



2004 Annual Report

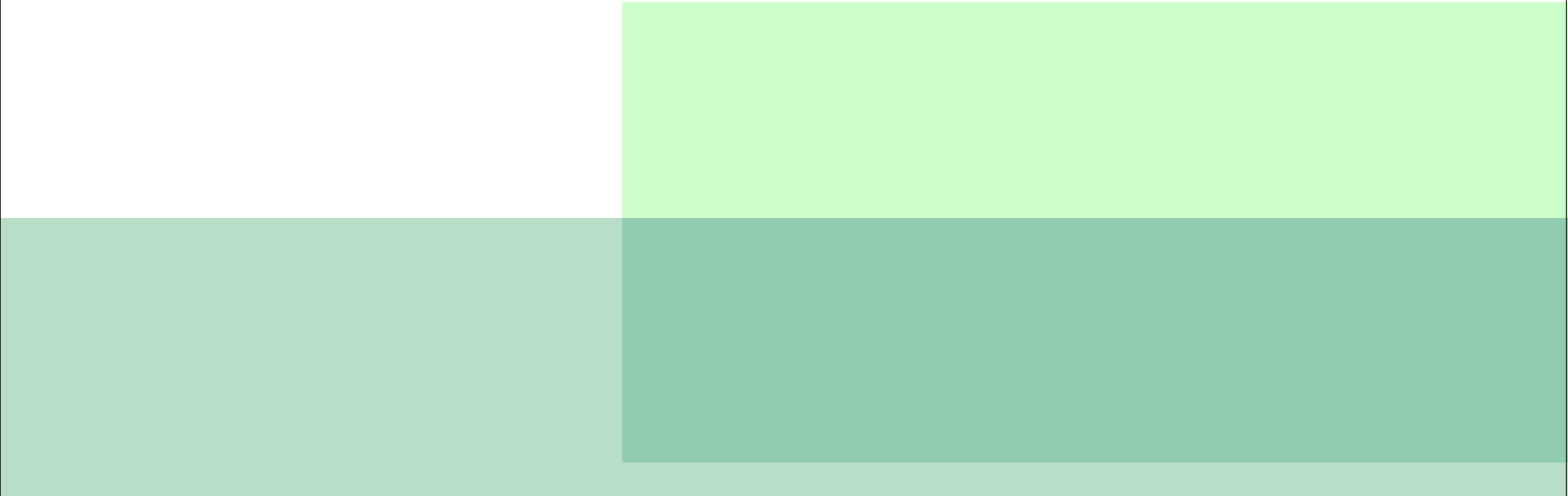
DELTA ELECTRONICS, INC.





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A LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

I am pleased to report that Delta made excellent progress in 2004, both in reaching business targets and in enhancing overall competitiveness. A brief summary of our achievements follows:

Strong and Focused Growth

Delta earned revenues of NT\$ 56.5 billion with a gross margin of NT\$ 12.3 billion and net income after tax of NT\$ 6.7 billion on a consolidated basis. EPS for the year 2004 was NT\$ 4.20, a 19% increase from NT\$ 3.52 over the previous year. Our major businesses experienced strong and focused growth. In power supplies, we increased market share with new products and a stronger, more effective organization. For visual displays, we concentrated on DLP rear projection TV development and delivered volume orders to major customers. In components, we made breakthroughs in optical communications, optical engines and optical components, and began mass production of new products such as LCD backlights and CCFLs. For our electromechanical business, we launched new products such as servo motor drives and human-machine interfaces. In all of our major businesses Delta is looking toward solid future growth.

Recognized by the Best

Delta's management team strives to be the best in terms of innovative, high value-added products, and delivering best value to our customers. In 2004 we were recognized and honored with numerous awards from our satisfied customers, who are among the world's most renowned companies. We are delighted with each award, but we are especially pleased that Delta was honored as Supplier of the Year by both Microsoft and Cisco from among their many thousands of suppliers. Receiving even one of these awards is quite an accomplishment and we take this as the best recognition for our efforts last year.

The Environment and Energy

A recent study by 1,300 experts from 95 countries called the Millennium Ecosystem Assessment revealed that 60 percent of the ecosystems that support life on earth are being used unsustainably and will seriously affect human progress and well-being. We must address this issue with particular urgency before it is too late. As a world leader in power management solutions, Delta has a unique perspective on the importance of our natural resources. We recognize that we have a special responsibility for preserving the earth's



Delta continues to increase the efficiency of our power supply products and the energy-saving features of our visual displays, ballasts, AC motor drives, renewable energy inverters, fuel cell components and many more. In manufacturing, Delta has implemented green, lead-free production and recycling and waste management programs for many years, and we are a certified Sony Green partner. Environmental and energy issues are not only a major focus of our product development and manufacturing; they have also become a part of our daily lives. For example, to reduce Delta's energy consumption we have solar panels on the roof of our headquarters to generate electricity, and solar heating systems and recycling systems for burn-in processes at our production facilities. We are also actively pursuing green building structures for the construction of our new design centers in Taiwan and Shanghai. In 2004 Delta furthered environmental efforts by forming a joint venture with ITRI to aggressively enter the solar cell business and contribute to the development of alternative energies.

The Pursuit of Excellence

Delta is strengthening our core advantages and constantly developing new products and markets. Our focus this year is to accelerate product development, increase organizational effectiveness, and integrate resources. We continue to maintain our uncompromising quality standards and enhance production flexibility and efficiency. In addition to our strong mass production capabilities, Delta is actively developing flexible manufacturing to produce custom quantities for special customer requests. This will guarantee Delta's long-term competitiveness and growth in the global marketplace.

A Word of Thanks

I wish to thank the board, all shareholders, customers, suppliers, and employees for their support and contribution to Delta's success. We set aggressive targets for 2005 and I believe, with the dedicated effort of our talented employees, we shall achieve our goals and report back to you with satisfactory results again next year.

A handwritten signature in black ink that reads 'Bruce Cheng'.

Chairman
Chief Environmental Officer

Power Management

Delta's power management products consist of computer-related power, telecom power, DC/DC power, uninterruptible power systems (UPS), and lighting power product lines. Computer-related power products include power supplies for server, desktop PC, notebook, PC peripherals, consumer products, and game consoles. We have maintained leading positions in various market segments for switching power supplies in 2004, partly due to our long-term commitment to R&D development and also thanks to strengthening relationships by providing better services to OEM customers. Together with lighting power products, Delta's computer-related power recorded a solid 26% sales growth in 2004. With an ever stronger market presence and new product offerings, such as LCD TV power and plasma TV power, we expect to see healthy expansion in the coming year.

For telecom power, Delta provides highly reliable, economical and high-density products for the telecommunications industry. Our telecom power systems are widely used in wireless and fixed line environments and are applicable to Network Equipment, xDSL, Broadband Wireless (WLL and LMDS), Cellular/PCS, and Fiber applications, employing state-of-the-art designs to ensure high reliability and performance. All of Delta's telecom power systems pass stringent quality reliability testing. Delta's Total Quality Control and Statistical Process Control Programs ensure continuous quality improvement. Though the year of 2004 was slow for the overall telecom power market, the outlook is positive as requirements for communication quality and speed continue to rise while investments in

infrastructure in many developing countries remain a critical national strategy. Delta will continue to strive for winning higher market share and penetrating into new markets.



Bulk DC Power Plants



Server / Workstation Power Supplies



Telecom power Systems

Delta's UPSs provide uninterrupted and reliable protection against power disturbances. Available in rack-mount, tower and slim types, Delta's UPSs include Off-Line, Line-Interactive and On-Line topology ranging from 250VA to 150KVA. Advanced features like PFC, galvanic isolation, battery replacement, lightning and surge protection (RJ-45) for the Ethernet card are integrated into the units. Delta UPSs also come with built-in CPU control, self-diagnosis and RS-232C/dry contact/AS-400 communication ports. In addition, Delta has developed UP Sentry power management software to provide customers with optimized protection. All units are UL/cUL and TUV/CE approved.

In the AC/DC power supplies and OEM DC/DC converter sectors, Delta continues to win significant projects from our key customers. We also received a second supplier of the year award from a major game console vendor for our excellent support in 2004 after winning it in 2003. By applying our innovative R&D achievements into our designs, we shall maintain our competitive edge and continue to grow this business in 2005.



Networking Power Supplies



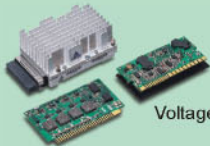
Desktop Power Supplies



TFT-LCD / PDP TV Power Supplies



Energy-Saving Ballasts



Voltage Regulation Modules



DC/DC Converters



AC / DC Adapters



Uninterruptible Power Systems (UPS)



Visual Displays



DLP Video Walls

Delta continues to pioneer in the development of visual displays based on microdisplay technologies. Since 1997, Delta has accumulated considerable expertise in building video display products. We provide total solutions for our customers' visual display needs, including optical engines, digital electronics, graphics and video processing, and system configurations.



Front Projectors



Large Venue



TFT-LCD TVs

Whether providing the image for an HDTV set or for a home theater projector, microdisplay optical engines offer many benefits to the consumer. These benefits include a non-flickering high-resolution picture, low energy consumption, no harmful UV light emissions, and a display that is lightweight and slim. But most of all, microdisplay technologies deliver exceptional image quality and value compared with competing technologies.

Besides microdisplay HDTVs, Delta provides a wide range of visual displays for a variety of applications. Delta offers compact home theater projectors for home entertainment, high performance front projectors for the business presentation market, and high brightness projection cubes for large area video walls used in control rooms and public information systems. Delta has also developed large venue projectors with ultra-high brightness of up to 5,000 lumens for use in auditoriums and exhibition halls.

Delta strives to develop visual display technologies that meet people's ever expanding visual needs. From high definition TVs, to large screen home theaters, to business presentation projectors, to 2-way video wall conferencing systems, Delta delivers innovative, high performance, and cost effective visual display solutions.



DLP TVs

Components

Delta manufactures components products for a broad range of applications in markets such as information technology, home appliances, consumer electronics, telecommunications, and automobile electronics. With the relentless pursuit of product innovation, manufacturing efficiency, reliable quality, and customer satisfaction, the Delta components business is increasingly competitive and sustaining a superior position in these markets.

Originally founded as a manufacturer of magnetic components, Delta has established itself as a primary source for the world's magnetic components used in a range of applications, from home appliances to telecommunications.

Our fan business offers a series of cooling fans for electronic devices, and we continue to improve thermal dissipating efficiency and noise reduction. Our DC brushless motor products are used in CD/DVD/RW-ROM drives, color wheels for projectors, and many other applications. Delta's thermal management products provide solutions for desktop computers, servers, game consoles, household appliances and VGA cards. Using computer simulation and computational fluid dynamics, Delta coolers provide superior performance for many diverse applications.

Delta's fiber optic transceiver modules consist of bi-directional products for fiber-to-the-home (FTTH) applications, small form factor pluggable (SFP), small form factor (SFF), Gigabit Interface Converters (GBIC) and XFP. Broad data rates of 100 / 125 / 155 / 622 Mbps, 1.062/1.25Gbps, 2.125/2.488Gbps, 4Gbps and 10Gbps make our products suitable for various applications such as Fiber Channel, FDDI, Gigabit Ethernet Hub/Switching, ATM, SDH/SONET OC-3, OC-12, OC-48, and OC-192.

Delta provides optical components such as color sequential wheels, light integrators, and prisms for Digital Light Processor (DLP) projection TVs. We have become one of the leading color wheel suppliers in the world. (DLP is a trade market of Texas Instruments Corp.)



DC Brushless Fans

Solenoids & Magnetics

Optical Components & Modules for DLP Solutions

Fiber Optical Transceivers

Thermal Management Products

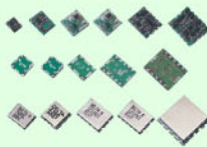
EMI Filters



Stepping Motors & Spindle Motors



RF / Microwave Components



Networking Components



CCFLs for LCD Displays



Delta's cold cathode fluorescent lamps (CCFL) and inverters provide the light source for LCDs. CCFLs include straight lamp, L lamp and U lamp types. With stable color and brightness control, outstanding reliability, high efficiency and long life performance, Delta CCFLs provide LCD backlighting for 12" to 40" monitors and TVs. Delta's DC/AC inverters are low noise, high frequency tube triggers that are used primarily for driving the backlight for the LCD displays of notebooks, sub-notebooks, LCD monitors and TVs. Combining CCFLs and DC/AC inverters, the Delta components group offers complete LCD backlight solutions.

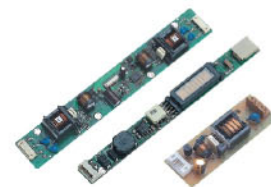
Delta's components research has successfully developed many products for use in personal computers, automobiles, wireless and optical communications, LCD monitors and televisions, projectors, and projection TVs. These products include highly efficient pulse width modulation (PWM) speed control fans and motors that are extremely quiet, heat dissipation modules, SMT power inductors, small VCTCXO (voltage controlled temperature compensated crystal oscillator) for mobile, voltage controlled oscillators (VCO) for wide area networks (WAN) and LAN, quad-band GSM/GPRS closed loop control power amplifier modules, LCD TV CCFL backlights with inverter modules, color wheels, integrator rods and TIR prisms for DLP optical engines.

Delta's components business has contributed more than 23% to Delta's consolidated sales in 2004. During the year, our magnetic products and fans continued to represent a significant portion of Delta's components business.

Among the hundreds of Delta component products, thermal management products have become the most significant in revenue and profit contribution. Flourishing demand for thermal management products is directly related to the increasing number of transistors in IC chips. Heat sink applications have extended from CPU to GPU; hence, the requirements for higher air pressure, higher airflow and lower noise levels have increased with chipset density and environmental regulations. In the past, the leading thermal management product manufacturers were mostly Japan-based; however, with persistent effort, Delta has become the third largest manufacturer in the world. Market share has improved from 7% in 2001 to over 12% in 2004.

The FTTH market in Japan grew dramatically in 2004, accumulating more than 894,000 subscribers by year's end. As a result, Delta became the world's largest FTTH bi-directional transceiver manufacturer. Delta remains one of the world's top three manufacturers of electromagnetic interference (EMI) filters.

We anticipate a healthy growth path for the future. Delta's component products are sold worldwide, with Asia as our biggest market, followed by North America and Europe. Electronics components in all industries represent potential markets for Delta. We continue to introduce new products and improve existing products to ensure our company's leading position in components. ■

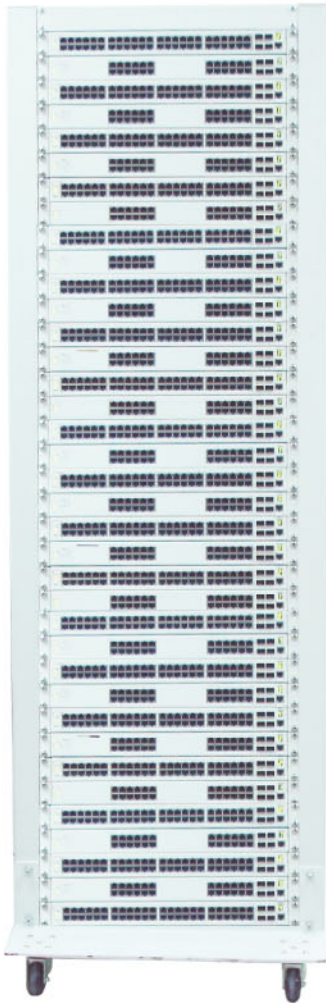


DC-AC Backlight Inverters

Networking

Delta Networks continued to deliver the best ODM total solutions for networking outsourcing opportunities in 2004. Our aspiration is to provide our clients with cost-effective products that are outstanding in quality and reliability. Leveraging our superior engineering and service capabilities, we help our clients satisfy the market's demand for diverse networking products.

With over 300 engineers, Delta Networks has developed a rich product portfolio in categories that include LAN Stackable Switches, Internet Telephony, and Wireless LAN. In addition, a close-knit network of regional sales offices and service centers let us work closely with our clients to better meet their needs. In 2004, we developed a series of advanced new products, including: Gigabit Layer 3 Management Switches using the most advanced chip set solution on the market, a 10 Gigabit Link Aggregator for commercial release, a full line of PoE (Power over Ethernet) enabled Management Switches, a VoIP Gateway with Video image capability, and more.



L2 / L3 Stackable Switches



Chassis Switches Systems



Gigabit Ethernet Solutions

Managed / Unmanaged Switches with PoE Options

On the customer front, Delta has diversified its customer base and penetrated into top-tier multinational networking equipment clients, shifting further toward value-added products. The transformation process required tremendous effort, sacrificing sales growth somewhat in 2004 (5% YoY), but the result is much improved profit margins through product differentiation.

Quality remains our top organizational initiative and Delta continues to invest significant resources in internal quality assurance enhancement while rigorously scrutinizing products through comprehensive testing before mass production. Delta's uncompromising quality control efforts ensure that every product bound for market from the factory is nothing less than optimum. Along with our innovative product design, we expect to see a stronger sales expansion and profitability in the coming year for our networking products.



ADSL / VDSL / VoIP Solutions



24 Ports Server Blades



AP / Wireless Router with PoE Solutions



Powerline Adapters



Wireless Client Adapters



Wireless USB Solutions

Industrial Automation

Delta's industrial automation business recorded a historic high in 2004 with sales of NTD 2.93 billion, reflecting growth of 53%. Delta's strength in power electronics and extensive knowledge in control technology has made us a leader in the industrial automation marketplace. Beginning with the design and manufacture of variable speed AC motor drives in 1995, Delta's industrial automation business is now organized according to three major product categories: drives, motion and control.

The drive section is our largest operating unit with 90% of the total industrial automation business sales and approximately 100 R&D employees at the end of 2004. With a leading position in Taiwan and as the fifth largest player in China, we provide AC motor drive products with high quality, high efficiency and energy conservation. In addition to traditional factory automation applications, we go a step further by building automation applications such as HVAC and elevators, which are the largest market segments in the China market. We are also developing brushless DC motor drives for home appliance applications, which play an increasingly important role in the electronic motor drive market.



AC Motor Drives



AC Servo Drives & Motors



Temperature Controllers



Encoders



RS-485 / RS-422
Communication Modules



HMI

Motion section products include AC servo drives and motors, which were launched in the first quarter of 2004. Servo drives and motors provide high-speed and high-precision positioning operations for industrial automation machines. Delta's new servo drives and motors offer innovative robust control technology and high resolution encoders for high-speed and high-response performance without having to set and tune complicated parameters. The motion section contributed 4% to Delta's industrial automation sales but is expected to gain substantial business in the near future.

The control section offers three products: programmable logic controllers (PLCs), temperature controllers, and human machine interfaces (HMIs). Delta offers high-performance, high-speed mini-PLCs with communication capabilities, which are the most efficient instruments in the industry and sell for reasonable prices. We also provide temperature controllers in a variety of DIN sizes and feature auto-tuning and stable control with 0.3% accuracy. Our new Human Machine Interface (HMI) products offer fast and convenient control of manufacturing automation through a user-friendly graphical interface. The control section accounted for about 6% of Delta's industrial automation sales at the end of 2004.

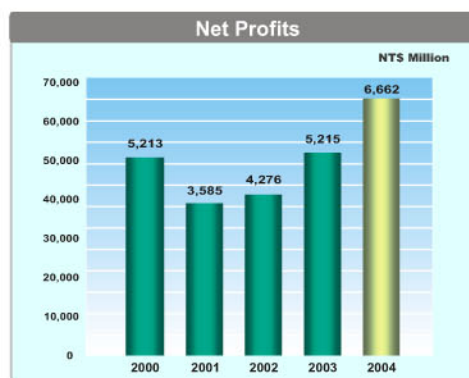
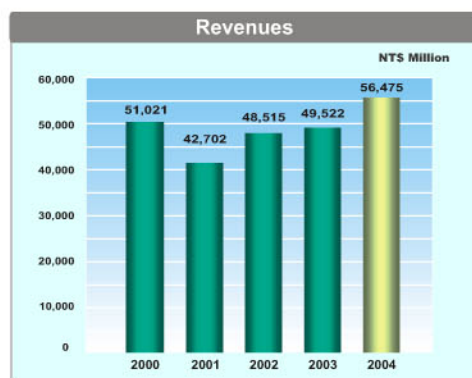
Delta holds its leading position in the AC motor drive market by striving for a core competence in ongoing product and technology development, flexible manufacturing systems, and a global technical and service support network. We continue to drive our quality and delivery program throughout the organization, resulting in productivity and cost improvements. In addition, we have established a major effort in component sourcing, product development and production capabilities in China to take advantage of cost reduction opportunities and the local expertise in power electronics. These actions are positioning Delta for profitable growth in the competitive industrial automation field.



Programmable Logic Controllers

Consolidated Financial Highlights

	Revenues	Net Profits	Return on Stockholders' Equity	Earnings Per Share
2000	51,021	5,213	23.0%	5.46
2001	42,702	3,585	13.6%	3.01
2002	48,515	4,276	14.8%	3.08
2003	49,522	5,215	16.9%	3.52
2004	56,475	6,662	20.6%	4.20





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Report of Independent Accountants

To Delta Electronics, Inc.

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

We conducted our audits in accordance with the "Rules Governing Examinations of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards and rules require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the



accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statements presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

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

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

A handwritten signature in black ink that reads "Price Waterhouse Coopers". The signature is written in a cursive, flowing style.

February 3, 2005

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

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

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

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

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

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

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

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

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

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

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

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

	<u>Common stock</u>
<u>2002</u>	
Balance at January 1, 2002	\$ 11,894,600
Distribution of 2001 earnings:	
Appropriation for legal reserve	-
Directors' and supervisors' remuneration	-
Employees' bonus	200,000
Issuance of stock dividends	1,784,190
Cash dividends	-
Adjustments due to change in long-term investment ownership percentage	-
Unrealized loss on market value decline of long-term investments	-
Cumulative translation adjustments on foreign long-term investments	-
Net income for the year	-
Balance at December 31, 2002	<u>13,878,790</u>
<u>2003</u>	
Distribution of 2002 earnings:	
Appropriation for legal reserve	-
Directors' and supervisors' remuneration	-
Employees' bonus	230,000
Issuance of stock dividends	693,940
Cash dividends	-
Adjustments due to change in long-term investment ownership percentage	-
Proportional adjustment on investees' unrealized loss on market value decline of long-term investments	-
Cumulative translation adjustments on foreign long-term investments	-
Net income for the year	-
Balance at December 31, 2003	<u>\$ 14,802,730</u>

Capital reserve	Retained Earnings		Unrealized loss on market value decline of long-term investments	Cumulative translation adjustments	Total
	Legal reserve	Undistributed earnings			
\$ 6,836,540	\$ 1,933,743	\$ 4,513,860	(\$ 67,380)	\$ 2,451,993	\$ 27,563,356
-	354,793	(354,793)	-	-	-
-	-	(2,100)	-	-	(2,100)
-	-	(200,000)	-	-	-
-	-	(1,784,190)	-	-	-
-	-	(1,486,825)	-	-	(1,486,825)
-	-	(22,748)	-	-	(22,748)
-	-	-	(28,847)	-	(28,847)
-	-	-	-	(164,425)	(164,425)
-	-	4,275,671	-	-	4,275,671
<u>6,836,540</u>	<u>2,288,536</u>	<u>4,938,875</u>	<u>(96,227)</u>	<u>2,287,568</u>	<u>30,134,082</u>
-	427,568	(427,568)	-	-	-
-	-	(2,100)	-	-	(2,100)
-	-	(230,000)	-	-	-
-	-	(693,940)	-	-	-
-	-	(2,775,758)	-	-	(2,775,758)
-	-	(82,516)	-	-	(82,516)
-	-	-	93,537	-	93,537
-	-	-	-	(901,116)	(901,116)
-	-	5,215,373	-	-	5,215,373
<u>\$ 6,836,540</u>	<u>\$ 2,716,104</u>	<u>\$ 5,942,366</u>	<u>(\$ 2,690)</u>	<u>\$ 1,386,452</u>	<u>\$ 31,681,502</u>

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

	<u>Common stock</u>
<u>2004</u>	
Balance at January 1, 2004	\$ 14,802,730
Distribution of 2003 earnings:	
Appropriation for legal reserve	-
Directors' and supervisors' remuneration	-
Employees' bonus	312,734
Issuance of stock dividends	740,136
Cash dividends	-
Shares issued for conversion of convertible bonds	4,120
Adjustments due to change in long-term investment ownership percentage	-
Proportional adjustment on investees' adjustment for change in long-term investment ownership percentage	-
Proportional adjustment on investees' unrealized loss on market value decline of long-term investments	-
Cumulative translation adjustments on foreign long-term investments	-
Net income for the year	-
Balance at December 31, 2004	<u>\$ 15,859,720</u>
<u>2004 US Dollars (Unaudited - Note 2)</u>	
Balance at January 1, 2004	\$ 465,714
Distribution of 2003 earnings:	
Appropriation for legal reserve	-
Directors' and supervisors' remuneration	-
Employees' bonus	9,839
Issuance of stock dividends	23,286
Cash dividends	-
Shares issued for conversion of convertible bonds	130
Adjustments due to change in long-term investment ownership percentage	-
Proportional adjustment on investees' adjustment for change in long-term investment ownership percentage	-
Proportional adjustment on investees' unrealized loss on market value decline of long-term investments	-
Cumulative translation adjustments on foreign long-term investments	-
Net income for the year	-
Balance at December 31, 2004	<u>\$ 498,969</u>

Capital reserve	Retained Earnings		Unrealized loss on market value decline of long-term investments	Cumulative translation adjustments	Total
	Legal reserve	Undistributed earnings			
\$ 6,836,540	\$ 2,716,104	\$ 5,942,366	(\$ 2,690)	\$ 1,386,452	\$ 31,681,502
-	521,537	(521,537)	-	-	-
-	-	(13,000)	-	-	(13,000)
-	-	(312,734)	-	-	-
-	-	(740,136)	-	-	-
-	-	(3,330,613)	-	-	(3,330,613)
16,490	-	-	-	-	20,610
-	-	(44,748)	-	-	(44,748)
-	-	(20,783)	-	-	(20,783)
-	-	-	(277)	-	(277)
-	-	-	-	(1,830,596)	(1,830,596)
-	-	6,661,698	-	-	6,661,698
<u>\$ 6,853,030</u>	<u>\$ 3,237,641</u>	<u>\$ 7,620,513</u>	<u>(\$ 2,967)</u>	<u>(\$ 444,144)</u>	<u>\$ 33,123,793</u>
\$ 215,087	\$ 85,452	\$ 186,955	(\$ 84)	\$ 43,620	\$ 996,744
-	16,408	(16,408)	-	-	-
-	-	(409)	-	-	(409)
-	-	(9,839)	-	-	-
-	-	(23,286)	-	-	-
-	-	(104,786)	-	-	(104,786)
518	-	-	-	-	648
-	-	(1,408)	-	-	(1,408)
-	-	(653)	-	-	(653)
-	-	-	(9)	-	(9)
-	-	-	-	(57,593)	(57,593)
-	-	209,586	-	-	209,586
<u>\$ 215,605</u>	<u>\$ 101,860</u>	<u>\$ 239,752</u>	<u>(\$ 93)</u>	<u>(\$ 13,973)</u>	<u>\$ 1,042,120</u>

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

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

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

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

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

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

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

1. HISTORY AND ORGANIZATION

1) Delta Electronics, Inc.

The Company was incorporated in April 1971 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. The total outstanding capital was \$14,802,730 as of December 31, 2003. The main activities of the Company are installation of electronic control systems and developing, designing, manufacturing and selling of communication products and components, computer information system and power supply. The total number of employees of the company were 3,238 as of December 31, 2003.

2) Consolidated subsidiaries

Name of company	Relationship	Main activities	% of shares held		
			As of December 31,		
			2003	2002	2004
Delta International Holding Ltd. (DIH)	Note A	Equity investment	94.00%	94.00%	94.00%
Delta Electronics (H.K) Ltd. (DHK)	Note B	Operations management and engineering services	94.00%	94.00%	94.00%
Delta Electronics Agent Ltd. (DAL)	Note B	Operations management and engineering services	94.00%	94.00%	94.00%
Delta Electronics International Ltd. (DEIL)	Note B	Sales of electronic products	94.00%	94.00%	94.00%
Delta Electronics Trading Ltd. (DTL)	Note B	Sales of electronics product	94.00%	94.00%	94.00%
Delta Power Sharp Ltd. (DPS)	Note B	Operations management and engineering services	94.00%	94.00%	94.00%
DEI Logistics (USA) Corp.	Note B	Warehousing and logistics services	94.00%	94.00%	94.00%
Delta Electronics (Japan) Inc. (DEJ) (ALI)	Note B	Operating and sales of electronic products	94.00%	94.00%	94.00%
Addtron Technology (Japan) Co., Ltd. (AT Japen)	Note C	Trading and import/export of networking system and peripherals	94.00%	94.00%	94.00%

Name of company	Relationship	Main activities	% of shares held		
			As of December 31,		
			2003	2002	2004
Delta Electronics (Korea) Inc. (Delta Korea)	Note C	Operating and sales of electronic products	-	-	94.00%
Delta Electronics (Dong Guan) Co., Ltd. (DDG)	Note B	Manufacturing and sales of various power supplies	94.00%	94.00%	94.00%
Delta Electronics Components (Dong Guan) Co., Ltd. (DEC)	Note B	Manufacturing and sales of transformer	94.00%	94.00%	94.00%
Delta Electronics Power (Dong Guan) Co., Ltd. (DEP)	Note B	Manufacturing and sales of power supplies	94.00%	94.00%	94.00%
Delta Electronics (Shanghai) Co., Ltd.	Note B	Design the figure of the product	-	-	94.00%
Deltec Co., Ltd.	Note B	Import/export of computer and electrical equipment and its components	93.77%	94.00%	-
Delta Electronics (Jiang Su) Co., Ltd.	Note B	Manufacturing and sales of various power supplies	51.70%	51.70%	51.70%
Delta Electronics Components (Wu Jiang) Co., Ltd.	Note B	Manufacturing and sales of transformer and peripherals	51.70%	51.70%	51.70%
Delta Electro-optics (Wu Jiang) Ltd.)	Note B	Manufacturing and sales of peripherals and electronic control equipment	51.70%	51.70%	51.70%
Delta Video Display System (Wu Jiang) Co., Ltd.	Note B	Manufacturing and sales of various monitors	51.70%	51.70%	51.70%

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

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

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

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

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

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

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

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

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

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

3) Changes of consolidated subsidiaries

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

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

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

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

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

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

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

Note F: As consolidated entities should not be changed due to group restructuring, Pyramis was included in the consolidated entities in 2004 in order to consolidate Pyramis US which was consolidated through the Company's another subsidiary, DIH, prior to the group restructuring as described in Note 1. 2). Note H.

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

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

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

Note J: A new consolidated subsidiaries in 2002.

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

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

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

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

Note C: This subsidiary was liquidated in 2003.

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

4) Subsidiaries in which the Company's voting right exceeded 50% but were not included in the consolidated financial statements were as follows:

Name of company	% of shares held	Remarks
Deltronics (Netherland) B.V.	100.00%	Note
Delsolar Co., Ltd.	95.21%	"
Delta Optoelectronics, Inc.	82.50%	"
Volink Integrated System, Inc. 1	00.00%	"

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

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

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

Translation of financial statements of foreign subsidiaries

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

Translation of foreign currency transactions

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

Cash equivalents

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

Forward currency option contracts

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

Forward exchange contracts

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

Cross currency swap contracts

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

Short-term investments

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

Allowance for doubtful accounts

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

Inventories

Inventories are stated at the lower of cost or market value; cost is determined by the standard cost. Variances from standard cost are allocated to ending inventories and cost of goods sold at the end of each period. When comparing with market value, current replacement price is used for materials. Net realizable value is used as market value for work in process and finished goods. Provision is made for obsolete and slow-moving inventories at balance sheet date.

Funds and long-term investments

1) Long-term investments

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

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

B. The translation difference from foreign investments are included in the cumulative translation adjustment account in the stockholders' equity.

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

D. The Company recognizes its proportionate share in the changes of the unrealized loss on market value decline of long-term investments accounted for under the equity method by its consolidated subsidiaries and includes it in the stockholders' equity.

E. Under the equity method, the excess of investment cost over the underlying equity in net assets of the investee companies at the date of investment is amortized over 5~20 years.

F. The use of the equity method is discontinued if losses on investment reduce the balance of the investment to zero, unless the Company has a commitment to provide financial support to the investee company or acts as guarantor for loans made to the investee company. The credit balances of the investments should reduce the receivables from the investee company and the remaining balances are reported in the balance sheet as other liabilities.

G. Dividends received from long-term investments accounted for under cost method are recognized as dividend income. Dividends received from long-term investments accounted for under the equity method are credited to long-term investments.

2) Cash surrender value of life insurance

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

Property, plant and equipment

- 1) With the exception of land, which is carried at appraised value, property, plant and equipment are carried at cost.
- 2) Prior to 2001, depreciation of the fixed assets of the Company, Pyramis and Delta Networks, Inc. (registered in Taiwan, DNIT), a subsidiary of Delta Networks, Inc. (registered in Cayman, DNI Cayman, the subsidiary of DNH) are provided on a straight-line method over the estimated useful lives of the assets plus one year as salvage value except for leasehold improvements which are based on the period of the contract. Salvage values of fixed assets, which are still in use after the end of their estimated useful lives, are depreciated over the newly estimated remaining useful lives of the assets. Commencing 2001, depreciation of new assets which are purchased by the Company, Pyramis and DNIT is provided on a straight-line method over the estimated useful lives of the assets, with a nominal salvage value of \$1.00 (in dollar). For subsidiaries of DIH and DNH in Mainland China, depreciation of assets is provided on a straight-line method over the estimated useful lives of the assets with salvage value of \$1.00 (in dollar of reporting currency). The estimated useful lives of fixed assets are 2 to 10 years, except for buildings which are 5 to 55 years.
- 3) Renewals and improvements are treated as capital expenditure and are depreciated accordingly. Maintenance and repairs are charged to expense as incurred. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating income or expense.

Other intangible assets

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

Deferred charges

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

Retirement plan

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

Convertible bonds

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

Income tax

- 1) The Company, Pyramis and DNIT adopted R.O.C. SFAS No. 22, "Accounting for Income Taxes". Income tax is provided based on accounting income after adjusting for permanent differences. The provision for income tax includes deferred income tax resulting from items reported in different periods for tax and financial reporting purposes. Deferred income tax assets or liabilities are further classified into current and non-current items based on

the classifications of the related assets or liabilities or on the expected reversal date of the temporary differences and are presented on the financial statements as net balance. Valuation allowance for deferred income tax assets is recognized if it is more likely than not that the tax benefits will not be realized. Tax credits resulting from equipment purchase, technology acquisition, research and development expenditure, training expense and long-term equity investment, etc. are recognized as current income tax benefit when it incurred.

- 2) The Company's overseas subsidiaries adopted liability method which is similar to R.O.C. SFAS No. 22 accounting for Income Taxes□
- 3) Over or under provision of prior years' income tax liabilities are included in the current year's income tax expense.
- 4) According to the Taiwan imputation tax system, undistributed current earnings of a company derived on or after January 1, 1998 is subject to an additional 10% corporate income tax if the earnings are not distributed in the following year. This 10% additional corporate income tax is recorded as income tax expense in the period when the stockholders approve a resolution to retain the earnings.

Earnings per share

- 1) In accordance with R.O.C. SFAS No. 24 "Earnings Per Common Share" as revised on November 1, 2002, the basic earnings and diluted earnings per share are disclosed in income statements. The computation of earnings per share are as follows:
 - A. Basic earnings per share: net income is divided by the weighted average number of shares outstanding during the period.
 - B. Diluted earnings per share: the computation is the same as basic earnings per share, except that potential common shares are assumed to have been converted to common stock at the beginning of the period and net income is adjusted by the amount associated with the conversion.
- 2) The potential common shares consist of Euro convertible bonds. The Company adopted the "if converted method" in computing the dilutive effect of the Euro convertible bonds.

Revenue, costs and expenses recognition

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

Accounting estimates

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

Convenience translation into US dollars

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

3. CHANGES IN ACCOUNTING PRINCIPLES

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

4. DESCRIPTION OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalent

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

2) Short-term investments

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

3) Accounts receivable

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

4) Inventories

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

5) **Long-term investments**

A. List of long-term investments:

Investee company	December 31, 2002		December 31, 2003		December 31, 2004	
	%	Book value	%	Book value	%	Book value
<u>Equity method</u>						
Delta Electronics (Thailand) Public Co., Ltd. (DET) (Note A)	20.14	\$ 4,967,464	20.14	\$ 4,547,025	20.14	\$ 4,224,283
Cyntec Co., Ltd.	37.66	768,930	37.06	804,400	36.57	814,945
Grand Advance Technology Ltd.	39.20	214,925	39.20	221,105	39.20	184,785
Union Optronics Corp. (Union) (Note B)	32.92	341,111	32.92	345,646	-	-
Delta Optoelectronics, Inc.	86.11	123,694	90.17	113,012	95.21	575,166
DAC Holding Ltd (DAC)(Note C)	49.00	174,308	49.00	143,707	-	-
Delsolar Co., Ltd.	-	-	-	-	82.50	494,579
Others (individual amount less than NT\$50,000)		295,663		17,117		27,198
		<u>6,886,095</u>		<u>6,192,012</u>		<u>6,320,956</u>
The credit balance deducted from receivables and the remaining balance reported in balance sheet as other liabilities		2,950		2,679		-
		<u>6,889,045</u>		<u>6,194,691</u>		<u>6,320,956</u>
Investee company	December 31, 2002		December 31, 2003		December 31, 2004	
	%	Book value	%	Book value	%	Book value
<u>Cost method (or the lower of cost or market value method)</u>						
D-Link Co., Ltd.	2.11	433,275	2.18	433,275	2.09	433,275
Union Optronics Corp. (Union) (Note B)	-	-	-	-	12.70	348,072
Macronix International Co., Ltd	2.20	298,419	1.39	225,040	1.22	225,040
WK Technology Fund	4.56	118,782	4.56	118,782	4.56	118,782
Deltron-Cimic Electric and Electronics Co., Ltd.	10.38	106,529	10.38	104,152	10.38	97,440
Delta American Ltd. Preferred stock		103,065	Preferred stock	103,065	Preferred stock	101,076
Loyalty Founder Enterprises Co., Ltd.	9.92	95,413	9.87	95,413	9.87	95,413
WK Technology Fund IV	3.13	82,204	3.13	82,204	3.13	82,204
Netgear Inc. Preferred stock		104,250	3.25	101,925	1.63	52,447
WK Technology Fund V	3.89	70,000	3.89	70,000	3.89	70,000
Quantum Technologies, Inc. Preferred stock		65,648	Preferred stock	64,873	Preferred stock	62,683
Prominent Communications, Inc. Preferred stock		64,425	Preferred stock	64,425	-	-
Betacera Inc.	18.99	59,358	18.99	59,358	18.99	59,358
Analog and Power Electronics Corp.	16.54	62,813	14.09	54,631	13.61	54,631
Sheng Hua Venture Capital Corp.	2.50	50,000	2.50	50,000	2.50	50,000
Others (individual amount less than NT\$50,000)		568,740		238,733		259,347
		<u>2,282,921</u>		<u>1,865,876</u>		<u>2,109,768</u>
Less: Allowance for loss on market value decline of long-term Investments		(101,541)		(1,417)		(1,718)
		<u>2,181,380</u>		<u>1,864,459</u>		<u>2,108,050</u>
		<u>\$ 9,070,425</u>		<u>\$ 8,059,150</u>		<u>\$ 8,429,006</u>

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

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

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

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

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

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

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

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

6) Property, plant and equipment

Item	Original cost
Land	\$ 1,275,266
Buildings	5,343,882
Machinery and equipment	4,508,302
Molds	880,333
Computer and communication equipment	639,246
Test equipment 2,656,259	-
Motor vehicles 114,551	-
Furniture and fixtures	1,046,581
Leasehold improvements	26,718
Prepayments for equipment and construction in progress	111,132
	\$ 16,602,270

Item	Original cost
Land	\$ 1,294,482
Buildings	5,300,670
Machinery and equipment	4,369,080
Molds	885,863
Computer and communication equipment	688,020
Test equipment 2,858,878	-
Motor vehicles 119,601	-
Furniture and fixtures	1,030,038
Leasehold improvements	26,587
Prepayments for equipment and construction in progress	147,104
	\$ 16,720,323

Item	Original cost
Land	\$ 1,309,877
Buildings	5,425,476
Machinery and equipment	4,793,466
Molds	1,020,270
Computer and communication equipment	721,401
Test equipment	3,133,920
Motor vehicles	119,014
Furniture and fixtures	1,031,898
Leasehold improvements	16,026
Prepayments for equipment and construction in progress	418,263
	\$ 17,989,611

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

December 31, 2002

Appraisal increment	Total	Accumulated depreciation	Net book value
\$ 168,738	\$ 1,444,004	\$ -	\$ 1,444,004
-	5,343,882	(658,816)	4,685,066
-	4,508,302	(1,676,939)	2,831,363
-	880,333	(515,418)	364,915
-	639,246	(370,220)	269,026
2,656,259	(1,503,203)	1,153,056	
114,551	(58,245)	56,306	
-	1,046,581	(399,523)	647,058
-	26,718	(14,176)	12,542
-	111,132	-	111,132
<u>\$ 168,738</u>	<u>\$ 16,771,008</u>	<u>(\$ 5,196,540)</u>	<u>\$ 11,574,468</u>

December 31, 2003

Appraisal increment	Total	Accumulated depreciation	Net book value
\$ 168,738	\$ 1,463,220	\$ -	\$ 1,463,220
-	5,300,670	(881,598)	4,419,072
-	4,369,080	(1,920,116)	2,448,964
-	885,863	(636,613)	249,250
-	688,020	(500,885)	187,135
2,858,878	(1,929,053)	929,825	
119,601	(70,279)	49,322	
-	1,030,038	(533,815)	496,223
-	26,587	(24,425)	2,162
-	147,104	-	147,104
<u>\$ 168,738</u>	<u>\$ 16,889,061</u>	<u>(\$ 6,496,784)</u>	<u>\$ 10,392,277</u>

December 31, 2004

Appraisal increment	Total	Accumulated depreciation	Net book value
\$ 168,738	\$ 1,478,615	\$ -	\$ 1,478,615
-	5,425,476	(1,069,763)	4,355,713
-	4,793,466	(2,465,212)	2,328,254
-	1,020,270	(773,161)	247,109
-	721,401	(531,060)	190,341
-	3,133,920	(2,302,010)	831,910
-	119,014	(79,473)	39,541
-	1,031,898	(638,195)	393,703
-	16,026	(15,695)	331
-	418,263	-	418,263
<u>\$ 168,738</u>	<u>\$ 18,158,349</u>	<u>(\$ 7,874,569)</u>	<u>\$ 10,283,780</u>

7) Short-term loans

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

8) Commercial paper payable

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

9) Convertible bonds

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

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

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

	ECB III	ECB IV
(A) Trustee	The Bank of New York	The Bank of New York
(B) Amount of issuance (Thousand dollars)	US\$200,000	US\$200,000
(C) Nominal interest rate (Net of tax)	0%	0%
(D) Period of issuance	5 years (Feb. 15, 2000 ~Feb. 15, 2005)	5 years (July 30, 2003 ~July 30, 2008)
(E) Listing exchange	Luxembourg	Luxembourg
(F) Period of conversion	March.15, 2000 ~ Jan. 15, 2005	Aug.30, 2003 ~ Jun. 30, 2008
(G) Exchange rate of conversion	Fixed exchange rate of NT\$30.699 to US\$1.00	Fixed exchange rate of NT\$34.35 to US\$1.00
(H) Redemption price and adjustment	The initial conversion price was NT\$182, and it will be adjusted for change in common shares outstanding. The conversion price as of December 31, 2002 was NT\$98.3	The initial conversion price was NT\$55, and it will be adjusted for change in common shares outstanding. The conversion price as of December 31, 2004 was NT\$50.03.
(I) Redemption of bonds	<p>a. Redemption at principal amount on due date.</p> <p>b. Early redemption</p> <p>(a) Redemption price: 100.00% Of outstanding principal amount.</p> <p>(b) Redemption date: At any time on or after Feb. 15, 2003.</p> <p>(c) The condition of early redemption:</p> <ol style="list-style-type: none"> 1. the closing price of the common shares of the Company on each of 20 consecutive trading days is at least 140% of the conversion price, 2. at least 90% in principal amount of the bonds have been converted, redeemed or purchased and cancelled. 	<p>a. Redemption at principal amount on due date.</p> <p>b. Early redemption</p> <p>(d) Redemption price: 94.63% of outstanding principal amount.</p> <p>(e) Redemption date: At any time on or after July 30, 2006.</p> <p>(f) The condition of early redemption:</p> <ol style="list-style-type: none"> 1. the closing price of the common shares of the Company on each of 20 consecutive trading days is at least 125% of the conversion price, 2. at least 90% in principal amount of the bonds have been converted, redeemed or purchased and Cancelled.
(J) Bondholders' put option	<p>a. Exercise date: Feb. 15, 2001, 2002 and 2003.</p> <p>b. Exercise price: face value (the investor should notify the Company not more than 60 nor less than 30 days prior to exercise date)</p>	<p>a. Exercise date: July 30, 2005</p> <p>b.Exercise price: 97.82% of outstanding principal amount</p>
C.	As of December 31, 2004, US\$600 thousand of ECB IV had been converted into 412,000 common shares with the premium recognized as capital reserve amounting to \$16,490.	

10) Long-term loans

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

11) Reserve for retirement plan

- A. The Company maintains a defined benefit employee retirement plan (the Plan) covering all regular employees. The Company contributes to the Central Trust of China at a fixed rate equal to 2% of monthly salaries and wages. The subsidiaries of DNI Cayman, DNIT and Pyramis maintain employee retirement plans according to the Labor Law and related regulations of the country they operate. DIH and DNH do not maintain an employee retirement plan. Each DIH's and DNH's subsidiary located in Mainland China maintains a contributory employee retirement plan covering all employees. Under the plan, the employees of each DIH's and DNH's subsidiary contribute to a separate fund for an amount based on certain percentage of the monthly basic salary of employees. Each DIH's and DNH's subsidiary also provides pension reserve for its employees for amounts depending on employees' positions. The subsidiaries of DIH, DNH and Pyramis located in Hong Kong and United States of America have defined contribution plan in accordance with the regulations in the country where these subsidiaries operate and contribute pension fund based on certain percentage of salaries. Except for the annual contribution referred to above, the subsidiaries have no further employee retirement benefit obligations.
- B. As of December 31, 2002, 2003 and 2004, the total pension fund which is deposited with in the Central Trust of China by the Company, Pyramis and DNIT, was \$309,043, \$384,825 and \$395,891, respectively.

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

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

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

	December 31,		
	2002	2003	2004
Discount rate	4.00%	3.50%	3.50%
Expected return rate on plan assets	3.25%	2.75%	2.50%
The average rate of salary increase	4.00%	4.00%	4.00%

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

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

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

12) Common stock

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

13) Capital reserve

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

14) Legal reserve

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

15) Undistributed earnings

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

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

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

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

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

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

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

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

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

c) The distribution of 2003 earnings approved at the stockholders' meeting was the same as that proposed at the board of directors' meeting.

C. The Taiwan imputation tax system requires that any undistributed current earnings, on tax basis, be subject to an additional 10% corporate income tax if the earnings are not distributed in the following year. This 10% additional tax on undistributed earnings paid by the company may be used as tax credit by the stockholders, including foreign stockholders, against the withholding tax on dividends. In addition, the domestic stockholders can claim a proportionate share in the company's corporate income tax as tax credit against their individual income tax liability.

D. As of December 31, 2002, 2003 and 2004, the information on tax credit of the Company were as follows:

	<u>December 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Imputation tax credit account balance	\$ 4,106	\$ 7,480	\$ 7,433
	<u>2002 (Actual)</u>	<u>2003 (Actual)</u>	<u>2004 (Estimated)</u>
Creditable tax ratio	<u>0.30%</u>	<u>0.17%</u>	<u>0.11%</u>

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

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

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

16) **Income tax**

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

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

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

	December 31, 2002	
	Original amount	Tax effects
Current:		
Allowance for inventory obsolescence	\$ 113,280	\$ 28,320
Unrealized exchange gain	(456,357)	(114,089)
Others	131,318	32,830
Income tax credit		<u>395,158</u>
		342,219
Less: allowance for deferred income tax assets-current		<u>(395,158)</u>
Net deferred income tax assets (liabilities)-current		<u>(\$ 52,939)</u>
Non-current:		
Investment income accounted for under the equity method	(\$ 14,791,089)	(\$ 3,697,772)
Unfunded pension	380,524	95,131
Loss carryforward	-	-
Others	(45,138)	(11,284)
Income tax credit		<u>1,021,836</u>
		(2,592,089)
Less: allowance for deferred income tax assets-non current		<u>(558,386)</u>
Net deferred income tax liabilities-non current		<u>(\$ 3,150,475)</u>

December 31, 2003		December 31, 2004	
Original amount	Tax effects	Original amount	Tax effects
\$ 101,969	\$ 25,492	\$ 251,041	\$ 62,760
(439,662)	(109,915)	(191,149)	(47,787)
(68,296)	(17,074)	15,944	3,986
	<u>196,999</u>		<u>278,279</u>
	95,502		297,238
	(186,086)		(274,258)
	<u>(\$ 90,584)</u>		<u>\$ 22,980</u>
(\$ 13,025,888)	(\$ 3,256,472)	(\$ 11,206,914)	(\$ 2,801,728)
473,902	118,476	594,561	148,640
176,319	44,080	259,842	64,961
241,652	60,413	129,058	32,264
	<u>1,243,591</u>		<u>1,606,707</u>
	(1,789,912)		(949,156)
	(781,915)		(1,037,614)
	<u>(\$ 2,571,827)</u>		<u>(\$ 1,986,770)</u>

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

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

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

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

E. DDG, DEC, DEP, Delta Electronics (Jiang Su) Co., Ltd., Delta Electronics Components (Wu Jiang) Co., Ltd., Delta Electro-optics (Wu Jiang) Ltd., Delta Video Display System (Wu Jiang) Co., Ltd., and DII are subject to tax laws applicable to foreign investment enterprises in the PRC and are fully exempt from PRC enterprise income tax for two years starting from the first profit-making year followed by a 50% reduction for the next three years.

F. The Company's income tax returns have been assessed and approved by the Tax Authority for the years up to 2002. The income tax return of DNIT has been assessed and approved by the Tax Authority for the years up to 2001.

17) Earnings per share (EPS)

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

	For the year ended December 31, 2002				
	Amount		Weighted average outstanding common shares (in thousands) (Note)	Earnings per share (in NT dollars)	
	Income before income tax	Net income		Income before income tax	Net income
Basic EPS	\$ 4,725,494	\$ 5,215,373	1,585,560	\$ 2.98	\$ 3.29
Effect of potential common shares with dilutive effect: 0% Euro convertible bonds	-	-	57,216		
Diluted EPS	\$ 4,725,494	\$ 5,215,373	1,642,776	\$ 2.88	\$ 3.17

	For the year ended December 31, 2002				
	Amount		Weighted average outstanding common shares (in thousands) (Note)	Earnings per share (in NT dollars)	
	Income before income tax	Net income		Income before income tax	Net income
Basic EPS	\$ 6,026,298	\$ 6,661,698	1,585,566	\$ 3.80	\$ 4.20
Effect of potential common shares with dilutive effect: 0% Euro convertible bonds	-	-	136,906		
Diluted EPS	\$ 6,026,298	\$ 6,661,698	1,722,472	\$ 3.50	\$ 3.87

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

18) Personnel expense, depreciation and amortization expense

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

	For the year ended December 31,		
	2003		
	Operating cost	Operating expense	Total
Personnel expense			
Salary and wages	\$ 1,421,174	\$ 2,140,958	\$ 3,562,132
Labor and health insurance	32,924	143,848	176,772
Pension expense	82,067	143,501	225,568
Others	280,073	132,973	413,046
	<u>\$ 1,816,238</u>	<u>\$ 2,561,280</u>	<u>\$ 4,377,518</u>
Depreciation expense	<u>\$ 1,453,021</u>	<u>\$ 492,918</u>	<u>\$ 1,945,939</u>
Amortization expense	<u>\$ 44,293</u>	<u>\$ 127,362</u>	<u>\$ 171,655</u>

	For the year ended December 31,		
	2004		
	Operating cost	Operating expense	Total
Personnel expense			
Salary and wages	\$ 1,740,971	\$ 2,357,592	\$ 4,098,563
Labor and health insurance	40,485	171,994	212,479
Pension expense	33,313	173,949	207,262
Others	242,659	102,961	345,620
	<u>\$ 2,057,428</u>	<u>\$ 2,806,496</u>	<u>\$ 4,863,924</u>
Depreciation expense	<u>\$ 1,471,126</u>	<u>\$ 475,074</u>	<u>\$ 1,946,200</u>
Amortization expense	<u>\$ 11,801</u>	<u>\$ 153,987</u>	<u>\$ 165,788</u>

5. RELATED PARTY TRANSACTIONS

1) Names and relationship of related parties

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

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

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

2) **Significant transactions with related parties**A. **Sales**

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

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

B. **Purchases**

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

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

C. **Accounts receivable**

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

D. **Other receivables**

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

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

E. Accounts payable

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

F. Endorsements and guarantees

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

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

6. DETAILS OF PLEDGED ASSETS

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

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

7. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

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

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

10. OTHERS

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

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

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

- A. Non-derivative assets and liabilities with fair values equal to book values.
- The carrying amounts of short-term non-derivative assets and liabilities including cash and cash equivalents, notes receivable and accounts receivable, other receivables, other monetary assets-current, other monetary assets-non current, short-term loans, commercial paper payable, notes payable, accounts payable, income tax payable, accrued expenses, other payables and other current liabilities approximate their fair values because of their short-term maturities.
 - The fair value of cash surrender value of life insurance is based on the book value at balance sheet date.
 - The fair values of deposits-out and deposits-in are based on book value, which approximate present value.
 - The fair value of convertible bonds, including current portion of long-term loans, is based on book value at balance sheet date. According to the terms and condition of convertible bonds, the interest rate is zero, and the redemption price is lower than the face value. The discounted value was not easily determinable due to uncertain redemption or conversion dates and the amount denominated in foreign currency was translated into New Taiwan dollars using the exchange rate at the balance sheet date.
- B. The short-term investments are open-ended funds and foreign treasury bonds repurchasable by issuer. The fair values are based on the net assets of the open-end funds and the book value of the foreign treasury bonds repurchasable by issuer at the balance sheet date.
- C. The fair values of long-term investments are based on their market values at the balance sheet date or the underlying equity in net assets if market value is not available.
- D. The fair value of reserve for retirement plan is the funded status based on the pension actuarial report as of December 31, 2002, 2003 and 2004. The fair value of reserve for retirement plan which was not based on an

- 3) actuarial report is based on book value. Financial instruments with credit risk:

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

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

- 4) Information on derivative transactions

A. General information disclosure:

- The Company and its consolidated subsidiaries entered into certain foreign currency option contracts, foreign currency deposit contracts, forward foreign currency contracts and cross currency swap contracts to hedge foreign exchange risks in foreign currency denominated accounts receivable and payable, and Euro convertible bonds.
- Accounting policy: See Note 2.
- Credit risk:
The banks, which the Company and its consolidated subsidiaries deal with, are all in good credit standing and, therefore, the possibility is low for these banks not to comply with the terms of the contracts.
- Market risk:
The Company and its consolidated subsidiaries, entered into these contracts in order to hedge foreign exchange losses. The exchange gain or loss from exchange rate fluctuation of hedge items will be offset by these transactions. Accordingly, no material market risk is expected.
- The information on derivative transactions of the Company and its consolidated subsidiaries for the years ended December 31, 2002, 2003 and 2004 are as follows:

Derivative transactions	Par value, contracts amount or nominal principal	Contract date
<u>Derivative transactions of the Company during 2002</u>		
Buy option (TWD PUT/USD CALL)	USD 3,000	2002.09.23
Buy option (USD PUT/TWD CALL)	USD 3,000	2002.01.02
Sell option (TWD CALL/USD PUT)	USD 38,972	2002.10.17~2002.12.10
Sell option (USD CALL/JPY PUT)	USD 3,000	2002.04.03
Sell option(EUR CALL/USD PUT)	USD 15,120	2002.04.26~2002.12.13
Foreign currency deposit contracts	USD 1,000	2002.01.17
"	USD 10,000	2002.02.07~2002.11.26
Forward foreign currency contracts	USD 11,000	2002.05.17~2002.07.25
"	USD 10,000	2002.07.29
"	USD 7,000	2002.05.17~2002.09.16
"	USD 2,000	2002.10.30
"	USD 28,137	2002.08.06~2002.12.16
"	USD 28,099	2002.08.06~2002.12.16
Accumulation Disappearing Option	USD 39,000 (Note a)	2001.07.02~2002.04.09
Interest Rate Swap	NTD 1,000,000 (Note b)	2001.10.24~2002.06.27
Callable Range Accrual Swap	USD 15,000 (Note c)	2001.10.17~2002.07.19
Inflating Reverse Strangle	USD 12,000	2002.02.25
USD NTD Selling Strategy	USD 30,000 (Note f)	2002.04.22~2002.06.10
Limited Average Strike Forward	USD 20,000 (Note g)	2002.04.04~2002.06.27
Enhanced Premium Range Trade	USD 6,840 (Note f)	2002.05.29
Total		

Transaction terms		Related future cash flows		
Exercise dates	Exercise prices/ Exercise rates	gain (loss)	Recognized	
			Cash inflow	Cash outflow
2002.10.23	USD1: NTD34.750	\$ 449	-	-
2002.01.25	USD1: NTD35.3	737	-	-
2002.10.23~2002.12.30	USD1: NTD34.872~34.93	(3,156)	-	-
2002.06.05	USD1: JYP134.35	(6,598)	-	-
2002.05.29~2003.06.13	USD1: EUR0.890	(7,932)	USD 10,670	EUR 11,000
2002.01.22	USD1: JPY132.50/4%	9	-	-
2002.03.04~2002.11.26	USD: LIBOR of three Months plus 150 bps~200 bps	686	-	-
2002.05.22~2002.10.29	USD1: NTD33.352~35.132	3,868	-	-
2002.08.29	USD1: NTD33.950	1,499	-	-
2002.06.05~2002.11.21	USD1: JPY120.5~132.5	7,892	-	-
2002.11.21	USD1: JPY122.71	(188)	-	-
2002.11.08~2003.03.18	USD1: THB42.468~43.197	1,333	USD 27,715	THB 1,200,000
2002.11.08~2003.03.18	USD1: THB42.518~43.282	-	THB 1,200,000	USD 27,705
2002.12.17~2002.12.23	USD 34.75~35.5	28,825	-	-
2002.10.28~2004.07.01	2.1%~2.7%	(116)	(Note d)	(Note d)
2002.03.10~2007.07.19	4.00%~5.00%	14,115	(Note d)	(Note d)
2002.03.25~2002.08.23	(Note e)	(9,274)	-	-
2002.07.30~2003.01.20	(Note f)	2,713	(Note d)	(Note d)
2002.05.29~2002.06.27	(Note g)	22,920	-	-
2002.12.28	(Note f)	6,463	-	-
		<u>\$ 64,245</u>		

<u>Derivative transactions</u>	<u>Par value, contracts amount or nominal principal</u>	<u>Contract date</u>
<u>Derivative transactions of the consolidated subsidiary during 2002</u>		
1. Delta International Holding Ltd. (DIH)		
Forward foreign currency contracts	USD 570,655	2002.01.09~2002.12.26
"	USD 571,207	2002.01.09~2002.12.26
Total		
2. Delta Electronics International Ltd. (the subsidiary of DIH)		
Buy option (USD CALL/EUR PUT)	USD 8,800	2002.02.05
Sell option (USD PUT/EUR CALL)	USD 10,820	2001.04.26~2002.12.16
Buy option (USD CALL/JPY PUT)	USD 5,000	2002.01.15~2002.04.03
Buy option (USD PUT/JPY CALL)	USD 5,000	2002.11.08
Sell option (USD PUT/JPY CALL)	USD 16,500	2002.02.07~2002.05.17
Foreign currency deposit contracts	USD 28,000	2002.02.05~2002.03.15
Forward foreign currency contracts	USD 15,273	2002.05.28~2002.09.17
"	USD 4,068	2002.11.05

Transaction terms		Related future cash flows		
		Recognized		
Exercise dates	Exercise prices/ Exercise rates	gain (loss)	Cash inflow	Cash outflow
2002.02.27~2003.03.18	USD1:THB41.787~44.204	\$ -	THB 2,900,000	USD 66,831
2002.02.27~2003.03.18	USD1:DTHB41.732~44.140	372	USD 66,864	THB 2,900,000
		<u>\$ 372</u>		
2002.02.05	EUR1:USD0.88	\$ 3,456	-	-
2002.05.29~2003.06.13	EUR1:USD0.89~0.97	(9,009)	USD 5,820	EUR 6,000
2002.01.18~2002.06.12	USD1:JPY121.76~132.00	347	-	-
2002.11.19	USD1:JPY124.00	4,255	-	-
2002.08.08~2002.06.12	USD1:JYP124.00~135.00	(21,293)	-	-
2002.06.17~2004.08.09	3-Month LIBOR+40bps~175bps	-	USD 28,000	-
2002.06.14~2002.11.19	USD1:JPY117.44~132.00	5,413	-	-
2002.11.19	USD1:JPY121.92	779	-	-

Derivative transactions	Par value, contracts amount or nominal principal	Contract date
Inflating Reverse Strangle	USD 2,000	2002.02.25
USD Buying Strategy	USD (Note f)	2002.05.28
Callable Range Accrual Swap	USD 5,000	
	(Note c)	2002.07.17
Callable Range Accrual Notes	USD 15,000	
	(Note c)	2002.07.24
Total		
3. Delta Networks, Inc.(DNIT).		
(registered in Taiwan, the subsidiary of DNI Cayman)		
Buy option (TWD PUT/USD CALL)	USD 6,000	2002.01.07~2002.09.20
Sell option (USD CALL/TWD PUT)	USD 4,000	2001.05.23
Buy option (USD PUT/TWD CALL)	USD 3,000	2002.01.02
Sell option (TWD CALL/USD PUT)	USD 56,000	2002.10.17~2002.12.13
Buy option (USD PUT/JPY CALL)	USD 4,000	2002.12.13
Sell option (USD PUT/JPY CALL)	USD 23,500	2002.02.07~2002.12.13
Sell option (USD CALL/JPY PUT)	USD 5,000	2002.03.27
Sell option (USD CALL/EUR PUT)	USD 10,315	2002.03.21~2002.12.13
Sell option (USD PUT/EUR CALL)	USD 9,790	2002.03.21~2002.12.13

Transaction terms		Related future cash flows		
Exercise dates	Exercise prices/ Exercise rates	gain (loss)	Recognized	
			Cash inflow	Cash outflow
2002.03.25~2002.08.23	(Note e)	(\$ 7,068)	-	-
2002.10.30~2002.12.30	(Note f)	1,590	-	-
2007.07.19	(Note c)	11,716	(Note d)	(Note d)
2004.11.07	(Note c)	18,144	(Note d)	(Note d)
		<u>\$ 8,330</u>		
2002.05.24~2002.10.25	USD1: NTD33.51~34.75	\$ 3,622	-	-
2002.05.28	USD1: NTD33.51	(3,628)	-	-
2002.01.25	USD: NTD35.3	737	-	-
2002.10.29~2002.12.30	USD1: NTD34.855~34.93	(4,694)	-	-
2002.12.26	USD1: JPY132.8	13,922	-	-
2002.06.12~2003.12.17	USD1: JPY125~135	(12,405)	USD 10,000	JPY 1,258,000
2002.09.26	USD1: JPY132.5	1,488	-	-
2002.04.26~2003.06.17	USD1: EUR0.880~1.045	7,022	USD 7,315	EUR 7,000
2002.04.26~2003.06.17	USD1: EUR0.880~0.97	368	USD 6,790	EUR 7,000

Derivative transactions	Par value, contracts amount or nominal principal	Contract date
Interest Rate Swap	NTD 500,000 (Note b)	2002.06.26
Callable Range Accrual Swap	USD 5,000 (Note c)	2002.07.17
USD NTD Selling Strategy	USD 101,000 (Note f)	2002.04.22~2002.09.19
USD JPY Selling Strategy	USD 6,000 (Note f)	2002.05.29
USD EUR Selling Strategy	USD 4,320 (Note f)	2002.05.29
Limited Average Strike Forward	USD 20,000 (Note g)	2002.04.04~2002.04.09
Total		

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

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

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

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

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

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

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

<u>Transaction terms</u>		<u>Related future cash flows</u>		
<u>Exercise dates</u>	<u>Exercise prices/ Exercise rates</u>	<u>gain (loss)</u>	<u>Recognized</u>	
			<u>Cash inflow</u>	<u>Cash outflow</u>
2002.10.01~2004.07.01	2.1%~2.7%	(\$ 359)	(Note d)	(Note d)
2002.10.19~2007.07.19	4.30%	10,245	(Note d)	(Note d)
2002.10.28~2003.02.26	(Note f)	(1,063)	(Note d)	(Note d)
2002.10.30~2002.12.30	(Note f)	142	-	-
2002.12.18	(Note f)	(10,523)	-	-
2002.06.27~2002.12.26	(Note g)	<u>17,667</u>	-	-
		<u>\$ 22,541</u>		

<u>Derivative transactions</u>	<u>Par value, contracts amount or nominal principal</u>	<u>Contract date</u>
<u>Derivative transactions of the Company during 2003</u>		
Buy option (USD PUT/TWD CALL)	USD 35,000	2003.02.10~2003.10.14
Sell option (USD PUT/TWD CALL)	USD 22,000	2003.10.02~2003.12.29
Buy option (USD CALL/TWD PUT)	USD 225,000	2003.07.30~2003.10.09
Sell option (USD CALL/TWD PUT)	USD 142,000	2003.08.07~2003.12.29
Sell option (USD PUT/JPY CALL)	USD 15,000	2001.12.13
Sell option (USD CALL/JPY PUT)	USD 10,000	2003.09.30~2003.10.01
Sell option (EUR CALL/USD PUT)	USD 10,670	2002.12.13
Forward foreign currency contracts	USD 68,139	2002.11.06~2003.11.18
"	USD 68,096	2002.11.06~2003.11.18
"	USD 2,500	2003.12.26
"	USD 5,000	2003.10.02
Interest Rate Swap	NTD 1,500,000 (Note a)	2002.06.27~2003.07.30
Callable Range Accrual Swap	USD 220,000 (Note b)	2002.07.17~2003.07.30

Transaction terms		Recognized	Related future cash flows	
Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow
2003.02.25~2003.10.30	USD1: NTD34.0~35.10	\$ 8,065	(closed)	(closed)
2004.01.02~2004.12.26	USD1: NTD33.392~33.5	-	USD 22,000	NTD 738,320
2003.11.24~2008.07.30	USD1: NTD33.392~34.40	17,396	USD 195,000	NTD 6,697,920
2004.01.08~2004.05.20	UAD1: NTD34.10~34.80	-	NTD 4,886 460	USD 142,000
2003.10.01~2004.12.15	UAD1: JPY125.80	-	USD 2,500	JPY 314,500
2003.10.21~2004.07.19	(Note d)	-	(Note d)	(Note d)
2003.06.13	EUR1: USD0.9700	(56,509)	(closed)	(closed)
2003.02.10~2003.12.22	USD1: THB39.912~43.357	-	(closed)	(closed)
2003.02.10~2003.12.22	USD1: THB39.992~43.372	1,388	(closed)	(closed)
2004.12.17	USD1: JPY105.44	-	JPY 263,600	USD 2,500
2004.01.02	USD: NTD33.674	-	NTD 168,370	USD 5,000
2002.10.01~2006.06.10	1.73%~2.7%	(5,345)	(Note c)	(Note c)
2002.07.18~2007.07.30	1%~4.3%	59,841	(Note d)	(Note d)
		<u>\$ 24,836</u>		

<u>Derivative transactions</u>	<u>Par value, contracts amount or nominal principal</u>	<u>Contract date</u>
<u>Derivative transactions of the consolidated subsidiary during 2003</u>		
1. Delta International Holding Ltd. (DIH)		
Forward foreign currency contracts	USD 243,983	2002.10.28~2003.12.03
"	USD 244,085	2002.10.28~2003.12.03
Total		
2. Delta Electronics International Ltd. (the subsidiary of DIH)		
Sell option (USD PUT/EUR CALL)	USD 5,820	2002.12.16
Buy option (USD PUT/RMB CALL)	USD 1,000	2003.08.28
Forward foreign currency contracts	USD 11,439	2003.05.01~2003.06.12
"	USD 18,041	2003.05.26~2003.08.26
"	USD 15,000	2003.06.10~2003.06.11
"	USD 15,000	2003.05.05~2003.05.29
"	USD 48,000	2003.04.29~2003.12.05
"	USD 18,000	2003.08.13
Callable Range Accrual Notes	USD 15,000	2002.07.24
Callable Range Accrual Swap	USD 5,000	2002.07.17
Libor-linked USD/YEN Strategy	USD 60,000	2003.12.22
Total		

Transaction terms		Recognized	Related future cash flows	
Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow
2003.01.15~2004.03.08	USD1: THB39.936~43.5985	\$ -	THB 1,000,000	USD 25,029
2003.01.15~2004.03.08	USD1: THB39.916~43.5785	82	USD 25,047	USD 1,000,000
		<u>\$ 82</u>		
2003.06.13	EUR1: USD0.97	(\$ 633)	-	-
2004.01.28	USD1: RMB8.28	-	RMB 8,280	USD 1,000
2003.06.17~2003.09.03	EUR1: USD1.1123~1.175	(282)	-	-
2003.06.17~2003.11.26	EUR1: USD1.0810~1.1825	(61)	-	-
2003.06.23~2003.09.03	USD1: JPY118.25~118.82	(60)	-	-
2003.06.23~2003.09.03	USD: JPY116.08~118.10	(123)	-	-
2003.12.22~2004.12.10	USD1: RMB7.8670~8.258	-	USD 46,000	RMB 372,765
2003.08.13~2004.03.22	USD1: RMB8.1520~8.2270	5	RMB 130,868	USD 16,000
2004.11.07	(Note e)	-	(Note b)	(Note b)
2007.07.19	(Note e)	-	(Note b)	(Note b)
2004.07.29	(Note e)	-	(Note d)	(Note d)
		<u>(\$ 1,154)</u>		

Derivative transactions	Par value, contracts amount or nominal principal	Contract date
3. Delta Electronics (Dong Guan) Co., Ltd. (the subsidiary of DIH) Forward foreign currency contracts	USD 16,000	2003.04.30~2003.12.05
4. Delta Electronics Power (Dong Guan) Co., Ltd. (the subsidiary of DIH) Forward foreign currency contracts	USD 23,000	2003.04.29~2003.12.05
5. Delta Electronics Components (Dong Guan) Co., Ltd. (the subsidiary of DIH) Forward foreign currency contracts	USD 16,000	2003.04.29~2003.12.05
6. Delta Electronics (Jiang Su) Co., Ltd. (the subsidiary of DIH) Forward foreign currency contracts	USD 32,000	2003.08.11~2003.08.25
7. Delta Networks, Inc. (registered in Taiwan, the subsidiary of DNI Cayman) Buy option (USD PUT/TWD CALL)	USD 20,000	2003.01.15~2003.12.18
Buy option (USD CALL/TWD PUT)	USD 1,000	2003.10.02
Sell option (USD CALL/TWD PUT)	USD 39,800	2003.01.22~2003.12.18
Sell option (USD PUT/TWD CALL)	USD 7,000	2003.01.02~2003.10.09
Sell option (USD PUT/EUR CALL)	USD 6,790	2002.12.13
Sell option (USD PUT/JPY CALL)	USD 3,000	2003.01.06
Forward foreign currency contracts	USD 1,000	2003.10.02
Interest Rate Swap	NTD 500,000	2002.06.27
	USD 6,500	2002.07.17~2003.05.21

(Note a)

Transaction terms		Recognized gain (loss)	Related future cash flows	
Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow
2004.01.28~2004.12.08	USD1: RMB8.2063~8.337	\$ -	RMB 132,651	USD 16,000
2004.01.05~2004.12.18	USD1: RMB8.2063~8.337	\$ -	RMB 190,716	USD 23,000
2004.02.05~2004.12.08	USD1: RMB8.2063~8.337	\$ -	RMB 132,385	USD 16,000
2004.01.12~2004.08.25	USD1: RMB8.2925~8.3083	\$ -	RMB 265,645	USD 32,000
2003.01.29~2003.12.19	USD1: NTD33.90~35.10	\$ 884	-	-
2004.01.06	USD1: NTD33.381	-	USD 1,000	NTD 33,381
2003.03.24~2004.06.16	USD1: MTD34.00~35.45	204	NTD 544,680	USD 15,800
2003.01.15~2004.01.06	USD1: NTD33.375~34.77	(898)	USD 1,000	NTD 33,381
2003..06.17	USD1: EUR1.031	(35,149)	-	-
2003.01.27	USD1: JPY122	28	-	-
2004.01.02	USD1: NTD33.672	-	NTD 33,672	USD 1,000
2004.07.01	2.1%~2.7%	-	(Note c)	(Note c)
2007.07.19~2008.05.23	3.5%~4.3%	-	(Note c)	(Note c)

Derivative transactions	Par value, contracts amount or nominal principal	Contract date
Libor Link Forward	EUR 2,000 (Note a)	2003.04.14
Callable Put Spread Option	EUR 9,000	2003.05.02
	USD 13,000	2003.05.02
Total		
8. Delta Electronics Industrial (Dong Guan) Co., Ltd. (the subsidiary of DNI Cayman)		
Forward foreign currency contracts	USD 6,000	2003.4.29~2003.8.4

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

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

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

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

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

Transaction terms		Recognized gain (loss)	Related future cash flows	
Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow
2004.03.29~2004.04.29	(Note e)	-	(Note c)	(Note c)
2003.06.17	EUR1: USD1.0986~1.1570			
2003.06.17	USD1: JPY117.9~128.65	17,981	-	-
		<u>(\$ 16,950)</u>		
2004.1.5~2004.7.9	USD1: RMB8.2924~8.337	<u>\$ -</u>	RMB 49,899	USD 6,000

Derivative transactions	Par value, contracts amount or nominal principal	Contract date
<u>Derivative transactions of the Company during 2004</u>		
Buy option (USD PUT/TWD CALL)	USD 208,000	2004.03.24~2004.12.30
Sell option (USD CALL/TWD PUT)	USD 257,900	2003.12.29~2004.12.30
Sell option (USD CALL/JPY PUT)	USD 9,500	2004.09.03~2004.12.15
Sell option (USD PUT/TWD CALL)	USD 62,000	2003.12.29~2004.09.01
Buy option (USD CALL/TWD PUT)	USD 110,000	2003.10.02~2004.06.09
Buy option (USD PUT/JPY CALL)	USD 2,000	2004.12.15
Sell option (USD PUT/JPY CALL)	USD 2,500	2002.12.13
Forward foreign currency contracts	USD 37,694	2004.02.24~2004.06.10
"	USD 37,684	2004.02.24~2004.06.10
"	USD 63,000	2004.01.08~2004.03.24
"	USD 1,000	2004.09.01
Interest Rate Swap	NTD 1,500,000 (Note a)	2002.06.27~2003.07.30
Callable Range Accrual Swap	USD 190,000 (Note b)	2002.07.18~2003.07.30

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

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

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

Transaction terms		Recognized	Related future cash flows	
Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow
2004.07.27~2005.01.03	USD1: NTD32.23~34.10	\$ -	NTD 1,009,900	USD 31,000
2004.07.27~2005.06.28	UAD1: NTD32.23~33.878	4,815	NTD 6,296,805	USD 192,900
2004.09.22~2005.04.17	USD1: JYP102.20~108.70	-	JPY 617,000	USD 6,000
2004.04.27~2004.12.23	USD1: NTD32.97~33.5	-	USD (closed)	NTD (closed)
2004.01.02~2004.12.23	USD1: NTD32.807~33.392	22,191	USD (closed)	NTD (closed)
2004.12.21~2004.12.28	UAD1: JPY102.20	-	USD (closed)	JPY (closed)
2004.12.15	USD: JYP125.80	(13,418)	USD (closed)	JPY (closed)
2004.03.26~2004.09.14	USD1: THB39.72~40.6075	-	USD (closed)	THB (closed)
2004.03.26~2004.09.14	USD1: THB39.28~40.6175	317	THB (closed)	USD (closed)
2004.04.12~2004.06.29	USD1: NTD33.054~33.71	-	JPY (closed)	USD (closed)
2004.09.30	USD: JYP105.50	-	NTD (closed)	USD (closed)
2002.10.01~2006.06.10	1.73%~2.7%	(2,142)	(Note c)	(Note c)
2002.07.18~2008.07.30	1%~4.3%	(47,013)	(closed)	(closed)
		<u>(\$ 35,250)</u>		

<u>Derivative transactions</u>	<u>Par value, contracts amount or nominal principal</u>	<u>Contract date</u>
<u>Derivative transactions of the consolidated subsidiary during 2004</u>		
1. Delta International Holding Ltd. (DIH)		
Forward foreign currency contracts	USD 207,241	2003.12.03~2004.09.01
"	USD 207,178	2003.12.03~2004.09.01
Total		
2. Delta Electronics International Ltd. (the subsidiary of DIH)		
Buy option (USD PUT/RMB CALL)	USD 1,000	2003.08.28
Forward foreign currency contracts	USD 6,000	2003.08.13
"	USD 119,000	2003.04.29~2004.12.06
"	USD 25,500	2004.02.06~2004.12.30
Callable Range Accrual Swap	USD 5,000	
	(Note b)	2002.07.17
Libor-linked USD/YEN Strategy	USD 60,000	2003.12.22
Total		
3. Delta Electronics (Dong Guan) Co., Ltd (the subsidiary of DIH)		
Forward foreign currency contracts	USD 16,000	2004.01.06~2004.12.07
4. Delta Electronics Power (Dong Guan) Co., Ltd (the subsidiary of DIH)		
Forward foreign currency contracts	USD 34,000	2004.01.06~2004.12.06
5. Delta Electronics components (Dong Guan) Co., Ltd. (the subsidiary of DIH)		
Forward foreign currency contracts	USD 34,000	2004.01.07~2004.12.06
6. Delta Electronics Industrial (Dong Guan) Co., Ltd (the subsidiary of DNI Cayman)		
Forward foreign currency contracts	USD 1,000	2004.01.07

Transaction terms		Recognized gain (loss)	Related future cash flows	
Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow
2004.01.08~2004.12.03	USD1: THB39.2205~41.61	\$ -	(closed)	(closed)
2004.01.08~2004.12.03	USD1: THB39.2305~ 41.6225	<u>63</u>	(closed)	(closed)
		<u>\$ 63</u>		
2004.01.28	USD1: RMB8.28	\$ 0.35	(closed)	(closed)
2004.01.30~2004.03.22	USD1: RMB8.2030~8.2270	8	(closed)	(closed)
2004.01.30~2005.12.07	USD1: RMB7.8340~8.2580	858	(Note c)	(Note c)
2004.04.15~2005.01.25	USD1: JPY103.20~111.00	31	JPY 417,023	USD 4,000
2007.07.19	(Note d)	(72)	(closed)	(closed)
2004.07.29		<u>(159)</u>	(closed)	(closed)
		<u>\$ 666</u>		
2005.01.07~2005.12.07	USD1: RMB8.1122~8.2235	<u>(\$ 1,450)</u>	USD 16,000	USD 130,965
2005.01.07~2005.12.07	USD1: RMB8.1122~8.2235	<u>(\$ 2,346)</u>	RMB 278,097	USD 34,000
2005.01.08~2005.12.07	USD1: RMB8.1122~8.2235	<u>(\$ 2,537)</u>	RMB 278,467	USD 34,000
2005.01.07	USD1: RMB8.2160	<u>(\$ 227)</u>	RMB 8,216	USD 1,000

Derivative transactions	Par value, contracts amount or nominal principal	Contract date
7. Delta Networks, Inc (registered in Taiwan, the subsidiary of DNI Cayman)		
Sell option (USD CALL/TWD PUT)	USD 117,900	2004.02.13~2004.12.30
Sell option (USD PUT/TWD CALL)	USD 39,400	2004.01.06~2004.12.30
Sell option (USD CALL/JPY PUT)	USD 4,200	2004.10.28~2004.12.02
Buy option (USD PUT/TWD CALL)	USD 32,100	2004.01.13~2004.12.30
Buy option (USD CALL/TWD PUT)	USD 11,000	2004.01.28~2004.12.30
Buy option (USD CALL /JPY PUT)	USD 2,000	2004.12.10
Forward foreign currency contracts	USD 980	2004.04.12
"	USD 19,000	2003.10.02~2004.04.3
Interest Rate Swap	NTD 500,000	2002.06.27
	USD 5,000	2002.07.17
	(Note a)	
Total		

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

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

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

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

Transaction terms		Recognized	Related future cash flows	
Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow
2004.08.06~2005.09.28	USD1: NTD31.82~.34.50	NTD 600	NTD 3,181,643	USD 97,000
2004.02.02~2005.08.25	USD1: NTD31.00~34.00	(NTD 2,649)	USD 17,900	NTD 560,250
2004.12.30~2005.02.24	USD1 :JPY104.50~108.00	NTD 64	JPY 316,500	USD 3,000
2004.01.14~2005.03.22	USD1: NTD32.00~34.14	NTD 5,612	(closed)	(closed)
2004.03.24~2005.02.22	USD1: NTD32.887~33.45	NTD 3,077	(closed)	(closed)
2004.12.17	USD1 :JPY97.40~99.45	NTD 4,231	(closed)	(closed)
2004.04.26	USD1: NTD32.881	-	(closed)	(closed)
2004.01.02~2004.08.04	USD1: NTD32.946~33.733	-	(closed)	(closed)
2002.07.01~2004.07.01	2.1%~2.7%	(6,436)	(closed)	(closed)
2002.10.19~2007.07.19	4.30%	(3,754)	(closed)	(closed)
		<u>\$ 745</u>		

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

(G) Fair value:

	2002	
	Nominal principal	Fair value
Foreign currency option contracts	\$ 2,383,676	(\$ 62,018)
Interest Rate SWAP	\$ 1,500,000	(\$ 13,392)
Callable Range Accrual SWAP	\$ 868,750	(\$ 21,350)
Selling Strategy	\$ 4,552,250	(\$ 120)
Range accrual notes	\$ 521,250	\$ -
Foreign currency deposit contracts	\$ 973,000	\$ -
Forward foreign currency contract	\$ 6,571,746	\$ 361

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

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

B. Additional disclosure information

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

December 31,			
2003		2004	
Nominal principal	Fair value	Nominal principal	Fair value
\$ 13,158,518	(\$ 43,390)	\$ 11,054,824	(\$ 10,148)
\$ 2,220,838	(\$ 42,979)	\$ 1,000,000	(\$ 16,883)
\$ 8,154,000	(\$ 152,973)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ 85,680	(\$ 10)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ 7,255,372	\$ 3,254	\$ 5,403,450	\$ 45,559

- 5) Significant intercompany transactions between the Company, DIH, DNH and the consolidated subsidiaries are eliminated when preparing the consolidated financial statements.

The details are as follows:

Transactions	2002	
	The Company	DIH
1. Elimination of long-term investments	(\$ 25,614,059)	\$ 24,813,598
2. Elimination of intercompany receivable (AR) and payable (AP) accounts	7,821,867	(7,698,774)
3. Elimination of profit and loss accounts		
(1) Sale and purchase transactions		
A. Downstream transactions	3,821,697	(3,816,510)
B. Upstream transactions	(24,467,711)	24,467,490
C. Sidestream transactions	-	(394,381)
(2) Services revenue, selling expenses, Management And Administrative expenses	3,070,114	(3,240,315)
(3) Unrealized (realized) intercompany profit from downstream transactions	(1,123)	1,123
4. Elimination of minority interest	(158,798)	237,215
5. Elimination of other transactions		
(1) Deposits-in and deposits-out	4,400	-
(2) Rental revenue and rental expense	47,487	-

Transactions	2002	
	The Company	DIH
1. Elimination of long-term investments	(\$ 15,788,696)	\$ 14,140,739
2. Elimination of intercompany receivable (AR) and payable (AP) accounts	10,314,169	(10,562,720)
3. Elimination of profit and loss accounts		
(1) Sale and purchase transactions		
A. Downstream transactions	3,022,310	(2,796,012)
B. Upstream transactions	(39,763,928)	39,547,086
C. Sidestream transactions	-	194,077
(2) Services revenue, selling expenses, management and administrative expenses	3,198,407	(3,181,084)
(3) Unrealized (realized) intercompany profit from downstream transactions	(3,566)	3,566
4. Elimination of minority interest	375,950	(379,243)
5. Elimination of other transactions		
(1) Deposits-in and deposits-out	3,194	-
(2) Rental revenue and rental expense	33,829	-

DNI	2003			
	The Company	DIH	DNH	Pyramis
\$ 800,461	(\$ 27,111,750)	\$ 25,815,662	\$ 1,295,088	\$ 1,000
(123,093)	7,798,516	(7,297,510)	(501,006)	-
(5,187)	3,054,334	(2,949,122)	(105,212)	-
221	(34,294,962)	34,293,877	1,085	-
394,381	-	(171,192)	171,192	-
170,201	(3,190,874)	3,161,695	29,179	-
-	3,054	(2,949)	(105)	-
(78,417)	(226,994)	226,994	-	-
(4,400)	4,400	-	(4,400)	-
(47,487)	41,733	-	(41,733)	-
2004				
DNH	Pyramis			
\$ 1,423,303	\$ 224,654			
248,551	-			
(226,298)	-			
216,842	-			
(194,077)	-			
(17,323)	-			
-	-			
-	3,293			
(4,400)	1,206			
(33,829)	-			

11. Disclosure information of investee company

(1) Related information of significant transactions

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

B. Guarantee information:

Name of the company Providing guarantee		Parties being guaranteed		The limit of guarantee for such party
Number (Note 1)	Name	Name	Relationship with the Company (Note 2)	(Note 3)
0	Delta Electronics, Inc.	Delta Products Corp.	1	\$ 317,850
0	"	Delta Optoelectronics Inc.	2	450,000

(Note 1): Number 0 represents the Company.

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

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

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

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

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

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

Name of investor	Name and kind of marketable securities		The relationship of the issuers with the Company
	Kind of marketable securities	Name of marketable securities	
Delta Electronics Inc.	Common stock	Delta International Holding Ltd.	A subsidiary of the Company
"	"	Delta Electronics (Thailand) Public Co., Ltd.	Investee Company accounted for under equity method
"	"	Delta Networks Holding Ltd.	A subsidiary of the Company
"	"	Cyntec Co., Ltd.	Investee Company accounted for under equity method

<u>The highest outstanding guarantee amount in 2004</u>	<u>The outstanding guarantee amount at 12/31/2004</u>	<u>The amount of guarantee with collateral placed</u>	<u>The ratio of accumulated guarantee amount to net value of the Company</u>	<u>The ceiling of the outstanding guarantee to the respective party</u>
\$ 317,850 (Note 5)	\$ 317,850	\$ -	0.96%	(Note 4)
306,800	-	-	-	(Note 4)

<u>General ledger accounts</u>	<u>December 31, 2004</u>				
	<u>Number of shares (In thousand)</u>	<u>Book value</u>	<u>Percentage ownership</u>	<u>Market value</u>	<u>Note</u>
Long-term investment	51,700	\$ 14,140,739	94.00	\$ 15,763,594	-
"	69,128	1,260,707	5.82	968,900	-
"	39,800	1,423,302	100.00	1,423,302	-
"	49,319	814,945	36.57	846,322	-

<u>Name of investor</u>	<u>Name and kind of marketable securities</u>		<u>The relationship of the issuers with the Company</u>
	<u>Kind of marketable securities</u>	<u>Name of marketable securities</u>	
Delta Electronics Inc.	Common stock	Delta Optoelectronics Inc.	A subsidiary of the company
"	"	DelSolar Co., Ltd.	"
"	"	Grand Advance Technology Ltd.	Investee Company accounted for under equity method
"	"	Pyramis Corporation	A subsidiary of the company
"	"	D-Link Corporation	None
"	"	Union Optronics Corp.	"
"	"	Macronix International Co., Ltd	"
"	"	WK Technology Fund.	"
"	Preferred Stock	Delta America Ltd.	"
"	Common Stock	Loyalty Funder Enerprise Co., Ltd.	"
"	"	WK Technology Fund IV	"
"	"	WK Technology Fund V	"
"	"	Betacera Inc.	"
"	"	Analog and Power Electronics Corp	"
"	"	Sheng Hua Venture Capital Corp.	"
"	"	Others	"

General ledger accounts	December 31, 2004				
	Number of shares (In thousand)	Book value	Percentage ownership	Market value	Note
Long-term investment	128,057	\$ 575,166	95.21	\$ 572,108	-
"	49,500	494,579	82.50	494,586	-
"	19,600	184,785	39.20	184,850	-
"	30,346	224,654	99.24	223,952	-
"	11,454	653,362	2.09	412,443	-
"	24,031	348,072	12.70	121,139	-
"	61,335	225,040	1.22	444,068	-
"	11,098	118,782	4.56	149,202	-
"	2,100	101,076	Preferred Stock	101,076	-
"	12,909	95,413	9.87	187,127	-
"	8,254	82,204	3.13	91,136	-
"	7,000	70,000	3.89	69,107	-
"	7,134	59,358	18.99	87,551	-
"	9,752	54,631	13.61	278,571	-
"	5,000	50,000	2.50	53,136	-
"		208,973		148,382	-
"		<u>\$ 21,185,788</u>		<u>\$ 22,620,552</u>	-

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

Acquirer/seller	Name of Marketable security	General ledger accounts	Name of transaction parties	Relationship	January 1, 2004	
					Number of shares (In thousand)	Amount
Delta Electronics, Inc.	UBS Taiwan Bond Fund	Short-term investments	-	-	24,003	\$ 343,000
"	Core Pacific Well Pool Bond Fund	"	-	-	88,597	1,062,627
"	JF (Taiwan) First Bond Fund	"	-	-	58,434	789,156
"	ABN-AMRO Bond Fund	"	-	-	82,550	1,192,627
"	Tachong Bond Fund	"	-	-	21,736	271,000
"	Taiwan Life Asset Management-Solomon	"	-	-	-	-
"	Dresdner Bond	"	-	-	-	-
"	Delta Optoelectronics Inc.	Long-term investment	Delta Optoelectronics Inc. (Note 1)	A subsidiary of the Company	58,160	113,011
"	Pyramis Corporation	"	Pyramis Corporation (Note 1)	"	100	1,000
"	DelSolar Co., Ltd.	"	DelSolar Co., Ltd. (Note 1)	"	-	-

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

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

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

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

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

Addition		Disposal				December 31, 2004	
Number of shares (In thousand)	Amount	Number of shares (In thousand)	Sales amount	Cost	Disposal gain (loss)	Number of shares (In thousand)	Amount
221,048	\$ 3,172,400	(245,051)	\$ 3,522,158	(\$ 3,515,400)	\$ 6,758	-	\$ -
120,665	1,457,500	(209,262)	2,530,502	(2,520,127)	10,375	-	-
201,290	2,738,500	(259,724)	3,536,393	(3,527,656)	8,737	-	-
265,669	3,868,000	(348,219)	5,073,235	(5,060,627)	12,608	-	-
-	-	(21,736)	272,639	(271,000)	1,639	-	-
8,839	100,000	(8,839)	100,109	(100,000)	109	-	-
18,832	210,000	(18,832)	210,546	(210,000)	546	-	-
69,897	462,155 (Note 2)	-	-	-	-	128,057	575,166
30,246	223,654 (Note 3)	-	-	-	-	30,346	224,654
49,500	494,579 (Note 3)	-	-	-	-	49,500	494,579

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

<u>Name of creditor</u>	<u>Transaction parties</u>	<u>Relationship</u>
Delta Electronics, Inc.	Delta International Holding Ltd. (DIH)	A subsidiary of the Company
"	DEI Logistics (USA) Corp.	A subsidiary of DIH
"	Delta Electronics (Thailand) Public Co., Ltd.	Investee company accounted for under equity method
"	Delta Products Corporation	Affiliated enterprise
"	Delta Electronics Europe Ltd.	Investee company accounted for under equity method
"	Delta Video Display System (Wu Jiang) Co., Ltd.	A subsidiary of DIH
"	Delta Electronics International Ltd.	A subsidiary of DIH

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

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

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

(2) Disclosure information of investee company

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

A. Information of investee company:

Balance of receivable from related parties	Turnover rate	Overdue receivable (Note 1)		Subsequent collections (Note 2)	Allowance for doubtful accounts provided
		Amount	Action adopted for overdue accounts		
Accounts receivable	\$ 398,383	9.94	\$ -	-	\$ -
Other receivables	5,935,204	-	922	-	-
Accounts receivable	899,778	3.33	-	Continued collection	296,663
Other receivables	76,927	-	67,306	expected in 2005	-
Accounts receivable	47,565	0.99	-	-	3,526
Other receivables	124,402	-	323	-	106,392
Accounts receivable	245,496	3.90	-	-	106,392
Other receivables	7,640	-	1,755	-	-
Accounts receivable	108,952	3.10	-	-	36,167
Other receivables	5,898	-	-	--	2,264
Accounts receivable	145,882	3.92	-	-	85,261
Other receivables	9,989	-	7,715	-	-
Account receivable	4,535	1.46	-	-	1,395
Other receivables	164,458	-	-	-	113,569

Name of investor	Name of investee company	Address	Main activities	Original investment	
				Balance as of December 31, 2004	Balance as of December 31, 2003
Delta Electronics, Inc.	Delta International Holding Ltd.	Cayman Islands	Equity investments	\$ 4,425,537	\$ 4,425,537
"	Delta Networks Holding Ltd.	Cayman Islands	Equity investments	1,377,206	1,377,206
"	Delta Electronics (Thailand) Public Co., Ltd.	Thailand	Manufacturing and sales of electronic products	114,615	114,615
"	Pyramis Corporation	Taipei Taiwan R.O.C.	Development and sales of electronics products.	316,263	1,000
"	Delta Optoelectronics, Inc.	Science-Based Industrial Park, Hsinchu, Taiwan	Development, design, manufacturing and sales of displays with polymer light emission display (PLED) and carbon nano-tube electronic emitter (CNT) technologies	1,418,882	719,912
"	Grand Advance Technology Ltd.	Tao-Yuan, Taiwan	Manufacturing and sales of CD, CDR, VCD and DVD	400,000	400,000
"	Cyntec Co., Ltd.	Science-Based Industrial Park, Hsinchu, Taiwan	Research, development, manufacturing and sales of various thin film components, such as thermal printer head, temperature sensor and its application modules, chip resistors and hybrid circuits	455,814	455,814
"	Deltronics (Netherlands) B.V.	Netherlands	Trading and import-export of the related equipment, components and materials telecom system, computer system and instruments.	11,306	-
"	DelSolar Co., Ltd.	Science-based Industrial Park Hsinchu, Taiwan	Research, development, manufacturing and sales of solar batheries and related systems.	495,000	-

Held as of December 31, 2004					
Number of shares (In thousand)	Percentage of ownership	Book value	Income (loss) of the investee company	Investment income (loss) recognized by the Company	Note
51,700	94.00	\$ 14,140,739	\$ 5,263,135	\$ 4,873,357	(Note d)
39,800	100.00	1,423,302	209,826	209,826	-
69,128	5.82	1,260,707	1,034,355	82,692	(Note e)
30,346	99.24	224,654	(91,696)	(91,608)	-
128,057	95.21	575,166	(224,046)	(202,584)	-
19,600	39.20	184,785	(92,654)	(36,321)	-
49,319	36.57	814,945	225,821	81,569	-
450	100.00	13,314	1,232	1,232	-
49,500	82.50	494,579	(502)	(421)	-

Name of investor	Name of investee company	Address	Main activities	Original investment	
				Balance as of December 31, 2004	Balance as of December 31, 2003
Delta International Holding Ltd.	Delta Electronics (H.K.) Ltd.	Hong Kong	Operations management and engineering services	\$ 41,130	\$ 41,130
"	Delta Electronics Agent Ltd.	British Virgin Islands	Operations management and engineering services	318	318
"	Delta Electronics International Ltd.	British Virgin Islands.	Manufacturing and sales of electronic products	28,607	28,607
"	Delta Electronics Trading Ltd.	British Virgin Islands	Electronics product sales	318	318
"	Delta Power Sharp Ltd.	Hong Kong	Operations management and engineering services	41,106	41,106
"	Delta Electronics (Dong Guan) Co., Ltd.	Dongguan, Guangdong, P.R.C.	Manufacturing and sales of various power supplies	1,176,045	1,176,045
"	Delta Electronics (Shanghai) Co., Ltd.	Shanghai	Design the figure of the product	317,288	-
"	Delta Electronics Components (Dong Guan) Co., Ltd.	Dongguan, Guangdong, P.R.C.	Manufacturing and sales of transformers	1,017,120	1,017,101
"	Delta Electronics Power (Dong Guan) Co., Ltd.	Dongguan, Guangdong, P.R.C.	Manufacturing and sales of other power supplies	572,130	572,130
"	DEI Logistics (USA) Corp.	U.S.A.	Warehousing and logistics services	15,893	15,893
"	Delta Electronics (Japan) Inc.	Japan	Operating and sales of electronic products	56,465	56,465
"	Delta Video Display System (Wu Jiang) Co., Ltd.	Jiang Su Province, P.R.C.	Manufacturing and sales of various monitor	227,263	227,263
"	Delta Electronics (Jiang Su) Co., Ltd.	Jiang Su Province, P.R.C.	Manufacturing and sales of various power supplies	669,270	699,270
"	Delta Electronics Components (Wu Jiang) Co., Ltd.	Jiang Su Province, P.R.C.	Manufacturing and sales of transformer and peripherals	699,270	699,270

Held as of December 31, 2004					
Number of shares (In thousand)	Percentage of ownership	Book value	Income (loss) of the investee company	Investment income (loss) recognized by the Company	Note
10,000	100.00	\$ 42,322	(\$ 23)	(Note a)	-
10	100.00	2,206	1,331	(Note a)	-
900	100.00	7,544,443	7,408,105	(Note a)	-
10	100.00	5,881	(115)	(Note a)	-
10,000	100.00	47,928	716	(Note a)	-
-	100.00	1,358,034	48,722	(Note a)	-
-	100.00	297,321	(21,590)	(Note a)	-
-	100.00	1,342,429	382,439	(Note a)	-
-	100.00	1,815,143	439,939	(Note a)	-
500	100.00	22,383	1,525	(Note a)	-
3.8	100.00	76,193	2,600	(Note a)	-
-	55.00	133,289	(113,218)	(Note a)	-
-	55.00	782,031	152,162	(Note a)	-
-	55.00	690,128	130,177	(Note a)	-

Name of investor	Name of investee company	Address	Main activities	Original investment	
				Balance as of December 31, 2004	Balance as of December 31, 2003
Delta International Holding Ltd.	Delta Electro-optics (Wu Jiang) Co., Ltd.	Jiang Su Province, P.R.C.	Manufacturing and sales of peripherals and electronic control equipment	\$ 437,044	\$ 437,044
"	DAC Holding Ltd.	Cayman Islands	Equity investment	418,704	227,390
"	Netpower Technologies, Inc.	U.S.A.	Produce DC/DC/Power / Module, product design, sample production , and marketing & sales	57,211	57,211
Delta Networks Holding Ltd.	Delta Networks (Cayman) Inc.	Cayman Islands.	Equity Investment	1,251,287	1,251,287
Delta Networks, Inc. (Registered in Cayman)	Delta Networks Inc.	Tao-Yuan , Taiwan	Development design manufacturing and sales of networking system and peripherals.	458,969	455,243
"	DNI Logistics (USA) Corp.	USA	Trading and import/export of networking system and Peripherals	17,674	17,674
"	Delta Networks International Ltd.	Hong Kong	Trading and import/export of networking system and peripherals	274,622	274,622
"	Delta Electronics Industrial (Dong Guan) Co., Ltd.	Dongguan, Guangdong P.R.C.	Manufacturing and sales of electronic ballast for energy saving lighting and interface cards	610,131	537,022
Pyramis Corporation	Pyramis Holding Ltd.	Cayman Islands	Equity investment	132,285	-

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

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

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

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

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

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

Held as of December 31, 2004					
Number of shares (In thousand)	Percentage of ownership	Book value	Income (loss) of the investee company	Investment income (loss) recognized by the Company	Note
-	55.00	\$ 525,991	\$ 91,468	(Note a)	-
13,173	59.34	209,417	(162,991)	(Note a)	-
3,913	24.14	13,884	(20,180)	(Note a)	-
39,367	94.00	1,399,130	215,318	(Note b)	-
49,599	99.20	225,204	15,959	(Note c)	-
500	100.00	21,606	2,177	(Note c)	-
10	100.00	508,573	103,219	(Note c)	-
-	100.00	732,057	83,474	(Note c)	-
4,100	100.00	128,388	(1,958)	(Note f)	-

- B. Financing activities to any company or person: None.
- C. Guarantee information: None.
- D. Marketable securities held by the company at December 31, 2004:
 (Combine the individual amount less than 50,000 on December 31, 2004)

Name of investor	Name and kind of marketable securities		The relationship of the issuers with the Company
	Kind of marketable securities	Name of marketable securities	
Delta International Holding Ltd. (DIH)	Common stock	Delta Electronics International Ltd.	A subsidiary of DIH
"	"	Delta Electronics (Japan) Inc.	"
"	Certificate of amount Contributed	Delta Electronics (Dong Guan) Co., Ltd.	"
"	"	Delta Electronics Components (Dong Guan) Co., Ltd.	"
"	"	Delta Electronics Power (Dong Guan) Co., Ltd.	"
"	"	Delta Electronics (Shanghai) Co., Ltd.	"
"	"	Delta Electronics (Jiang Su) Co., Ltd.	"
"	"	Delta Electronics Components (Wu Jiang) Co., Ltd.	"
"	"	Delta Electro-optics (Wu Jiang) Ltd.	"
"	"	Delta Video Display System (Wu Jiang) Co., Ltd.	"
"	Common stock	DAC Holding Ltd.	"
"	"	Delta Electronics (Thailand) Public Co., Ltd.	Investee company accounted for under equity method
"	"	Deltron-Cimic Electric and Electronics Co., Ltd.	Affiliated enterprise
"	"	Netgear Inc.	-
"	"	Others	
Delta Networks Holding Ltd.	"	Delta Networks, Inc. (registered in Cayman)	A subsidiary of DNH

General ledger accounts	Number of shares	December 31, 2004		
		Book value	Percentage	Market value
Long-term investment	900	\$7,544,443	100.00	\$ 7,544,443
"	3.8	76,193	100.00	76,193
"	-	1,358,034	100.00	1,358,034
"	-	1,342,429	100.00	1,342,429
"	-	1,815,143	100.00	1,815,143
"	-	297,321	100.00	297,321
"	-	782,031	55.00	782,031
"	-	690,128	55.00	690,128
"	-	525,991	55.00	525,991
"	-	133,289	55.00	133,289
"	13,173	209,417	59.34	209,417
"	180,984	4,365,421	15.23	2,536,678
"	34,036	97,440	10.38	97,440
"	506	52,447	1.63	292,114
"		227,872		240,511
"	39,367	1,399,130	94.00	1,399,130

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

Acquirer/ seller	Name of marketable security	General ledger accounts	Name of transaction parties	Relationship	January 1, 2003	
					Number of shares	Amount
Delta International Holding Ltd.	Delta Electronics (Shanghai) Co., Ltd.	Long-term investments	-	Affiliated enterprise	-	\$ -
"	DAC Holding	"	DAC Holding	A subsidiary of the company	7,154	134,444
"	Netgear Inc.	"	Open Market	-	920	95,355

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

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

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

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

H. Related party purchases or sales transactions in excess of NT\$100,000 or 20% of Capital:

The transaction of the Company and its consolidated subsidiaries: Please see note 5(2) A and B

Addition		Disposal				December 31, 2003	
Number of Shares	Amount	Number of shares	Sales amount	Cost	Disposal gain/ (loss)	Number of shares	Amount
-	\$ 297,321 (Note a)	-	\$ -	\$ -	\$ -	-	\$ 297,321
6,019	74,973 (Note b)	-	-	-	-	13,173	209,417
-	-	414	192,491	42,908	149,583	506	52,447

Name of the counterparty	Name of transaction parties	Relationship	Purchases (sales)	Amount
Delta Electronics International Ltd	Delta Electronics (Thailand) Public Co., Ltd	Affiliated enterprise	Purchase	\$ 210,371
"	Delta Green (Tianjin) Industries Co.	"	"	264,207
"	Delta Electronics (JAPAN) Inc.	"	"	186,849
"	Delta Electronics (Dong Guan) Co., Ltd	"	"	1,244,615
"	Delta Electronics Components (Dong Guan) Co., Ltd	"	"	4,888,777
"	Delta Electronics Power (Dong Guan) Co., Ltd	"	"	16,824,414
Delta Video Display System (Wu Jiang) Co., Ltd.	Delta Electronics (JAPAN) Inc.	"	"	287,966
Delta Networks International Ltd.	Delta Electronics Industrial (Dong Guan) Co., Ltd.	"	"	4,489,022
Delta Electronics International Ltd	Delta Electronics (Dong Guan) Co., Ltd	"	Sales	1,555,587
"	Delta Electronics Power (Dong Guan) Co., Ltd	"	"	13,206,296
"	Delta Electronics Components (Dong Guan) Co., Ltd	"	"	4,201,611
"	Delta Electronics, Inc.	The ultimate parent company	"	39,761,526

<u>Transaction terms</u>		<u>Description of and reasons for difference in transaction terms compared to non-related party transactions</u>		<u>Accounts or notes receivable (payable)</u>	
<u>% of total purchases (sales)</u>	<u>Credit terms</u>	<u>Unit price</u>	<u>Credit period</u>	<u>Balance</u>	<u>% of total accounts or notes receivable (payable)</u>
0.42	75 days	-	-	(\$ 34,463)	(0.39)
0.52	"	-	-	(55,781)	(0.63)
0.37	"	-	-	(26,700)	(0.30)
2.47	"	According to the contract	-	-	-
9.70	"	"	-	(1,249,341)	(14.03)
33.38	"	"	-	(1,078,506)	(12.11)
14.60	"	-	-	(137,027)	(22.58)
51.18	"	According to the contract	-	-	-
2.65	"	"	-	1,029,951	7.82
22.50	"	"	-	-	-
7.16	"	"	-	-	-
67.75	"	-	-	12,019,547	91.22

Name of the counterparty	Name of transaction parties	Relationship	Purchases (sales)	Amount
Delta Electronics Component (Dong Guan) Co., Ltd.	Delta Electronics Power (Dong guan) Co., Ltd.	Affiliated enterprise	Sales	\$ 593,213
Delta Electronics (Jiang Su) Co., Ltd.	Deltron-Cimic Electric and Electronics Co., Ltd.	"	"	526,629
"	Delta Electronics International Ltd.	"	"	4,907,616
Delta Electronics Components (Wu Jiang) Co., Ltd.	Delta Electronics (Jiang Su) Co., Ltd.	"	"	698,405
"	Delta Electronics International Ltd.	"	"	1,390,266
Delta Electro-Optics (Wu Jiang) Co., Ltd.	"	"	"	641,503
"	Deltron-Cimic Electric and Electronics Co., Ltd.	"	"	470,900
Delta Video Display System (Wu Jiang) Co., Ltd.	Delta Electronics International Ltd.	"	"	1,062,198
Delta Networks International Ltd.	Delta Electronics Industrial (Dong Guan) Co., Ltd	"	"	4,256,510
"	DNI Logistics(USA) Corp.	"	"	774,077
Delta Networks, Inc.	Delta Networks International Ltd.	"	"	116,945
"	Delta Electronics, Inc.	The ultimate parent company	"	217,626
Delta Electronics (Dong Guan) Co., Ltd.	Delta Electronics Power (Dong Guan) Co., Ltd.	Affiliated enterprise	"	1,085,745
"	Delta Electronics Components (Dong Guan) Co., Ltd	"	"	1,159

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

<u>Transaction terms</u>		<u>Description of and reasons for difference in transaction terms compared to non-related party transactions</u>		<u>Accounts or notes receivable (payable)</u>	
<u>% of total purchases (sales)</u>	<u>Credit terms</u>	<u>Unit price</u>	<u>Credit period</u>	<u>Balance</u>	<u>% of total accounts or notes receivable (payable)</u>
9.15	75 days	According to the contract	-	\$ 312,773	18.41
6.78	"	-	-	128,494	9.23
63.21	"	-	-	588,353	42.26
21.83	"	-	-	231,797	29.47
43.46	"	-	-	131,659	16.74
51.40	"	-	-	58,470	25.88
37.73	"	-	-	166,221	73.56
57.82	"	-	-	110,651	54.46
44.40	"	According to the contract	-	34,122	2.15
8.07	"	-	-	266,148	16.8
9.33	"	-	-	247,057	47.73
17.36	"	-	-	40,538	7.83
45.71	"	According to the contract	-	315,650	29.32
0.05	"	"	-	754,969	70.12

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

Name of the creditor	Transaction parties	Relationship	from related parties (Note a)
Delta Electronics International Ltd.	Delta Electronics (Dong Guan) Co., Ltd.	Affiliated enterprise	\$ 1,029,951
"	Delta Electronics, Inc. parent company	The ultimate	12,021,809
"	Delta Networks, Inc.	Affiliated enterprise	197,357
"	Delta Networks International Ltd.	"	191,410
Delta Electronics Power (Dong Guan) Co., Ltd.	Delta Electronics International Ltd.	"	1,078,506
Delta Electronics Components (Dong Guan) Co., Ltd	"	"	1,249,341
"	Delta Electronics Power (Dong Guan) Co., Ltd.	"	312,773
Delta Electronics (Dong Guan) Co., Ltd.	"	"	315,650
"	Delta Electronics components (Dong Guan) Co., Ltd.	"	754,969
Delta Electro-optics (Wu Jiang) Co., Ltd	Deltron-Cimic Electric and Electronics Co., Ltd	"	166,221
Delta Electronics (Jiang Su) Co., Ltd.	"	"	128,494
"	Delta Electronics International Ltd.	"	588,353
Delta Electronics Components (Wu Jiang) Co., Ltd.	"	"	131,659
"	Delta Electronics (Jiang Su) Co., Ltd.	"	231,797
Delta Video Display System (Wu Jrang) Co., Ltd.	Delta Electronics International Ltd.	"	110,651
Delta Networks International Ltd.	DNI Logistics (USA) Corp.	"	266,148
"	Delta Networks, Inc.	"	144,950
Delta Networks, Inc.	Delta Networks I nternational Ltd.	"	255,150
Delta Electronics (JAPAN) Inc.	Delta Video Display System (Wu Jiang) Co., Ltd.	"	161,824

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

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

Turnover rate	Overdue receivable		Subsequent collections (Note b)	Allowance for doubtful accounts provided
	Amount	Action adopted overdue accounts		
2.05	\$ -	-	\$ -	\$ -
3.81	-	-	3,592,106	-
0.44	-	-	2,892	-
-	-	-	-	-
22.63	-	-	128,443	-
3.69	-	-	87,194	-
2.47	-	-	32	-
4.27	-	-	-	-
-	-	-	-	-
3.27	-	-	52,881	-
4.58	-	-	41,066	-
7.67	-	-	587,959	-
6.41	-	-	131,659	-
3.17	-	-	86,130	-
5.03	-	-	110,555	-
4.22	-	-	89,558	-
4.60	-	-	138,591	-
0.80	-	-	222,113	-
2.95	-	-	73,168	-

J. Information on derivative transactions

(A) General information disclosure:

a. Purpose:

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

b. Accounting policy: See Note 2.

c. Credit risk:

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

Derivative transactions	Par value, contracts amount or nominal principal		Transaction terms	
			Contract dates	Exercise dates
Derivative transactions of the consolidated subsidiary during 2004				
1. Delta International Holding Ltd. (DIH)				
Forward foreign currency contracts	USD	207,241	2003.12.03~2004.09.01	2004.01.08~2004.12.03
"	USD	207,178	2003.12.03~2004.09.01	2004.01.08~2004.12.03
Total				
2. Delta Electronics International Ltd. (the subsidiary of DIH)				
Buy option (USD PUT/RMB CALL)	USD	1,000	2003.08.28	2004.01.28
Forward foreign currency contracts	USD	6,000	2003.08.13	2004.01.30~2004.03.22
"	USD	119,000	2003.04.29~2004.12.06	2004.01.30~2005.12.07
"	USD	25,500	2004.02.06~2004.12.30	2004.04.15~2005.01.25
Callable Range Accrual Swap	USD	5,000	2002.07.17	2007.07.19
	(Note b)			
Libor-linked USD/YEN Strategy	USD	60,000	2003.12.22	2004.07.29
Total				
3. Delta Electronics (Dong Guan) Co., Ltd. (the subsidiary of DIH)				
Forward foreign currency contracts	USD	16,000	2004.01.06~2004.12.07	2005.01.07~2005.12.07
4. Delta Electronics Power (Dong Guan) Co., Ltd. (the subsidiary of DIH)				
Forward foreign currency contracts	USD	34,000	2004.01.06~2004.12.06	2005.01.07~2005.12.07
5. Delta Electronics components (Dong Guan) Co., Ltd. (the subsidiary of DIH)				
Forward foreign currency contracts	USD	34,000	2004.01.07~2004.12.06	2005.01.08~2005.12.07
6. Delta Electronics Industrial (Dong Guan) Co., Ltd. (the subsidiary of DNI Cayman)				
Forward foreign currency contracts	USD	1,000	2004.01.07	2005.01.07

d. Market risk:

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

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

Exercise prices/ Exercise rates	Recognized gain (loss)	Related future cash flows	
		Cash inflow	Cash outflow
USD1: THB39.2205~41.61	\$ -	(closed)	(closed)
USD1: THB39.2305~ 41.6225	63	(closed)	(closed)
	<u>\$ 63</u>		
USD1: RMB8.28	\$ 0.35	(closed)	(closed)
USD1: RMB8.2030~8.2270	8	(closed)	(closed)
USD1: RMB7.8340~8.2580	858	(Note c)	(Note c)
USD1: JPY103.20~111.00 (Note d)	31	JPY 417,023	USD 4,000
	(72)	(closed)	(closed)
	(159)	(closed)	(closed)
	<u>\$ 666</u>		
USD1: RMB8.1122~8.2235	<u>(\$ 1,450)</u>	USD 16,000	USD 130,965
USD1: RMB8.1122~8.2235	<u>(\$ 2,346)</u>	RMB 278,097	USD 34,000
USD1: RMB8.1122~8.2235	<u>(\$ 2,537)</u>	RMB 278,467	USD 34,000
USD1: RMB8.2160	<u>(\$ 227)</u>	RMB 8,216	USD 1,000

Derivative transactions	Par value, contracts amount or nominal principal	Transaction terms	
		Contract dates	Exercise dates
7. Delta Networks, Inc (registered in Taiwan, the subsidiary of DNI Cayman)			
Sell option (USD CALL/TWD PUT)	USD 117,900	2004.02.13~2004.12.30	2004.08.06~2005.09.28
Sell option (USD PUT/TWD CALL)	USD 39,400	2004.01.06~2004.12.30	2004.02.02~2005.08.25
Sell option (USD CALL/JPY PUT)	USD 4,200	2004.10.28~2004.12.02	2004.12.30~2005.02.24
Buy option (USD PUT/TWD CALL)	USD 32,100	2004.01.13~2004.12.30	2004.01.14~2005.03.22
Buy option (USD CALL/TWD PUT)	USD 11,000	2004.01.28~2004.12.30	2004.03.24~2005.02.22
Buy option (USD CALL /JPY PUT)	USD 2,000	2004.12.10	2004.12.17
Forward foreign currency contracts	USD 980	2004.04.12	2004.04.26
	USD 19,000	2003.10.02~2004.04.3	2004.01.02~2004.08.04
Interest Rate Swap	NTD 500,000	2002.06.27	2002.07.01~2004.07.01
	USD 5,000		
	(Note a)	2002.07.17	2002.10.19~2007.07.19
Total			

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

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

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

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

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

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

(B) Additional disclosure

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

Exercise prices/ Exercise rates	Recognized gain (loss)	Related future cash flows	
		Cash inflow	Cash outflow
USD1: NTD31.82~.34.50	NTD 600	NTD 3,181,643	USD 97,000
USD1: NTD31.00~34.00	(NTD 2,649)	USD 17,900	NTD 560,250
USD1: JPY104.50~108.00	NTD 64	JPY 316,500	USD 3,000
USD1: NTD32.00~34.14	NTD 5,612	(closed)	(closed)
USD1: NTD32.887~33.45	NTD 3,077	(closed)	(closed)
USD1: JPY97.40~99.45	NTD 4,231	(closed)	(closed)
USD1: NTD32.881	-	(closed)	(closed)
USD1: NTD32.946~33.733	-	(closed)	(closed)
2.1%~2.7%	(6,436)	Unwind	
4.30%	(3,754)	(closed)	(closed)
	<u>\$ 745</u>		

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

A. Basic information

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

Name of investee in Mainland China		Main activities of investee	Capital	Investment method	Accumulated remittance as of January 1, 2004	Remitted or collected
					Remitted out	
Delta Electronics (Dong Guan) Co., Ltd.	Manufacturing and sales of various power supplies	NT\$ 1,176,045 (Equivalent to US\$ 37,000) (RMB 306,360)	Invested by Delta International Holding Ltd.	NT\$ 1,179,435 (Equivalent to US\$ 37,107)	-	
Deltron-Cimic Electric and Electronics Co., Ltd.	Manufacturing and sales of uninterruptible power system	NT\$ 1,259,116 (Equivalent to US\$ 39,614) (RMB328,000) (Note a and d)	"	NT\$ 95,421 (Equivalent to US \$ 3,002)	-	
Delta Electronics Industrial (Dong Guan) Co., Ltd.	Manufacturing and sales of electronic ballast for energy saving lighting and interface Cards	NT\$ 711,984 (Equivalent to US\$ 22,400) (RMB185,472)	Invested by Delta Networks, Inc. (registered in Cayman)	NT\$ 601,541 (Equivalent to US\$18,925)	NT\$ 68,722 (Equivalent to US\$2,162)	
Delta Electronics Components (Dong Guan) Co., Ltd.	Manufacturing and sales of transformer and peripherals	NT\$ 1,017,120 (Equivalent to US\$ 32,000) (RMB264,960)	Invested by Delta International Holding Ltd.	NT\$ 957,485 (Equivalent to US\$30,124)	NT\$ 17 (Equivalent to US\$ 0.5)	
Delta Electronics Power (Dong Guan) Co., Ltd.	Manufacturing and sales of power supplies	NT\$ 572,130 (Equivalent to US\$18,000) (RMB149,040)	"	NT\$ 537,800 (Equivalent to US\$16,920)	NT\$ 2 (Equivalent to US\$0,07)	
Delta Electronics Components (Wu Jiang) Co., Ltd.	Manufacturing and sales of transformer and peripherals	NT\$ 1,271,400 (Equivalent to US\$ 40,000) (RMB331,200)	"	NT\$ 657,314 (Equivalent to US\$20,680)	-	
Delta Electronics (Jiang Su)	Manufacturing and sales of various power supplies	NT\$ 1,271,400 (Equivalent to (RMB331,200)	"	NT\$ 657,314 (Equivalent to US\$20,680)	-	

<u>this period</u>					
<u>Collected</u>	<u>Accumulated remittance as of December 31, 2004</u>	<u>Ownership held by the Company (direct and indirect)</u>	<u>Investment income (loss) recognized by the Company during the year</u>	<u>Ending balance of investment</u>	<u>The investment income (loss) remitted back as of December 31, 2004</u>
-	NT\$1,179,435 (Equivalent to US\$ 37,107)	94.00%	\$ 45,798	\$ 1,276,552	- (Note b and f)
-	NT\$ 95,421 (Equivalent to US \$ 3,002)	9.76%	-	91,593	-
-	NT\$ 670,263 (Equivalent to US\$ 21,087)	94.00%	78,466	688,134	-
-	NT\$ 957,502 (Equivalent to US\$ 30,124)	94.00%	359,492	1,261,883	-
-	NT\$ 537,802 (Equivalent to US\$16,920)	94.00%	413,543	1,706,234	(Note e)
-	NT\$ 657,314 (Equivalent to US\$20,680)	51.7%	67,301	648,720	-
-	NT\$ 657,314 (Equivalent to US\$20,680)	51.7%	78,668	735,109	-

				Remitted or collected	
Name of investee in Mainland China	Main activities of investee	Capital	Investment method	Accumulated remittance as of January 1, 2004	Remitted out
Delta Electro-Optics (Wu Jiang) Ltd.	Manufacturing and sales of peripherals and electronic control equipment	NT\$ 794,625 (Equivalent to US\$ 25,000) (RMB207,000)	Invested by Delta International Holding Ltd.	NT\$ 410,821 (Equivalent to US\$12,925)	NT\$ -
Delta Video Display System (Wu Jiang) Co., Ltd.	Manufacturing and sales of various monitors	NT\$ 413,205 (Equivalent to US\$ 13,000) (RMB107,640)	"	NT\$ 213,627 (Equivalent to US\$ 6,721)	-
Delta Electronics (Shanghai) Co., Ltd	Design the figure of the product	NT\$ 317,850 (Equivalent to US\$ 10,000) (RMB 82,800) (Note c)	"	-	-

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

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

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

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

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

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

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

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

<u>this period</u>					
<u>Collected</u>	<u>Accumulated remittance as of December 31, 2004</u>	<u>Ownership held by the Company (direct and indirect)</u>	<u>Investment income (loss) recognized by the Company during the year</u>	<u>Ending balance of investment</u>	<u>The investment income (loss) remitted back as of December 31, 2004</u>
NT\$ -	NT\$ 410,821 (Equivalent to US\$12,925)	51.7%	\$ 47,289	\$ 494,432	\$ -
-	NT\$ 213,627 (Equivalent to US\$6,721)	51.7%	(58,534)	125,292	-
-	-	94%	(20,295)	279,482	-

12. SEGMENT FINANCIAL INFORMATION**A. Financial information by industry**

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

B. Financial information by geographic area

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

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

	2003 (New Taiwan Dollars)				Consolidated
	Asia	Others	Domestic	Elimination	
Operating revenues from unaffiliated customers	\$ 6,170,579	\$ 2,867,508	\$ 40,503,825	\$ -	\$ 49,541,912
Operating revenues from the Company and its consolidated subsidiaries	<u>34,520,956</u>	<u>-</u>	<u>6,227,775</u>	<u>(40,748,731)</u>	<u>-</u>
Total operating revenues	<u>\$ 40,691,535</u>	<u>\$ 2,867,508</u>	<u>\$ 46,731,600</u>	<u>(\$ 40,748,731)</u>	<u>\$ 49,541,912</u>
Segment profits	<u>\$ 8,387,951</u>	<u>\$ 16,226</u>	<u>\$ 912,942</u>	<u>(\$ 3,640,646)</u>	\$ 5,676,473
Investment loss under equity method					(9,417)
General expense					(637,086)
Interest expense					(109,659)
Net income before income tax and minority interest					<u>\$ 4,920,311</u>
Identifiable assets	<u>\$ 40,704,879</u>	<u>\$ 721,479</u>	<u>\$ 25,307,265</u>	<u>(\$ 11,550,933)</u>	\$ 55,182,69
Long-term investments					8,059,150
General assets					-
Total assets					<u>\$ 63,241,840</u>
Depreciation expense	<u>\$ 1,485,338</u>	<u>\$ 3,775</u>	<u>\$ 456,826</u>	<u>\$ -</u>	<u>\$ 1,945,939</u>
Capital expenditure	<u>\$ 819,206</u>	<u>\$ 2,064</u>	<u>\$ 419,568</u>	<u>\$ -</u>	<u>\$ 1,240,838</u>

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

C. Information about export sales

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

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

D. Major customer information

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



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