneur of the Year". We will continue to improve the quality of corporate governance at Delta by strengthening the organization and function of the board to make Delta an even more respectable world-class corporation.

Consolidated Financial Highlights

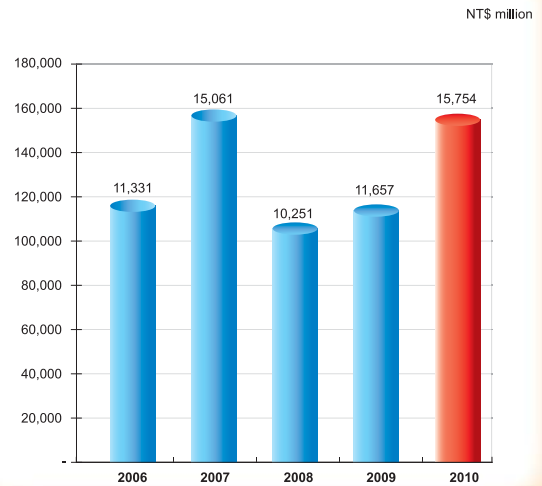
(in NT\$ million, except otherwise indicated)

	2010	2009
Sales	171,302	124,120
Gross profit	36,604	26,367
Gross margin	21.4%	21.0%
Operating profit	17,269	11,762
Operating Margin	10.1%	9.4%
Net Income After Tax	15,754	11,657
Net Margin	9.2%	9.3%
EPS (NT\$)	6.69	5.20
Total Assets	161,738	133,913
Total Shareholders' Equity	75,831	63,301
ROE (%)	22.7%	19.2%

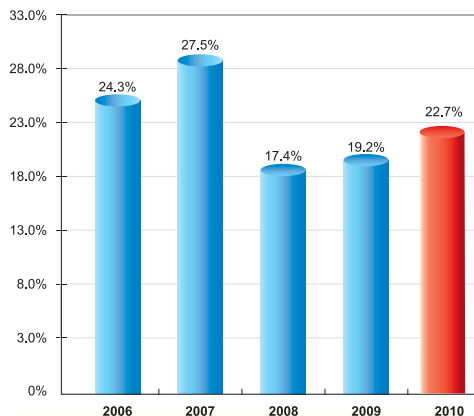
Revenues



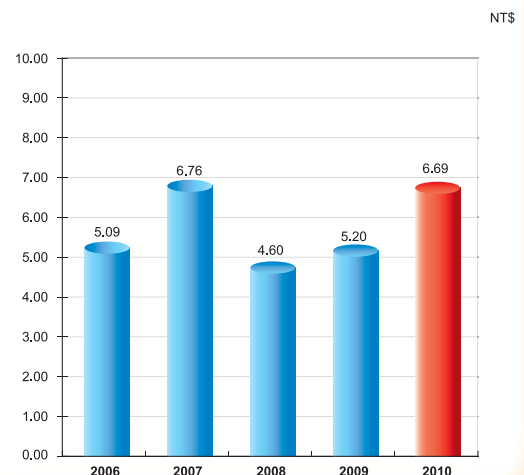
Net Profits



Return on Stockholders' Equity



Earnings Per Share



DELTA ELECTRONICS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2009 AND 2010

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Report of Independent Accountants Translated from Chinese

PWCR10000332

To Delta Electronics, Inc.

We have audited the accompanying consolidated balance sheets of Delta Electronics, Inc. and subsidiaries as of December 31, 2009 and 2010, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. As explained in Note 1. 2), we did not audit the 2009 and 2010 financial statements of certain consolidated subsidiaries, which statements reflect total assets of \$624,861,000 and \$827,514,000, constituting 0.47% and 0.51% of the consolidated total assets as of December 31, 2009 and 2010, respectively, and total operating revenues of \$1,636,521,000 and \$2,713,720,000, constituting 1.32% and 1.58% of the consolidated operating revenues for the years then ended, respectively. In addition, we did not audit the financial statements of certain long-term equity investments, accounted for under the equity method. Long-term equity investments in these companies amounted to \$5,782,830,000 and \$5,217,792,000, constituting 4.32% and 3.22% of the consolidated total assets as of December 31, 2009 and 2010, respectively, and total investment income was \$316,569,000 and \$786,455,000, constituting 2.08% and 3.90% of the consolidated income before income tax and minority interest for the years then ended, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts and the information disclosed in Note 11. 2) included for such subsidiaries and investee companies, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the “Rules Governing Examination 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Delta Electronics, Inc. and subsidiaries as of December 31, 2009 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and generally accepted accounting principles in the Republic of China.

As described in Note 3, effective January 1, 2009, Delta Electronics, Inc. and its subsidiaries adopted the amendments to R.O.C. Statement of Financial Accounting Standards No. 10 “Accounting for Inventories”.

The consolidated financial statements of Delta Electronics, Inc. and subsidiaries as of and for the year ended December 31, 2010, expressed in US dollars, are presented solely for the convenience of the reader and were translated from the financial statements expressed in New Taiwan dollars using the exchange rate of NT\$29.12 to US\$1.00 at December 31, 2010. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

PricewaterhouseCoopers Taiwan

March 2, 2011

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 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 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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

	New Taiwan Dollars		US Dollars	
	2009	2010	2010	(Unaudited - Note 2)
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4(1))	\$ 57,499,350	\$ 60,459,996	38	\$ 2,076,236
Financial assets at fair value through profit or loss - current (Note 4(2))	49,593	10,550	-	362
Available-for-sale financial assets - current (Note 4(5))	629,628	524,669	-	18,017
Derivative financial assets for hedging - current (Note 10(9))	274,648	381,799	-	13,111
Financial assets carried at cost - current (Note 4(6))	-	31,248	-	1,073
Notes receivable, net	99,507	328,038	-	11,265
Accounts receivable, net (Note 4(3))	25,713,329	29,560,272	18	1,015,119
Accounts receivable - related parties (Note 5)	2,454,403	3,815,671	3	131,033
Other receivables (Note 4(22))	1,313,299	1,265,926	1	43,473
Other financial assets - current (Note 6)	38,573	50,802	-	1,748
Inventories, net (Note 4(4))	9,748,280	14,788,981	9	507,863
Prepayments	1,159,724	1,499,852	1	51,506
Deferred income tax assets - current (Note 4(22))	-	89,028	-	3,057
Other current assets	222,915	435,834	-	14,967
Total current assets	99,203,253	113,242,766	74	3,888,820
Funds and Investments				
Financial assets at fair value through profit or loss - non-current (Note 4(2))	860,000	1,830,000	1	62,843
Available-for-sale financial assets - non-current (Note 4(5))	628,199	925,606	-	31,786
Financial assets carried at cost - non-current (Note 4(6))	1,324,258	1,457,614	1	50,055
Investments in bonds without active markets - non-current (Note 4(7))	1,119,475	-	-	-
Long-term equity investments accounted for under the equity method (Note 4(8))	7,730,006	6,327,356	6	217,286
Cash surrender value of life insurance	91,852	103,691	-	3,561
Other financial assets - non-current (Note 6)	-	1,544	-	53
Total funds and investments	11,753,790	10,645,811	9	365,584
Property, Plant and Equipment, Net (Note 4(9))				
Cost				
Land	1,643,868	1,693,056	1	58,141
Buildings	11,352,550	15,352,240	9	527,206
Machinery and equipment	12,895,532	17,166,118	10	589,496
Molding equipment	1,581,738	1,900,050	1	65,249
Computer and communication equipment	1,111,669	1,158,432	1	39,781
Testing equipment	6,781,633	7,193,773	5	247,039
Transportation equipment	149,436	166,908	-	5,732
Office equipment	1,638,283	1,640,704	1	56,343
Leasehold improvements	12,241	49,118	-	1,687
Other equipment	-	21	-	1
Revaluation increments	471,818	500,545	-	17,189
Cost and revaluation increments	37,638,768	46,820,965	28	1,607,864
Less: Accumulated depreciation	(19,875,894)	(23,214,433)	(15)	(797,199)
Accumulated impairment loss	(1,164,773)	(21,664)	(1)	(744)
Construction in progress and prepayments for equipment	3,669,880	3,315,949	3	113,872
Total property, plant and equipment, net	20,267,981	26,900,817	15	923,793
Intangible Assets				
Patents	211,287	833,134	-	28,610
Goodwill	11,887	5,158,672	-	177,152
Deferred pension cost	16,463	12,347	-	424
Other intangible assets	844,649	3,025,410	-	103,895
Total intangible assets	1,084,286	9,029,563	1	310,081
Other Assets				
Assets leased to others (Note 4(10))	46,626	14,283	-	490
Idle assets	-	-	-	-
Refundable deposits	61,691	101,901	-	3,499
Deferred expenses	206,017	426,132	-	14,634
Other assets	1,289,423	1,377,201	1	47,294
Total other assets	1,603,757	1,919,517	1	65,917
TOTAL ASSETS	\$ 133,913,067	\$ 161,738,474	100	\$ 5,554,205

(Continued on next page)

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31,

(EXPRESSED IN THOUSANDS OF DOLLARS)

	New Taiwan Dollars		US Dollars	
	2009	2010	2010	(Unaudited - Note 2)
		%	%	
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Short-term loans (Note 4(13))	\$ 11,773,271	9	9,877,658	6
Financial liabilities at fair value through profit or loss - current (Note 4(14))	3,924	-	806	28
Derivative financial liabilities for hedging - current (Note 10(9))	39,769	-	137,154	4,710
Accounts payable	25,106,360	19	29,266,371	18
Accounts payable - related parties (Note 5)	273,407	-	318,192	10,927
Income tax payable (Note 4(22))	654,896	-	1,805,572	62,005
Accrued expenses	7,464,755	6	9,444,258	324,322
Other payables	1,477,960	1	5,071,914	174,173
Receipts in advance	785,183	1	735,163	25,246
Long-term liabilities - current portion (Note 4(15))	-	-	110,656	3,800
Deferred income tax liabilities - current (Note 4(22))	146,184	-	-	-
Other current liabilities	573,572	-	1,467,204	50,385
Total current liabilities	48,299,281	36	58,234,948	1,999,827
Long-term Liability				
Long-term loans (Note 4(15))	2,973,971	2	9,540,184	327,616
Reserve				
Land value incremental reserve (Note 4(9))	91,569	-	95,279	3,272
Other Liabilities				
Accrued pension liabilities (Note 4(16))	1,943,650	2	2,130,082	73,148
Guarantee deposits received	54,421	-	52,920	1,817
Deferred income tax liabilities - non-current (Note 4(22))	4,430,972	3	4,069,491	139,749
Other liabilities - other	274,251	-	223,577	7,678
Total other liabilities	6,703,294	5	6,476,070	222,392
Total liabilities	58,068,115	43	74,346,481	2,553,107
Stockholders' Equity				
Capital				
Common stock (Note 4(17))	22,573,091	17	23,947,984	822,390
Capital reserves (Note 4(18))	1,651,212	1	12,634,267	433,869
Paid-in capital in excess of par value of common stock	10,253,416	8	10,253,416	352,109
Capital reserve from conversion of convertible bonds	3,167,737	2	3,396,912	116,652
Retained earnings	8,323,411	6	9,489,158	325,864
Legal reserve (Note 4(19))	16,330,025	12	20,905,730	717,916
Undistributed earnings (Note 4(20))	-	-	5,862,383	201,318
Other adjustments to stockholders' equity	108,570	-	(112,627)	(3,868)
Cumulative translation adjustments	(139,691)	-	746,818	25,647
Unrecognized pension cost	626,148	1	432,187	14,841
Unrealized gain or loss on financial instruments	407,170	-	75,831,462	2,604,102
Asset revaluations (Note 4(9))	63,301,089	47	11,560,531	396,996
Stockholders' equity	12,543,863	10	87,391,993	3,001,098
Minority interest	75,844,952	57	-	-
Total stockholders' equity	133,913,067	100	161,738,474	5,554,205
Commitments and contingent liabilities (Notes 5 and 7)	-	-	-	-
Subsequent events (Note 9)	-	-	-	-
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 133,913,067	100	\$ 161,738,474	\$ 5,554,205

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
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	
	2009	2010	2010	(Unaudited - Note 2)
		%	%	
Operating Revenues (Note 5)				
Sales	\$ 124,307,006	100	\$ 171,795,811	\$ 5,899,581
Sales returns	(585,877)	(1)	(810,183)	(27,822)
Sales discounts	(427,527)		(465,332)	(15,636)
Net Sales	123,293,602	99	170,520,296	5,856,123
Service income	826,500	1	772,157	24,516
Net Operating Revenues	124,120,102	100	171,302,453	5,882,639
Operating costs (Notes 4(24) and 5)				
Cost of goods sold	(96,869,551)	(78)	(134,381,230)	(4,614,740)
Service costs	(485,360)		(317,638)	(10,909)
Net Operating Costs	97,354,911	(78)	134,698,868	(4,625,649)
Gross profit	26,765,191	22	36,603,585	1,256,990
Operating Expenses (Note 4(24))				
Sales and marketing expenses	(4,149,312)	(3)	(5,932,940)	(203,741)
General and administrative expenses	(3,619,955)	(3)	(4,500,868)	(154,563)
Research and development expenses	(6,635,124)	(6)	(8,900,631)	(305,654)
Total Operating Expenses	(14,404,391)	(12)	(19,334,439)	(663,958)
Operating income	12,360,800	10	17,269,147	593,032
Non-operating Income and Gains				
Interest income	524,658	-	567,651	19,494
Investment income accounted for under the equity method (Note 4(8))	728,112	1	871,212	29,918
Dividend income	37,905	-	110,893	3,808
Gain on disposal of property, plant and equipment	11,643	-	18,982	652
Gain on disposal of investments	10,290	-	101,476	3,485
Foreign exchange gain, net	741,882	1	684,806	23,517
Rental income	11,381	-	31,634	1,086
Gain on valuation of financial assets (Note 4(2))	38,330	-	48,636	1,670
Other non-operating income	1,570,467	1	1,544,468	53,038
Total Non-operating Income and Gains	3,674,668	3	3,979,758	136,668
Non-operating Expenses and Losses				
Interest expense	(113,171)	-	(218,777)	(7,513)
Impairment loss (Note 4(12))	(66,184)	-	(294,729)	(10,121)
Loss on valuation of financial liabilities (Note 4(14))	(3,924)	-	(806)	(28)
Other non-operating losses	(620,766)	(1)	(588,573)	(20,212)
Total Non-operating Expenses and Losses	(804,045)	(1)	(1,027,885)	(37,874)
Income from continuing operations before income tax	15,231,423	12	20,145,900	691,826
Income tax expense (Note 4(22))	(839,207)	(2)	(2,271,228)	(77,905)
Income from continuing operations	14,392,216	12	17,874,672	613,831
Gain (loss) from discontinued operations (Note 10(11))	1,324,181	(1)	7,763	267
(Net of income tax benefit of \$568,876 and income tax expense of \$48,299, respectively)	(3,068,035)	(1)	(7,882,525)	(614,098)
Consolidated net income	\$ 11,648,362	10	\$ 17,899,910	\$ 541,010
Attributable to:				
Equity holders of the Company	\$ 11,648,362	10	\$ 17,899,910	\$ 541,010
Minority interest				
Earnings Per Share (In Dollars) (Note 4(23))				
Basic Earnings Per Share	\$ 6.79	\$ 6.42	\$ 8.55	\$ 0.2936
Net income from continuing operations	(0.75)	(0.59)	0.02	0.0007
Net gain (loss) from discontinued operations	(0.63)	(0.63)	(0.90)	(0.0309)
Minority interest income	5.41	5.20	7.67	0.2634
Net income	\$ 5.41	\$ 5.20	\$ 7.67	\$ 0.2634
Diluted Earnings Per Share	\$ 6.72	\$ 6.36	\$ 8.42	\$ 0.2892
Net income from continuing operations	(0.75)	(0.59)	0.02	0.0007
Net gain (loss) from discontinued operations	(0.62)	(0.62)	(0.89)	(0.0306)
Minority interest income	5.35	5.15	7.55	0.2593
Net income	\$ 5.35	\$ 5.15	\$ 7.55	\$ 0.2593

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 2, 2011.

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

	Retained earnings							Unrealized gain or loss on financial instruments	Asset revaluations	Minority interest	Total
	Common stock	Capital reserves	Legal reserve	Undistributed earnings	Cumulative translation adjustments	Unrecognized pension cost	Unrealized gain or loss on financial instruments				
2009 New Taiwan Dollars											
Balance at January 1, 2009	\$ 21,850,456	\$13,282,204	\$ 7,298,319	\$ 13,563,786	\$ 1,884,323	(\$ 31,004)	\$ 135,764	\$ 359,616	\$ 14,244,912	\$ 72,588,376	
Capitalization of capital reserve	218,505	(218,505)	-	-	-	-	-	-	-	-	
Employees' stock bonus	247,775	1,374,900	-	-	-	-	-	-	-	1,622,675	
Employees' stock option	37,850	276,311	-	-	-	-	-	-	-	314,161	
Distribution of 2008 earnings (Note a):											
Legal reserve	-	-	1,025,092	(1,025,092)	-	-	-	-	-	-	
Stock dividends	218,505	-	(218,505)	-	-	-	-	-	-	-	
Cash dividends	-	-	(7,647,639)	-	-	-	-	-	-	(7,647,639)	
Change in ownership percentage of long-term equity investments accounted for under equity method	-	-	-	-	-	-	-	-	-	-	
Adjustment for land value appraisal increments	-	357,455	-	-	-	-	-	47,554	-	357,455	
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	722,333	-	-	722,333	
Change in unrealized loss on cash flow hedge	-	-	-	-	-	-	(9,742)	-	-	(9,742)	
Unrecognized pension cost	-	-	-	-	-	(108,687)	-	-	-	(108,687)	
Change in cumulative translation adjustments	-	-	-	(2,774,605)	-	-	-	-	-	(2,774,605)	
Change in stockholders' equity for investee companies accounted for under the equity method	-	-	-	-	998,852	-	(222,207)	-	-	776,645	
Change in minority interest	-	-	-	-	-	-	-	-	(3,111,609)	(3,111,609)	
Consolidated net income for the year	-	-	-	11,657,475	-	-	-	-	1,410,560	13,068,035	
Balance at December 31, 2009	\$ 22,573,091	\$15,072,365	\$ 8,323,411	\$ 16,330,025	\$ 108,570	(\$ 139,691)	\$ 626,148	\$ 407,170	\$ 12,543,863	\$ 75,844,952	
2010 New Taiwan Dollars											
Balance at January 1, 2010	\$ 22,573,091	\$15,072,365	\$ 8,323,411	\$ 16,330,025	\$ 108,570	(\$ 139,691)	\$ 626,148	\$ 407,170	\$ 12,543,863	\$ 75,844,952	
Employees' stock options	142,966	932,800	-	-	-	-	-	-	-	1,075,766	
Distribution of 2009 earnings (Note b):											
Legal reserve	-	-	1,165,747	(1,165,747)	-	-	-	-	-	-	
Cash dividends	-	-	(10,012,755)	-	-	-	-	-	(10,012,755)	-	
Change in ownership percentage of long-term equity investments accounted for under equity method	-	7,408	-	-	-	-	-	-	-	7,408	
Adjustment for land value appraisal increments	-	-	-	-	-	-	-	25,017	-	25,017	
Change in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(44,509)	-	-	(44,509)	
Change in unrealized gain on cash flow hedge	-	-	-	-	-	-	6,980	-	-	6,980	
Unrecognized pension cost	-	-	-	-	-	27,064	-	-	-	27,064	
Issuance of new stocks for the merger	1,231,927	9,978,608	-	-	-	-	-	-	-	11,210,535	
Employees' stock options assumed from subsidiary due to the merger	-	293,414	-	-	-	-	-	-	-	293,414	
Change in cumulative translation adjustments	-	-	-	-	(5,876,333)	-	-	-	-	(5,876,333)	
Change in stockholders' equity for investee companies accounted for under the equity method	-	-	-	-	(94,620)	-	158,199	-	-	63,579	
Change in minority interest	-	-	-	-	-	-	-	-	(3,111,650)	(3,111,650)	
Consolidated net income for the year	-	-	-	15,754,207	-	-	-	-	2,128,318	17,882,525	
Balance at December 31, 2010	\$ 23,947,984	\$26,284,595	\$ 9,489,158	\$ 20,905,730	(\$ 5,862,333)	(\$ 112,627)	\$ 746,818	\$ 432,187	\$ 11,560,531	\$ 87,391,993	

Note a: Directors' and supervisors' remuneration amounting to \$16,200 and employees' bonus amounting to \$1,893,141 had been deducted from the Consolidated Statement of Income in 2008.

Note b: Directors' and supervisors' remuneration amounting to \$16,700 and employees' bonus amounting to \$2,156,670 had been deducted from the Consolidated Statement of Income in 2009.

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
(EXPRESSED IN THOUSANDS OF US DOLLARS)

	Retained earnings									
	Common stock	Capital reserves	Legal reserve	Undistributed earnings	Assets revaluations	Unrealized gain or loss on financial instruments	Cumulative translation adjustments	Unrecognized pension cost	Minority interest	Total
2009 US Dollars (Unaudited-Note 2)										
Balance at January 1, 2009	\$ 683,147	\$ 415,264	\$ 228,179	\$ 424,067	\$ 11,243	\$ 4,245	\$ 58,913	(\$ 969)	\$ 445,362	\$ 2,269,451
Capitalization of capital reserve	6,831	(6,831)	-	-	-	-	-	-	-	-
Employees' stock bonus	7,748	42,985	-	-	-	-	-	-	-	50,733
Employees' stock option	1,183	8,639	-	-	-	-	-	-	-	9,822
Distribution of 2008 earnings:										
Legal reserve	-	-	32,050	(32,050)	-	-	-	-	-	-
Stock dividends	6,831	-	(6,831)	(6,831)	-	-	-	-	-	-
Cash dividends	-	-	-	(239,100)	-	-	-	-	-	(239,100)
Change in ownership percentage of long-term equity investments accounted for under equity method	-	11,176	-	-	-	-	-	-	-	11,176
Change in asset revaluation	-	-	-	-	1,487	-	-	-	-	1,487
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	22,278	-	-	-	22,278
Unrecognized pension cost	-	-	-	-	-	-	(86,747)	(3,398)	-	(3,398)
Changes in cumulative translation adjustment	-	-	-	-	-	-	-	-	-	(86,747)
Change in stockholders' equity for investee companies accounted for under the equity method	-	-	-	-	-	(6,947)	31,228	-	(97,283)	24,281
Changes in minority interest	-	-	-	-	-	-	-	-	44,101	44,101
Consolidated net income for the year	-	-	-	364,467	-	-	-	-	-	364,467
Balance at December 31, 2009	\$ 705,740	\$ 471,233	\$ 260,229	\$ 510,553	\$ 12,730	\$ 19,576	\$ 3,394	(\$ 4,367)	\$ 392,180	\$ 2,371,268

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated February 24, 2010.

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

	<u>New Taiwan Dollars</u>		<u>US Dollars</u>
	<u>2009</u>	<u>2010</u>	<u>2010</u>
<u>Cash Flows From Operating Activities</u>			(Unaudited - Note 2)
Consolidated net income	\$ 13,068,035	\$ 17,882,525	\$ 614,098
Adjustments to reconcile consolidated net income to net cash provided by operating activities			
Changes in unrealized valuation of financial assets	(6,102)	39,318	1,350
Changes in unrealized valuation of financial liabilities	(79,826)	(3,118)	(107)
Provision for (reversal of allowance for) doubtful accounts	68,834	(2,443)	(84)
(Reversal of allowance for) provision for inventory obsolescence and market price decline	(57,864)	362,483	12,448
Loss on purchase commitment	-	678,166	23,289
Gain on disposal of investments	(10,290)	(101,476)	(3,485)
Impairment loss on financial assets	4,048	319,330	10,966
Change in foreign exchange on investments in bonds without active markets	29,225	38,745	1,330
Investment income accounted for under equity method	(728,112)	(871,212)	(29,918)
Cash dividends received from investee companies accounted for under the equity method	445,769	386,110	13,259
Depreciation (including assets leased to others)	4,422,518	4,529,117	155,533
Amortization	377,097	423,032	14,527
(Gain) loss on disposal of property, plant and equipment, net	(14,208)	9,218	317
Reversal of impairment loss on non-financial assets	-	(81,666)	(2,804)
Impairment loss on non-financial assets	1,168,726	-	-
Amortization of long-term deferred income	(18,734)	(58,165)	(1,997)
Changes in assets and liabilities:			
Notes receivable	482,802	(222,700)	(7,648)
Accounts receivable	(2,971,694)	(1,885,470)	(64,748)
Accounts receivable - related parties	(1,004,751)	(1,304,260)	(44,789)
Other receivables	482,222	51,509	1,769
Inventories	(445,463)	(4,747,677)	(163,038)
Deferred tax assets	-	(89,028)	(3,057)
Prepayments	9,919	(219,922)	(7,552)
Other current assets	(151,514)	(212,915)	(7,312)
Other assets - other	345,845	(83,307)	(2,861)
Accounts payable	5,247,904	3,227,847	110,846
Accounts payable - related parties	(19,446)	41,370	1,421
Income tax payable	137,887	1,103,150	37,883
Accrued expenses	1,109,814	1,780,819	61,154
Other payables	(242,876)	612,798	21,044
Receipts in advance	260,841	(62,272)	(2,138)
Other current liabilities	50,171	215,466	7,399
Accrued pension liabilities	263,455	136,176	4,676
Deferred tax liabilities	(705,461)	(331,188)	(11,373)
Other liabilities	(130,121)	7,491	257
Net cash provided by operating activities	<u>21,388,650</u>	<u>21,567,851</u>	<u>740,655</u>
<u>Cash Flows From Investing Activities</u>			
Acquisition of financial assets at fair value through profit or loss	(860,000)	(970,000)	(33,310)
Decrease (increase) in other financial assets - current	670,719	(2,881)	99
Increase in available-for-sale financial assets	(165,699)	(152,340)	(5,231)
Proceeds from disposal of available-for-sale financial assets	165,699	400,945	13,769
Increase in financial assets carried at cost	(111,164)	(328,300)	(11,274)
Proceeds from disposal of financial assets carried at cost	17,910	40,804	1,401
Proceeds from capital reduction of financial assets carried at cost	5,345	2,975	102
Proceeds from disposal of investments in bonds without active markets	-	1,080,730	37,113
Increase in long-term equity investments accounted for under the equity method	(418,268)	-	-
Acquisition price of subsidiary	(37,500)	(55,000)	(1,889)
Decrease (increase) in cash surrender value of life insurance	10	(11,839)	(407)
Acquisition of property, plant and equipment	(3,969,859)	(8,859,751)	(304,250)
Proceeds from disposal of property, plant and equipment	232,504	417,334	14,331
Increase in other intangible assets	(235,522)	(32,564)	(1,118)
Increase in refundable deposits	(5,789)	(35,059)	(1,204)
Increase in deferred expenses	(189,029)	(482,869)	(16,582)
Increase in other assets - other	(6,451)	(4,249)	(146)
Purchase of minority interest	(4,599,470)	(10,464)	(359)
Net cash used in investing activities	<u>(9,506,564)</u>	<u>(9,002,528)</u>	<u>(309,153)</u>

(Continued on next page)

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

	<u>New Taiwan Dollars</u>		<u>US Dollars</u>
	<u>2009</u>	<u>2010</u>	<u>2010</u>
<u>Cash Flows From Financing Activities</u>			(Unaudited - Note 2)
Increase (decrease) in short-term loans	\$ 4,680,224	(\$ 2,307,415)	(\$ 79,238)
Increase in long-term loans	2,908,331	6,676,869	229,288
Decrease in guarantee deposits received	(50,949)	(1,501)	(52)
Employees' stock options	314,161	1,075,766	36,943
Payment of cash dividends	(7,647,639)	(10,012,755)	(343,845)
Cash dividends declared to minority interests	(266,961)	-	-
Increase in subsidiaries' capital from minority shareholders	1,490,000	-	-
Net cash provided by (used in) financing activities	<u>1,427,167</u>	<u>(4,569,036)</u>	<u>(156,904)</u>
Effect due to changes in exchange rates	<u>1,021,544</u>	<u>(4,873,261)</u>	<u>(167,351)</u>
Effect due to changes in consolidated subsidiaries	<u>74,815</u>	<u>(162,380)</u>	<u>(5,576)</u>
Net increase in cash and cash equivalents	14,405,612	2,960,646	101,671
Cash and cash equivalents at beginning of year	<u>43,093,738</u>	<u>57,499,350</u>	<u>1,974,565</u>
Cash and cash equivalents at end of year	<u>\$ 57,499,350</u>	<u>\$ 60,459,996</u>	<u>2,076,236</u>
<u>Supplemental disclosures of cash flow information</u>			
Cash paid during the year for interest	<u>\$ 316,149</u>	<u>\$ 205,301</u>	<u>7,050</u>
Cash paid during the year for income tax	<u>\$ 1,086,986</u>	<u>\$ 1,324,945</u>	<u>45,499</u>
<u>Non-cash flows from financing activities</u>			
Cash dividends declared but not yet paid to minority interest	<u>\$ -</u>	<u>\$ 2,501,607</u>	<u>85,907</u>
Employees' cash bonus	<u>\$ 1,622,675</u>	<u>\$ -</u>	<u>-</u>
<u>Fair value of assets and liabilities of the acquired subsidiary were as follows:</u>			
Cash and cash equivalents	\$ 74,815	\$ 436,045	\$ 14,974
Other current assets	1,302	2,988,575	102,630
Funds and investments	-	100,935	3,466
Property, plant and equipment	3,467	3,448,393	118,420
Goodwill	-	5,151,385	176,902
Other intangible assets	7,287	3,254,760	111,771
Other assets	3,730	66,841	2,296
Other current liabilities	(2,746)	(2,085,393)	(71,614)
Other liabilities	-	(53,865)	(1,850)
Investment cost before merger	(34,241)	(1,804,092)	(61,954)
Minority interest	(16,114)	-	-
	<u>\$ 37,500</u>	<u>\$ 11,503,584</u>	<u>\$ 395,041</u>
Cost of issuing new common stock to acquired subsidiary	\$ -	\$ 11,448,584	\$ 393,152
Acquisition price of subsidiary	<u>37,500</u>	<u>55,000</u>	<u>1,889</u>
	<u>\$ 37,500</u>	<u>\$ 11,503,584</u>	<u>\$ 395,041</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 2, 2011.

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2010
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

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 and was listed on Taiwan Stock Exchange Corporation (TSEC) since December 1988. The main activities of the Company are installation of electronic control systems and manufacturing of communication products and components, computer information system and power supply. As of December 31, 2010, the Company had approximately 5,200 employees and all consolidated entities had approximately 70,200 employees.

2) Consolidated subsidiaries

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of</u>	
			<u>2009</u>	<u>2010</u>
1. Delta International Holding Ltd. (DIH)	Note A	Equity investments	94.00%	94.00%
(1) Delta Electronics (H.K) Ltd. (DHK)	Note B	Equity investments, operations management and engineering services	94.00%	94.00%
A. Delta Electronics (Dongguan) Co., Ltd. (DDG)	Note C	Manufacturing of power supplies	94.00%	94.00%
B. Delta Electronics Components (Dongguan) Co., Ltd. (DEC)	"	Manufacturing of transformers	94.00%	Note W
C. Delta Electronics Power (Dongguan) Co., Ltd. (DEP)	"	Manufacturing of power supplies	94.00%	94.00%

Name of company	Relationship	Main activities	% of shares held as of	
			December 31,	
			2009	2010
D. Delta Electronics (Shanghai) Co., Ltd. (DPEC)	Note C	Product design	94.00%	94.00%
E. Delta Electronics (Jiangsu) Ltd. (DWJ)	"	Manufacturing of power supplies	51.70%	51.70%
F. Delta Electronics Components (Wujiang) Ltd. (DWC)	"	Manufacturing of transformers	51.70%	51.70%
G. Delta Electro-Optics (Wujiang) Ltd. (DWO)	"	Manufacturing of peripherals and electronic control equipments	51.70%	51.70%
H. Delta Video Display System (Wujiang) Ltd. (DWV)	"	Manufacturing and sales of various projectors	51.70%	51.70%
I. Delta Electronics (Wuhu) Co., Ltd. (DWH)	"	Manufacturing of power supplies and transformers	94.00%	94.00%
(A) Wuhu Delta Technology Co., Ltd. (WDT)	Note D	Manufacturing of power supplies and transformers	-	94.00%
J. Delta Electronics (Chenzhou) Co., Ltd. (DCZ)	Note C	Manufacturing of power supplies and transformers	94.00%	94.00%
(A) Chenzhou Delta Technology Co., Ltd. (CDT)	Note E	Manufacturing of power supplies and transformers	-	94.00%
(2) Delta Electronics International Ltd. (DEIL-Labuan)	Note B	Sales of electronic products	94.00%	94.00%
(3) Delta Power Sharp Ltd. (DPS)	"	Operations management and engineering services	94.00%	94.00%
(4) DEI Logistics (USA) Corp. (ALI)	"	Warehousing and logistics services	94.00%	94.00%

Name of company	Relationship	Main activities	% of shares held as of	
			2009	2010
(5) Delta Electronics (Japan), Inc. (DEJ)	Note B	Sales of electronic products	94.00%	94.00%
A. Addtron Technology (Japan), Inc. (AT Japan)	Note F	Trading of networking system and peripherals	94.00%	94.00%
B. Delta Electronics (Korea), Inc. (Delta Korea)	"	Sales of electronic products	94.00%	94.00%
(6) DAC Holding (Cayman) Ltd. (DAC)	Note B	Equity investments	94.00%	94.00%
A. Delta Electronics Mexico S.A. DE C.V. (DEM)	Note G	Manufacturing of electronic products	94.00%	94.00%
B. Delta Video Technology Ltd. (DVT)	"	Sales of electronic products	94.00%	94.00%
(7) Newton Power Ltd. (NPL)	Note B	R&D, sales and marketing services of power conversion products	94.00%	Note U
(8) PreOptix (Hong Kong) Co., Ltd. (PHK)	Note H	Equity investments	94.89%	94.35%
A. PreOptix (Jiang Su) Co., Ltd. (PJS)	Note I	Manufacturing and sales of lenses and optical engines for projectors	94.89%	94.35%
2. Delta Networks Holding Ltd. (DNH)	Note A	Equity investments	100.00%	100.00%
(1) Delta Networks, Inc. (Cayman) (DNI Cayman)	Note J	Equity investments	100.00%	100.00%
A. Delta Networks, Inc. (Taiwan) (DNIT) (registered in Taiwan)	Note K	Manufacturing of networking system and peripherals	99.20%	99.98%

Name of company	Relationship	Main activities	% of shares held as of	
			December 31,	
			2009	2010
(A) Ayecom Technology Co., Ltd. (Ayecom)	Note L	Manufacturing and sales of wire and wireless telecommunications equipment, electronic parts and controlled telecommunications radio frequency devices	-	99.98%
B. DNI Logistics (USA) Co., (ALN)	Note K	Trading of networking system and peripherals	100.00%	100.00%
C. Delta Networks International Ltd. (DNIL-Labuan)	"	Trading of networking system and peripherals	100.00%	100.00%
D. Delta Networks (H.K) Ltd. (DNHK)	"	Equity investments	100.00%	100.00%
(A) Delta Networks (Dongguan) Ltd. (DII)	Note M	Manufacturing and sales of other radio transmission apparatus, incorporating reception apparatus and other radio-broadcast receivers, combined with sound recording or reproducing apparatus	100.00%	100.00%

Name of company	Relationship	Main activities	% of shares held as of	
			2009	2010
(B) Delta Networks (Wujiang) Ltd. (DNW)	Note M	Manufacturing and sales of other radio transmission apparatus, incorporating reception apparatus and other radio-broadcast receivers, combined with sound recording or reproducing apparatus	100.00%	Note V
(C) Delta Networks (Shanghai) Ltd. (DNS)	"	Design of computer software	100.00%	100.00%
3. Deltronics (Netherlands) B.V. (DEN)	Note A	Trading of equipment, components and materials of telecom and computer systems	100.00%	100.00%
4. DelSolar Co., Ltd. (DelSolar)	"	Manufacturing of solar batteries and related systems	59.18%	59.05%
(1) DelSolar Holding (Cayman) Ltd. (DSH)	Note N	Equity investments	59.18%	59.05%
A. DelSolar (H.K) Ltd. (DSHK)	Note O	Equity investments	59.18%	59.05%
(A) DelSolar (Wujiang) Ltd. (DSWJ)	Note P	Manufacturing and sale of solar batteries and related systems	59.18%	59.05%
5. PreOptix Co., Ltd. (PreOptix)	Note A	Manufacturing and sales of lenses and optical engines for projectors	94.89%	94.89%
6. NeoEnergy Microelectronics, Inc. (NEM)	"	Designing and experimenting on integrated circuit and information software service	80.00%	75.80%

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of</u>	
			<u>2009</u>	<u>2010</u>
7. Cyntec Co., Ltd. (Cyntec)	Note A	Research, development, manufacturing and sales of film optic - electronics devices	35.29%	100.00%
(1) Fairview Assets Ltd. (Fairview)	Note Q	Equity investments	35.29%	100.00%
A. Grandview Holding Ltd. (Grandview)	Note R	Equity investments	35.29%	100.00%
(A) Cyntec Holding (H.K) Ltd. (CHK)	Note S	Equity investments	35.29%	100.00%
a. Cyntec (Suzhou) Co., Ltd. (CSC)	Note T	Research, development, manufacturing and sales of new-type electronic components and wholesale, import and export of similar products	35.29%	100.00%
b. Cyntec Electronics (Suzhou) Co., Ltd. (CES)	"	Research, development, manufacturing and sales of new-type electronic components (chip components, sensing elements, hybrid integrated circuits) and wholesale, import and export of similar products	35.29%	100.00%
(B) Cyntec International Ltd. (CIL-Labuan)	Note S	Trading	35.29%	100.00%
8. DelBio Inc. (DelBio)	Note A	Manufacturing, wholesale and retail of medical equipment	-	100.00%

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of</u>	
			<u>December 31,</u>	
			<u>2009</u>	<u>2010</u>
9. Delta Electronics Capital Company (Delta Capital)	Note A	Equity investments	-	100.00%
10. Delta Electronics Int'l (Singapore) Pte. Ltd. (DEIL-SG)	"	Sales of electronic products	-	100.00%

Note A: Majority-owned subsidiary.

Note B: A subsidiary of Delta International Holding Ltd. (DIH).

Note C: A subsidiary of Delta Electronics (H.K) Ltd. (DHK).

Note D: A subsidiary of Delta Electronics (Wuhu) Co., Inc. (DWH).

Note E: A subsidiary of Delta Electronics (Chenzhou) Co., Inc. (DCZ).

Note F: A subsidiary of Delta Electronics (Japan), Inc. (DEJ).

Note G: A subsidiary of DAC Holding (Cayman) Ltd. (DAC).

Note H: PHK was originally the subsidiary of PreOptix Co., Ltd. (PreOptix) DIH acquired 60.38% stock ownership in PHK by cash in the third quarter of 2010; PreOptix decreased its stock ownership in PHK from 100% to 39.62%; The percentage of common shares held by the Group had changed from 94.89% to 94.35%.

Note I: A subsidiary of PreOptix (Hong Kong) Co., Ltd. (PHK)

Note J: A subsidiary of Delta Networks Holding Ltd. (DNH).

Note K: A subsidiary of Delta Networks, Inc. (Cayman) (DNI Cayman).

Note L: A subsidiary of Delta Networks Inc. (Taiwan) (DNIT).

Note M: A subsidiary of Delta Networks (H.K) Ltd. (DNHK).

Note N: A subsidiary of DelSolar Co., Ltd. (DelSolar).

Note O: A subsidiary of DelSolar Holding (Cayman) Ltd. (DSH).

Note P: A subsidiary of DelSolar (H.K) Ltd. (DSHK).

Note Q: A subsidiary of Cytotec Co., Ltd. (Cytotec).

Note R: A subsidiary of Fairview Assets Ltd. (Fairview).

Note S: A subsidiary of Grandview Assets Ltd. (Grandview).

Note T: A subsidiary of Cytotec Holding (H.K) Ltd. (CHK).

Note U: NPL ceased operation and went into liquidation process in the third quarter of 2010, therefore, it was excluded from the consolidated financial statements.

Note V: Dissolved by a resolution approved during the special shareholders' meeting on January 15, 2010 and was in the process of liquidation effective on the same date. Subsequently, DNW ceased to be accounted for under the equity method and was excluded from the consolidated financial statements.

Note W: DEC was merged with DDG on November 19, 2010, and was dissolved after the consolidation.

The financial statements of DEN, NPL, Delta Korea and ALN for the year ended December 31, 2009, and the financial statements of DEN, Delta Korea and ALN for the year ended December 31, 2010 were audited by other independent accountants. The total assets of these subsidiaries as of December 31, 2009 and 2010 were \$624,861 and \$827,514, constituting 0.47% and 0.51% of the consolidated total assets, respectively, and the related total operating revenues were \$1,636,521, and \$2,713,720, constituting 1.32% and 1.58% of the consolidated operating revenues for the years ended December 31, 2009 and 2010, respectively.

3) Changes in the consolidated subsidiaries

A. The following subsidiaries were newly included in the consolidated financial statements:

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of</u>		<u>Note</u>
			<u>2009</u>	<u>2010</u>	
DelBio Inc. (DelBio)	Note A	Please refer to Note 1.2)	-	100.00%	
Delta Electronics Capital Company (Delta Capital)	"	"	-	100.00%	
Delta Electronics Int'l (Singapore) Pte. Ltd. (DEIL-SG)	"	"	-	100.00%	
Wuhu Delta Technology Co., Ltd. (WDT)	Note B	"	-	94.00%	
Chenzhou Delta Technology Co. Ltd. (CDT)	Note C	"	-	94.00%	
Cyntec Co., Ltd.	Note D	"	35.29%	100.00%	
Fairview Assets Ltd. (Fairview)	Note E	"	35.29%	100.00%	
Grandview Holding Ltd. (Grandview)	Note F	"	35.29%	100.00%	
Cyntec Holding (H.K) Ltd. (CHK)	Note G	"	35.29%	100.00%	
Cyntec (Suzhou) Co. Ltd (CSC)	Note H	"	35.29%	100.00%	

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of</u>		<u>Note</u>
			<u>December 31,</u>		
			<u>2009</u>	<u>2010</u>	
Cyntec Electronics (Suzhou) Co., Ltd. (CES)	Note H	Please refer to Note 1.2)	35.29%	100.00%	
Cyntec International Ltd. (CIL-Labuan)	Note G	"	35.29%	100.00%	
Ayecom Technology Co., Ltd. (Ayecom)	Note I	"	-	99.98%	

Note A: Majority-owned subsidiary.

Note B: A subsidiary of Delta Electronics (Wuhu) Co., Ltd. (DWH).

Note C: A subsidiary of Delta Electronics (Chenzhou) Co., Ltd. (DCZ)

Note D: The Company originally held 35.29% of the investee's shares as of December 31, 2009 and accounted for under the equity method. Since March 31, 2010, the Company increased its percentage of shares held to 100% through share swaps and was included in the consolidated financial statements.

Note E: A subsidiary of Cyntec Co., Ltd. (Cyntec).

Note F: A subsidiary of Fairview Assets Ltd. (Fairview).

Note G: A subsidiary of Grandview Holding Ltd. (Grandview).

Note H: A subsidiary of Cyntec Holding (H.K) Ltd. (CHK).

Note I: A subsidiary of Delta Networks, Inc. (DNIT).

B. The following subsidiaries were excluded from the consolidated financial statements:

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of</u>		<u>Note</u>
			<u>December 31,</u>		
			<u>2009</u>	<u>2010</u>	
Delta Networks (Wujiang) Ltd. (DNW)	Note A	Please refer to Note 1.2)	100.00%	Note B	-
Newton Power Ltd. (NPL)	Note C	"	94.00%	Note D	-
Delta Electronics Components (Dongguan) Co., Ltd. (DEC)	Note E	"	94.00%	Note F	-

Note A: A subsidiary of DNHK.

Note B: Dissolved by a resolution approved during the special shareholders' meeting on January 15, 2010 and is in the process of liquidation effective on the same date. Subsequently, DNW ceased to be accounted for under the equity method and was excluded from the consolidated financial statements.

Note C: A subsidiary of DIH.

Note D: NPL ceased operation and went into liquidation process in the third quarter of 2010, therefore, it was excluded from the consolidated financial statements.

Note E: A subsidiary of DHK.

Note F: DEC was merged with DDG on November 19, 2010 and was dissolved after the consolidation.

- 4) Subsidiaries not included in the consolidated financial statements: None.
- 5) Adjustments for subsidiaries with different balance sheet dates: None.
- 6) Difference in the accounting policies adopted between the Company and the subsidiaries: No significant differences.
- 7) Special operating risk of foreign subsidiaries: No significant special operating risks which would have impact on the Company.
- 8) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.
- 9) Details of the parent's stock that is held by the subsidiary: None.
- 10) The related information regarding a subsidiary's issuance of convertible bonds and new common stock: The issuance of convertible bonds and new common stock by subsidiaries had no significant effect on stockholders' equity of the parent company.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China. The Group's significant accounting policies are summarized as follows:

1) **Basis for preparation of consolidated financial statements**

All majority-owned subsidiaries and controlled entities are included in the consolidated financial statements, and the Company prepares consolidated financial statements on a quarterly basis. The income (loss) of the subsidiaries is included in the consolidated statement of income effective the date on which the Company gains control over the subsidiaries. The income (loss) of the subsidiaries is excluded from the consolidated statement of income effective the date on which the Company loses control over the subsidiaries.

Significant inter-company transactions and assets and liabilities arising from

inter-company transactions are eliminated.

2) Translation of financial statements of foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollars using the exchange rates at the balance sheet date. Equity accounts are translated at historical rates except for beginning retained earnings, which are carried forward from prior year's balance. Dividends are translated at the rates prevailing at the date of declaration. Profit and loss accounts are translated at weighted-average rates of the year. Exchange differences are recorded as cumulative translation adjustments and are included as a component of the stockholders' equity.

3) Foreign currency transactions

- (1) The Company and its consolidated subsidiaries maintain their accounts in New Taiwan dollars and their respective functional currencies, respectively. Transactions denominated in foreign currencies are translated into New Taiwan dollars and the respective functional currencies at the spot exchange rates prevailing at the transaction dates.
- (2) Monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss.
- (3) When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. Conversely, when a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

4) Classification of current and non-current items

- (1) Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - A. Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
 - B. Assets held mainly for trading purposes;
 - C. Assets that are expected to be realized within twelve months from the

balance sheet date;

- D. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

(2) Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- A. Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
- B. Liabilities arising mainly from trading activities;
- C. Liabilities that are to be paid off within twelve months from the balance sheet date;
- D. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

5) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value resulting from fluctuations in interest rate.

The Group's statement of cash flows is prepared on the basis of cash and cash equivalents.

6) Settlement date accounting

If an entity recognizes financial assets using settlement date accounting, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognized for assets carried at cost or amortized cost. For financial asset or financial liability classified as at fair value through profit or loss, the change in fair value is recognized in profit or loss. For available-for-sale financial asset, the change in fair value is recognized directly in equity.

7) Financial assets and financial liabilities at fair value through profit or loss

- (1) Derivative financial instruments and convertible bonds are recognized and derecognized using settlement date accounting and are recognized initially at fair value.
- (2) Financial assets and financial liabilities at fair value through profit or loss are

subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks and OTC stocks is based on latest quoted fair prices at the balance sheet date. If the convertible bonds were invested before the adoption of EITF 99-256 of the Accounting Research and Development Foundation, R.O.C., dated October 8, 2010, "Accounting for private placement of convertible bonds," when the fair value of the derivatives embedded in the hybrid instruments cannot be measured reliably, they are subsequently remeasured and stated at cost.

(3) Financial assets and financial liabilities are designated as financial assets and liabilities at fair value through profit or loss when either of the following conditions is met:

- A. The financial asset or financial liability designated is a hybrid contract.
- B. It eliminates or significantly reduces a measurement or recognition inconsistency.
- C. It is designated and its performance is evaluated on a fair value basis.

8) Available-for-sale financial assets

(1) Equity investments are recognized and derecognized using trade date accounting and are recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

(2) Available-for-sale financial assets are remeasured and stated at fair value and the gain or loss is recognized in equity. When the financial assets are derecognized, the cumulative gain or loss shall be removed from equity and recognized in profit or loss. The fair value of listed stocks and OTC stocks is based on latest quoted fair prices at the balance sheet date.

(3) If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss. Impairment losses recognized previously in profit or loss for an investment in an equity instrument shall not be reversed through profit or loss, and if, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

9) Financial assets carried at cost

- (1) Investment in unquoted equity instruments is recognized or derecognized using trade date accounting and is stated initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- (2) If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss cannot be reversed.

10) Investments in bonds without active markets

- (1) Investment in bonds without active markets is recognized and derecognized using settlement date accounting and is recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- (2) This financial asset is carried at amortized cost.
- (3) If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. If, subsequently, the fair value of the asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognized impairment loss shall be reversed to the extent of the amount of the amortized cost that would have been recognized at the date the impairment is reversed.

11) Derivative financial instruments for hedging

Derivatives are initially recognized at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the hedged item.

- (1) Fair value hedges: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss. Changes in the fair value of the hedged asset or liability that are attributable to the hedged item are recognized in profit or loss as an adjustment to the carrying amount of the hedged item.
- (2) Cash flow hedges: The effective portion of changes in the fair value of

derivatives that are designated and qualify as cash flow hedges is recognized in equity.

- A. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized directly in equity are transferred to profit or loss in the same period or periods when the hedged item affects profit or loss.
- B. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized directly in equity, are reversed and included in the initial cost or other carrying amount of the asset or liability.

12) Allowance for doubtful accounts

- (1) Allowance for doubtful accounts is provided based on an evaluation of the collectibility and the aging analysis of ending balances of notes, accounts and other receivables, taking into account the bad debts incurred in prior years.
- (2) The amount of allowance for doubtful accounts is calculated monthly using a percentage range for overdue accounts receivable based on the aging analysis. The related percentages of provision recognized were as follows:

Overdue days	1~15 days	16~30 days	31~60 days	61~90 days	91~180 days	181~365 days	Over 365 days
Percentage provided	None	0.5%	2.5%	15%	25%	50%	100%

- (3) Accounts receivable due from related parties which exceed regular credit terms are reclassified to other receivables and the related allowance for doubtful accounts is calculated individually based on the evaluation of the collectibility.

13) Inventories

Effective January 1, 2009, the Group adopted the amendments of R.O.C. SFAS No. 10, “Accounting for Inventory”. The Group uses the perpetual inventory system. Inventories are recorded at standard cost and variances are allocated to inventories and cost of goods sold at the balance sheet date. At the end of year, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated

selling expenses.

14) Funds and investments

(1) Long-term equity investments accounted for under the equity method

- A. Long-term equity investments in which the Company holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized effective January 1, 2006. Retrospective adjustment of the amount of goodwill amortized in previous years is not required. The excess of acquired net asset value of investee over the initial investment cost is allocated proportionately and applied as a reduction to the book values of identifiable non-current assets, and any remaining amount of such excess after this allocation is credited to Extraordinary gains. However, negative goodwill prior to December 31, 2005 is continuously amortized.
- B. Pursuant to EITF 92-047 of the Accounting Research and Development Foundation, R.O.C., dated February 25, 2003, of the Republic of China, for shares transfer among parent company and subsidiaries, the carrying value of long-term investments transferred is the book value of the investment. The difference between payment for the equity and acquisition cost is recorded as capital reserve or retained earnings.
- C. Exchange differences arising from translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as "cumulative translation adjustments" under stockholders' equity.
- D. The Company credits long-term equity investments accounted for under the equity method when cash dividends are declared by investee companies on ex-dividend date.

(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.

15) Business combination

Business combination transactions are accounted for in accordance with R.O.C SFAS No. 25, “Business Combination” using the purchase method. Acquisition price is purchase cost plus costs directly attributable to the acquisition. The excess of the acquisition price over the acquired net asset fair value of the merged business is recognized as goodwill. The allocation period of the acquisition price shall not exceed one year after the date of acquisition.

16) Property, plant and equipment

- (1) Property, plant and equipment are stated at cost except for land which is carried at appraised value.
- (2) Depreciation is provided on a straight-line method over the estimated lives of the assets. Leasehold improvements are amortized over the life of the leases. Salvage value of the fully depreciated assets that are still in use is depreciated based on the re-estimated economic service lives.

The Group uses \$1 (depending on their respective reporting currency) as salvage value after 2001.

The estimated useful lives of fixed assets are 2 to 8 years, except for buildings which are 5 to 55 years.

- (3) Major renewals and improvements are capitalized and 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 results.
- (4) “Assets leased to others” were reclassified to “other assets” at their carrying value. Depreciation expense incurred in current period is accounted for as non-operating expense.
- (5) Property, plant and equipment that are idle or have no value in use are reclassified to “other assets” at the lower of their fair value less costs to sell or book value. The resulting difference is included in current operations. Depreciation provided on these assets is charged to non-operating expense.

17) Intangible assets

- (1) In accordance with the amendments to R.O.C. SFAS No. 25, "Business Combination", goodwill arising from business combination is no longer amortized and should be tested for impairment annually or more frequently.
- (2) Land use rights acquired in Mainland China are amortized on a straight-line basis over the contractual period or other legal rights.
- (3) Intangible assets other than goodwill and land use rights, mainly patents, customer relationships and technology authorization fees, are amortized on a straight-line basis over 3~12 years.

18) Deferred charges

Deferred charges are recorded at actual cost and amortized over the estimated useful lives based on the straight-line method.

19) Impairment of non-financial assets

- (1) The Group recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life.
- (2) When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered. However, impairment loss of goodwill is not recoverable.

20) Retirement plan

- (1) Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over the employees' remaining service period.

- (2) Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

21) Income tax

- (1) The Company and certain subsidiaries adopt the inter-period and intra-period allocation of income tax. Over or under provision of prior years' income tax liabilities is included in the current year's income tax expense. When a change in the tax laws is enacted, the deferred tax liability or asset is recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, is recognized as an adjustment to current income tax expense (benefit).
- (2) Investment tax credits arising from expenditures incurred on acquisitions of equipment or technology, research and development, employees' training, and equity investments are recognized in the year the related expenditures are incurred.
- (3) An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- (4) The Company and subsidiaries registered in Taiwan adopt the "Income Basic Tax Act". If the amount of regular income tax is equal or more than the amount of basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas, if the amount of regular income tax is less than the amount of basic tax, the income tax payable shall be equal to the basic tax. The difference between the regular income tax and basic tax shall not be subject to deductions of investment tax credits granted under the provisions of other laws.
- (5) Some of the Company's overseas subsidiaries adopt the liability method.

22) Share-based payment — employee compensation plan

- (1) The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF 92-070, EITF 92-071 and EITF 92-072 of the Accounting Research and Development Foundation, R.O.C., dated March 17, 2003. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value

method and pro forma disclosures of net income and earnings per share is prepared under the fair value method.

- (2) When share-based payment awards held by employees of the acquiree are replaced by the acquirer's share-based payment awards due to a business combination and are changed to be settled by the equity instruments of the acquirer, the services already received, which are measured by reference to the fair value of the equity instruments granted, should be recognized as acquisition cost for the vested portion, and the unvested portion shall be accounted for as payroll expenses of the acquiree during the remaining vesting period, in accordance with EITF 97-017 of the Accounting Research and Development Foundation, R.O.C., dated January 18, 2008, "Accounting for Share-based Payment Transactions Provided by Stockholders or Affiliated Companies".

23) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the distributed amounts resolved by the Board of Directors, then the differences shall be adjusted retroactively in current year's gain or loss and, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

24) Earnings per share

- (1) The Company has a complex capital structure. Pursuant to the R.O.C. SFAS No. 24, “Accounting for Earnings Per Share”, an enterprise with complex capital structure shall present both basic EPS and diluted EPS. The calculations of basic EPS and diluted EPS are as follows:
 - A. Basic EPS: The amount of earnings (or loss) per share is computed by dividing the amount of net income (or loss) attributable to common stock outstanding for the reporting period by the weighted average number of common shares outstanding during that period.
 - B. Diluted EPS: The calculation of diluted EPS is consistent with the calculation of basic EPS assuming that all dilutive potential common shares have been converted into common shares at the beginning of the reporting period and the amount of net income (or loss) attributable to common stock outstanding for the reporting period has been adjusted by the after-tax effect of any other changes in income or expense that would result from the conversion of the dilutive potential common shares.
- (2) The Company’s potential common shares are the employee stock options issued by the Company and employees’ bonus that could be distributed in the form of stock. The treasury stock method will be used to test whether or not potential common shares have dilutive effect in calculating diluted EPS.

25) Revenue, cost and expense recognition

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

26) 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.

3. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2009, the Group adopted the amendments of R.O.C. SFAS No. 10, "Accounting for Inventories". As a result of this change in accounting principle, operating costs decreased by \$411,358, net non-operating gains decreased by \$451,882, minority interest income decreased by \$12,045, and investment loss accounted for under the equity method increased by \$4,500 for the year ended December 31, 2009. Further, consolidated net income decreased by \$32,979 and basic earnings per share decreased by \$0.01 (in dollars) for the year ended December 31, 2009.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Cash on hand	\$ 5,944	\$ 5,745
Checking and demand deposits	27,208,600	29,228,972
Time deposits	30,238,821	31,211,280
Cash equivalents-commercial paper	<u>45,985</u>	<u>13,999</u>
	<u>\$57,499,350</u>	<u>\$60,459,996</u>

As of December 31, 2009 and 2010, the Group's overseas checking and demand deposits were \$22,418,058 (USD 685,692 thousand, HKD 82,683 thousand, JPY 305,858 thousand, THB14 thousand, PLN 14 thousand, EUR 847 thousand GBP 429 thousand and NOK 1,042 thousand) and \$25,037,135 (USD 824,909 thousand, HKD 10,579 thousand, JPY 361,568 thousand, THB14 thousand, PLN 47 thousand, EUR 2,036 thousand, GBP 10 thousand, NOK 139 thousand and RMB 173,933 thousand), respectively. The overseas time deposits were \$5,751,857 (USD 179,830 thousand) and \$2,737,280 (USD 94,000 thousand), respectively.

2) Financial assets at fair value through profit or loss

	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Current items:		
Financial assets held for trading		
Listed stocks	\$ 11,746	\$ 12,021
Adjustment of financial assets held for trading	<u>37,847</u>	<u>(1,471)</u>
	<u>\$ 49,593</u>	<u>\$ 10,550</u>
Non-current items:		
Designated as at fair value through profit or loss		
Convertible bond	<u>\$ 860,000</u>	<u>\$ 1,830,000</u>

- (1)The Group recognized a net gain of \$1,137,247 and \$387,111 for the years ended December 31, 2009 and 2010, respectively.
- (2)The private placement of convertible bonds of \$1,580,000 held by the Company were invested before the adoption of EITF 99-256 of the Accounting Research and Development Foundation, R.O.C., dated October 8, 2010, “Accounting for private placement of convertible bonds”, and are designated as financial assets at fair value through profit or loss and are subsequently remeasured and stated at cost. Since they are hybrid instruments, the fair value of derivatives embedded in the bonds cannot be measured reliably. If there is any objective evidence that the bonds are impaired, the impairment loss is recognized.
- (3)The private placement of convertible bonds of \$250,000 held by Delta Capital which were invested after the adoption of EITF 99-256 of the Accounting Research and Development Foundation, R.O.C., dated October 8, 2010, “Accounting for private placement of convertible bonds”, are subsequently remeasured by their estimated fair value.
- (4)The nature of derivative transactions and related information are summarized as follows:

	<u>December 31, 2009</u>		
	Contract amount (Nominal principal)		
<u>Financial instruments</u>	<u>(in thousands)</u>	<u>Contract period</u>	
Forward exchange contracts:			
Buy USD/Sell RMB	USD 123,000	2009. 01. 08~2010. 12. 06	
Sell USD/Buy RMB	USD 140,000	2009. 01. 08~2010. 12. 06	
Sell USD/Buy HKD	USD 2,000	2009. 12. 14~2010. 01. 14	

	<u>December 31, 2010</u>		
	Contract amount (Nominal principal)		
<u>Financial instruments</u>	<u>(in thousands)</u>	<u>Contract period</u>	
Forward exchange contracts:			
Buy JPY/Sell USD	USD 7,800	2010. 10. 15~2011. 03. 15	
Buy EUR/Sell USD	EUR 3,300	2010. 10. 05~2011. 03. 10	
Buy USD/Sell EUR	EUR 4,200	2010. 09. 06~2011. 04. 27	
Sell EUR/Buy TWD	EUR 160	2010. 10. 29~2011. 02. 25	

A. The subsidiaries entered into forward exchange contracts to manage exposures to foreign exchange rate fluctuations of import or export sales. However, the forward exchange transactions did not meet the criteria for hedge accounting. Therefore, the subsidiaries did not apply hedge accounting.

B. The forward exchange contracts of certain subsidiaries met all the criteria for hedge accounting and the related information is described in Note 10.9).

3) Accounts receivable and overdue receivables

	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Accounts receivable	\$ 25,765,575	\$ 29,609,848
Less: Allowance for doubtful accounts	(52,246)	(49,576)
	<u>25,713,329</u>	<u>29,560,272</u>
Overdue receivables (shown as other assets)	56,684	51,953
Less: Allowance for doubtful accounts	(56,684)	(51,953)
	<u>—</u>	<u>—</u>
	<u>\$ 25,713,329</u>	<u>\$ 29,560,272</u>

- (1) The Group took out a credit insurance on the accounts receivable from certain main customers, whereby 90% of the receivable amount can be covered when the receivables are uncollectible.
- (2) The Group entered into an agreement with a financial institution to sell its accounts receivable. Under the agreement, the Company is not required to bear uncollectible risk of the underlying accounts receivable, but is liable for the losses incurred on any business dispute. As of December 31, 2009 and 2010, the outstanding accounts receivable sold to the financial institution were as follows:

December 31, 2009						
Purchaser of accounts receivable	Limit	Accounts receivable sold	Amount advanced	Contract date	Interest rate	Collateral
Taishin International Bank	\$705,880	\$173,294	\$ -	2009.03.20~ 2010.03.31	-	None

December 31, 2010						
Purchaser of accounts receivable	Limit	Accounts receivable sold	Amount advanced	Contract date	Interest rate	Collateral
Taishin International Bank	\$728,000	\$123,033	\$ -	2010.03.19~ 2011.03.31	-	None

4) Inventories

	December 31,	
	2009	2010
Raw materials	\$ 3,538,636	\$ 6,489,055
Work in process	1,137,148	1,811,508
Finished goods	5,281,938	6,876,258
Inventory in transit	<u>246,318</u>	<u>329,495</u>
	10,204,040	15,506,316
Less: Allowance for inventory obsolescence and market price decline	(<u>455,760</u>)	(<u>717,335</u>)
	<u>\$ 9,748,280</u>	<u>\$ 14,788,981</u>

Related costs and losses recognized for the year:

	For the years ended	
	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Cost of goods sold	\$ 98,034,632	\$133,329,319
Loss on long-term purchase contract	-	678,166
Inventory obsolescence and market price decline	-	362,483
Gain from price recovery	(57,864)	-
Others	<u>681,199</u>	<u>90,576</u>
	98,657,967	134,460,544
Less: Cost of goods sold from discontinued operations	(1,788,416)	(79,305)
	<u>\$ 96,869,551</u>	<u>\$134,381,239</u>

For the loss on long-term purchase contract, please refer to Note 7.6)

5) Available-for-sale financial assets

	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Current items:		
Listed (TSE and OTC) stocks	\$ 303,577	\$ 389,170
Adjustment of available-for-sale financial assets	<u>326,051</u>	<u>135,499</u>
	<u>\$ 629,628</u>	<u>\$ 524,669</u>
Non-current items:		
Listed (TSE and OTC) stocks	\$ 588,269	\$ 515,083
Adjustment of available-for-sale financial assets	<u>39,930</u>	<u>410,523</u>
	<u>\$ 628,199</u>	<u>\$ 925,606</u>

6) Financial assets carried at cost

	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Current items:		
Unlisted stocks	<u>\$ -</u>	<u>\$ 31,248</u>

	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Non-current items:		
Unlisted stocks	\$ 1,282,118	\$ 1,419,946
Private placement OTC stocks	45,000	45,000
Unlisted stock warrants	<u>33,857</u>	<u>30,825</u>
	1,360,975	1,495,771
Less: Accumulated impairment	(<u>36,717</u>)	(<u>38,157</u>)
	<u>\$ 1,324,258</u>	<u>\$ 1,457,614</u>

- (1) The investments held by the Group were measured at cost since the fair value cannot be measured reliably.
- (2) The private placement OTC stocks held by the Company were invested before the adoption of EITF 99-256 of the Accounting Research and Development Foundation, R.O.C., dated October 8, 2010, "Accounting for private placement of convertible bonds", and were carried at cost, in accordance with EITF 95-243, "Accounting for financial assets with transfer restrictions", prescribed by the R.O.C. Accounting Research and Development Foundation, dated October 5, 2006, for they had no quoted prices in an active market.
- (3) All of the above current items were sold in January 2011.
- (4) For impairment status, please refer to Note 4(12).

7) Investments in bonds without active markets

	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Non-current items:		
Structured time deposits	<u>\$ 1,119,475</u>	<u>\$ -</u>

The interest rates of structured time deposits were based on the contracts, and the structured time deposits were early redeemed in the first quarter of 2010.

8) Long-term equity investments accounted for under the equity method

- (1) Details of long-term equity investments accounted for under the equity method are set forth below:

<u>Investee company</u>	<u>December 31,</u>			
	<u>2009</u>		<u>2010</u>	
	<u>%</u>	<u>Book value</u>	<u>%</u>	<u>Book value</u>
Delta Electronics (Thailand) Public Co., Ltd. (DET) (Note B)	20.93	\$ 4,962,650	20.93	\$ 5,130,823
Delta Networks (Wujiang) Ltd. (DNW)	100.00	-	100.00	548,694
Cyntec Co., Ltd. (Cyntec)	35.29	1,700,939	-	-
Trillion Science, Inc. (Trillion)	40.93	462,801	40.93	86,969
Amita Technologies, Inc. (Amita)	37.47	357,379	34.73	329,088
Digital Projection International Ltd. (DPI)	38.72	<u>246,237</u>	38.72	<u>231,782</u>
		<u>\$ 7,730,006</u>		<u>\$ 6,327,356</u>

(Note A): The percentage of long-term equity investments include the percentage of common shares held by the Group.

(Note B): The combined ownership percentage of DET's common shares held by DEI and DIH was more than 20%. Accordingly, the investment was accounted for under the equity method.

(2) Investment income accounted for under the equity method are set forth below:

<u>Name of investee company</u>	<u>For the years ended December 31,</u>	
	<u>2009</u>	<u>2010</u>
DET	\$ 413,912	\$ 836,267
Cyntec (Note)	425,709	108,907
Trillion, etc.	(<u>111,509</u>)	(<u>73,962</u>)
	<u>\$ 728,112</u>	<u>\$ 871,212</u>

(Note) The Company was originally accounted for under the equity method and became the Company's subsidiary since March 31, 2010. Investment income of the subsidiary for the three-month period ended March 31, 2010 was accounted for under the equity method.

(3) The financial statements of other investee companies for the years ended December 31, 2009 and 2010 were audited by other independent accountants. Long-term equity investments in these companies amounted to \$5,782,830 and \$5,217,792 as of December 31, 2009 and 2010, respectively, and the related investment income was \$316,569 and \$786,455 for the years then ended,

respectively.

- (4) Nulight Technology Corporation had been dissolved during 2008. The process of liquidation has been completed in the first quarter of 2009.
- (5) DNW was dissolved based on a resolution approved during the special shareholder's meeting on January 15, 2010, and is under the process of liquidation. Pursuant to EITF 88-233 of the Accounting Research and Development Foundation, R.O.C., dated December 29, 1999, "Accounting Treatment of Investee Company Accounted for under the Equity Method during Liquidation", the subsidiary ceased to be accounted for under the equity method and was excluded from the consolidated financial statements.
- (6) For impairment status about investee company – Trillion, please refer to Note 4(12).

9) Property, plant and equipment

	December 31, 2009					
Item	Original cost	Appraisal increment	Total	Accumulated depreciation	Accumulated impairment	Net book value
Land	\$ 1,643,868	\$ 471,818	\$ 2,115,686	\$ -	(\$ 3,940)	\$ 2,111,746
Buildings	11,352,550	-	11,352,550	(2,882,811)	(80,884)	8,388,855
Machinery and equipment	12,895,532	-	12,895,532	(8,009,702)	(1,060,834)	3,824,996
Molding equipment	1,581,738	-	1,581,738	(1,316,657)	-	265,081
Computer and communication equipment	1,111,669	-	1,111,669	(881,891)	(299)	229,479
Testing equipment	6,781,633	-	6,781,633	(5,540,422)	(13,972)	1,227,239
Transportation equipment	149,436	-	149,436	(99,361)	(40)	50,035
Office equipment	1,638,283	-	1,638,283	(1,134,373)	(4,804)	499,106
Leasehold improvements	12,241	-	12,241	(10,677)	-	1,564
Construction in progress and prepayments for equipment	3,669,880	-	3,669,880	-	-	3,669,880
	<u>\$ 40,836,830</u>	<u>\$ 471,818</u>	<u>\$ 41,308,648</u>	<u>(\$ 19,875,894)</u>	<u>(\$ 1,164,773)</u>	<u>\$20,267,981</u>

	December 31, 2010					
Item	Original cost	Appraisal increment	Total	Accumulated depreciation	Accumulated impairment	Net book value
Land	\$ 1,693,056	\$ 500,545	\$ 2,193,601	\$ -	(\$ 15,560)	\$ 2,178,041
Buildings	15,352,240	-	15,352,240	(3,466,505)	(6,104)	11,879,631
Machinery and equipment	17,166,118	-	17,166,118	(10,104,821)	-	7,061,297
Molding equipment	1,900,050	-	1,900,050	(1,524,579)	-	375,471
Computer and communication equipment	1,158,432	-	1,158,432	(1,031,886)	-	126,546
Testing equipment	7,193,773	-	7,193,773	(5,815,977)	-	1,377,796
Transportation equipment	166,908	-	166,908	(113,787)	-	53,121
Office equipment	1,640,704	-	1,640,704	(1,147,173)	-	493,531
Leasehold improvements	49,118	-	49,118	(9,705)	-	39,413
Other equipment	21	-	21	-	-	21
Construction in progress and prepayments for equipment	3,315,949	-	3,315,949	-	-	3,315,949
	<u>\$ 49,636,369</u>	<u>\$ 500,545</u>	<u>\$ 50,136,914</u>	<u>(\$ 23,214,433)</u>	<u>(\$ 21,664)</u>	<u>\$26,900,817</u>

(1) The Company made revaluation of its assets in accordance with the relevant laws and regulations. As of December 31, 2010, the revaluation increment amounted to \$500,545, after deducting the provision for land revaluation increment tax, the amount was \$432,187, and was recorded under capital reserve.

(2) For impairment status, please refer to Note 4.12).

10) Assets leased to others

	December 31, 2009			
	<u>Original cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Net book value</u>
Land	\$ 39,452	\$ -	(\$ 11,033)	\$ 28,419
Buildings	<u>29,975</u>	<u>(7,440)</u>	<u>(4,328)</u>	<u>18,207</u>
	<u>\$ 69,427</u>	<u>(\$ 7,440)</u>	<u>(\$ 15,361)</u>	<u>\$ 46,626</u>

	December 31, 2010			
	<u>Original cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Net book value</u>
Buildings	<u>\$ 16,170</u>	<u>(\$ 1,887)</u>	<u>\$ -</u>	<u>\$ 14,283</u>

11) Idle assets

Starting from March 1, 2010, the Group ceased all production of cold cathode fluorescent lamps and its factory operations. Consequently, some fixed assets were idle as of December 31, 2010, which are set forth below:

	December 31, 2010			
<u>Items</u>	<u>Original cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Net book value</u>
Buildings	\$ 41,320	(\$ 21,820)	(\$ 19,500)	\$ -
Machinery and equipment	2,523,949	(1,559,760)	(964,189)	-
Computer equipment	1,932	(1,695)	(237)	-
Testing equipment	90,147	(83,003)	(7,144)	-
Transportation equipment	81	(47)	(34)	-
Office equipment	<u>8,015</u>	<u>(5,500)</u>	<u>(2,515)</u>	<u>-</u>
	<u>\$ 2,665,444</u>	<u>(\$ 1,671,825)</u>	<u>(\$ 993,619)</u>	<u>\$ -</u>

For the disclosure of discontinued operations, please refer to Note 10. 11).

12) Asset impairment

(1)The Group recognized impairment loss for the years ended December 31, 2009 and 2010 as follows:

	<u>2009</u>	<u>2010</u>
Impairment loss (reversal of impairment loss):		
Financial assets carried at cost	\$ 4,048	\$ 3,002
Long-term equity investments accounted for under the equity method	-	316,328
Property, plant and equipment	1,168,726	(113,625)
Other intangible assets	-	31,959
	<u>1,172,774</u>	<u>237,664</u>
(Loss) gain on the measurement to fair value less costs to sell of discontinued operations	(1,106,590)	57,065
	<u>\$ 66,184</u>	<u>\$ 294,729</u>

(2)Impairment loss (reversal of impairment loss) recognized for the years ended December 31, 2009 and 2010 were included in statement of income.

(3)Segment financial information is not applicable to the Group. The above impairment loss (reversal of impairment loss) belonged to general assets of the Group.

(4)The net assets value of the stocks of LIGHTech Fiberoptics, Inc., Power Hub Ventures, LLC and Union Optronics Corp., held by the Group was lower than cost. Accordingly, an impairment loss of \$4,048 and \$3,002 was recognized for the years ended December 31, 2009 and 2010, respectively.

(5)Impairment loss on long-term equity investments accounted for under the equity method of \$316,328 was recognized by DIH as the recoverable amount of Trillion Science, Inc. was less than its carrying amount.

(6)Impairment loss of \$1,168,726 was recognized on property, plant and equipment for the year ended December 31, 2009, for the Company and subsidiary – DWC were planning to close out the entire cold cathode fluorescent lamp business and related factory operations from March 1, 2010, and some plants and buildings of subsidiary – DDG were to be renovated, so that the recoverable amount of related fixed assets was less than their carrying amount. The Company adopted

value in use as the recoverable amount on testing impairment of such assets. The discount rate used to estimate the value in use was 5.37%.

(7) Reversal of impairment loss of \$113,625 was recognized on property, plant and equipment for the year ended December 31, 2010 for the Company and subsidiary - DWC sold parts of cold cathode fluorescent lamp equipment and completed reconstruction of plants and buildings of subsidiary - DDG. For the disclosure of discontinued operations, please refer to Note 10.11).

(8) Impairment loss on other intangible assets of \$31,959 was recognized by DNH for the recoverable amount of customer relationships and patents was less than their carrying amount. The Company adopted value in use as the recoverable amount on testing impairment of such assets. The discount rate used to estimate the value in use was from 18.86% to 20.06%.

13) Short-term loans

	December 31,	
	2009	2010
Unsecured bank loans	\$ 11,773,271	\$ 9,877,658
Credit lines	\$ 53,038,376	\$ 62,181,263
Interest rate per annum	0.2559%~5.346%	0.46%~4.86%

14) Financial liabilities at fair value through profit or loss

	December 31,	
	2009	2010
Current items:		
Financial liabilities held for trading		
Adjustment of derivatives	\$ 3,924	\$ 806

(1) The Group recognized a net loss of \$531,274 and \$806 for the years ended December 31, 2009 and 2010, respectively.

(2) The nature of derivative transactions and related information are summarized as follows:

<u>December 31, 2009</u>			
Contract amount (Nominal principal)			
<u>Financial instruments</u>	<u>(in thousands)</u>	<u>Contract period</u>	
Forward exchange contracts:			
Sell USD/Buy RMB	USD	17,000	2009.01.08~2010.02.22
<u>December 31, 2010</u>			
Contract amount (Nominal principal)			
<u>Financial instruments</u>	<u>(in thousands)</u>	<u>Contract period</u>	
Forward exchange contracts:			
Buy NTD/Sell USD	USD	4,000	2010.11.24~2011.03.01

A. The subsidiaries entered into forward exchange contracts to manage exposures to foreign exchange rate fluctuations of import or export sales. However, these transactions did not meet all the criteria for hedge accounting. Therefore, the subsidiaries did not apply the hedge accounting.

B. The forward exchange contracts of certain subsidiaries met all the criteria for hedge accounting and the related information is described in Note 10.9).

15) Long-term loans

	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Unsecured bank loans	\$ 2,973,971	\$ 9,650,840
Less: Current portion	-	(110,656)
	<u>\$ 2,973,971</u>	<u>\$ 9,540,184</u>
Credit lines	<u>\$ 6,563,971</u>	<u>\$ 12,288,240</u>
Interest rate per annum	<u>0.75%~1.6758%</u>	<u>0.64%~1.9754%</u>

(1) Under the agreement, the revolving loans of \$8,219,000 can be drawn down during the period from June 10, 2010 to July 5, 2013, and are payable before the due date.

(2) On February 16, 2009, the subsidiary - DelSolar entered into a five-year syndicated credit facility agreement with 9 financial institutions – Chinatrust Commercial Bank and First Commercial Bank as the lead banks and obtained a credit line in the amount of \$4,000,000. Under the loan agreement, Delsolar should maintain the following financial ratios during the loan period (based on the audited semiannual/annual consolidated financial statements):

- A. Current assets to current liabilities ratio of at least 1:1;
- B. Liabilities not exceeding 100% of tangible net equity;
- C. Interest coverage of at least 300%; and
- D. Net book value of tangible assets of at least \$4,000,000.

Under the agreement, the above revolving loans can be drawn down within five years after August 14, 2009 and are payable before the due date.

16) Accrued pension liabilities

- (1) The Company, Cyntec, DelSolar, and DNIT have a non-contributory and funded defined benefit plan in accordance with the Labor Standards Law, covering all regular employees before the implementation of the Labor Pension Act on July 1, 2005. The defined benefit plan will continue to cover the employees who choose to remain with the defined benefit plan. Upon retirement, pension payments are calculated based on total years of service and average salary of the last six months prior to retirement. Two base units are earned for the first 15 years of service and one unit for each additional year thereafter, with a maximum number of 45 units. The Company and these subsidiaries contribute 2% of the employees' monthly salaries and wages to an independent retirement trust fund with the Bank of Taiwan, the trustee. For the years ended December 31, 2009 and 2010, the net periodic pension costs of the Company and these subsidiaries were \$141,197 and \$158,565, respectively. The balance of the retirement trust fund with the Bank of Taiwan was \$554,276 and \$655,804 as of December 31, 2009 and 2010, respectively. The fund balances are not reflected in the consolidated financial statements.
- (2) The reconciliation of the pension plan's funded status to accrued pension liability of the Company, and the subsidiaries registered in Taiwan as of December 31, 2009 and 2010, the respective measurement dates, are as follows:

	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Benefit obligation:		
Vested benefit obligation	(\$ 268,688)	(\$ 327,650)
Non-vested benefit obligation	(1,363,316)	(1,535,173)
Accumulated benefit obligation	(1,632,004)	(1,862,823)
Effect of future salary increments	(931,215)	(1,452,107)
Projected benefit obligation	(2,563,219)	(3,314,930)
Fair value of plan assets	<u>554,276</u>	<u>655,804</u>
Funded status	(2,008,943)	(2,659,126)
Unrecognized transition obligation	36,955	34,315
Unrecognized net pension loss	1,013,583	1,517,047
Accrued pension liability	(156,154)	(124,975)
Accrued pension liability (total)	<u>(\$ 1,114,559)</u>	<u>(\$ 1,232,739)</u>
Accrued pension liability (listed)	(\$ 1,114,564)	(\$ 1,237,662)
Prepaid pension expenses (shown as other assets)	<u>5</u>	<u>4,923</u>
	<u>(\$ 1,114,559)</u>	<u>(\$ 1,232,739)</u>

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

	<u>2009</u>	<u>2010</u>
Discount rate	2.25%	2.25%
Expected return rate on plan assets	2.00%	2.00%
Average rate of salary increase	3.00%	3.00~4.00%

In 2009 and 2010, the details of net periodic pension cost are as follows:

	<u>2009</u>	<u>2010</u>
Service cost	\$ 63,253	\$ 62,969
Interest cost	55,541	60,453
Expected return on plan assets	(13,768)	(12,294)
Amortization of unrecognized transition obligation	9,262	9,751
Unrecognized pension loss	<u>26,909</u>	<u>37,686</u>
Net pension cost	<u>\$ 141,197</u>	<u>\$ 158,565</u>

- (3) The subsidiaries, DIH and DNH, do not maintain an employee retirement plan. However, certain subsidiaries of DIH and DNH, located in Mainland China maintain a defined contribution retirement plan covering all employees. Under the plan, the employees of DIH and DNH subsidiaries contribute to a

separate fund an amount based on a certain percentage of the monthly basic salary of the employees. Further, each DIH's and DNH's subsidiary also provides pension reserves for its employees for amounts depending on the employee's position. As of December 31, 2009 and 2010, the pension reserves of DIH's and DNH's subsidiaries were \$814,997 and \$876,445, respectively.

- (4) NPL, DEJ and the subsidiaries of DIH and DNH located in the United States have defined contribution plans in accordance with the local regulations.
- (5) Effective July 1, 2005, the Company and the subsidiaries registered in Taiwan have established a defined contribution pension plan under the Labor Pension Act (the "New Plan") for eligible employees holding Republic of China citizenship. The Company and the subsidiaries registered in Taiwan deposit the pension amount based on 6% of the employees' monthly salaries and wages into each employee's personal pension account with the Bureau of Labor Insurance. For the years ended December 31, 2009 and 2010, the pension costs of the Company and these subsidiaries were \$167,024 and \$205,283, respectively.

17) Common stock

- (1) In accordance with the Company's Articles of Incorporation, the total authorized common stock is 2,700,000,000 shares (including 100,000,000 shares for stock warrants conversion). As of December 31, 2010, the total issued and outstanding common stock was 2,394,798,000 shares with par value of \$10 (in dollars) per share.
- (2) On December 20, 2004, the Board of Directors of the Company adopted a resolution that allowed certain stockholders to issue 16,000,000 units of global depository receipts (GDRs), represented by 80,000,000 shares of common stock (Deposited Shares), a unit of GDR represents 5 shares of common stock. After obtaining approval from SFB, these GDRs were listed on the Securities Exchange of Luxembourg, with total proceeds of US\$134,666,000. The issuance of GDRs was represented by outstanding shares, therefore, there is no dilutive effect on the common shares' equity. The main terms and conditions of the GDRs are as follows:

A. Voting rights

GDR holders may, pursuant to the Depositary Agreement and the relevant

laws and regulations of the R.O.C., exercise the voting rights pertaining to the underlying common shares represented by the GDRs.

B. Sales and redemption of the underlying common shares represented by the GDRs

When the holders of the GDRs request the Depositary to redeem the GDRs in accordance with the relevant R.O.C. regulations and the provisions in the Depositary Agreement, the Depositary may (i) deliver the underlying common shares represented by the GDRs to the GDR holders, or (ii) sell the underlying common shares represented by the GDRs in the R.O.C. stock market on behalf of the GDR holder. The payment of proceeds from such sale shall be made subject to the relevant R.O.C. laws and regulations and the provisions in the Depositary Agreement.

C. Distribution of dividends, preemptive rights and other rights and interests of GDR units bear the same rights as common shares.

D. After considering the increase in shares from the stock dividend distribution year by year, as of December 31, 2010, there were 3,990,000 units outstanding, representing 19,948,000 common shares of the Company's common stock.

18) Capital reserve

The R.O.C. Company Law requires that the capital reserve shall be exclusively used to offset against accumulated deficit or increase 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.

19) 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 shall be limited to 50% of the excess portion of the reserve.

20) Undistributed earnings

(1) As stipulated in 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 approved at the stockholders' meeting:

a) Directors' and supervisors' remuneration: up to 1% of the earnings.

b) Employees' bonus: at least 3% of the earnings. In addition, in accordance with the shareholders' resolution at their annual meeting on May 19, 2005, the Company can issue the employee stock bonus to qualified employees of subsidiaries. The related regulations should be authorized by the Company's Board of Directors or authorized person.

c) Stockholders' bonus: balance of the earnings after deducting a) and b).

(2) The Company's dividend policy is summarized below:

As the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. According to the dividend policy adopted by the Board of Directors, at least 50% of the Company's earnings shall be appropriated as dividends, and cash dividends shall account for at least 5% of the total dividends distributed.

(3) The distribution of 2008 and 2009 earnings was approved by the shareholders during their meeting on June 10, 2009 and June 15, 2010, respectively. Details are summarized below:

	2008		2009	
	<u>Amount (Note A)</u>	<u>Dividends per share (in dollars)</u>	<u>Amount (Note B)</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 1, 025, 092		\$ 1, 165, 747	
Stock dividends	218, 505	\$ 0. 1	-	\$ -
Cash dividends	7, 647, 660	3. 5	10, 012, 785	4. 2
Capitalization of capital reserve	218, 505	0. 1	-	-

(Note A) The shareholders during their meeting had approved to distribute employees' stock bonuses of \$1,622,675, employees' cash bonuses of \$270,466 and directors' and supervisors' remuneration of \$16,200.

(Note B) The shareholders during their meeting had approved to distribute employees' cash bonuses of \$2,156,670 and directors' and supervisors' remuneration of \$16,700.

As of March 2, 2011, the distribution of 2010 earnings had not been approved by the Company's Board of Directors. The information will be posted in the "Market Observation Post System" of the Taiwan Stock Exchange Corporation.

- (4) The Group's estimated amounts of employees' bonus and directors' and supervisors' remuneration for 2009 and 2010 are \$2,492,808 and \$31,220, and \$3,484,085 and \$21,180, respectively. The basis of estimates is based on a certain percentage of net income prescribed by the Company's Articles of Incorporation and resolved by the Board of Directors, after taking into account the legal reserve and other factors. The calculation of shares of stock bonus distributed is based on the closing price of the Company's common stock at the previous day of the next stockholders' meeting after taking into account the effects of ex-rights and ex-dividends. While, if the estimated amounts are different from the amounts approved by the stockholders subsequently, the difference is recognized as gain or loss in 2011. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are significantly different from the distributed amounts resolved by the Board of Directors, then the differences shall be adjusted retroactively in the statements of income for the year ended December 31, 2010. The actual distribution of 2009 earnings was as stated in the previous paragraph. The

resolved amounts of the bonus to employees and to directors were consistent with the resolutions during the shareholders' meeting and the same amount had been charged against earnings for 2009.

- (5) 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.
- (6) As of December 31, 2009 and 2010, details of tax credits of the Company are as follows:

	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Imputation tax credit account balance	\$ 82,177	\$ 117,146
	<u>2009 (Actual)</u>	<u>2010 (Estimated)</u>
Creditable tax ratio	1.92%	5.61%

- (7) As of December 31, 2009 and 2010, the undistributed earnings are as follows:

	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Before January 1, 1998	\$ 685,952	\$ 685,952
On and after January 1, 1998		
-10% additional tax assessed	3,986,598	4,465,571
-10% additional tax unassessed	<u>11,657,475</u>	<u>15,754,207</u>
	<u>\$ 16,330,025</u>	<u>\$ 20,905,730</u>

21) Share-based payment — employee compensation plan

- (1) The Company issued 60,000,000 units of employee stock options with a unit of employee stock option representing one share of common stock, and the total number of shares of new common stock to be issued due to the exercise of employee stock options is 60,000,000, as resolved by the Board of Directors on October 29, 2007. The Company obtained approval from SFB on November 28, 2007.
- (2) Through a share swap agreement, the Company acquired all the outstanding shares of Cyntec Co., Ltd. (Cyntec) in addition to the shares already held by the Company and accounted for under the equity method and thereby assumed

the employee stock options of Cyntec. Details are described below:

- A. Cyntec issued 5,000,000 units of employee stock options with a unit of employee stock option representing one share of common stock. The total number of shares of new common stock to be issued due to the exercise of employee stock options is 5,000,000, as resolved by the Board of Directors on February 26, 2004. Cyntec obtained approval from SFB on April 12, 2004.
- B. Cyntec issued 10,000,000 units of employee stock options with a unit of employee stock option representing one share of common stock. The total number of shares of new common stock to be issued due to the exercise of employee stock options is 10,000,000, as resolved by the Board of Directors on October 30, 2007. Cyntec obtained approval from SFB on November 21, 2007.

- (3) As of December 31, 2010, the Company's share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions	Actual resignation rate in the current period	Estimated future resignation rate
The first employee stock options compensation plan of the Company	2007.12.18	60,000,000	6 years	(Note B)	2.16%	1.94%
The first employee stock options compensation plan of Cyntec assumed by the Company	2005.4.11	46,727 (Note A)	6 years	(Note C)	0%	0%
The second employee stock options compensation plan of Cyntec assumed by the Company	2007.12.3	5,355,070 (Note A)	6 years	(Note B)	1.31%	4.97%
"	2007.12.27	254,195 (Note A)	6 years	(Note B)	0%	5.32%

(Note A) Quantity granted is calculated based on the share conversion ratio between the Company and Cyntec.

(Note B) Two years' service vested 40%; three years' service vested 70%; four years' service vested 100%.

(Note C) Two years' service vested 50%; three years' service vested 75%; four years' service vested 100%.

(4) The exercise price under the stock-based employee compensation plan is based on the closing price of the Company's common stock at the grant date and is subject to adjustments due to changes in the number of common shares and issuance of cash dividends. The vesting period of the Company's employee stock option plan is six years. The employees may exercise the stock options in installments after the stock options are granted for two years.

(5) Details of the first employee stock options compensation plan of the Company are set forth below:

A. Details of the employee stock options are set forth below:

	For the years ended December 31,			
	2009		2010	
	No. of shares	Weighted-average exercise price (in dollars)	No. of shares	Weighted-average exercise price (in dollars)
Stock options				
Options outstanding at beginning of year	58,367,000	\$ 83.0	53,840,913	\$ 83.0
Options granted	-	-	-	-
Options exercised	(3,785,087)	83.0	(13,348,167)	78.4
Options revoked	(741,000)	83.0	(883,000)	80.4
Options outstanding at end of year (Note)	<u>53,840,913</u>	<u>\$ 83.0</u>	<u>39,609,746</u>	<u>\$ 76.8</u>
Options exercisable at end of year	<u>19,765,713</u>		<u>22,940,246</u>	
Options authorized but not granted at end of year	<u>-</u>		<u>-</u>	

(Note) Weighted-average exercise price of options outstanding at beginning of year was adjusted due to the change in common stock after taking into account stock dividends and employees' bonus distributed.

B. Details of the employee stock options outstanding are set forth below:

Range of exercise price (in dollars)	Stock options outstanding at December 31, 2009			Stock options exercisable at December 31, 2009		
	No. of shares	Weighted-average		No. of shares	Weighted-average	
		expected remaining vesting period	Weighted-average exercise price (in dollars)		expected remaining vesting period	Weighted-average exercise price (in dollars)
\$83.0	53,840,913	3.96 years	\$83.0	19,765,713	\$83.0	

Range of exercise price (in dollars)	Stock options outstanding at December 31, 2010			Stock options exercisable at December 31, 2010		
	No. of shares	Weighted-average		No. of shares	Weighted-average	
		expected remaining vesting period	Weighted-average exercise price (in dollars)		expected remaining vesting period	Weighted-average exercise price (in dollars)
\$76.8	39,609,746	2.97 years	\$76.8	22,940,246	\$76.8	

(6) Details of the employee stock options compensation plan of Cyntec are set forth below:

A. Details of the employee stock options for the year ended December 31, 2010 assumed by the Company are set forth below:

	The first employee stock options compensation plan		The second employee stock options compensation plan	
	No. of shares	Weighted-average exercise price (in dollars)	No. of shares	Weighted-average exercise price (in dollars)
Stock options				
Options outstanding at beginning of year	-	\$ -	-	\$ -
Options granted	-	-	-	-
Assumed through business combination	46,727	19.90	5,609,265	41.78
Options exercised (46,727)	19.90	(1,179,410)	40.37
Options revoked	-	-	(58,878)	40.09
Options outstanding at end of year (Note)	-	\$ -	4,370,977	\$ 40.08
Options exercisable at end of year	-	-	2,041,075	-
Options authorized but not granted at end of year	-	-	-	-

(Note) Weighted-average exercise price of options outstanding at beginning of year was adjusted due to the change in common stock after taking into account stock dividends and employees' bonus distributed.

B. As of December 31, 2010, details of the employee stock options outstanding are set forth below:

The second employee stock options compensation plan

		Stock options outstanding		Stock options exercisable	
		Weighted-average			
Range of exercise price		expected remaining	Weighted-average exercise price		Weighted-average exercise price
(in dollars)	No. of shares	vesting period	(in dollars)	No. of shares	(in dollars)
\$39.7~\$40.1	4,370,977	2.96 years	\$40.08	2,041,075	\$40.08

(7) The following sets forth the pro forma net income and earnings per share based on the assumption that the compensation cost is accounted for using the fair value method for the first employee stock options compensation plan of the Company which was granted before the effectivity of R.O.C. SFAS No. 39, "Accounting for Share-based Payment":

		For the years ended December 31,	
		2009	2010
Consolidated net income	Net income stated in the statement of income	\$ 11,657,475	\$ 15,754,207
	Pro forma net income	10,986,884	15,438,933
Basic earnings per share (EPS) (in dollars)	EPS stated in the statement of income	5.20	6.69
	Pro forma EPS	4.90	6.55
Diluted EPS (in dollars)	EPS stated in the statement of income	5.15	6.58
	Pro forma EPS	4.85	6.45

For the stock options granted before January 1, 2008 with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value and estimated results are as follows:

A. Parameters:

	<u>For the years ended December 31,</u>	
	<u>2009</u>	<u>2010</u>
Dividend yield rate	0%	0%
Expected price volatility	33.68%	33.68%
Risk-free interest rate	2.46%	2.46%
Expected vesting period	4.45 years	4.45 years
Weighted-average fair value per share (in dollars)	\$ 83	\$ 76.8

B. Conclusion:

	<u>For the years ended December 31,</u>	
	<u>2009</u>	<u>2010</u>
Weighted-average fair value of stock options per share (in dollars)	\$ 31,7991	\$ 31,7991
Compensation cost accounted for using the fair value method	\$ 670,591	\$ 315,274

(8) Information on estimation of fair value of employee stock options of Cyntec assumed by the Company using the Black-Scholes option-pricing model on the grant date are as follows:

Type of arrangement	<u>Grant date</u>	<u>Stock price (in dollars)</u>	<u>Exercise price (in dollars)</u>	<u>Expected price volatility</u>	<u>Expected vesting period</u>	<u>Expected dividend yield rate</u>	<u>Risk-free interest rate</u>	<u>Weighed-average fair value (in dollars)</u>
The first employee stock options compensation plan of Cyntec assumed by the Company	2005.4.11	\$100.5	\$19.9	40.23%	0.52 years	0.00%	0.256%	\$80.6263
The second employee stock options compensation plan of Cyntec assumed by the Company	2007.12.3	100.5	41.8	40.23%	2.33 years	0.00%	0.853%	60.7591
"	2007.12.27	100.5	41.4	40.23%	2.48 years	0.00%	0.877%	61.3189

22) Income tax

(1) The components of deferred income tax assets and liabilities are as follows:

	<u>December 31, 2009</u>		<u>December 31, 2010</u>	
	<u>Original amount</u>	<u>Tax effect</u>	<u>Original amount</u>	<u>Tax effect</u>
Current:				
Allowance for inventory obsolescence	\$ 97,516	\$ 14,079	\$ 287,597	\$ 48,203
Unrealized exchange (gain) loss	(169,861)	(33,973)	74,837	12,723
Loss on long-term purchase contract	-	-	678,166	115,288
Others	(896,598)	(241,703)	(647,944)	(162,933)
Loss carryforwards	81,361	16,272	698	119
Investment tax credits		<u>600,083</u>		<u>611,960</u>
		354,758		625,360
Less: Valuation allowance - current		(<u>500,942</u>)		(<u>536,332</u>)
Net deferred income tax (liabilities) assets - current		(<u>\$ 146,184</u>)		<u>\$ 89,028</u>
Non-current:				
Investment income accounted for under the equity method, net	(\$ 27,992,188)	(\$ 5,598,438)	(\$31,243,029)	(\$ 5,311,315)
Depreciation difference between tax and financial basis	1,364,511	281,280	2,440,960	533,500
Assets impairment	1,125,429	269,090	979,685	223,157
Unfunded pension	958,530	191,707	1,428,951	236,590
Others	1,167,807	218,982	603,989	116,888
Loss carryforwards	88,424	19,061	144,362	26,512
Investment tax credits		<u>1,946,005</u>		<u>1,724,320</u>
		(2,672,313)		(2,450,348)
Less: Valuation allowance - non-current		(<u>1,758,659</u>)		(<u>1,619,143</u>)
Net deferred income tax liabilities - non-current		(<u>\$ 4,430,972</u>)		(<u>\$ 4,069,491</u>)

(2)As of December 31, 2009 and 2010, income tax expense and income tax payable are reconciled as follows:

	<u>For the years ended December 31,</u>	
	<u>2009</u>	<u>2010</u>
Income tax expense	\$ 470,331	\$ 2,319,527
(Including income tax benefit of \$368,876 and income tax expense of \$48,299 from discontinued operations)		
Effect of deferred income tax	705,461	420,216
Interest income subject to separate tax	(32)	-
Under provision of income tax in prior years, net	6,302	28,372
Prepaid income tax	(735,044)	(1,040,304)
Income tax payable - prior period	59,371	129,157
Tax effect due to changes in the consolidated subsidiaries	-	19,587
Others	(59,079)	(71,071)
Income tax payable - net	<u>\$ 447,310</u>	<u>\$ 1,805,484</u>
Income tax refundable	(\$ 207,586)	(\$ 88)
Income tax payable	<u>654,896</u>	<u>1,805,572</u>
	<u>\$ 447,310</u>	<u>\$ 1,805,484</u>

(3)As of December 31, 2010, in accordance with the "Income Tax Law" and "Statute for Upgrading Industries", loss carryforwards and investment tax credits of the Company, DNIT, Delsolar, Cyntec and NEM are as follows:

<u>Source</u>	<u>Unused credits</u>	<u>Year of expiration</u>
Loss carryforwards	<u>\$ 26,631</u>	Between 2014 and 2020
R&D expenditures	\$ 2,168,582	Between 2011 and 2013
Training expenditures	8,581	Between 2011 and 2013
Expenditures for procurement of machinery and equipment	19,323	Between 2011 and 2013
Emerging important strategic industries	<u>139,794</u>	2011
	<u>\$ 2,336,280</u>	

(4)DEP and DII are considered as high and new technology enterprises which can apply the preferential tax rate of 15%.

(5)Under the PRC tax regulations, the corporate income tax of DDG shall be levied at the preferential rate of 15 percent as it was classified as high-tech enterprise after government review. Furthermore, because its additional investment in 2007 is included in the incentive items specified in the

“Catalogue for the Guidance of Foreign Investment Industries”, the tax payable for the income from the additional investment can be calculated separately. Thus, for this part, DDG is exempt from corporate income tax for the first and second profit-making years and is subject to a 50% reduction of corporate income tax from the third through fifth profit-making years. Year 2010 is the first year wherein DDG can apply the 50% reduction of corporate income tax, with a tax rate of 12.5 %.

(6) Effective January 1, 2009, DWH is subject to the laws of the People’s Republic of China on Enterprise Income Tax, and the rate of enterprise income tax is 22%. DWH has an accumulated deficit, and accordingly, income tax is not recognized.

(7) Under the PRC tax regulations, CES is exempt from corporate income tax for the first and second profit-making years and is subject to a 50% reduction of corporate income tax from the third through fifth profit-making years. Year 2010 is the second year wherein CES can apply the 50% reduction of corporate income tax.

(8) As of December 31, 2010, the status of the Company’s and its subsidiaries’ assessed and approved income tax returns are as follows:

	<u>Years Assessed by Tax Authority</u>
The Company	2007
DNIT, Delsolar , Cyntec, PreOptix, NEM and Ayecom	2008
DelBio and Delta Capital	Not assessed yet

24) Personnel expenses, depreciation and amortization

	For the years ended December 31,					
	2009	2010				
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Personnel expenses						
Salaries	\$ 6,578,407	\$ 6,581,375	\$ 13,159,782	\$ 10,051,766	\$ 7,104,740	\$ 17,156,506
Employees' bonus and directors' and supervisors' remuneration	218,080	2,305,948	2,524,028	354,560	3,150,705	3,505,265
Labor and health insurance	516,398	324,191	840,589	729,712	404,141	1,133,853
Pension	208,696	371,173	579,869	152,210	374,333	526,543
Others	<u>189,873</u>	<u>284,756</u>	<u>474,629</u>	<u>282,954</u>	<u>336,245</u>	<u>619,199</u>
	<u>\$ 7,711,454</u>	<u>\$ 9,867,443</u>	<u>\$ 17,578,897</u>	<u>\$ 11,571,202</u>	<u>\$ 11,370,164</u>	<u>\$ 22,941,366</u>
Depreciation (Note)	\$ 3,868,530	\$ 553,988	\$ 4,422,518	\$ 3,908,473	\$ 620,644	\$ 4,529,117
Amortization	\$ 143,550	\$ 233,547	\$ 377,097	\$ 149,516	\$ 273,516	\$ 423,032

Note: Including the depreciation provided for assets leased to others for the years ended December 31, 2009 and 2010 which was recorded as other non-operating loss.

5. RELATED PARTY TRANSACTIONS

1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Delta Electronics (Thailand) Public Co., Ltd. (DET)	Investee company accounted for under the equity method
Amita Technologies, Inc. (Amita)	"
Digital Projection International Ltd. (DPI) (Note A)	"
NeoEnergy Microelectronics, Inc. (NEM)	Investee company accounted for under the equity method (before September 1, 2009) A subsidiary of the Company (after September 1, 2009)
Cyntec Co., Ltd. (Cyntec)	Investee company accounted for under the equity method (before March 31, 2010) A subsidiary of the Company (after March 31, 2010)
Delta Products Corporation (DPC)	Related party in substance
Delta Greentech (China) Co., Ltd. (Delta Greentech)	"
Hua-Chin Investment Co., Ltd. (Hua-Chih)	Same chairman
Progressive Optoelectronics Technology Co., Ltd. (Progressive) (Note B)	Another investor of PreOptix, subsidiary of the Company
Jurong Progressive Optoelectronics Technology Co., Ltd. (Jurong Progressive) (Note B)	A subsidiary of Progressive
Digital Projection Ltd. (DP) (Note A)	A subsidiary of DPI
DET International Holding Ltd. (DET Holding)	A subsidiary of DET
Delta Energy Systems (Switzerland) AG. (DES Switzerland)	"
Delta Electronics Europe Ltd. (DEU)	A subsidiary of DET Holding
Delta Energy Systems (Germany) GMBH	"
Delta Energy Systems (India) PVT Ltd. (DES India)	"

<u>Names of related parties</u>	<u>Relationship with the Company</u>
DET Logistics (USA) Corporation	A subsidiary of DET Holding
Delta Electronics (Slovakia) s.r.o.	”
Delta India Electronics PVT Ltd. (Delta India)	”
Delta Power Solutions India PVT Ltd. (DPS India)	”
Delta Greentech (USA) Corporation (DGA)	”
Delta Greentech (Brasil) S.A. (DGB) (Formerly “Delta Energy Systems (Brasil) S.A.”)	It was originally the subsidiary of DES Switzerland, and it became the subsidiary of DET Holding when the Company changed its investment structure in the third quarter of 2010.
Delta Energy Systems (Finland) Oy	A subsidiary of DES Switzerland
Delta Energy Systems (Italy) s.r.l (DES Italy)	”
Delta Energy Systems (Spain) SL.	”
Delta Energy Systems (Czech Republic) spol	”
Delta Energy Systems (France) SA.	”
Delta Energy Systems (Poland) Sp. Zo.o.	”
Delta Energy Systems LLC (Rusia)	”
Delta Green (Tianjin) Industries Co., Ltd. (Delta Green (Tianjin))	Indirectly held investee, accounted for under the equity method by DET
Cyntec International Ltd.	A subsidiary of Cyntec
Cyntec Electronics (Suzhou) Co., Ltd.	”

(Note A): The Company’s subsidiary – DIH acquired the stock ownership of DPI on October 8, 2009; the disclosures for related party transactions is from the same date.

(Note B): Progressive released the stock ownership of PreOptix Co., Ltd. to the Company on June 12, 2009, therefore, Progressive and Jurong Progressive were no longer the Company’s related party; the disclosures for related

party transactions is for the period from January 1, 2009 to June 12, 2009.

2) Significant transactions and balances with related parties

(1) Sales

	<u>For the years ended December 31,</u>	
	<u>2009</u>	<u>2010</u>
Delta Greentech	\$ 4,846,501	\$ 7,583,052
DPC	550,108	961,399
DES Italy	20,790	853,711
Delta India	235,935	571,223
DP	83,049	435,731
Delta Green (Tianjin)	292,941	347,872
DPS India	526,535	273,792
DET	112,142	255,512
DES Switzerland	81,077	202,805
DGB	68,499	173,895
DGA	51,468	131,483
DES India	107,272	2,554
Others	53,715	119,619
	<u>\$ 7,030,032</u>	<u>\$ 11,912,648</u>

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

(2) Purchases

	<u>For the years ended December 31,</u>	
	<u>2009</u>	<u>2010</u>
Delta Green (Tianjin)	\$ 801,930	\$ 914,732
DET	332,816	447,966
Others	117,206	76,663
	<u>\$ 1,251,952</u>	<u>\$ 1,439,361</u>

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

(3) Accounts receivable

	December 31,	
	2009	2010
Delta Greentech	\$ 1,732,966	\$ 2,482,095
DES Italy	–	495,236
DPC	170,596	253,664
DP	79,610	121,397
Delta India	122,269	106,018
Others	348,962	357,261
	<u>\$ 2,454,403</u>	<u>\$ 3,815,671</u>

(4) Accounts payable

	December 31,	
	2009	2010
Delta Green (Tianjin)	\$ 134,055	\$ 193,428
Others	139,352	124,764
	<u>\$ 273,407</u>	<u>\$ 318,192</u>

(5) Property transactions

The Company had sold financial asset carried at cost - ELTA Technology Co., Ltd. to Hua-Chih in the first quarter of 2009. The transaction price was based on the audited book value of ELTA Technology Co., Ltd. at December 31, 2008. Total transaction price and gain on disposal of financial asset carried at cost are \$17,740 and \$8,872, respectively. The transaction price has been fully collected.

(6) Remuneration information of key management (including directors, supervisors, general manager and vice general managers)

	2009	2010
Salaries (Note 1)	\$ 36,132	\$ 43,785
Bonuses (Note 2)	9,687	13,911
Services fees (Note 3)	1,030	2,514
Distribution of earnings (Note 4)	190,977	205,557
	<u>\$ 237,826</u>	<u>\$ 265,767</u>

Note 1: Including wages allowance, retirement pension and compensation.

Note 2: Including all kinds of incentives.

Note 3: Including traveling allowance, payment for special disbursement, cars and dorms provided by the Group.

Note 4: Including directors' and supervisors' remuneration and employees' bonus.

Note 5: For related information, please refer to Annual Report.

6. DETAILS OF PLEDGED ASSETS

As of December 31, 2009 and 2010, the details of pledged assets are as follows:

<u>Assets pledged</u>	<u>December 31,</u>		<u>Purpose of pledge</u>
	<u>2009</u>	<u>2010</u>	
Demand deposits and time deposits (shown as other financial assets - current and non-current)	\$ 5,995	\$ 8,503	Collateral for customs duties
Cash, demand deposits and time deposits (shown as other financial assets - current)	27,620	20,020	Collateral for disposition and seizure
Time deposits (shown as other financial assets - current)	4,958	23,923	Performance bond
	<u>\$ 38,573</u>	<u>\$ 52,446</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

The Group's major commitments as of December 31, 2010 were as follows:

- As of December 31, 2010, the future lease payments and the net present value discounted at 1.08%, one-year time deposit interest rate given by the Chunghwa Post Co., Ltd. are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 129,271
2012	124,965
2013	93,733
2014	11,170
2015	4,534
2016~2020 (the net present value is \$20,807)	22,672
2021~2023 (the net present value is \$11,958)	13,603
	<u>\$ 399,948</u>

- In October 2007, the Company entered into an agreement with the Institute of Nuclear Energy Research, Atomic Energy Council, Executive Yuan, R.O.C. for technology authorization of Concentrating Photovoltaic Modules. The contract is valid through October 2017. In addition to the authorization fee of \$5,000, the Company commits to pay royalties based on a certain percentage of total sales from the day the authorized products are sold and the maximum amount of the royalty is \$100,000. As of December 31, 2010, the Company has paid the authorization fee totaling \$5,000 and royalty fee totaling \$621 to the Institute of Nuclear Energy Research. Further, the Company entered into an agreement with the Institute of Nuclear Energy Research for the temporary termination of the above agreement for two years whereby the Company cannot use the technology

authorization during such period.

- 3) The Company entered into a software purchasing and advisory services agreement with total future payments of approximately \$105,528.
- 4) On December 17, 2010, the Company entered into a public bidding for the cash capital increase of Allied Material Technology Corp. (AMT) and expected to acquire 99.96% stock ownership by cash in the amount of \$2,710,000. The Company had signed subscription contract with AMT and will remit the money on the target date fixed by AMT after finishing its capital reduction according to its execution on plan of reorganization. Further, the Company has no control and significant influence on AMT from the time the cash is remitted up to the time AMT completes its reorganization under the subscription contract.
- 5) The Group entered into contracts for the construction of new factories and buildings, and the acquisition of equipment with total future payments of approximately \$1,863,588.
- 6) DelSolar's long – term purchase contracts
 - (1) DelSolar signed long-term purchase contracts with 7 materials suppliers with contract periods from December 2006 to December 2018. According to the contracts, DelSolar agreed to pay those suppliers certain amounts in installments; suppliers shall provide DelSolar with materials as DelSolar makes prepayments for purchases. Such prepayments may be offset against the relevant purchase amounts or be returned. As a result of the imbalance between supply and demand in the solar energy industry, the solar cell trade is making silicon wafer unit price modification arrangements with silicon wafer suppliers. As of December 31, 2010, DelSolar had signed memorandums of understanding (MOU) with 4 suppliers, specifying unit price modification mechanisms.
 - (2) A reconciliation arrangement was contracted by DelSolar and its materials supplier - Swiss Wafer AG, one of the 7 materials suppliers stated in the first paragraph, due to Swiss Wafers AG's default on its delivery commitment to the silicon wafer supply contract. After negotiations, Swiss Wafers AG still could not fulfill the commitment. On March 18, 2010, DelSolar filed a lawsuit against Swiss Wafers AG to protect its creditor's rights, which is being tried under the Betreibungsamt Weinfelden Bahnhofstrasse 22 8570 Weinfelden Switzerland. According to the contract, the maximum loss to DelSolar is the

total balance of prepayments accrued as at December 31, 2010 amounting to US\$3,553 thousand, which might be uncollectible from Swiss Wafer AG. As of the financial reporting date, the final judgement on this case is still pending.

(3) On March 25, 2010, DelSolar received an invoice from certain materials suppliers stated in the first paragraph, requesting payment of EUR\$4,979 thousand for certain purchases. This was considered by the supplier as a default of the contract. However, DelSolar believes the supplier had no ground to request payment and violated the memorandum of understanding (MOU) for the unit price modification mechanism signed on June 30, 2009. DelSolar sent a no default statement and debit note to the supplier, saying that it did not violate the contract and would like to negotiate the purchase transaction. As of March 2, 2011, based on the result of negotiation and for conservatism purpose, Delsolar estimated the loss on long-term purchase contract in the amount of \$678,166, and is presented under other current liabilities.

7) On September 25, 2010, DelSolar entered into a three-year solar cells development agreement (September 25, 2010 to September 24, 2013) with IBM. This technical cooperation is for commercial production of next generation thin film solar cell and obtains the joint patent. DelSolar should pay part of development costs. As of December 31, 2010, DelSolar had paid USD 2 million.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

Please refer to Note 7.6)(3).

10. OTHERS

1) Financial statement presentation

Certain accounts in the 2009 consolidated financial statements were reclassified to conform with the 2010 consolidated financial statement presentation (this includes certain accounts in the consolidated statements of income for the year ended December 31, 2009 that have been reclassified to conform to the consolidated statements of income presentation that included the discontinued operations for the year ended December 31, 2010).

2) Fair value of the financial instruments

	December 31, 2009		December 31, 2010	
	Fair value		Fair value	
	Book value	Quotations in an active market	Book value	Quotations in an active market
		Estimated using a valuation technique		Estimated using a valuation technique
<u>Non-derivative financial instruments</u>				
Assets:				
Financial assets with fair values equal to book values	\$ 87,064,418	\$ -	\$ 95,687,853	\$ -
Financial assets at fair value through profit or loss	864,039	4,039	1,834,760	4,760
Available-for-sale financial assets	1,257,827	1,257,827	1,450,275	1,450,275
Financial assets carried at cost	1,324,258	-	1,488,862	-
Investment in bonds without active markets	1,119,475	-	-	-
Liabilities:				
Financial liabilities with fair values equal to book values	\$ 46,723,746	\$ -	\$ 55,498,517	\$ -
Long-term loans	2,973,971	-	9,650,840	-
		2,973,971		9,650,840
<u>Derivative financial instruments</u>				
Assets:				
Forward exchange contracts	\$ 320,202	\$ -	\$ 387,589	\$ -
Liabilities:				
Forward exchange contracts	\$ 43,693	\$ -	\$ 137,960	\$ -

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

- (1) Financial assets and liabilities with fair values equal to book values
 - A. For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (excluding income tax refundable), other financial assets - current, short-term loans, accounts payable (including related parties), accrued expenses, other payables and other current liabilities.
 - B. The fair value of cash surrender value of life insurance is based on the book value at the balance sheet date.
 - C. The fair values of other financial assets-non-current, refundable deposits and guarantee deposits received are based on book values, which approximate present value.
 - D. The fair value of long-term loans is based on book value, which approximates present value.
- (2) The fair value of listed stocks which were recognized as financial assets at fair value through profit or loss is based on the closing price in open market at balance sheet date. The fair value of private placement of convertible bonds, which were invested before the adoption of EITF 99-256 of the Accounting Research and Development Foundation, R.O.C., dated October 8, 2010, "Accounting for private placement of convertible bonds" is measured at cost; while the fair value of those invested after October 8, 2010 is measured based on Binomial Stock Options Pricing Model.
- (3) The fair values of available-for-sale financial assets are based on the quotations in the active market, which are the latest quoted closing prices at the balance sheet date.
- (4) The fair values of derivative financial instruments which include unrealized gains or losses on unsettled contracts were determined based on the amounts to be received or paid assuming that the contracts were settled as of the reporting date.

3) Information on available-for-sale financial assets

The Group recognized the adjustment in equity from available-for-sale financial assets amounting to \$769,950 and (\$198,071), and the amount removed from equity and recognized in profit or loss was \$0 and \$63,546 for the years ended December 31, 2009 and 2010, respectively.

4) Information on interest rate risk positions

As of December 31, 2009 and 2010, the Group's financial assets with fair value risk due to the change of interest amounted to \$29,877,025 and \$31,067,784, respectively, and the financial liabilities with fair value risk due to the change of interest rate amounted to \$5,496,256 and \$8,326,810, respectively. The financial assets with cash flow risk due to the change of interest rate amounted to \$2,399,814 and \$2,039,920, respectively, and the financial liabilities with cash flow risk due to the change of interest amounted to \$9,250,985 and \$11,201,688, respectively.

5) Procedure of financial risk control and hedge

The main objective of financial risk control and hedge strategy is to reduce the loss of assets or liabilities (including forecast transactions) resulting from the exchange rate and interest rate fluctuations. The Group achieves financial hedge by entering into derivatives and all activities of hedge follow the principles listed below to achieve the objective of risk control:

- (1) Nature hedge
- (2) Not eroding the profit of main business
- (3) Not entering into the financial instruments besides the transaction currency
- (4) To execute stop-loss point
- (5) To execute the operating process

In monitoring control, the Group's Chief Financial Officer and the internal auditors should monitor and manage derivative transactions. Aside from evaluating the position twice a month, the authorized persons should monitor financial instrument transactions and the related profit or loss resulting from the transactions at any time. If any unusual event occurred, necessary actions should be taken and reported to the Board of Directors immediately. In addition, the performance of derivative transactions will be evaluated periodically to

determine if these transactions are in compliance with the operating strategy and the risk of these transactions is within the tolerable range of the Group. The Group has established the procedures for derivative transactions.

6) Information of major financial risk

(1) Certain transactions the Group involve non-functional currency which is exposed to exchange rate fluctuation. The information of foreign currency denominated monetary assets and liabilities which are significantly affected by exchange rate fluctuation is as follows:

(Foreign Currency : Functional Currency)

	December 31, 2009		December 31, 2010	
	Foreign Currency Amount (In thousands)	Exchange Rate	Foreign Currency Amount (In thousands)	Exchange Rate
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:TWD	233,887	31.985	273,005	29.12
USD:RMB	78,775	6.8281	120,567	6.6227
RMB:USD	1,649,998	0.14645	1,029,851	0.151
<u>Long-term equity investments accounted for under equity method</u>				
THB:USD	5,445,045	0.03061	5,445,045	0.03419
THB:TWD	2,891,135	0.9791	3,464,410	0.9957
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:TWD	22,787	31.985	34,198	29.12
USD:RMB	327,872	6.8281	613,204	6.6227
RMB:USD	539,281	0.14645	643,705	0.151

(2) Investments in equity financial instruments

<u>Items</u>	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Financial assets at fair value		
through profit or loss - listed and		
OTC stocks	\$ 4,039	\$ 4,760
Available-for-sale financial assets	1,257,827	1,450,275
Financial assets carried at cost	1,324,258	1,488,862

A. Market risk

The investments in equity financial instruments owned by the Group are exposed to price risk.

B. Credit risk

The Group assessed the credit condition of counterparties and default is not expected. Therefore, the possibility of credit risk is low.

C. Liquidity risk

(A) The Group's investments in equity financial instruments which have active markets are expected to be sold easily and quickly in the market at the price close to their fair value.

(B) The Group's investments in equity financial instruments without active markets are expected to have liquidity risk.

D. Cash flow risk due to changes in interest rate

The Group's investments in equity financial instruments are non-interest rate instruments; therefore, there is no cash flow risk related to changes in interest rate.

(3) Other financial instrument investments

Item	December 31,	
	2009	2010
Financial asset at fair value through profit or loss - private placement of convertible bonds	\$ 860,000	\$ 1,830,000
Investments in bonds without active markets	1,119,475	-

A. Market risk

- (A) The Group expects that structured time deposits and corporate bonds have no significant market risk.
- (B) The private placement of convertible bonds that the Group invested in have no quoted price in active market; thus, they are not affected by the changes in market price. Therefore, no significant market risk would arise.

B. Credit risk

- (A) The counterparties of the structured time deposits and corporate bonds invested by the Group are financial institutions which are all in good credit standing; therefore, the credit risk is extremely low.
- (B) The Group expects that the counterparty of the private placement of convertible bonds that it invested in is not likely to default; therefore, the credit risk is extremely low.

C. Liquidity risk

The Group's working capital is sufficient to support the capital demand of the Group. Therefore, the Group expects no significant liquidity risk.

D. Cash flow risk due to changes in interest rate

- (A) The future cash flows of the principal guaranteed financial instruments will fluctuate with the changes in market interest rate. Since these are principal guaranteed financial instruments, the market interest rate fluctuations will not reduce the cash flow of the principal.
- (B) Interest on the private placement of convertible bonds that the Group invested in accrues at fixed interest rate; therefore, there is no cash flow risk arising from interest rate fluctuations.

(4) Receivables

<u>Items</u>	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Notes receivable, net	\$ 99,507	\$ 328,038
Accounts receivable (including related parties), net	28,167,732	33,375,943
Other receivables	1,313,299	1,265,926

A. Market risk

The Group's receivables are all due within one year, therefore, the Group expects no significant market risk.

B. Credit risk

The Group's receivables are all approved through rigorous credit review procedures and some of which have to take out an insurance policy or provide necessary collaterals; therefore, the Group expects no significant credit risk.

C. Liquidity risk

The Group's receivables are all due within one year and their working capital is sufficient to support its capital requirements; therefore, the Group expects no significant liquidity risk.

D. Cash flow risk due to changes in interest rate

The Group's receivables are all due within one year; therefore, there is no significant cash flow risk due to changes in interest rate.

(5) Loans

<u>Item</u>	<u>December 31,</u>	
	<u>2009</u>	<u>2010</u>
Short-term loans	\$ 11,773,271	\$ 9,877,658
Long-term loans (including current portion)	2,973,971	9,650,840

A. Market risk

The loans of the Group have no significant market risk.

B. Credit risk

None.

C. Liquidity risk

The future cash flow is expected to be sufficient to cover the capital requirements of the Group; therefore, the Group expects no significant liquidity risk.

D. Cash flow risk due to changes in interest rate

The loans of the Group are issued at floating interest rate, accordingly, the future cash flow of which will fluctuate with the yield rate of these debt instruments. However, due to the short duration of the short-term loans, there is no significant cash flow risk due to changes in interest rate.

7) Information of derivative transactions

(1) The balance of the Group's derivative transactions as of December 31, 2009 and 2010 are shown in Notes 4.2), 14) and 10.9). The related risk information are as follows:

A. Market risk

The Group entered into certain derivative contracts in order to hedge risk. Accordingly, no material market risk is expected.

B. Credit risk

The banks, which the Group deals with, are all in good credit standing and the Group deals with several banks to disperse the credit risk; therefore, the possibility that the banks will not comply with the terms of the contracts is low.

C. Liquidity risk

The Group has sufficient working capital; therefore no material liquidity risk is expected.

D. Cash flow risk due to changes in interest rate

The Group did not enter into any derivative contract that is interest rate related; therefore, no material cash flow risk due to changes in interest rate is expected.

8) Off-balance sheet financial instruments with credit risk

None.

9) Cash flow hedge

(1) Fair value hedge

The foreign currency demand for the subsidiaries is exposed to the risk resulting from fair value changes due to foreign exchange rate changes. The subsidiaries entered into foreign currency forward contracts which meet all criteria for hedge accounting. The related information is as follows:

<u>Hedge item</u>	<u>Designated for hedging instrument</u>	
	<u>Financial instrument was designated as hedging instrument</u>	<u>Fair value as of December 31, 2010</u>
Receivables in foreign currencies	Forward exchange contracts	<u>\$ 50,107</u>

(2) Cash flow hedge

In order to prevent the risk resulting from future cash flow fluctuation due to foreign exchange rate fluctuations, the Group entered into foreign currency forward contracts which meet all criteria for hedge accounting. The related information is as follows:

<u>Hedge item</u>	<u>Designated for hedging instrument</u>			<u>Period of gain (loss) anticipated to be recognized in income statement</u>
	<u>Financial instrument was designated as hedging instrument</u>	<u>Fair value as of December 31, 2010</u>	<u>Period of anticipated cash flow</u>	
Receivables in foreign currencies	Forward exchange contracts	\$ 172,566	2011. 01. 06~ 2011. 10. 25	2011. 01. 06~ 2011. 10. 25
Payables in foreign currencies	Forward exchange contracts	21,972	2011. 01. 06~ 2011. 12. 08	2011. 01. 06~ 2011. 12. 08

10) Business mergers and acquisitions

(1) The Group conducted the following business mergers and acquisitions and stock ownership adjustments in 2009 and 2010:

A. The Company acquired an additional 19.89% stock ownership in PreOptix by cash in the amount of \$49,573 on June 12, 2009. After this transaction, the Company increased its stock ownership in PreOptix from

75% to 94.89%.

- B. The Company acquired an additional 37.50% stock ownership in NEM by cash in the amount of \$37,500 on September 1, 2009. After this transaction, the Company increased its stock ownership in NEM from 42.5% to 80.00%.
- C. The Company's subsidiary - DNH acquired an additional 40.50% stock ownership in DNI by cash in the amount of \$4,574,791 on September 25, 2009. After this transaction, DNH increased its stock ownership in DNI from 59.50% to 100.00%.
- D. The Company acquired an additional 64.86% stock ownership in Cyntec by issuing 123,193 thousand shares of new stocks on March 31, 2010. After this transaction, the Company increased its stock ownership in Cyntec from 35.14% to 100.00%.
- E. The Company's indirect subsidiary – DNIT acquired 100% stock ownership in Ayecom by cash in the amount of \$55,000 on June 1, 2010. After this transaction, the Company's consolidated stock ownership in Ayecom was 99.2%.

All of the above transactions were accounted for by the purchase method.

(2)The business activities of each subsidiary were as follows:

- A. PreOptix and its subsidiaries: please refer to Note 11. 2)(1).
- B. NEM: IC design and testing and information software service.
- C. DNI and its subsidiaries: please refer to Note 11. 2)(1).
- D. Cyntec and its subsidiaries: please refer to Note 11. 2)(1).
- E. Ayecom: please refer to Note 11. 2)(1).

(3)In accordance with paragraph 26 of R.O.C. SFAS No. 25, "Accounting for Business Combination – Purchase Method", publicly traded companies are required to provide supplemental information on the performance of its operations on a pro forma basis. The assumptions made by each direct subsidiary or indirect subsidiary for their pro forma consolidated statements of income for the years ended December 31, 2009 and 2010 are as follows:

- A. Effective September 1, 2009, the operating results of NEM had been included in the Company's consolidated statements of income. The Company assumed that it had owned 80% stock ownership in NEM effective from January 1, 2009 and recognized related investment income and prepared consolidated statements of income.
- B. PreOptix and DNI had already been the consolidated entities of the Company. The Company assumed that it had owned 94.89% and 100.00% stock ownership in PreOptix and DNI, respectively, effective from January 1, 2009 and recognized related investment income and prepared consolidated statements of income.
- C. Effective March 31, 2010, the operating results of Cyntec had been included in the Company's consolidated statements of income. The Company assumed that it had owned 100% stock ownership in Cyntec effective from January 1, 2009 and 2010 and recognized related investment income and prepared consolidated statements of income.
- D. Effective June 1, 2010, the operating results of Ayecom was included in the consolidated statement of income of DNI, and pro forma supplementary information was prepared under the assumption that DNI and the Company had acquired 100% and 99.20% stock ownership in Ayecom, respectively since January 1, 2009 and 2010.

Pro forma supplementary information is as follows:

Delta Electronics, Inc. and Subsidiaries
Pro Forma Consolidated Statements of Income
For the Years Ended December 31, 2010 and 2009
(Unaudited)
(Expressed in thousands of dollars, except earnings per share data)

	<u>2009</u>	<u>2010</u>
Operating revenues		
Net sales	\$ 129,279,761	\$ 172,363,733
Service income	826,500	772,157
Net operating revenues	<u>130,106,261</u>	<u>173,135,890</u>
Operating costs		
Cost of goods sold	(101,146,135)	(135,703,658)
Service costs	(485,360)	(317,658)
Net operating costs	<u>(101,631,495)</u>	<u>(136,021,316)</u>
Gross profit	28,474,766	37,114,574
Operating expenses	(15,750,916)	(19,708,252)
Operating income	12,723,850	17,406,322
Non-operating income and gains	3,273,196	3,879,408
Non-operating expenses and losses	(831,357)	(1,109,363)
Income from continuing operations before income tax	15,165,689	20,176,367
Income tax expense	(828,601)	(2,294,034)
Income from continuing operations	14,337,088	17,882,333
(Loss) gain from discontinued operations	(1,324,181)	7,763
Consolidated net income	<u>\$ 13,012,907</u>	<u>\$ 17,890,096</u>
Attributable to:		
Equity holders of the Company	\$ 11,856,782	\$ 15,761,939
Minority interest	<u>1,156,125</u>	<u>2,128,157</u>
	<u>\$ 13,012,907</u>	<u>\$ 17,890,096</u>

	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
Earnings Per Share (In Dollars)				
Basic earnings per share				
Net income from continuing operations	\$ 6.77	\$ 6.40	\$ 8.56	\$ 7.59
Net (loss) gain from discontinued operations	(0.75)	(0.59)	0.02	-
Minority interest income	(0.52)	(0.52)	(0.90)	(0.90)
Net income	<u>\$ 5.50</u>	<u>\$ 5.29</u>	<u>\$ 7.68</u>	<u>\$ 6.69</u>
Diluted earnings per share				
Net income from continuing operations	\$ 6.70	\$ 6.33	\$ 8.43	\$ 7.47
Net (loss) gain from discontinued operations	(0.75)	(0.59)	0.02	-
Minority interest income	(0.51)	(0.51)	(0.89)	(0.89)
Net income	<u>\$ 5.44</u>	<u>\$ 5.23</u>	<u>\$ 7.56</u>	<u>\$ 6.58</u>

11) Discontinued operations

Starting from Mach 1, 2010, the Group ceased production of all cold cathode fluorescent lamps and its factory operations. The above transaction qualifies under R.O.C. SFAS No. 38, “Accounting for Non-current Assets Held for Sale and Discontinued Operations” and is presented as discontinued operations. The disclosure of income from discontinued operations is as follows:

	For the years ended December 31,	
	2009 (Note)	2010
Operating income from discontinued operations		
Net operating revenues	\$ 1,390,713	\$ 94,827
Operating costs and expenses	(1,989,098)	(87,745)
Non-operating income	<u>8,360</u>	<u>20,115</u>
Operating (loss) gain from discontinued operations before income tax	(590,025)	27,197
Income tax benefit (expense)	<u>105,005</u>	(<u>38,769</u>)
Operating loss from discontinued operations	(<u>485,020</u>)	(<u>11,572</u>)
(Loss) gain on disposal of discontinued operations and the measurement to fair value less costs to sell		
(Loss) gain on disposal of discontinued operations and the measurement to fair value less costs to sell before income tax	(1,103,032)	28,865
Income tax expense	<u>263,871</u>	(<u>9,530</u>)
(Loss) gain on disposal of discontinued operations and the measurement to fair value less costs to sell	(<u>839,161</u>)	<u>19,335</u>
(Loss) gain from discontinued operations	(<u>\$ 1,324,181</u>)	<u>\$ 7,763</u>

Cash flows from discontinued operations

	For the years ended December 31,	
	2009	2010
Cash flows from operating activities	<u>\$ 183,471</u>	<u>\$ 12,342</u>
Cash flows from investing activities	(<u>\$ 22,751</u>)	<u>\$ 28,324</u>

(Note) The Group’s gain or loss on disposal of discontinued operations and the measurement to fair value less costs to sell for the year ended December 31, 2010 was reclassified based on income or loss from the cold cathode fluorescent lamp operations at the same period and not retroactively adjusted.

12) Significant intercompany transactions between the Company, DIH, DNH, PreOptix, DEN, DelSolar, NEM, Cyntec, Delbio, Delta Capital and DEIL-SG and the consolidated subsidiaries are eliminated when preparing the consolidated financial statements. The details are as follows:

	2009						2010					
	The Company	DIH	DNH	PreOptix	DEN	DelSolar	NEM	Cyntec	Delbio	Delta Capital	DEIL-SG	
Transactions												
(1) Elimination of long-term investments	(\$ 68,307,809)	\$53,918,146	\$ 8,387,164	\$ 225,564	\$ 69,055	\$ 5,649,480	\$ 58,400					
(2) Elimination of intercompany receivable (AR) and payable (AP) accounts	6,546,015	(6,801,420)	237,425	(67,715)	35,131	50,564	-					
(3) Elimination of profit and loss accounts												
A. Sale and purchase transactions												
a. Downstream transactions	247,891	(237,728)	(1,057)	-	(9,106)	-	-					
b. Upstream transactions	(19,419,529)	19,353,361	19	24,293	-	41,856	-					
c. Sidestream transactions	-	647,550	(737,201)	198,643	(108,620)	(372)	-					
B. Services revenue, selling expenses, management and administrative expenses	5,132,073	(5,303,288)	(23,389)	(2,764)	197,705	(337)	-					
C. Rental revenue and rental expense	36,480	-	(36,480)	-	-	-	-					
(4) Elimination of minority interest income	488,704	(551,758)	-	5,248	-	54,705	3,101					
(5) Elimination of other transactions												
A. Refundable deposits and guarantee deposits received	4,400	-	(4,400)	-	-	-	-					
B. Available-for sale financial assets-current and other liabilities-other	39,050	(39,050)	-	-	-	-	-					
Transactions												
(1) Elimination of long-term investments	(\$81,760,681)	\$52,044,492	\$8,770,194	\$ 224,312	\$ 67,822	\$5,765,236	\$ 81,798	\$13,854,170	\$ 136,133	\$ 549,420	\$ 267,104	
(2) Elimination of intercompany receivable (AR) and payable (AP) accounts	4,431,710	(4,374,520)	260,901	(36,906)	45,200	20,084	(467)	(81,616)	802	242	(265,430)	
(3) Elimination of profit and loss accounts												
A. Sale and purchase transactions												
a. Downstream transactions	515,555	(390,860)	(2,224)	-	(9,894)	(92,133)	-	(20,444)	-	-	-	
b. Upstream transactions	(22,269,911)	20,940,965	7,174	11,122	421	11,429	-	142	-	-	1,298,658	
c. Sidestream transactions	-	1,936,385	(866,185)	297,276	(233,008)	(83,692)	-	(30,402)	-	-	(1,020,374)	
B. Services revenue, selling expenses, management and administrative expenses	5,734,819	(5,880,490)	(22,415)	(1,518)	169,806	(102)	-	(100)	-	-	-	
C. Rental revenue and rental expense	39,951	31,407	(41,081)	-	-	(52,723)	-	23,882	(1,254)	(182)	-	
(4) Elimination of minority interest income	810,996	(645,513)	-	(1,892)	-	(178,004)	14,413	-	-	-	-	
(5) Elimination of other transactions												
Refundable deposits and guarantee deposits received	4,740	-	(4,400)	-	-	-	-	-	(340)	-	-	

11. Disclosure information of the Company and its subsidiaries

1) Related information of significant transactions

All the transactions with subsidiaries disclosed below had been eliminated when preparing consolidated financial statements. The disclosure information as follows is for reference only.

(1) Financing activities to any company or person: None.

(2) Guarantee information: None.

(3) Marketable securities held by the Company at December 31, 2010: (Combined amounts less than \$100,000 on December 31, 2010)

Name of investor Delta Electronics, Inc.	Name and kind of marketable securities		Relationship of the issuers with the Company A subsidiary of the Company	General ledger accounts Long-term investments accounted for under the equity method	Number of shares (In thousands)	Book value \$52,044,492	Percentage ownership 94.00	Market value \$51,883,385	Note
	Type of marketable securities Common Stock	Name of marketable securities Delta International Holding Ltd.							
"	"	Cyntec Co., Ltd.	"	"	279,850	13,854,170	100.00	5,536,352	-
"	"	Delta Networks Holding Ltd.	"	"	39,800	8,770,194	100.00	8,771,328	-
"	"	DeSolar Co., Ltd.	"	"	147,656	5,765,236	59.05	5,765,271	-
"	"	PreOptix Co., Ltd.	"	"	26,570	224,312	94.89	226,853	-
"	"	Delta Electronics Capital Company	"	"	55,000	549,420	100.00	549,420	-
"	"	DelBio Inc.	"	"	14,000	136,133	100.00	136,133	-
"	"	Delta Electronics Int'l (Singapore) Pte. Ltd.	"	"	300	267,104	100.00	267,104	-
"	"	Delta Electronics (Thailand) Public Co., Ltd.	Investee company accounted for under the equity method	"	69,128	3,449,513	5.54	2,409,081	(Note)
"	"	Amita Technologies, Inc.	"	"	14,250	329,088	34.73	139,204	-
"	"	D-Link Co., Ltd.	None	Available-for-sale financial assets	11,541	346,216	1.78	346,216	-
"	"	Tong Hsing Electronic Industries, Ltd.	"	"	3,175	407,988	2.24	407,988	-
"	"	Edison Opto Corp.	"	"	3,236	571,544	3.68	571,544	-
"	Preferred Shares	Delta America Ltd.	"	Financial assets carried at cost - non-current	2,100	103,064	Preferred shares	103,064	-
"	Convertible Bond	Dynapack International Technology Corporation	"	Financial assets at fair value through profit or loss - non-current	-	860,000	-	860,000	-
"	"	Bright Led Electronics Corp.	"	"	-	720,000	-	720,000	-
"	Common Stock	Others	"	"	-	826,784	-	819,682	-

(Note) The carrying value is based on the initial investment cost plus the investment income recognized by the combined ownership percentage of 20.01%. The market value of the long-term investment calculated by the Company's ownership is \$2,409,081. The combined ownership percentage of 20.01% of the market value of the long-term investment is \$8,698,209 as of December 31, 2010.

(4) Marketable securities acquired or sold during the year ended December 31, 2010 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, 2010			Addition			Disposal			December 31, 2010	
					Investee company accounted for under the equity method	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Selling price	Book value	Disposal gain	Number of shares (in thousands)	Amount	
Delta Electronics, Inc.	Cyntec Co., Ltd.	Long-term investments accounted for under the equity method	Stock exchange market			71,416	\$1,700,939	208,434	\$12,153,231	-	-	-	-	279,850	\$13,854,170
"	DelBio Inc.	"	DelBio Inc.	"		-	-	14,000	136,133	-	-	-	-	14,000	136,133
"	Delta Electronics Capital Company	"	Delta Electronics Capital Company	"		-	-	55,000	549,420	-	-	-	-	55,000	549,420
"	Bright Led Electronics Corp.	Financial assets at fair value	Bright Led Electronics Corp.	None		-	-	-	720,000	-	-	-	-	-	720,000
"	Unsecured Convertible Bonds	through profit or loss - non- current	Unsecured Convertible Bonds			-	-	-	-	-	-	-	-	-	-
"	Tong Hsing Electronic Industries, Ltd.	Available-for- sale financial assets	Tong Hsing Electronic Industries, Ltd.	"		1,575	178,763	1,600	229,225	-	-	-	-	3,175	407,988
"	Anpec Electronics Corporation	"	Stock exchange market	"		10,096	545,176	303	(461,124)	8,889	297,779	34,382	263,397	1,510	49,670

Note a: The Company acquired additional 64.86% stock ownership of Cyntec Co., Ltd. by issuing new stocks in the amount of 123,193,000. After this transaction, the Company's total stock ownership of Cyntec Co., Ltd. was 100.00%.
The addition amount includes investment income and adjustment of valuation for this period.

Note b: The Company invested \$140,000 in DelBio Inc. and recognized investment loss under the equity method.

Note c: The Company invested \$550,000 in Delta Electronic Capital Company and recognized investment loss under the equity method.

Note d: The Company invested \$152,000 in Tong Hsing Electronic Industries, Ltd. and recognized changes in net assets value adjustment.

Note e: The increase in number of shares is stock dividends.

Note f: The decrease in amount was recognized due to adjustment of valuation of fair value.

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

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

(7) Related party purchases or sales transactions in excess of \$100,000 or 20% of capital: Please refer to Notes 5. 2) (1) to (3).

(8) Receivables from related parties in excess of \$100,000 or 20% of capital:

Name of creditor	Transaction parties	Relationship	Balance of receivable from related parties		Turnover rate	Overdue receivable		Subsequent collections (Note)	Allowance for doubtful accounts provided
			Accounts receivable	Other receivables		Amount	Action adopted for overdue accounts		
Delta Electronics, Inc.	Delta Electronics International Ltd.	A subsidiary of DIH	\$ 556,197	497,675	9.20	\$ -	-	\$ 414,408	-
"	Delta Electro-Optics (Wujiang) Ltd.	A subsidiary of DHK	110,331	Accounts receivable	3.11	-	-	105,385	-

(Note): The amounts collected subsequent to December 31, 2010 up to March 2, 2011.

(9) Information on derivative transactions:None.

2) Disclosure information of investee company

Information related to investee companies' investment income or loss was translated at the average exchange rate of 2010 while others were translated at the rate of exchange prevailing at the balance sheet date.

(1) Information of investee company: (Combined the individual book value less than \$100,000 on December 31, 2010)

Name of investor	Name of investee company	Address	Main activities	Original investment (Note m)		Held as of December 31, 2010			Investment income (loss) recognized by the Company	Note (Note k)
				Balance as of December 31, 2010	Balance as of December 31, 2009	Number of shares (in thousands)	Percentage of ownership	Book value		
Delta Electronics, Inc.	Delta International Holding Ltd.	Cayman Islands	Equity investments	\$ 8,922,118	\$ 8,922,118	67,680	94.00	\$ 52,044,492	\$ 10,806,675	\$ 10,179,923
"	Delta Networks Holding Ltd.	Cayman Islands	Equity investments	1,377,206	1,377,206	39,800	100.00	8,770,194	1,047,919	1,048,890
"	DelSolar Co., Ltd.	Science-Based Industrial Park, Hsinchu City, Taiwan	Manufacturing of solar batteries and related systems	3,773,403	3,773,403	147,656	59.05	5,765,236	435,126	257,122
"	PreOptix Co., Ltd.	Taichung County, Taiwan	Manufacturing and sales of lenses and optical engines for projectors	259,573	259,573	26,570	94.89	224,312	6,948	5,056
"	Delta Electronics (Thailand) Public Co., Ltd.	Thailand	Manufacturing and sales of electronic products	114,615	114,615	69,128	5.54	3,449,513	4,135,400	836,267
"	Cyntec Co., Ltd.	Science-Based Industrial Park, Hsinchu City, Taiwan	Research, development, manufacturing and sales of various thin film components	12,067,931	619,346	279,850	100.00	13,823,468	1,939,719	1,299,928
"	Amita Technologies, Inc.	Gueishan Township, Taoyuan County, Taiwan	Manufacturing of lithium polymer batteries and related systems	429,500	429,500	14,250	34.73	329,088	73,719	33,364
"	Delta Electronics Capital Company	Neihu District Taipei City, Taiwan	Equity investments	550,000	-	55,000	100.00	549,420	580	580
"	DelBio Inc.	Gueishan Township, Taoyuan County, Taiwan	Manufacturing, wholesale and retail of medical equipment	140,000	-	14,000	100.00	136,133	3,867	3,867
"	Delta Electronics Int'l (Singapore) Pte Ltd.	Singapore	Sales of electronic products	7,270	-	300	100.00	267,104	275,128	275,128

Name of investor	Name of investee company	Address	Main activities	Original investment (Note m)		Held as of December 31, 2010				Investment income (loss) recognized by the Company	Note
				Balance as of December 31, 2010	Balance as of December 31, 2009	Number of shares (in thousands)	Percentage of ownership	Book value	Income (loss) of the investee company		
Delta Electronics, Inc.	NeoEnergy Microelectronics, Inc., etc.			\$ 188,319	\$ 116,723			\$ 149,619	\$ 219,679	(\$ 41,036)	-
Delta International Holding Ltd.	Delta Electronics International Ltd.	Malaysia	Sales of electronic products	58,240	58,240	2,000	100.00	26,333,980	8,376,280	(Note a)	-
"	Delta Electronics (H.K) Ltd.	Hong Kong	Equity investments	8,631,083	8,631,083	2,300,000	100.00	20,378,585	2,977,583	"	-
"	DAC Holding Ltd.	Cayman Islands	Equity investments	470,004	470,004	22,200	100.00	175,316	6,068	"	-
"	Delta Electronics (Japan) Inc.	Japan	Sales of electronic products	51,730	51,730	4	100.00	143,883	14,689	"	-
"	Digital Projection International Ltd.	Britain	Equity investments	231,223	231,223	7,583	38.72	231,782	23,721	"	-
"	PreOptix (Hong Kong) Co., Ltd.	Hong Kong	Equity investments	232,960	-	8,000	60.38	227,206	(7,209)	(Note e)	-
"	Delta Power Sharp Ltd., etc.	Hong Kong, etc.	Operations management and engineering services, etc.	604,594	604,594	-	-	204,796	(107,020)	(Note a)	-
Delta Networks Holding Ltd.	Delta Networks, Inc. (Cayman)	Cayman Islands	Equity investments	5,179,253	5,179,253	1,196,886	100.00	5,252,943	1,079,139	(Note b)	-
Delta Networks, Inc. (Cayman)	Delta Networks (H.K) Ltd.	Hong Kong	Equity investments	1,019,200	1,019,200	35,000	100.00	2,212,712	27,821	(Note c)	-
"	Delta Networks, Inc. (Taiwan)	Gueishan Township, Taoyuan County	Manufacturing of networking system and peripherals	466,816	458,969	50,041	99.98	1,374,331	(66,546)	"	-
"	Delta Networks International Ltd.	Malaysia	Trading of networking system and peripherals	29,120	29,120	1,000	100.00	1,478,172	1,296,101	"	-
"	DNI Logistics (USA) Corp.	U.S.A.	Trading of networking system and peripherals	16,192	16,192	500	100.00	30,955	2,448	"	-

Original investment (Note m) Held as of December 31, 2010

Name of investor	Name of investee company	Address	Main activities	Balance as of December 31, 2010	Balance as of December 31, 2009	Number of shares (in thousands)	Percentage of ownership	Book value	Income (loss) of the investee company	Investment income (loss) recognized by the Company	Note
Delta Networks, Inc. (Taiwan)	Ayecom Technology Co., Ltd.	Gueishan Township, Taoyuan County	Manufacturing and sales of wire and wireless telecommunications equipment, electronic parts and controlled telecommunications radio frequency devices	\$ 185,000	\$ -	30,000	100.00	\$ 68,795	(\$ 70,408)	(Note d)	-
PreOptix Co., Ltd.	PreOptix (Hong Kong) Co., Ltd.	Hong Kong	Equity investments	162,376	162,376	5,250	39.62	150,648	(2,983)	(Note e)	-
DelSolar Co., Ltd.	DelSolar Holding (Cayman) Ltd.	Cayman Islands	Equity investments	3,819,722	1,600,102	120,150	100.00	3,696,959	161,428	(Note f)	-
DelSolar Holding (Cayman) Ltd.	DelSolar (H.K) Ltd.	Hong Kong	Equity investments	3,497,312	1,429,792	120,100	100.00	3,696,024	162,822	(Note g)	-
Cyntec Co., Ltd.	Fairview Assets Ltd.	Cayman Islands	Equity investments	1,107,555	1,107,251	32,450	100.00	4,772,653	1,759,160	(Note h)	-
Fairview Assets Ltd.	Grandview Holding Ltd.	"	Equity investments	2,388,131	2,096,640	82,010	100.00	4,775,234	1,767,141	(Note i)	-
Grandview Holding Ltd.	Cyntec International Ltd.	Malaysia	Trading	145,600	145,600	5,000	100.00	2,104,948	1,792,020	(Note j)	-
"	Cyntec Holding (H.K) Ltd.	Hong Kong	Equity investments	2,242,531	1,951,040	77,010	100.00	2,650,281	(24,879)	(Note j)	-

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.

Note d: Investment income /loss recognized by Delta Networks, Inc. (Taiwan)

Note e: Investment income /loss recognized by PreOptix Co., Ltd. and Delta International Holding Ltd. The weighted average shareholding ratio is 94.35%

Note f: Investment income /loss recognized by DelSolar Co., Ltd.

Note g: Investment income /loss recognized by DelSolar Holding (Cayman) Ltd.

Note h: Investment income /loss recognized by Cyntec Co., Ltd.

Note i: Investment income /loss recognized by Fairview Assets Ltd.

Note j: Investment income /loss recognized by Grandview Holding Ltd.

Note k: The investment income/loss is net of the elimination of intercompany transactions.

Note l: The weighted average shareholding ratio was 20.01% and the investment income included the elimination of intercompany transactions.

Note m: The original investment represented the capital certified.

(2) Financing activities to any company or person:

Number (Note a)	Creditor	Borrower	General ledger account	Maximum outstanding balance during the year ended		Balance at December 31, 2010	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral	Limit on loans granted to a single party	Ceiling on total loans granted
				December 31, 2010	December 31, 2010									
1	Delta International Holding Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Other receivables-related parties	\$ 262,080	\$ 262,080	0.6875%	Short-term financing	N/A	Additional operating capital	\$ -	None	\$5,519,509	\$ 11,039,018	
1	"	Delta Electronics (Wuhu) Co., Ltd.	"	931,840	931,840	0.68438%	"	"	"	-	"	-	"	

Note a: Number 0 represents the Company; the investee companies are in order from number 1.

Note b: Maximum outstanding balance during the current period was translated into New Taiwan dollars using the exchange rate at December 31, 2010, which the Company reported to the Securities and Futures Bureau.

Note c: In accordance with the Subsidiary's Operating Procedures of Fund Lending, the limits for each recipient according to reasons of lending are as follows:

- (1) When lending funds to other companies or enterprises with which the Company has business relations, the amount lent to a single recipient shall not exceed the total transaction amount between the recipient and the company in the most recent year and shall not exceed 10 percent of the Company's net worth as stated in the Company's latest financial statements.
- (2) When providing short-term financing to other companies or enterprises, the short-term financing amount to a single recipient shall not exceed 10 percent of the Company's net worth as stated in the Company's latest financial statements.

Note d: In accordance with the Subsidiary's Operating Procedures of Fund Lending, the limits for total amount of fund lending according to its reasons are as follows:

- (1) When lending funds to other companies or enterprises with which the Company has business relations, the amount lent to a single recipient shall not exceed the total transaction amount between the recipient and the Company in the most recent year and the total amount lent shall not exceed 20 percent of the Company's net worth as stated in the Company's latest financial statements.
- (2) When providing short-term financing to other companies or enterprises, the total short-term financing amount shall not exceed 20 percent of the Company's net worth as stated in the Company's latest financial statements.
- (3) The aggregate amount of total funds lent to other companies or enterprises with which the Company has business relations and total short-term financing provided to other companies or enterprises shall not exceed 20 percent of the Company's net worth as stated in the Company's latest financial statements.

(3) Guarantee information:

Number (Note a)	Name of the company providing guarantee		Parties being guaranteed		Relationship with the Company (Notes b and i)	Limit on guarantees provided for a single party \$	Highest outstanding guarantee amount in 2010	Outstanding guarantee amount at 12/31/2010	Amount of guarantee with collateral placed	Ratio of accumulated guarantee amount to net value of the Company	Ceiling of the outstanding guarantee to the respective party
	Name	Name	Name	Name							
1	DelSolar Co., Ltd.	Delta Electronics, Inc.			(Notes b and i)	\$ 3,905,328 (Note f)	270,600	\$ 270,600	\$ -	3%	\$ 4,881,661 (Note f)
2	PreOptix Co., Ltd.	PreOptix (Jiang Su) Co., Ltd.			(Note c)	47,812 (Note g)	78,624 (Note j)	-	-	-	95,625 (Note g)
3	Cyntec Co., Ltd.	Cyntec (Suzhou) Co., Ltd. and Cyntec Electronics (Suzhou) Co., Ltd.			(Note d)	1,107,270 (Note g)	873,600 (Note j)	-	-	-	2,214,541 (Note g)
3	"	Cyntec (Suzhou) Co., Ltd.			(Note d)	1,107,270 (Note g)	232,960 (Note j)	-	-	-	2,214,541 (Note g)
3	"	Cyntec Electronics (Suzhou) Co., Ltd.			(Note d)	1,107,270 (Note g)	145,600 (Note j)	-	-	-	2,214,541 (Note g)
3	"	Cyntec International Ltd.			(Note e)	1,107,270 (Note g)	757,120 (Note j)	-	-	-	2,214,541 (Note g)
4	Delta International Holding Ltd.	Delta Electronics (Shanghai) Co., Ltd.			(Note k)	291,200 (Note h)	291,200 (Note j)	291,200	-	0.01%	349,440 (Note h)

Note a : Number 0 represents the Company; the investee companies are numbered starting from 1.

Note b : The ultimate parent company.

Note c : The subsidiary of PreOptix (Hong Kong) Co., Ltd.

Note d : The subsidiary of Cyntec Holding (H.K) Ltd.

Note e : The subsidiary of Grandview Holding Ltd.

Note f : In accordance with the guarantee procedure of the Company, the Company's guarantees to others should not be in excess of 50% of the Company's net assets, and the company's limit on guarantees provided for a single party should not be in excess of 40% of the company's net assets.

Note g : In accordance with the guarantee procedure of the Company, the Company's guarantees to others should not be in excess of 40% of the Company's net assets, and the company's limit on guarantees provided for a single party should not be in excess of 20% of the company's net assets.

Note h : In accordance with the guarantee procedure of the Company, the Company's guarantees to others should not be in excess of USD 12 million, and the company's limit on guarantees provided for a single party should not be in excess of USD 10 million.

Note i : Mutual guarantees in the trade due to construction undertaking pursuant to the contracts.

Note j : Maximum outstanding balance during the current period was translated into New Taiwan dollars using the exchange rate at December 31, 2010, which the Company reported to the Securities and Futures Bureau.

Note k : The subsidiary of Delta Electronics (H.K) Ltd.

(4) Marketable securities held by the company on December 31, 2010: (Combined the individual amount less than \$100,000 on December 31, 2010)

Name and kind of marketable securities		December 31, 2010						
Name of investor	Kind of marketable securities	Name of marketable securities	Relationship of the issuers with the Company	General ledger accounts	Number of shares (in thousands)	Book value	Percentage	Market value
Delta International Holding Ltd. (DIH)	Common stock	Delta Electronics International Ltd.	A subsidiary of DIH					
"	"	DAC Holding (Cayman) Ltd.	"	"	22,200	175,316	100.00	175,316
"	"	Delta Electronics (Japan), Inc.	"	"	4	143,883	100.00	143,883
"	"	Delta Electronics (H.K.) Ltd.	"	"	2,300,000	20,378,585	100.00	20,378,585
"	"	PreOptix (Hong Kong) Co., Ltd.	"	"	8,000	227,206	60.38	227,206
"	"	Delta Electronics (Thailand) Public Co., Ltd.	Investee company accounted for under the equity method of the Company	"	191,984	1,681,310	15.39	6,690,535
"	"	Digital Projection International Ltd.	"	"	7,583	231,782	38.72	231,782
"	"	Delta Greentech (China) Co., Ltd.	Related party in substance	Financial assets carried at cost - non-current	58,940	195,602	10.38	195,602
"	Preferred shares	Solarflare Communication, Inc.	None	"	8,259	240,501	5.31	240,501
"	"	Delta Power Sharp Ltd., etc.	"	"		352,459		352,459
Delta Electronics (H.K.) Ltd. (DHK)	Certificate of amount contributed	Delta Electronics (Dongguan) Co., Ltd.	A subsidiary of DHK	Long-term investments accounted for under the equity method	-	4,777,597	100.00	4,777,597
"	"	Delta Electronics Power (Dongguan) Co., Ltd.	"	"	-	3,212,343	100.00	3,212,343
"	"	Delta Electronics (Shanghai) Co., Ltd.	"	"	-	989,402	100.00	989,402
"	"	Delta Electronics (Wuhu) Co., Ltd.	"	"	-	2,110,078	100.00	2,110,078
"	"	Delta Electronics (Chenzhou) Co., Ltd.	"	"	-	1,826,371	100.00	1,826,371
"	"	Delta Electronics (Jiangsu) Ltd.	"	"	-	1,641,458	55.00	1,641,458
"	"	Delta Electronics Components (Wujiang) Ltd.	"	"	-	1,772,876	55.00	1,772,876
"	"	Delta Electro-Optics (Wujiang) Ltd.	"	"	-	1,281,520	55.00	1,281,520
"	"	Delta Video Display System (Wujiang) Ltd.	"	"	-	704,762	55.00	704,762
Delta Electronics (Wuhu) Co., Ltd. (DWH)	"	Wuhu Delta Technology Co., Ltd.	A subsidiary of DWH	"	-	59,087	100.00	59,087
Delta Electronics (Chenzhou) Co., Ltd. (DCZ)	"	Chenzhou Delta Technology Co., Ltd.	A subsidiary of DCZ	"	-	99,697	100.00	99,697
Delta Networks Holding Ltd. (DNH)	Common stock	Delta Networks, Inc. (Taiwan)	A subsidiary of DNH	"	1,196,886	5,252,943	100.00	5,252,943

Name and kind of marketable securities						December 31, 2010		
Name of investor	Kind of marketable securities	Name of marketable securities	Relationship of the issuer with the Company	Number of shares (in thousands)	Book value	Percentage	Market value	
Delta Networks, Inc. (Cayman)	Common stock	Delta Networks, Inc. (Taiwan)	A subsidiary of DNI Cayman	50,041	\$ 1,374,331	99.98	\$1,374,331	
"	"	Delta Networks International Ltd.	"	1,000	1,478,172	100.00	1,478,172	
"	"	Delta Networks (H.K) Ltd.	"	35,000	2,212,712	100.00	2,212,712	
"	"	DNI Logistics (USA) Corp.	"	500	30,955	100.00	30,955	
Delta Networks, Inc. (DNIT)	"	Ayecom Technology Co., Ltd.	A subsidiary of DNIT	30,000	68,795	100.00	68,795	
Delta Networks (H.K) Ltd. (DNHK)	Certificate of amount contributed	Delta Networks (Dongguan) Co., Ltd.	A subsidiary of DNHK	-	1,564,614	100.00	1,564,614	
"	"	Delta Networks (Wujiang) Ltd.	"	-	548,694	100.00	548,694	
"	"	Delta Networks (Shanghai) Ltd.	"	-	63,572	100.00	63,572	
PreOptix Co., Ltd.	Common stock	PreOptix (Hong Kong) Co., Ltd.	A subsidiary of PreOptix Co., Ltd.	5,250	150,648	39.62	150,648	
PreOptix (Hong Kong) Co., Ltd.	Certificate of amount contributed	PreOptix (Jiang Su) Co., Ltd.	A subsidiary of PreOptix (Hong Kong) Co., Ltd.	-	394,932	100.00	394,932	
DeSolar Co., Ltd.	Common stock	DeSolar Holding (Cayman) Ltd.	A subsidiary of DeSolar Co., Ltd.	120,150	3,696,959	100.00	3,696,959	
DeSolar Holding (Cayman) Ltd.	"	DeSolar (H.K) Ltd.	A subsidiary of DeSolar Holding (Cayman) Ltd.	120,100	3,696,024	100.00	3,696,024	
DeSolar (H.K) Ltd.	Certificate of amount contributed	DeSolar (Wujiang) Ltd.	A subsidiary of DeSolar (H.K) Ltd.	-	3,693,611	100.00	3,693,611	
Cyntec Co., Ltd.	Common stock	Fairview Assets Ltd.	A subsidiary of Cyntec Co., Ltd.	32,450	4,772,653	100.00	4,772,653	
"	"	SUSUMU Co., Ltd.	None	200	104,081	11.53	104,081	
Fairview Assets Ltd.	"	Grandview Holding Ltd.	A subsidiary of Fairview Holding Ltd.	82,010	4,755,234	100.00	4,755,234	
Grandview Holding Ltd.	"	Cyntec International Ltd.	A subsidiary of Grandview Holding Ltd.	5,000	2,104,948	100.00	2,104,948	
"	"	Cyntec Holding (H.K) Ltd.	"	77,010	2,650,281	100.00	2,650,281	
Cyntec Holding (H.K) Ltd.	Certificate of amount contributed	Cyntec (Suzhou) Co., Ltd.	A subsidiary of Cyntec Holding (H.K) Ltd.	-	1,263,604	100.00	1,263,604	
"	"	Cyntec Electronics (Suzhou) Co., Ltd.	"	-	1,387,013	100.00	1,387,013	

Name and kind of marketable securities		December 31, 2010						
Name of investor	Kind of marketable securities	Name of marketable securities	Relationship of the issuers with the Company	General ledger accounts	Number of shares (in thousands)	Book value	Percentage	Market value
Delta Electronics Capital Company	Common stock	Chin Ming Shan Optronics Corporation	None	Financial assets carried at cost - non-current	2,000	\$ 150,000	4.45	\$ 150,000
"	Convertible bond	ALLTOP Technology Co., Ltd.	"	Financial assets at fair value through profit or loss - non-current	-	250,000	-	250,000

(5) Marketable securities acquired or sold 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, 2010		Disposal			December 31, 2010	
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Selling price	Book value	Disposal gain/(loss)	Number of shares (in thousands)
Delta Electronics (Chenzhou) Co., Ltd.	Chenzhou Delta Technology Co., Ltd. Certificate of amount contributed equity	Long-term investments for under the equity method	Chenzhou Delta Technology Co., Ltd.	Subsidiary	-	\$ -	-	\$ -	-	-	\$ 99,697
Delta International Holding Ltd.	PreOptix (Hong Kong) Co., Ltd. Common stock	"	PreOptix (Hong Kong) Co., Ltd.	"	-	-	8,000	-	-	8,000	227,206
PreOptix (Hong Kong) Co., Ltd.	PreOptix (Jiang Su) Co., Ltd. Certificate of amount contributed	"	PreOptix (Jiang Su) Co., Ltd.	"	-	161,585	-	-	-	-	233,347
Delta Electronics (H.K.) Ltd.	Delta Electronics (Chenzhou) Co., Ltd. Certificate of amount contributed	"	Delta Electronics (Chenzhou) Co., Ltd.	"	-	1,020,369	-	-	-	-	806,002
Delta Networks, Inc. (Taiwan)	Ayecom Technology Co., Ltd. Common stock	"	Ayecom Technology Co., Ltd.	"	-	-	30,000	-	-	-	68,795
DelSolar Co., Ltd.	DelSolar Holding (Cayman) Ltd. Common stock	"	DelSolar Holding (Cayman) Ltd.	"	49,150	1,548,706	71,000	-	-	120,150	2,148,253
DelSolar Holding (Cayman) Ltd.	DelSolar (H.K.) Ltd. Common stock	"	DelSolar (H.K.) Ltd.	"	49,100	1,547,387	71,000	-	-	120,100	2,148,637

Acquirer/ seller	Name of marketable security	General ledger accounts	Name of transaction parties	Relationship	January 1, 2010		Addition		Disposal		December 31, 2010	
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Selling price	Book value	Disposal gain/(loss)
DeSolar (H.K.) Ltd.	DeSolar (Wujiang) Ltd. Certificate of amount contributed	Long-term investments accounted for under the equity method	DeSolar (Wujiang) Ltd.	Subsidiary	-	\$1,544,429	-	\$2,149,182 (Note h)	\$ -	\$ -	-	\$3,693,611
Delta Electronics (H.K.) Ltd.	Delta Electronics Components (Dongguan) Co., Ltd. Certificate of amount contributed	"	(Note i)	"	-	1,889,476	-	(265,109) (Note j)	(Note k) 1,624,367	-	-	-
Delta Capital Company	Chin Ming Shan Optronics Corporation Common stock	Financial assets carried at cost - non current	Chin Ming Shan Optronics Corporation	-	-	-	2,000	150,000	-	-	2,000	150,000
"	ALLTOP Technology Co., Ltd. Unsecured private placement convertible bond	Financial assets at fair value through profit or loss - non current	ALLTOP Technology Co., Ltd.	-	-	-	-	250,000	-	-	-	250,000

Note a: Delta Electronics (Chenzhou) Co., Ltd. established Chenzhou Delta Technology Co., Ltd. in the amount of \$120,760. Investment loss accounted for under the equity method and adjustment recognized due to change in subsidiary's net asset value was recorded.

Note b: Delta International Holding Ltd. invested \$250,000 in PreOptix (Hong Kong) Co., Ltd. Investment loss accounted for under the equity method and adjustment recognized due to change in subsidiary's net asset value was recorded.

Note c: PreOptix (Hong Kong) Co., Ltd. invested \$250,000 in PreOptix (Jiang Su) Co., Ltd. Investment loss accounted for under the equity method and adjustment recognized due to change in subsidiary's net asset value was recorded.

Note d: Delta Electronics (H.K.) Ltd. invested \$937,500 in Delta Electronics (Chenzhou) Co., Ltd. Investment loss accounted for under the equity method and adjustment recognized due to change in subsidiary's net asset value was recorded.

Note e: Delta Networks, Inc. (Taiwan) invested \$185,000 in Ayeom Technology Co., Ltd. Investment loss accounted for under the equity method and adjustment recognized due to change in subsidiary's net asset value was recorded.

Note f: DeSolar Co., Ltd. invested \$2,219,620 in DeSolar Holding (Cayman) Ltd. Investment income accounted for under the equity method and adjustment recognized due to change in subsidiary's net asset value was recorded.

Note g: DelSolar Holding (Cayman) Ltd. invested \$2,067,520 in DelSolar (H.K) Ltd. Investment income accounted for under the equity method and adjustment recognized due to change in subsidiary's net asset value was recorded.

Note h: DelSolar (H.K) Ltd. invested \$2,067,520 in Delsolar (Wujiang) Ltd. Investment income accounted for under the equity method and adjustment recognized due to change in subsidiary's net asset value was recorded.

Note i: Delta Electronics Component (Dongguan) Co., Ltd. merged with Delta Electronics (Dongguan) Co., Ltd. on November 19, 2010 and was dissolved.

Note j: The investment loss accounted for under equity method and adjustment recognized due to change in subsidiary's net asset value.

Note k: As the transactions are the Group's investment restructuring, no disposal gain (loss) is incurred in accordance with the related laws and regulations.

(6) Acquisition of real estate in excess of \$100,000 or 20% of capital:

Property acquired by	Property acquired	Date of transaction	Transaction amount	Status of payment	Counterparty	Relationship with the Company	Original owner who sold the property to counterparty	Relationship of the owner with the Company	Date of the original transfer	Amount	Basis or reference used in setting the price	Reason for acquisition of properties and status of the properties	
												R&D	Other commitment
Delta Electronics (Jiangsu) Ltd.	Buildings	2010. 03. 30	\$ 1, 074, 979	Cash	Suzhou Xiongli Mechanical & Electrical Equipment Co., Ltd.	-	-	-	-	\$ -	Obtained quotations to compare and negotiate price	experiment, production and living quarters	None
Delta Electronics Components (Wujiang) Ltd.	"	2010. 03. 26	261, 137	"	Goldsum (Wujiang) Concrete Co., Ltd.	-	-	-	-	-	"	Construction of a new factory	"
Delta Electronics (Wuhu) Co., Ltd.	"	2010. 05. 21 2010. 09. 28	692, 079	"	Jiangsu Nantong Lujian Co., Ltd.	-	-	-	-	-	"	Employees' living quarters	"
Cyntec Electronics (Suzhou) Co., Ltd.	"	2010. 06. 28	874, 463	"	Guangdong No.1 Construction Engineering Co., Ltd.	-	-	-	-	-	"	Construction of a new factory and living quarters	"
Delta Electronics (Chenzhou) Co., Ltd.	"	2010. 11. 26	618, 191	"	China Construction First Building (Group) Co., Ltd.	-	-	-	-	-	"	"	"

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

(8) Related party purchases or sales transactions in excess of \$100,000 or 20% of capital:

The transactions of the Company and its consolidated subsidiaries: Please see Notes 5. 2) (1) and (3)

Name of the counterparty	Name of transaction parties	Relationship	Purchases (sales) (Note a)		Transaction terms			Description of and reasons for difference in transaction terms compared to non-related transactions			Accounts or notes receivable (payable) or notes receivable (payable)	
			Purchase	Amount	Purchases (sales) % of total	Credit terms	Unit price	Credit period	Balance	% of total accounts or notes receivable (payable)		
Delta Electronics International Ltd.	Delta	Affiliated	Purchase	\$ 132,599	0.08	75 days	-	-	-	(\$ 34,633)	0.13	
	Electronics (Japan) Inc.	enterprise										
"	Delta Green (Tianjin) Industries Co., Ltd.	Related party in substance	"	909,441	0.57	"	-	-	-	(190,938)	0.74	
"	Delta Electronics (Thailand) Public Co., Ltd.	Associate	"	190,651	0.11	"	-	-	-	(26,467)	0.10	
"	Delta Electronics (Dongguan) Co., Ltd.	Affiliated enterprise	Sales	9,977,405	5.43	"	-	-	-	2,219,023	6.46	
"	Delta Electronics Power (Dongguan) Co., Ltd.	"	"	19,926,088	10.85	"	-	-	-	5,024,488	14.63	
"	Delta Electronics Components (Dongguan) Co., Ltd.	"	"	1,070,772	0.58	"	-	-	-	-	(Note f)	
"	Delta Electronics (Jiangsu) Ltd.	"	"	20,847,192	11.35	"	-	-	-	2,083,071	6.06	
"	Delta Electronics Components (Wujiang) Ltd.	"	"	3,099,407	1.69	"	-	-	-	362,292	1.05	

Name of the counterparty	Name of transaction parties	Relationship	Purchases (sales) (Note a)			Transaction terms			Description of and reasons for difference in transaction terms compared to non-related party transactions			Accounts or notes receivable (payable)	
			Sales	Amount	% of total Purchases (sales)	Credit terms	Unit price	Credit period	Balance	% of total accounts or notes receivable (payable)			
Delta Electronics International Ltd.	Delta	Affiliated	\$ 4,056,888	\$ 4,056,888	2.21	75 days	-	-	-	\$	352,251	1.03	
"	Electro-Optics (Wujiang) Ltd.	enterprise	"	5,228,701	2.85	"	-	-	-		416,409	1.21	
"	Delta Video Display System (Wujiang) Ltd.	"	"	605,792	0.33	"	-	-	-		193,162	0.56	
"	Delta Electronics (Chenzhou) Co., Ltd.	"	"	361,253	0.20	"	-	-	-		332,643	0.97	
"	Chenzhou Delta Technology Co., Ltd.	"	"	2,290,694	1.25	"	-	-	-		530,766	1.55	
"	Delta Electronics (Wuhu) Co., Ltd.	"	"	232,830	0.13	"	-	-	-		42,163	0.12	
"	Deltronics (Netherlands) B.V.	"	"	1,683,238	0.92	"	-	-	-		633,305	1.84	
"	Delta Electronics (Japan) Inc.	"	"	14,835,934	8.08	"	-	-	-		3,538,487	10.30	
"	DEI Logistics (USA) Corp.	"	"	823,988	0.45	"	-	-	-		180,659	0.53	
"	Delta Products Corporation	Related party in substance	"	313,699	0.17	"	-	-	-		66,670	0.19	
"	Delta Green (Tianjin) Industries Co., Ltd.	"	"	415,389	0.23	"	-	-	-		121,421	0.35	
"	Digital Projection Ltd.	Associate	"	191,712	0.10	"	-	-	-		16,624	0.05	
"	Delta Electronics (Thailand) Public Co., Ltd.	"	"				-	-	-				

Name of the counterparty	Name of transaction parties	Relationship	Purchases (sales) (Note a)			Transaction terms			Description of and reasons for difference in transaction terms compared to non-related party transactions			Accounts or notes receivable (payable) or notes receivable (payable)	
			Delta Electronics International Ltd.	Delta Power Solutions (India) PVT Ltd.	Associate	Amount	% of total Purchases (sales)	Credit terms	Unit price	Credit period	Balance	% of total accounts or notes receivable (payable)	
Delta Electronics International Ltd.	Delta Power Solutions (India) PVT Ltd.	Associate	\$ 228,916	0.12	75 days	-	-	\$	33,256	0.10			
"	Delta India Electronics PVT Ltd.	"	541,966	0.30	"	-	-		100,670	0.29			
"	Delta Energy Systems (Switzerland) AG.	"	190,544	0.10	"	-	-		42,132	0.12			
"	Delta Greentech (Brasil) S.A. (Note g)	"	165,084	0.09	"	-	-		57,432	0.17			
"	Delta Greentech (USA) Corporation	"	131,167	0.07	"	-	-		25,052	0.07			
"	Delta Electronics, Inc.	Ultimate parent company	20,894,126	11.38	"	-	-		4,345,796	12.65			
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics International Ltd.	Affiliated enterprise	746,023	36.49	"	-	-		706,477	36.49			
"	Delta Electronics, Inc.	Ultimate parent company	1,298,658	63.51	"	-	-		1,229,719	63.51			
Delta Electronics Components (Dongguan) Co., Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	Affiliated enterprise	160,837	9.92	"	-	-		-	(Note f)			
"	Delta Electronics International Ltd.	"	1,360,655	83.94	"	-	-		-	(Note f)			

Name of the counterparty	Name of transaction parties	Relationship	Purchases (sales) (Note a)			Transaction terms			Description of and reasons for difference in transaction terms compared to non-related party transactions			Accounts or notes receivable (payable)	
			Sales	Amount	% of total purchases (sales)	Credit terms	Unit price	Credit period	Balance	% of total accounts or notes receivable (payable)			
Delta Electronics Power Co., Ltd.	Delta Electronics International Ltd.	Affiliated enterprise	\$25,517,395	\$25,517,395	96.68	75 days	-	-	\$ 3,869,761	93.97			
"	Delta Networks (Dongguan) Ltd.	"	"	363,795	1.38	"	-	-	100,076	2.43			
Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics International Ltd.	"	"	13,275,682	85.42	"	-	-	2,409,690	79.40			
"	Delta Networks (Dongguan) Ltd.	"	"	321,024	2.07	"	-	-	64,607	2.13			
"	Delta Electronics Power (Dongguan) Co., Ltd.	"	"	336,764	2.17	"	-	-	3,981	0.13			
Delta Networks International Ltd.	Delta Networks (Dongguan) Ltd.	"	"	9,641,745	43.93	"	-	-	2,602,000	44.98			
"	DNI Logistic (USA) Corp.	"	"	2,135,042	9.73	"	-	-	446,169	7.71			
Delta Networks (Dongguan) Ltd.	Delta Networks International Ltd.	"	"	11,045,155	96.58	"	-	-	2,497,789	98.25			
Delta Networks, Inc. (Taiwan)	Delta Networks International Ltd.	"	"	716,012	26.52	"	-	-	172,954	26.02			
Delta Networks International Ltd.	Delta Electronics (Thailand) Public Co., Ltd.	Associate	Purchases	105,218	0.51	"	-	-	(24,019)	0.41			

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) (Note a)	Amount	% of total purchases (sales)	Credit terms	Unit price	Credit period	Balance	% of total accounts or notes receivable (payable)
Delta Electronics (Jiangsu) Ltd.	Delta Electronics International Ltd.	Affiliated enterprise	Sales	\$41,161,979	90.14	75 days	-	-	\$ 1,069,454	32.38
"	Delta Electronics Int'l (Singapore) Pte. Ltd.	"	"	1,426,797	3.12	"	-	-	1,336,121	40.46
"	Delta Greentech (China) Co., Ltd.	Related party in substance	"	1,508,158	3.30	90 days	-	-	543,858	16.47
Delta Electro-Optics (Wujiang) Ltd.	"	"	"	5,696,586	61.36	"	-	-	1,768,035	75.02
"	Delta Electronics Int'l (Singapore) Pte. Ltd.	Affiliated enterprise	"	357,239	3.85	75 days	-	-	334,646	14.20
"	Delta Electronics International Ltd.	"	"	2,588,034	27.88	"	-	-	101,945	4.33
Delta Electronics Components (Wujiang) Ltd.	"	"	"	5,784,298	73.88	"	-	-	506,355	59.73
"	Delta Electronics (Jiangsu) Ltd.	"	"	126,108	1.60	"	-	-	40,160	4.74
Delta Video Display System (Wujiang) Ltd.	Delta Electronics International Ltd.	"	"	5,609,141	73.38	"	-	-	357,821	40.14
"	Delta Greentech (China) Co., Ltd.	Related party in substance	"	394,662	5.16	90 days	-	-	165,664	18.58
Delta Electronics (Wuhu) Co., Ltd.	Delta Electronics International Ltd.	Affiliated enterprise	"	3,414,286	70.00	75 days	-	-	1,501,745	81.65

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) (Note a)	Amount	% of total purchases (sales)	Credit terms	Unit price	Credit period	Balance	% of total accounts or notes receivable (payable)
Delta Electronics (Wuhu) Co., Ltd.	Delta Electronics (Jiangsu) Ltd.	Affiliated enterprise	Sales	\$1,463,587	30.00	75 days	-	-	\$ 337,000	18.32
Wuhu Delta Technology Co., Ltd.	Delta Electronics (Wuhu) Co., Ltd.	"	"	334,084	92.51	"	-	-	93,787	88.83
PreOptix Co., Ltd.	Delta Video Display System (Wujiang) Ltd.	"	"	297,660	47.66	"	-	-	39,641	47.28
PreOptix (Jiang Su) Co., Ltd.	PreOptix Co., Ltd.	"	"	565,169	98.48	"	-	-	110,294	99.71
Delta Electronics (Chenzhou) Co., Ltd.	Delta Electronics International Ltd.	"	"	1,631,686	100.00	"	-	-	994,167	100.00
DelSolar Co., Ltd.	Delta Energy Systems s.r.l. (Italy)	Associate	"	809,845	8.00	70~120 days	(Note b)	(Note b)	495,235	30.00
"	Delta Products Corporation	Related party in substance	"	112,141	1.00	70~120 days	-	-	63,654	4.00
"	DelSolar (Wujiang) Ltd.	Affiliated enterprise	"	101,098	1.00	70 days	-	-	72,570	4.00
DelSolar (Wujiang) Co., Ltd.	DelSolar Co., Ltd.	"	"	3,079,358	65.00	30~70 days	(Note b)	(Note b)	543,204	77.00
Cyntec International Ltd.	Cyntec Co., Ltd.	"	"	409,156	44.20	(Note c)	(Note c)	(Note c)	(Note e)	(Note e)
Cyntec Co., Ltd.	Cyntec International Ltd.	"	"	1,493,653	57.00	(Note d)	(Note d)	(Note d)	75,290	23.00
Cyntec (Suzhou) Co., Ltd.	"	"	"	1,120,560	100.00	(Note c)	(Note c)	(Note c)	125,752	100.00
Cyntec Electronics (Suzhou) Co., Ltd.	"	"	"	1,858,819	96.92	"	"	"	178,021	94.46

Note a: Including the service income in excess of \$100,000.

Note b: The selling price to related parties is equivalent to third parties. The collection terms to third parties are revenue receipt in advance or 15~30 days after acceptance.

Note c: Selling price is based on materials cost plus administration fees and requisite costs. The collection term to related parties is 45~120 days after delivery and to third parties is revenue receipt in advance or 30~120 days after delivery.

Note d: Selling price is based on materials cost plus administration fees and requisite costs. The collection term to related parties is 45~120 days after monthly billings and to third parties is 30~120 days after monthly billings.

Note e: Receivables and payables arising from sales and purchases between Cyntec Co., Ltd. and Cyntec International Ltd. are offset against each other.

Note f: Delta Electronics Component (Dongguan) Co., Ltd. merged with Delta Electronics (Dongguan) Co., Ltd. on November 19, 2010 and was dissolved.

Note g: Formerly Delta Energy Systems (Brazil) S.A.

(9) Receivables from related parties in excess of \$100,000 or 20% capital:

Name of creditor	Transaction parties	Relationship	Balance of receivable from related parties	Turnover rate	Overdue receivable		Subsequent collections (Note)	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics International Ltd.	Affiliated enterprise	\$ 706,477	1.00	\$ -	-	\$ 382,599	\$ -
"	Delta Electronics Inc.	Ultimate parent company	1,229,719	1.00	-	-	846,713	-
Delta Electronics International Ltd.	Delta Electronics (Dongguan) Co., Ltd.	Affiliated enterprise	2,219,023	4.91	2,219,023	Continued collection expected in 2011	1,426,896	-
"	Delta Electronics Power (Dongguan) Co., Ltd.	"	5,024,488	3.57	5,024,488	"	2,504,332	-
"	Delta Electronics (Jiangsu) Ltd.	"	2,083,071	9.01	2,008,713	"	2,083,071	-
"	Delta Electronics Components (Wujiang) Ltd.	"	362,292	7.69	302,583	"	362,292	-
"	Delta Electro-Optics (Wujiang) Ltd.	"	352,251	11.02	352,251	"	352,251	-
"	Delta Video Display System (Wujiang) Ltd.	"	416,409	8.20	416,409	"	416,409	-
"	Delta Electronics (Wuhu) Co., Ltd.	"	530,766	7.71	343,057	"	530,766	-
"	Delta Electronics (Chenzhou) Co., Ltd.	"	193,162	4.78	193,162	"	125,095	-
"	Chenzhou Delta Technology Co., Ltd.	"	332,643	1.00	240,510	"	-	-
"	DEI Logistics (USA) Corp.	"	3,538,487	4.45	-	-	2,335,218	-
"	Delta Electronics (Japan) Inc.	"	633,305	3.28	-	-	420,883	-

Name of creditor	Transaction parties	Relationship	Balance of receivable from related parties		Turnover rate	Overdue receivable		Subsequent collections (Note)	Allowance for doubtful accounts provided
			Amount	Action adopted for overdue accounts		Amount	Continued collection expected in 2011		
Delta Electronics International Ltd.	Digital Projection Ltd.	Associate	\$ 121,421		5.40	\$ 33,389	Continued collection expected in 2011	\$ 71,022	\$ -
"	Delta India Electronics PVT. Ltd.	"	100,670		4.78	-	-	69,902	-
"	Delta Products Corporation	Related party in substance	180,659		4.65	-	-	128,579	-
"	Delta Electronics Inc.	Ultimate parent company	4,345,796		3.66	-	-	383,039	-
Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics International Ltd.	Affiliated enterprise	3,869,761		6.07	-	-	2,067,520	-
"	Delta Networks (Dongguan) Ltd.	"	100,076		3.35	-	-	-	-
Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics International Ltd.	"	2,409,690		5.08	-	-	2,184,033	-
Delta Electronics (Jiangsu) Ltd.	"	"	1,069,454		21.25	-	-	1,069,454	-
"	Delta Electronics Int'l (Singapore) Pte. Ltd.	"	1,336,121		2.01	-	-	784,237	-
"	Delta Greentech (China) Co., Ltd.	Related party in substance	543,858		3.18	-	-	325,460	-
Delta Electronics Components (Wujiang) Ltd.	Delta Electronics International Ltd.	Affiliated enterprise	506,355		12.51	-	-	506,355	-
Delta Electro-Optics (Wujiang) Ltd.	"	"	101,945		16.44	-	-	101,945	-
"	Delta Electronics Int'l (Singapore) Pte. Ltd.	"	334,646		2.01	-	-	211,639	-
"	Delta Greentech (China) Co., Ltd.	Related party in substance	1,768,035		3.66	-	-	1,130,070	-
Delta Video Display System (Wujiang) Ltd.	Delta Electronics International Ltd.	Affiliated enterprise	357,821		14.05	-	-	357,821	-
"	Delta Greentech (China) Co., Ltd.	Related party in substance	165,664		2.70	-	-	118,872	-
Delta Electronics (Wuhu) Co., Ltd.	Delta Electronics (Jiangsu) Ltd.	Affiliated enterprise	337,000		6.17	-	-	222,074	-
"	Delta Electronics International Ltd.	"	1,501,745		4.28	-	-	1,027,518	-

Name of creditor	Transaction parties	Relationship	Balance of receivable from related parties	Turnover rate	Overdue receivable		Subsequent collections (Note)	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
Delta Electronics (Chenzhou) Co., Ltd.	Delta Electronics International Ltd.	Affiliated enterprise	\$ 994,167	3.06	-	-	-	\$ -
Delta Networks International Ltd.	DNI Logistics (USA) Corp.	"	446,169	11.80	-	-	411,174	-
"	Delta Networks (Dongguan) Ltd.	"	2,602,000	8.14	-	-	1,109,094	-
Delta Networks (Dongguan) Ltd.	Delta Networks International Ltd.	"	2,497,789	8.22	-	-	1,459,230	-
Delta Networks, Inc. (Taiwan)	"	"	172,954	6.66	-	-	126,992	-
DeSolar Co., Ltd.	Delta Energy Systems (Italy) s.r.l.	Related party in substance	495,235	3.45	-	-	289,416	-
DeSolar (Wujiang) Ltd.	DeSolar Co., Ltd.	Affiliated enterprise	543,204	11.34	-	-	543,204	-
Cyntec (Suzhou) Co., Ltd.	Cyntec International Ltd.	"	125,752	6.61	-	-	109,877	-
Cyntec Electronics (Suzhou) Co., Ltd.	"	"	178,021	6.81	-	-	178,021	-
PreOptix (Jiang Su) Co., Ltd.	PreOptix Co., Ltd.	"	110,294	4.07	-	-	88,923	-

Note: The amount collected subsequent to December 31, 2010 up to March 2, 2011.

(10) Information on derivative transactions:

The information on derivative transactions of investee companies for the year ended December 31, 2010 are as follows:

- A. Market risk: The investee companies entered into these contracts in order to hedge. Accordingly, no material market risk is expected.
 B. Credit risk: The banks, which the subsidiaries deal with, are all in good credit standing and the subsidiaries 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.
 C. Liquidity risk: Subsidiaries have sufficient working capital; therefore, no material liquidity risk is expected.
 D. Cash flow risk due to changes in interest rate: Subsidiaries did not enter into any derivative contract that is interest rate related; therefore, no material cash flow risk due to changes in interest rate is expected.

The nature and related information of investee companies' outstanding derivative transactions as of December 31, 2010 are summarized as follows:

Derivative transactions	Par value, contract amount or nominal principal (Note)	Contract period
A. Delta Electronics International Ltd. (A subsidiary of DIH)		
Forward foreign currency contracts – Buy USD, sell RMB	USD 526,000	2010.01.07~2011.10.27
Forward foreign currency contracts – Buy JPY, sell USD	USD 5,000	2010.10.15~2011.02.10
Forward foreign currency contracts – Buy EUR, sell USD	EUR 3,300	2010.10.05~2011.03.10
Forward foreign currency contracts – Buy USD, sell EUR	EUR 4,200	2010.09.06~2011.04.27
The net gain recognized on forward foreign currency contracts for the year ended December 31, 2010 amounted to \$197,958 and the unrealized loss recognized on financial instruments under stockholders' equity amounted to \$81,503 as these met all the criteria for hedge accounting.		
B. Delta Electronics (Dongguan) Co., Ltd. (A subsidiary of DHK)		
Forward foreign currency contracts – Sell USD, buy RMB	USD 133,000	2010.01.07~2011.10.25
The net gain recognized on forward foreign currency contracts for the year ended December 31, 2010 amounted to \$18,249 and the unrealized gain recognized on financial instruments under stockholders' equity amounted to \$53,119 as these met all the criteria for hedge accounting.		
C. Delta Electronics Power (Dongguan) Co., Ltd. (A subsidiary of DHK)		
Forward foreign currency contracts – Sell USD, buy RMB	USD 393,000	2010.01.07~2011.10.25
The net gain recognized on forward foreign currency contracts for the year ended December 31, 2010 amounted to \$76,876 and the unrealized gain recognized on financial instruments under stockholders' equity amounted to \$175,098 as these met all the criteria for hedge accounting.		
D. Delta Networks (Dongguan) Ltd. (A subsidiary of DNHK)		
Forward foreign currency contracts – Sell USD, buy RMB	USD 176,000	2010.01.04~2011.12.08
The net gain recognized on forward foreign currency contracts for the year ended December 31, 2010 amounted to \$19,227 and the unrealized gain recognized on financial instruments under stockholders' equity amounted to \$103,475 as these met all the criteria for hedge accounting.		

Derivative transactions	Par value, contract amount or nominal principal (Note)	Contract period
E. Delta Networks International Ltd. (A subsidiary of DNI Cayman)		
Forward foreign currency contracts – sell USD, buy RMB	USD 148,000	2010.01.04~2011.10.11
The net gain recognized on forward foreign currency contracts for the year ended December 31, 2010 amounted to \$22,821 and the unrealized loss recognized on financial instruments under stockholders' equity amounted to \$55,650 as these met all the criteria for hedge accounting.		
F. DeSolar Co., Ltd. (A subsidiary of the Company)		
Forward foreign currency contracts – Buy NTD, sell EUR	EUR 19,300	2010.09.15~2011.04.21
Forward foreign currency contracts – Buy NTD, sell USD	USD 4,000	2010.12.03~2011.01.24
The net gain recognized on forward foreign currency contracts for the year ended December 31, 2010 amounted to \$49,625.		
G. Cyntec Co., Ltd. (A subsidiary of the Company)		
Forward foreign currency contracts – Buy NTD, sell USD	USD 4,000	2010.11.24~2011.03.01
Forward foreign currency contracts – Sell EUR, buy NTD	EUR 160	2010.10.29~2011.02.25
The net loss recognized on forward foreign currency contracts for the year ended December 31, 2010 amounted to \$405.		
H. Cyntec (Suzhou) Co., Ltd. (A subsidiary of CHK)		
Forward foreign currency contracts – Buy JPY, sell USD	USD 1,800	2010.11.12~2011.03.15
The net gain recognized on forward foreign currency contracts for the year ended December 31, 2010 amounted to \$1,383.		
I. Cyntec Electronics (Suzhou) Co., Ltd. (A subsidiary of CHK)		
Forward foreign currency contracts –Buy JPY, sell USD	USD 1,000	2010.12.13~2011.02.15
The net gain recognized on forward foreign currency contracts for the year ended December 31, 2010 amounted to \$918.		

(Note): Unit: Thousands of dollars.

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

Investment income or loss recognized are translated at the average rate for the year ended December 31, 2010, others are translated at the rate of exchange prevailing at the balance sheet date.

(1) Basic information

Name of investee in Mainland China	Main activities of investee	Capital (Notes a and o)	Investment method	Accumulated remittance as of		Remitted or collected this period		Ownership held by Company (direct and indirect)	Investment income (loss) recognized by the Company during the year (Note p)	Ending balance of investment	Investment income (loss) remitted back as of December 31, 2010 (US\$)
				January 1, 2010	December 31, 2010	Remitted out	Collected				
Delta Electronics (Dongguan) Co., Ltd.	Manufacturing of power supplies	\$ 2,848,227 (US\$ 97,810)	Invested by DHK	\$ 1,957,766 (US\$ 67,231)	\$ 1,957,766 (US\$ 67,231)	\$ -	\$ -	94.00%	\$ 600,557 (Note p)	\$ 4,490,941	\$ 281,300 (US\$ 9,660) (Note b)
Delta Greentech (China) Co., Ltd.	Manufacturing and sales of uninterruptible power systems	2,497,496 (RMB\$ 568,000)	Invested by DIH	265,506 (US\$ 9,118)	265,506 (US\$ 9,118)	-	-	11.40%	-	183,866	- (Note c)
Delta Networks (Dongguan) Ltd.	Manufacturing and sales of other radio transmission apparatus incorporating reception apparatus and other radio-broadcast receivers, combined with sound recording or reproducing apparatus	1,019,200 (US\$ 35,000)	Invested by DNHK	1,301,849 (US\$ 44,706)	1,301,849 (US\$ 44,706)	-	-	100.00%	48,665	1,564,614	- (Note d)
Delta Electronics Components (Dongguan) Co., Ltd.	Manufacturing of transformers	(Note b)	Invested by DHK	(Note b)	(Note b)	-	-	94.00%	(182,022)	-	-
Delta Electronics Power (Dongguan) Co., Ltd.	Manufacturing of power supplies	1,225,952 (US\$ 42,100)	"	492,710 (US\$ 16,920)	492,710 (US\$ 16,920)	-	-	94.00%	1,185,366	3,019,602	391,256 (US\$ 13,436) (Note e)
Delta Electronics (Jiangsu) Ltd.	Manufacturing of power supplies	1,164,800 (US\$ 40,000)	"	602,202 (US\$ 20,680)	602,202 (US\$ 20,680)	-	-	51.70%	600,393	1,542,971	-
Delta Electronics Components (Wujiang) Ltd.	Manufacturing of transformers	2,586,147 (US\$ 88,810)	"	602,202 (US\$ 20,680)	602,202 (US\$ 20,680)	-	-	51.70%	205,927	1,666,503	- (Note f)
Delta Electro - Optics (Wujiang) Ltd.	Manufacturing of peripherals and electronic control equipments	844,480 (US\$ 29,000)	"	376,376 (US\$ 12,925)	376,376 (US\$ 12,925)	-	-	51.70%	610,350	1,204,629	51,375 (US\$ 1,764) (Note g)

Name of investee in Mainland China	Main activities of investee	Capital (Notes a and o.)	Investment method	Accumulated remittance as of January 1, 2010	Remitted or collected this period	Accumulated remittance as of December 31, 2010	Ownership held by Company (direct and indirect)	Investment income (loss) recognized by the Company during the year	Ending balance of investment	Investment income (loss) remitted back as of December 31, 2010
		(US\$)		(US\$)	(US\$)	(US\$)		(Note p)		(Note h)
Delta Video Display System (Wujiang) Ltd.	Manufacturing and sales of various projectors	\$ 844,480 (US\$ 29,000)	Invested by DHK	\$ 195,716 (US\$ 6,721)	\$ -	\$ 195,716 (US\$ 6,721)	51.70%	108,580	\$ 662,476	\$ -
Delta Electronics (Shanghai) Co., Ltd.	Product design	6,913,088 (US\$ 237,400)	"	-	-	-	94.00%	44,526	930,038	-
Delta Electronics (Wuhu) Co., Ltd.	Manufacturing of power supplies and transformers	2,446,080 (US\$ 84,000)	"	164,237 (US\$ 5,640)	-	164,237 (US\$ 5,640)	94.00%	194,487	1,983,473	-
Delta Networks (Wujiang) Ltd.	Manufacturing and sales of other radio transmission apparatus, incorporating reception apparatus and other radio-broadcast receivers, combined with sound recording or reproducing apparatus	524,160 (US\$ 18,000)	Invested by DNHK	506,369 (US\$ 17,389)	-	506,369 (US\$ 17,389)	100.00%	-	548,694	-
Delta Networks (Shanghai) Ltd.	Design of computer software	58,240 (US\$ 2,000)	"	82,539 (US\$ 2,834)	-	82,539 (US\$ 2,834)	100.00%	201	63,572	-
Delta Electronics (Chenzhou) Co., Ltd.	Manufacturing of power supplies and transformers	1,834,560 (US\$ 63,000)	Invested by DHK	-	-	-	94.00%	28,034	1,716,789	-
Cyntec (Suzhou) Co., Ltd.	Research, development, manufacturing and sales of new-type electronic components and wholesale, import and export of similar products	1,164,800 (US\$ 40,000)	Invested by CHK	770,584 (US\$ 26,462)	291,200 (US\$10,000)	1,061,784 (US\$ 36,462)	100.00%	9,816	1,263,604	-

Name of investee in Mainland China	Main activities of investee	Capital (Notes a and o)	Investment method	Accumulated remittance as of January 1, 2010	Remitted or collected this period	Accumulated remittance as of December 31, 2010	Ownership held by Company (direct and indirect)	Investment income (loss) recognized by the Company during the year (Note p)	Ending balance of investment	Investment income (loss) remitted back as of December 31, 2010
Cyntec Electronics (Suzhou) Co., Ltd.	Research, development, manufacturing and sales of new-type electronic components (chip components, sensing elements, hybrid integrated circuits) and wholesale, import and export of similar products	\$ 1,077,440 (US\$ 37,000)	Invested by CHK	\$ 1,077,440 (US\$ 37,000)	\$ -	\$ 1,077,440 (US\$ 37,000)	100.00%	(\$ 34,010)	\$ 1,387,013	\$ -
PreOptix (Jiang Su) Co., Ltd.	Manufacturing and sales of lenses and optical engines for projectors	385,840 (US\$ 13,250)	Invested by PHK	152,880 (US\$ 5,250)	218,982 (US\$ 7,520)	371,862 (US\$ 12,770)	94.35%	4,619	372,619	- (Note q)
DelSolar (Wujiang) Ltd.	Manufacturing and sales of solar batteries and related systems	3,494,440 (US\$ 120,000)	Invested by DSHK	1,426,880 (US\$ 49,000)	2,067,520 (US\$ 71,000)	3,494,400 (US\$ 120,000)	59.05%	96,326	2,181,077	-
Delta Green (Tianjin) Industries Co., Ltd.	Manufacturing and sales of transformers and bluetooth module	659,568 (US\$ 22,650)	Invested by DET	58,269 (US\$ 2,001)	-	58,269 (US\$ 2,001)	10.01%	3,310	117,507	(Note u)
Wuhu Delta Technology Co., Ltd.	Manufacturing of power supplies and transformers	65,955 (RMB\$ 15,000)	Invested by DWH	-	-	-	94.00%	(6,976)	55,542	(Note v)
Chenzhou Delta Technology Co., Ltd.	Manufacturing of power supplies and transformers	112,124 (RMB\$ 25,500)	Invested by DCZ	-	-	-	94.00%	(12,649)	93,715	(Note v)

Note a: The capital was translated based on the currencies of capital certified report of the investee companies into New Taiwan Dollars at the average exchange rate of RMB 6.6227 to US\$1 and RMB to 4.397 NT\$1.

Note b: The merger of Delta Electronics (Dongguan) Co., Ltd. and Delta Electronics Components (Dongguan) Co., Ltd. was completed in November, 2010. Delta Electronics (Dongguan) Co., Ltd. was the surviving entity.

Except for the facility of US\$67,231 permitted by Investment Commission, the capitalization of earnings of US\$27,018 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note c: Except for the facility of US\$9,150 permitted by Investment Commission, the capitalization of earnings of US\$980 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note d: Except for the facility of US\$47,056 permitted by Investment Commission, the capitalization of earnings of US\$11,312 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note e: Except for the facility of US\$16,920 permitted by Investment Commission, the capitalization of earnings of US\$22,654 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note f: Except for the facility of US\$20,680 permitted by Investment Commission, the capitalization of earnings of US\$25,235 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note g: Except for the facility of US\$12,925 permitted by Investment Commission, the capitalization of earnings of US\$2,068 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note h: Except for the facility of US\$6,721 permitted by Investment Commission, the capitalization of earnings of US\$8,272 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note i: The capitalization of earnings of US\$28,200 is excluded from the Company's amount of investment in Mainland China.

Note j: Except for the facility of US\$5,640 permitted by Investment Commission, the capitalization of earnings of US\$120,320 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note k: Except for the facility of US\$17,389 permitted by Investment Commission, the capitalization of earnings of US\$10,802 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China. DNW dissolved by a resolution approved during the special shareholders' meeting on January 15, 2010 and was in the process of liquidation effective on the same date.

Note l: Except for the facility of US\$2,834 permitted by Investment Commission, the capitalization of earnings of US\$298 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note m: The capitalization of earnings of US\$59,220 is excluded from the Company's amount of investment in Mainland China.

Note n: Except for the facility of US\$36,462 permitted by Investment Commission, the capitalization of earnings of US\$4,000 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note o: Capital represented the capital certified.

Note p: Except for Delta Greentech (China) Co., Ltd. in which the Company holds less than 20% of the investee company's voting shares and has no significant influence on the investee's operational decisions, the Company recognized investment income/loss through DIH, DNH, PreOptix Co., Ltd. and Cyntec Co., Ltd. based on the audited financial statements.

Note q: Except for the facility of US\$7,520 permitted by Investment Commission, the investment of US\$5,250 by PreOptix Co., Ltd. was permitted by Investment Commission.

Note r: The investment income of US\$10,509 and US\$14,351 were remitted back on June 24, 2009 and December 29, 2005 from the investee companies in Mainland China and was permitted by Investment Commission on July 17, 2009 and January 6, 2006 which are deductible from the Company's accumulated amount remitted out of Taiwan to Mainland China.

Note s: According to "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China, the Company obtained the approval of operation head quarters from Industrial Development Bureau of Ministry of Economic Affairs. There is no ceiling of investment amount.

Note t: Ceiling on investments in Mainland China was computed based on the net assets value of PreOptix Co., Ltd. on December 31, 2010. Such ceiling imposed when the investment amount of US\$5,250 (NT\$162,750) was applied amounting to NT\$152,880

Note u: Except for the facility of US\$2,001 permitted by Investment Commission, the capitalization of earnings of US\$265 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note v: Wuhu Delta Technology Co., Ltd. and Chenzhou Delta Technology Co., Ltd. are the investee companies of the Company's investee companies in Mainland China. According to the regulations of the Investment Commission, the reinvestment of the investee companies in Mainland China is not required to obtain the approval of the Investment Commission; thus the investment amounts in Wuhu Delta Technology Co., Ltd. and Chenzhou Delta Technology Co., Ltd. are excluded from the calculation for the Company's ceiling of investment amount in Mainland China.

<u>Name of investor</u>	Accumulated amount remitted out of Taiwan to Mainland China	Investment amount approved by the Investment Commission	Ceiling of investment amount of the Company
Delta Electronics, Inc.	\$ 6,100,792 (US\$ 209,505) (Note 1)	\$ 6,170,165 (US\$ 211,888) (Note 1)	(Note 5)
PreOptix Co., Ltd.	152,880 (US\$ 5,250)	152,880 (US\$ 5,250) (Note 1)	143,437 (Note 1)
DelSolar Co., Ltd.	3,494,400 (US\$ 120,000)	3,494,400 (US\$ 120,000)	5,857,993 (Note 5)
Cymtec Co., Ltd.	2,139,224 (US\$ 73,462)	2,139,224 (US\$ 73,462)	(Note 5)

(2) The significant direct and indirect transactions of the Company with the investee companies in Mainland China:

The significant transactions directly between the Company and the investee companies for the year ended December 31, 2010 are described in Note 5.

The significant purchases, sales, accounts payable and accounts receivable are directly conducted with DelSolar Co., Ltd through DelSolar (Wujiang) Ltd. and the Company indirectly conducted with investee companies in Mainland China through the DIH's subsidiary, Delta Electronics International Ltd. (DEIL-Lubuan), and DNI Cayman's subsidiary, Delta Networks International Ltd. (DNIL-Labuan) for the year ended December 31, 2010 are shown in Note 11.2)(8).

4) The relationship and significant transactions between the Company and its subsidiaries

For the year ended December 31, 2010:

Number (Note a)	Name of counterparty	Name of transaction parties	Relationship (Note b)	Subject	Amount (Note h)	Transaction terms (Note d)	Percentage of total combined revenue or total assets (Note c)
0	Delta Electronics, Inc.	Delta Electronics International Ltd.	1		5,468,693		3.19
0	"	Delta Electro-Optics (Wujiang) Ltd.	1	"	189,979	"	0.11
0	"	DEI Logistics (USA) Corp.	1	Sales	254,605	"	0.15
1	Delta Electronics International Ltd.	Delta Electronics (Dongguan) Co., Ltd.	3	"	9,977,405	"	5.82
1	"	Delta Electronics Power (Dongguan) Co., Ltd.	3	"	19,926,088	"	11.63
1	"	Delta Electronics Components (Dongguan) Co., Ltd.	3	"	1,070,772	"	0.63
1	"	Delta Electronics (Jiangsu) Ltd.	3	"	20,847,192	"	12.17
1	"	Delta Electronics Components (Wujiang) Ltd.	3	"	3,099,407	"	1.81
1	"	Delta Electro-Optics (Wujiang) Ltd.	3	"	4,056,888	"	2.37
1	"	Delta Video Display System (Wujiang) Ltd.	3	"	5,228,701	"	3.05
1	"	Delta Electronics (Japan) Inc.	3	"	1,683,238	"	0.98
1	"	DEI Logistics (USA) Corp.	3	"	14,835,934	"	8.66
1	"	Chenzhou Delta Technology Co., Ltd.	3	"	361,253	"	0.21
1	"	Delta Electronics (Chenzhou) Co., Ltd.	3	"	605,792	"	0.35
1	"	Delta Electronics (Wuhu) Co., Ltd.	3	"	2,290,694	"	1.34
1	"	Deltronics (Netherlands) B.V.	3	"	232,830	"	0.14
1	"	Delta Electronics, Inc.	2	"	20,894,126	"	12.20
2	Delta Electronics Components (Dongguan) Co., Ltd. (Note i)	Delta Electronics Power (Dongguan) Co., Ltd.	3	"	160,837	"	0.09

Number (Note a)	Name of counterparty	Name of transaction parties	Relationship (Note b)	Subject	Amount (Note h)	Transaction terms (Note d)	Percentage of total combined revenue or total assets (Note c)
2	Delta Electronics Components (Dongguan) Co., Ltd. (Note i)	Delta Electronics International Ltd.	3	Sales	1,360,655	"	0.79
3	Delta Electronics Power (Dongguan) Co., Ltd.	"	3	"	25,517,395	"	14.90
3	"	Delta Networks (Dongguan) Ltd.	3	"	363,795	"	0.21
4	Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics International Ltd.	3	"	13,275,682	"	7.75
4	"	Delta Networks (Dongguan) Ltd.	3	"	321,024	"	0.19
4	"	Delta Electronics Power (Dongguan) Co., Ltd.	3	"	336,764	"	0.20
5	Delta Networks International Ltd.	Delta Networks (Dongguan) Ltd.	3	"	9,641,745	"	5.63
5	"	DNI Logistics (USA) Corp.	3	"	2,135,042	"	1.25
6	Delta Networks (Dongguan) Ltd.	Delta Networks International Ltd.	3	"	11,045,155	"	6.45
7	Delta Networks, Inc. (Taiwan)	"	3	"	716,012	"	0.42
8	PreOptix (Jiang Su) Co., Ltd.	PreOptix Co., Ltd.	3	"	565,169	"	0.33
9	Delta Electronics (Wuhu) Co., Ltd.	Delta Electronics International Ltd.	3	"	3,414,286	"	1.99
9	"	Delta Electronics (Jiangsu) Ltd.	3	"	1,463,587	"	0.85
10	Delta Electro-Optics (Wujiang) Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	"	357,239	"	0.21
10	"	Delta Electronics International Ltd.	3	"	2,588,034	"	1.51
11	Delta Electronics Components (Wujiang) Ltd.	"	3	"	5,784,298	"	3.38
11	"	Delta Electronics (Jiangsu) Ltd.	3	"	126,108	"	0.07
12	Delta Video Display System (Wujiang) Ltd.	Delta Electronics International Ltd.	3	"	5,609,141	"	3.27
13	Cyntec Co., Ltd.	Cyntec International Ltd.	3	"	1,493,653	(Note e)	0.87
14	Cyntec (Suzhou) Co., Ltd.	"	3	"	1,120,560	"	0.65

Number (Note a)	Name of counterparty	Name of transaction parties	Relationship (Note b)	Subject	Amount (Note h)	Transaction terms	Percentage of total combined revenue or total assets (Note c)
				Sales	\$	(Note d)	
15	Cyntec Electronics (Suzhou) Co., Ltd.	Cyntec International Ltd.	3	Sales	1,858,819		1.09
16	Delta Electronics (Chenzhou) Co., Ltd.	Delta Electronics International Ltd.	3	"	1,631,686	"	0.95
17	Cyntec International Ltd.	Cyntec Co., Ltd.	3	"	409,156	(Note e)	0.24
18	PreOptix Co., Ltd.	Delta Video Display System (Wujiang) Ltd.	3	"	297,660	(Note d)	0.17
19	DelSolar (Wujiang) Ltd.	DelSolar Co., Ltd.	3	"	3,079,358	(Note f)	1.80
24	DelSolar Co., Ltd.	DelSolar (Wujiang) Ltd.	3	"	101,098	"	0.00
20	Wuhu Delta Technology Co., Ltd.	Delta Electronics (Wuhu) Co., Ltd.	3	"	334,084	(Note d)	0.20
21	Delta Electronics Int'l (Singapore) Pte. Ltd.	Delta Electronics International Ltd.	3	"	746,023	"	0.44
21	"	Delta Electronics, Inc.	2	"	1,298,658	"	0.76
23	Delta Electronics (Jiangsu) Ltd.	Delta Electronics International Ltd.	3	"	41,161,979	"	24.03
23	"	Delta Electronics Int'l (Singapore) Pte. Ltd.	3	"	1,426,797	"	0.83
0	Delta Electronics, Inc.	Delta Electronics International Ltd.	1	Other receivables	497,675	"	0.31
22	DEI Logistics (USA) Corp.	"	3	"	111,039	"	0.07
0	Delta Electronics, Inc.	"	1	Accounts receivable	556,197	"	0.34
0	"	Delta Electro-Optics (Wujiang) Ltd.	1	"	110,331	"	0.07
1	Delta Electronics International Ltd.	Delta Electronics (Dongguan) Co., Ltd.	3	"	2,219,023	"	1.37
1	"	Delta Electronics Power (Dongguan) Co., Ltd.	3	"	5,024,488	"	3.11
1	"	Delta Electronics (Jiangsu) Ltd.	3	"	2,083,071	"	1.29
1	"	Delta Electro-Optics (Wujiang) Ltd.	3	"	352,251	"	0.22
1	"	Delta Electronics Components (Wujiang) Ltd.	3	"	362,292	"	0.22

Number (Note a)	Name of counterparty	Name of transaction parties		Relationship (Note b)	Subject	Amount (Note h)	Transaction terms (Note d)	Percentage of total combined revenue or total assets (Note c)
1	Delta Electronics International Ltd.	Delta Video Display System Ltd.	Wujiang)	3	Accounts receivable	\$ 416,409	"	0.26
1	"	Chenzhou Delta Technlgy Co., Ltd.		3	"	332,643	"	0.21
1	"	DEI Logistics (USA) Corp.		3	"	3,538,487	"	2.19
1	"	Delta Electronics (Japan) Inc.		3	"	633,305	"	0.39
1	"	Delta Electronics (Wuhu) Co., Ltd.		3	"	530,766	"	0.33
1	"	Delta Electronics (Chenzhou) Co., Ltd.		3	"	193,162	"	0.12
1	"	Delta Electronics, Inc.		2	"	4,345,796	"	2.69
3	Delta Electronics Power (Dongguan) Co., Ltd.	Delta Electronics International Ltd.		3	"	3,869,761	"	2.39
3	"	Delta Networks (Dongguan) Ltd.		3	"	100,076	"	0.06
4	Delta Electronics (Dongguan) Co., Ltd.	Delta Electronics International Ltd.		3	"	2,409,690	"	1.49
23	Delta Electronics (Jiangsu) Ltd.	"		3	"	1,069,454	"	0.66
23	Delta Electronics (Jiangsu) Co., Ltd.	Delta Electronics Int'l (Singapore) Pte. Ltd.		3	"	1,336,121	"	0.83
12	Delta Video Display System (Wujiang) Ltd.	Delta Electronics International Ltd.		3	"	357,821	"	0.22
11	Delta Electronics Components (Wujiang) Ltd.	"		3	"	506,355	"	0.31
10	Delta Electro-Optics (Wujiang) Ltd.	"		3	"	101,945	"	0.06
10	"	Delta Electronics Int'l (Singapore) Pte. Ltd.		3	"	334,646	"	0.21
5	Delta Networks International Ltd.	DNI Logistics (USA) Corp.		3	"	446,169	"	0.28
5	"	Delta Networks (Dongguan) Ltd.		3	"	2,602,000	"	1.61
6	Delta Networks (Dongguan) Ltd.	Delta Networks International Ltd.		3	"	2,497,789	"	1.54
7	Delta Networks, Inc. (Taiwan)	"		3	"	172,954	"	0.11

Number (Note a)	Name of counterparty		Relationship (Note b)	Subject	Amount (Note h)	Transaction terms (Note d)	Percentage of total combined revenue or total assets (Note c)
	Name of counterparty	Name of transaction parties					
9	Delta Electronics (Wuhu) Co., Ltd.	Delta Electronics (Jiangsu) Ltd.	3	Accounts receivable	\$ 337,000	(Note d)	0.21
9	"	Delta Electronics International Ltd.	3	"	1,501,745	"	0.93
21	Delta Electronics Int'l (Singapore) Pte. Ltd.	"	3	"	706,477	"	0.44
21	"	Delta Electronics, Inc.	2	"	1,229,719	"	0.76
14	Cyntec (Suzhou) Co., Ltd.	Cyntec International Ltd.	3	"	125,752	(Note e)	0.08
15	Cyntec Electronics (Suzhou) Co., Ltd.	"	3	"	178,021	"	0.11
16	Delta Electronics (Chenzhou) Co., Ltd.	Delta Electronics International Ltd.	3	"	994,167	"	0.61
19	DeSolar (Wujiang) Ltd.	DeSolar Co., Ltd.	3	"	543,204	(Note f)	0.34
8	PreOptix (Jiang Su) Co., Ltd.	PreOptix Co., Ltd.	3	"	110,294	"	0.07
0	Delta Electronics, Inc.	Delta Networks, Inc. (Taiwan)	1	Leased assets	579,961	(Note g)	0.36
23	Delta Electronics (Jiangsu) Ltd.	DeSolar (Wujiang) Ltd.	3	"	453,918	"	0.28

Note a: The transaction information of the Company and the consolidated subsidiaries should be noted in column "Number". The number means:

1. Number 0 represents the Company.
 2. The consolidated subsidiaries are in order from number 1.
- Note b: The relationships with the transaction parties are as follows:
1. The Company to the consolidated subsidiary.
 2. The consolidated subsidiary to the Company.
 3. The consolidated subsidiary to another consolidated subsidiary.

Note c: Ratios of asset/liability are divided by consolidated total assets, and ratios of gain/loss accounts are divided by consolidated sales revenue.

Note d: There is no similar transaction to compare with. It will follow the agreed price and transaction terms and all the credit terms are 75 days.

Note e: There is no similar transaction to compare with. It will follow the agreed price and transaction terms and all the credit terms are 45~120 days.

Note f: There is no similar transaction to compare with. It will follow the agreed price and transaction terms and all the credit terms are 30~70 days.

Note g: There is no similar transaction to compare with. It will follow the agreed price and transaction terms and charge the rental monthly.

Note h: Only related party transactions in excess of \$100,000 are disclosed.

Note i: Delta Electronics Components (Dongguan) Co., Ltd. merged with Delta Electronics (Dongguan) Co., Ltd. on November 19, 2010 and was dissolved.

For the year ended December 31, 2009:

Number (Note a)	Name of counterparty	Name of transaction parties	Relationship (Note b)	Subject		Amount (Note f)	Transaction terms (Note d)	Percentage of total combined revenue or total assets (Note c)
				Services revenue	\$			
0	Delta Electronics, Inc.	Delta Electronics International Ltd.	1	Services revenue	\$	5, 129, 827		4. 13
0	"	DEI Logistics (USA) Corp.	1	Sales		206, 430	"	0. 17
1	Delta Electronics International Ltd.	Delta Electronics (Dongguan) Co., Ltd.	3	"	"	6, 556, 263	"	5. 28
1	"	Delta Electronics Power (Dongguan) Co., Ltd.	3	"	"	17, 144, 426	"	13. 81
1	"	Delta Electronics Components (Dongguan) Co., Ltd.	3	"	"	2, 879, 016	"	2. 32
1	"	Delta Electronics (Jiangsu) Ltd.	3	"	"	15, 438, 279	"	12. 44
1	"	Delta Electronics Components (Wujiang) Ltd.	3	"	"	3, 113, 164	"	2. 51
1	"	Delta Electro-Optics (Wujiang) Ltd.	3	"	"	2, 067, 944	"	1. 67
1	"	Delta Video Display System (Wujiang) Ltd.	3	"	"	3, 957, 526	"	3. 19
1	"	Delta Electronics (Chenzhou) Co., Ltd.	3	"	"	220, 915	"	0. 18
1	"	Delta Electronics (Wuhu) Co., Ltd.	3	"	"	137, 586	"	0. 11
1	"	Deltronics (Netherlands) B.V.	3	"	"	110, 102	"	0. 09
1	"	Delta Electronics (Japan) Inc.	3	"	"	1, 202, 591	"	0. 97
1	"	DEI Logistics (USA) Corp.	3	"	"	10, 932, 271	"	8. 81
1	"	Delta Electronics, Inc.	2	"	"	19, 338, 871	"	15. 58
2	Delta Electronics Components (Dongguan) Co., Ltd.	Delta Electronics Power (Dongguan) Co., Ltd.	3	"	"	563, 134	"	0. 45
2	"	Delta Electronics International Ltd.	3	"	"	3, 233, 850	"	2. 61
3	Delta Electronics Power (Dongguan) Co., Ltd.	"	3	"	"	21, 844, 004	"	17. 60
3	"	Delta Networks (Dongguan) Ltd.	3	"	"	297, 269	"	0. 24

Number (Note a)	Name of counterparty	Name of transaction parties	Relationship (Note b)	Subject	Amount (Note f)	Transaction terms (Note d)	Percentage of total combined revenue or total assets (Note c)
4	Delta Electronics (Dongguan) Co., Ltd.	Delta Networks (Dongguan) Ltd.	3	Sales	271, 147		0.22
4	"	Delta Electronics International Ltd.	3	"	9, 447, 023	"	7.61
5	Delta Networks International Ltd.	Delta Networks (Dongguan) Ltd.	3	"	7, 632, 363	"	6.15
5	"	DNI Logistics (USA) Corp.	3	"	1, 265, 666	"	1.02
6	Delta Networks (Dongguan) Ltd.	Delta Networks International Ltd.	3	"	8, 857, 556	"	7.14
11	Delta Networks, Inc. (Taiwan)	"	3	"	719, 526	"	0.58
7	Delta Electronics (Jiangsu) Ltd.	Delta Electronics International Ltd.	3	"	27, 263, 572	"	21.97
8	Delta Electro-Optics (Wujiang) Ltd.	"	3	"	1, 848, 821	"	1.49
9	Delta Electronics Components (Wujiang) Ltd.	"	3	"	4, 318, 810	"	3.48
10	Delta Video Display System (Wujiang) Ltd.	"	3	"	3, 810, 653	"	3.07
13	Delta Electronics (Chenzhou) Co., Ltd.	"	3	"	371, 596	"	0.30
12	Delta Electronics (Wuhu) Co., Ltd.	Delta Electronics (Jiangsu) Ltd.	3	"	1, 062, 651	"	0.86
14	ProOptix Co., Ltd.	Delta Video Display System (Wujiang) Ltd.	3	"	199, 670	"	0.16
0	Delta Electronics, Inc.	Delta Electronics International Ltd.	1	Other receivables	692, 640	"	0.52
1	Delta Electronics International Ltd.	Delta Electronics, Inc.	2	"	1, 193, 153	"	0.89
0	Delta Electronics, Inc.	Delta Electronics International Ltd.	1	Accounts receivable	615, 365	"	0.46
1	Delta Electronics International Ltd.	Delta Electronics (Dongguan) Co., Ltd.	3	"	1, 675, 438	"	1.25
1	"	Delta Electronics Power (Dongguan) Co., Ltd.	3	"	5, 779, 603	"	4.32
1	"	Delta Electronics Components (Dongguan) Co., Ltd.	3	"	858, 843	"	0.64
1	"	Delta Electronics (Jiangsu) Ltd.	3	"	2, 395, 696	"	1.79
1	"	Delta Electronics Components (Wujiang) Ltd.	3	"	417, 341	"	0.31

Number (Note a)	Name of counterparty	Name of transaction parties	Relationship (Note b)	Subject	Amount (Note f)	Transaction terms (Note d)	Percentage of total combined revenue or total assets (Note c)
1	Delta Electronics International Ltd.	Delta Electro-Optics (Wujiang) Ltd.	3	Accounts receivable	\$ 358,065		0.27
1	"	Delta Video Display System (Wujiang) Ltd.	3	"	832,614	"	0.62
1	"	Delta Electronics (Japan) Inc.	3	"	343,351	"	0.26
1	"	DEI Logistics (USA) Corp.	3	"	2,856,313	"	2.13
1	"	Delta Electronics, Inc.	2	"	6,776,302	"	5.06
2	Delta Electronics Components (Dongguan) Co., Ltd.	Delta Electronics International Ltd.	3	"	1,021,744	"	0.76
3	Delta Electronics Power (Dongguan) Co., Ltd.	"	3	"	4,487,538	"	3.35
4	Delta Electronics (Dongguan) Co., Ltd.	"	3	"	1,724,157	"	1.29
10	Delta Video Display System (Wujiang) Ltd.	"	3	"	419,825	"	0.31
9	Delta Electronics Components (Wujiang) Ltd.	"	3	"	388,503	"	0.29
8	Delta Electro-Optics (Wujiang) Ltd.	"	3	"	207,169	"	0.15
7	Delta Electronics (Jiangsu) Ltd.	"	3	"	2,747,060	"	2.05
12	Delta Electronics (Wuhu) Co., Ltd.	Delta Electronics (Jiangsu) Ltd.	3	"	257,368	"	0.19
5	Delta Networks International Ltd.	DNI Logistics (USA) Corp.	3	"	277,406	"	0.21
5	"	Delta Networks (Dongguan) Ltd.	3	"	2,137,822	"	1.60
6	Delta Networks (Dongguan) Ltd.	Delta Networks International Ltd.	3	"	2,878,182	"	2.15
11	Delta Networks, Inc. (Taiwan)	"	3	"	257,089	"	0.19
0	Delta Electronics, Inc.	Delta Network, Inc. (Taiwan)	1	Leased assets	590,576	(Note e)	0.44

Note a: The transaction information of the Company and the consolidated subsidiaries should be noted in column "Number". The number means:

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Note c: Ratios of asset/liability are divided by consolidated total assets, and ratios of gain/loss accounts are divided by consolidated sales revenue.

Note d: There is no similar transaction to compare with. It will follow the agreed price and transaction terms and all the credit terms are 75 days.

Note e: There is no similar transaction to compare with. It will follow the agreed price and transaction terms and charge the rental monthly.

Note f: Only related party transactions in excess of \$100,000 are disclosed.

12. SEGMENT FINANCIAL INFORMATION

A. Financial information by industry

The Group operates in one single industry - the electronics industry. Accordingly, no different industry information is presented in 2009 and 2010.

B. Financial information by geographic area

Geographic area information in 2009 and 2010 (including discontinued operations) were as follows:

	2009				Consolidated
	Asia	Others	Domestic	Elimination	
Operating revenues from unaffiliated customers	\$ 83, 671, 956	\$ 11, 993, 803	\$ 29, 845, 056	\$ -	\$ 125, 510, 815
Operating revenues from the Company and its consolidated subsidiaries	114, 712, 716	216, 251	6, 301, 286	(121, 230, 253)	-
Total operating revenues	<u>\$198, 384, 672</u>	<u>\$12, 210, 054</u>	<u>\$ 36, 146, 342</u>	<u>(\$ 121, 230, 253)</u>	<u>\$125, 510, 815</u>
Segment profits	<u>\$ 12, 960, 717</u>	<u>\$ 110, 174</u>	<u>\$ 2, 613, 876</u>	<u>(\$ 238, 418)</u>	<u>\$ 15, 446, 349</u>
Investment income under equity method					728, 112
Gain on disposal of investments					10, 290
General expenses					(2, 533, 214)
Interest expense					(113, 171)
Net income before income tax and minority interest					<u>\$ 13, 538, 366</u>
Identifiable assets	<u>\$ 88, 879, 200</u>	<u>\$16, 648, 058</u>	<u>\$ 28, 988, 260</u>	<u>(\$ 11, 144, 914)</u>	<u>\$123, 370, 604</u>
Long-term investments					10, 542, 463
General assets					-
Total assets	<u>\$ 3, 501, 211</u>	<u>\$ 12, 481</u>	<u>\$ 908, 826</u>	<u>\$ -</u>	<u>\$133, 913, 067</u>
Depreciation					<u>\$ 4, 422, 518</u>
Capital expenditures	<u>\$ 2, 652, 786</u>	<u>\$ 54, 418</u>	<u>\$ 1, 318, 510</u>	<u>(\$ 55, 855)</u>	<u>\$ 3, 969, 859</u>

2010

	Asia	Others	Domestic	Elimination	Consolidated
Operating revenues from unaffiliated customers	\$ 120,787,378	\$ 2,621,284	\$ 47,988,618	\$ -	\$ 171,397,280
Operating revenues from the Company and its consolidated subsidiaries	150,747,117	15,020,011	7,807,883	(173,575,011)	-
Total operating revenues	<u>\$ 271,534,495</u>	<u>\$ 17,641,295</u>	<u>\$ 55,796,501</u>	<u>(\$ 173,575,011)</u>	<u>\$ 171,397,280</u>
Segment profits	<u>\$ 16,563,012</u>	<u>(\$ 13,617)</u>	<u>\$ 5,861,835</u>	<u>(\$ 629,496)</u>	<u>\$ 21,781,734</u>
Investment income under equity method					871,212
Gain on disposal of investments					101,476
General expenses					(2,333,593)
Interest expense					(218,777)
Net income before income tax and minority interest					<u>\$ 20,202,052</u>
Identifiable assets	<u>\$ 97,649,585</u>	<u>\$ 17,754,006</u>	<u>\$ 38,970,422</u>	<u>(\$ 3,176,115)</u>	<u>\$ 151,197,898</u>
Long-term investments					10,540,576
General assets					-
Total assets	<u>\$ 3,073,754</u>	<u>\$ 13,065</u>	<u>\$ 1,442,298</u>	<u>\$ -</u>	<u>\$ 4,529,117</u>
Depreciation					<u>\$ 4,494,152</u>
Capital expenditures					<u>\$ 4,364,167</u>
					<u>\$ 8,859,751</u>

C. Information about export sales

The export sales of the Group in 2009 and 2010 were as follows:

<u>Destination</u>	<u>2009</u>	<u>2010</u>
Southeast Asia	\$ 73,910,190	\$ 86,761,047
Europe	17,682,292	34,459,075
U.S.A.	15,960,546	26,962,550
Northeast Asia	3,757,108	5,450,410
Americas	1,810,771	1,990,766
Others	<u>2,490,963</u>	<u>4,836,350</u>
	<u>\$ 115,611,870</u>	<u>\$ 160,460,198</u>

D. Major customer information

There are no customers accounting for more than 10% of the Group's operating revenues for the years ended December 31, 2009 and 2010.