



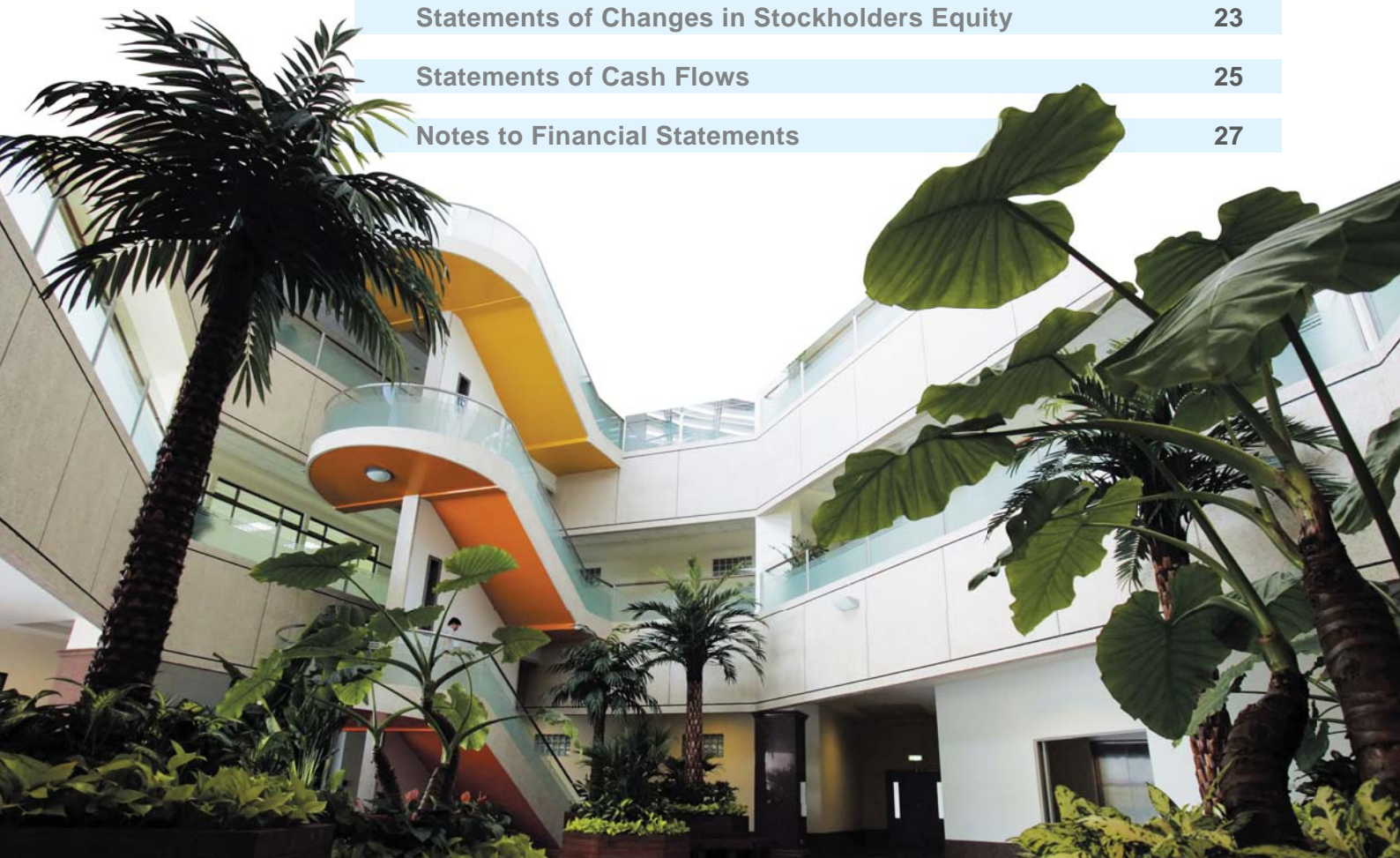
# 2006 ANNUAL REPORT

DELTA ELECTRONICS, INC.



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## **Dear Shareholders:**

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

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

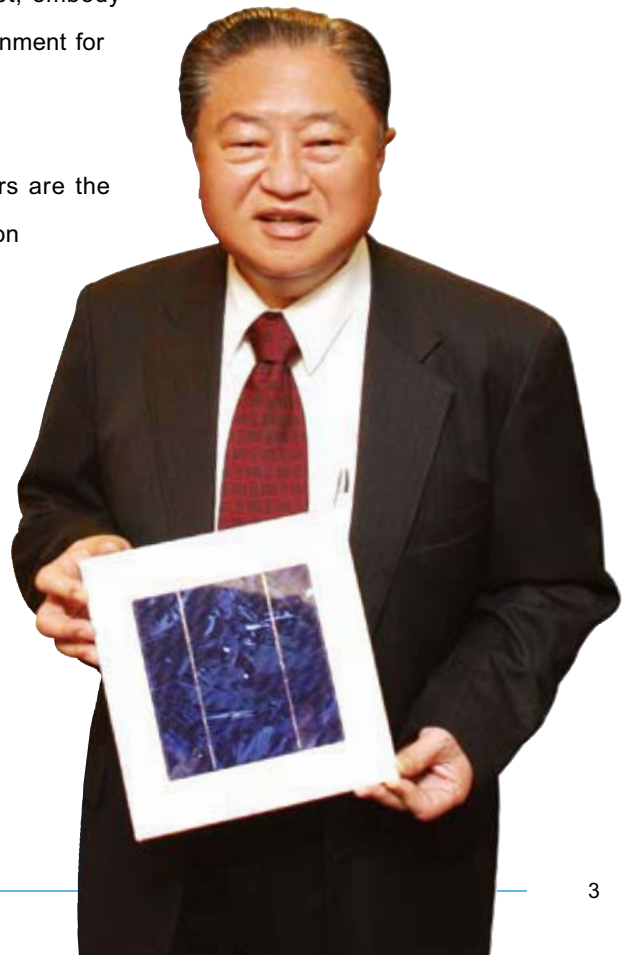
In the power supply business, Delta has continued its leading position in switching power supplies and we are the world's number one in market shares for servers, workstations, PCs, laptops, and game consoles. We continue researching and developing products with new functions and designs and we are enthusiastic in meeting market trends and the demands of customers in the rapidly changing electrical product markets. In addition, we have established closer cooperative relationships with our customers, as we grow with them and strengthen Delta's competitive edge in the global power supply markets. As for electrical components, in addition to maintaining high growth in every category, Delta has actively developed high value-added products to face keen market competition. Our DC brushless fans & blowers was number one in global market share in 2006, which is a good example of Delta's competitiveness in electrical components. As for the industrial automation business, Delta's own-design servo motor made its appearance in 2006, receiving high recognition from the market upon its launch. Delta's industrial automation products such as converters and human machine interfaces (HMI) have received certificates from major European and Japanese companies. This is helping to build a base for future business. For the Visual Display business, we have made tremendous progress in developing high quality projection technology, which we believe will contribute significantly in the future. Delta's networking business also has an outstanding performance last year. Delta Networks Inc. (DNI) has obtained orders from global key networking players. DNI continues to enhance its competitiveness and is recognized for its quality and service. DNI experienced high growth in both sales revenues and profits. We anticipate that DNI will maintain high growth rates in the coming years and will become an important source of Delta's profits.



Environmental protection and energy saving have long been an important part of Delta's corporate mission, carried out in both product development and daily operations. An example is Delta's Tainan plant, which was awarded a gold-rated green building certificate by the Ministry of the Interior in 2006, and has become the most recognized green factory in Taiwan. Delta's subsidiaries are also dedicated to enhancing the efficiency of power management products and developing products with environmental protection and energy saving features. DelSolar has expertise in the research and development and manufacturing of solar cells, and is proceeding well, with revenues and profits growing rapidly. Faced by a shortage of raw materials, DelSolar has maintained stable operations and is headed for its planned objectives. We believe that as soon as the raw material market becomes stable, DelSolar will produce outstanding results. Cyntec has not only continued to develop high-efficiency energy-saving electrical components for home appliance markets, it has also concentrated on developing micro and IC technologies. Building a foundation for many years, Cyntec had excellent performance in portable IT product markets in 2006, and has earned the trust of customers and established a stable foundation for future development. In recent years, people have become aware of environmental protection and energy saving. In addition to paying attention to the issues of energy consumption and pollution prevention, the issue of how to reduce carbon-dioxide has become an urgent issue. We are happy to see that many corporations and the general public have started join us with their resources and energy. We believe that our joint efforts can expedite the realization and development of the green business concept, embody corporate social responsibility, and result in a clean living environment for generations to come.

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

Technology is Delta's foundation. The endeavors of our employees and recognition from our customers are what drive Delta forward. Delta received a best supplier award from Fujitsu Siemens and attained recognition from SONY and



Microsoft. In addition to the continuing trust and cooperation of our long term customers, employees are Delta's most important asset. We have carried out a series of systematic development plans for our global management teams, and we are seeding teams for our future businesses. This will align the training and growth of chosen employees with the direction of corporate development, and meet the needs of high-level management teams in the future. Our aim is to cultivate a pool of the most suitable talents for international technology and management.

As Delta pursues business development, we are also dedicated to corporate social responsibility and providing the most value to shareholders, employees and society as a whole. Delta was named The Most Admired company in the Electronics industry by CommonWealth magazine for 5 consecutive years, and received Corporate Social Responsibility awards from GlobalViews magazine for 2 consecutive years. Delta was also rated A-class in information disclosure by the Taiwan Securities and Exchange Corporation in 2006. In addition to enhancing the public's understanding of Delta by delivering precise, real time information, we hope this will inspire Delta to become an even better corporation and enhance our positive influence on society.

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

Sincerely yours,

Bruce CH Cheng  
Chairman

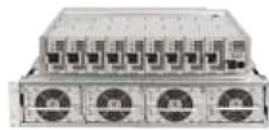
## Power Management



Telecom Power Systems



Server / Workstation  
Switching Power Supplies



Energy Recycling Systems



Networking Switching  
Power Supplies



Desktop Switching  
Power Supplies



Display Power Supplies



AC-DC Adapters



Energy-saving Ballasts /  
Ballasts for HID Lamps /  
LED Drivers



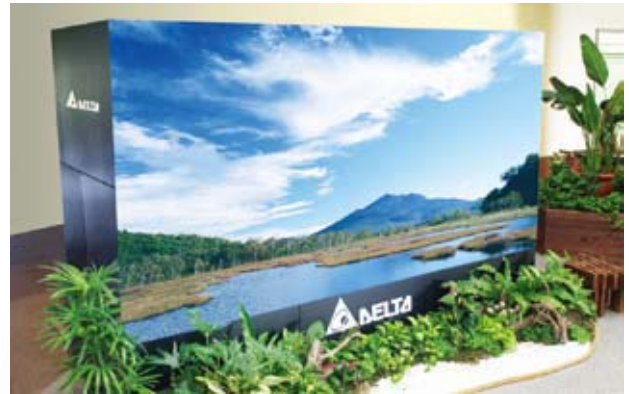
DC-DC Converters /  
Voltage Regulator Modules



Uninterruptible Power Systems  
(UPS)



# Visual Displays



Video Walls



High Definition Digital Signage Displays

## Projection Systems



Large Venue Projectors



E-Cinema Projectors

## Business Projectors



Pico-portable Projectors



Portable Projectors



Conference Room Projectors

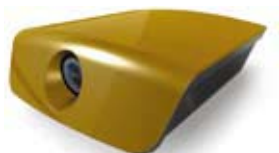
## Multimedia Projectors



Personal Projectors



Home Theater Projectors



Home Cinema Projectors



# Networking



Metro Switches



L3-L2 Stackable Switches



10GbE Switches



WiMAX Subscriber Stations



Fiber to the Home (FTTH)  
Access Equipment



DSL Access Multiplexers  
(DSLAM)



Broadband Integrated  
Access Devices



Security Switches



WiFi Solutions



VoIP Solutions

# Components



DC Brushless Fans



Thermal Management Products



Fiber Optical Transceivers  
(PON / CWDM / XFP)



Stepping Motors  
Spindle Motors & Pumps



Solenoids & Magnetics



EMI Filters



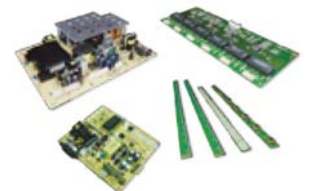
Optical Components & Modules



Microwave & PLC Components



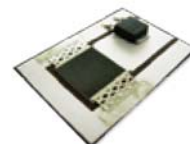
Networking Components



Backlight Inverters



LED Arrays for Displays



HCPV Solar Receivers



CCFLs for LCD Displays



# Industrial Automation



AC Motor Drives



AC Servo Drives & Motors



Programmable Logic Controllers



Temperature Controllers



Human Machine Interfaces



Rotary Optical Encoders



Communication Modules



Brushless DC Motors



Timer / Counter / Tachometers



# Automotive Products



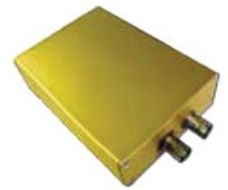
Belt Starter Generators



Engine Control Modules

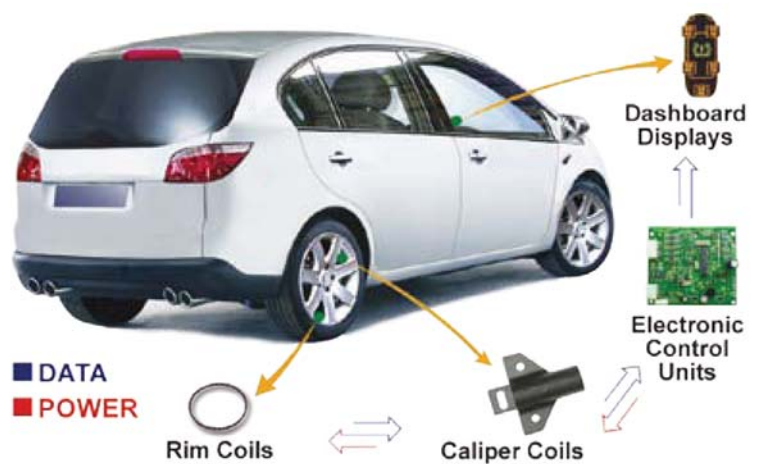


Media, Telematics and Vision Systems



Multi-frequency Impedance (MFI) Sensors

## Tire Pressure Monitoring Systems (TPMS)



# Renewable Energy



Photovoltaic Inverters Installed under Solar Panels



Photovoltaic Inverters



Mono C-Si Solar Cells



Fuel Cells



Multi C-Si Solar Cells



Fuel Cell Inverters



# Corporate Governance

“Maintain sound corporate governance and strictly abide by commercial and ethical standards” is a core commitment at Delta. We believe that high quality corporate governance is the best way to ensure that the company always delivers excellent performance and provides an optimum balance for all stakeholders' interests.

At Delta, the Board of Directors currently consists of nine directors and two supervisors, including one independent director. To enhance the Board's responsibility and trust, a board meeting is convened at least once a quarter to review the company's performance and to discuss important strategic issues. Our internal audit team reports directly to the Board of Directors to ensure that the company operates in accordance with the Board's resolutions.

Information disclosure is an important aspect of Delta's corporate governance. In recent years we have devoted a great deal of resources to ensuring that information disclosed is complete, in-time, fair, and transparent. Not only are all announcements on the Taiwan Stock Exchange issued in a timely manner,





but our Chairman's report to shareholders, financial statements, corporate governance regulations, share price and dividend information, as well as the content of analyst meetings are all available for download on Delta's website. Most of these are in both Chinese and English for the benefit of local and foreign investors. For the company's annual report, we continue to improve the content and layout every year.

Our efforts were recognized by an "A+" rating by the Securities and Futures Institute's "Information Transparency and Disclosure" report in 2007, up from an "A" in 2006. Just twelve TSE listed companies received the "A+" rating in 2007 and Delta Electronics was the only large electronics company among them.

Additionally, Delta hosts analyst meetings on a regular basis where we announce and explain each quarter's consolidated financial data, business performance, and future plans. These meetings are webcast live over the Internet. Apart from providing investors with updates on the company's operations, we also welcome constructive feedback on our operations, finance and governance.

Delta's efforts towards high quality corporate governance are well recognized. In 2006 Delta received the CSR award from Global Views Magazine for the 2nd successive year, and was named as one of the best corporate citizens and awarded as a benchmark company in the electronics industry for the 5th year in a row by Commonwealth Magazine. In addition, Standard & Poor's also ranked Delta as one of Taiwan's top 50 companies with best credit ratings. We do not intend to rest on our laurels however and will continue to improve the quality of our corporate governance to fulfill our commitment to all stakeholders.

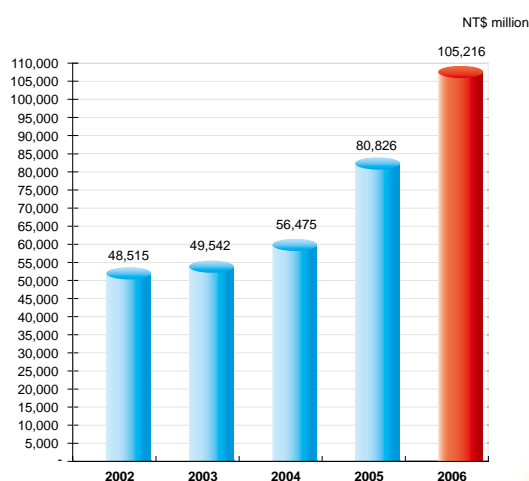


# Consolidated Financial Highlights

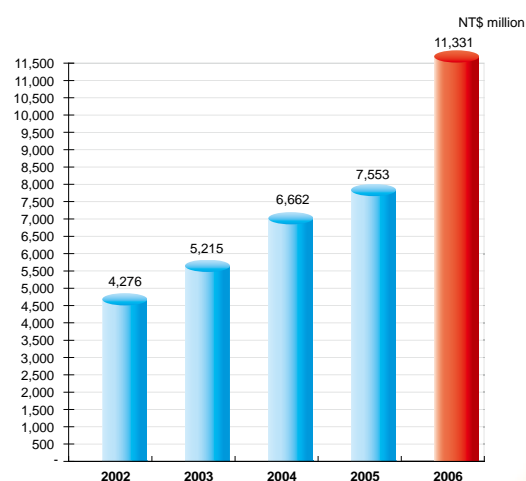
(in NT\$ million, except otherwise indicated)

	2006	2005
Net Sales	105,216	80,826
Gross profit	22,507	16,068
Gross margin	21.4%	19.9%
Operating profit	12,431	7,440
Operating margin	11.8%	9.2%
Net income	11,331	7,553
Net margin	10.8%	9.3%
EPS (NT\$)	5.76	3.96
Total assets	89,110	81,845
Total shareholders' equity	49,820	43,400
ROE	24.3%	19.7%

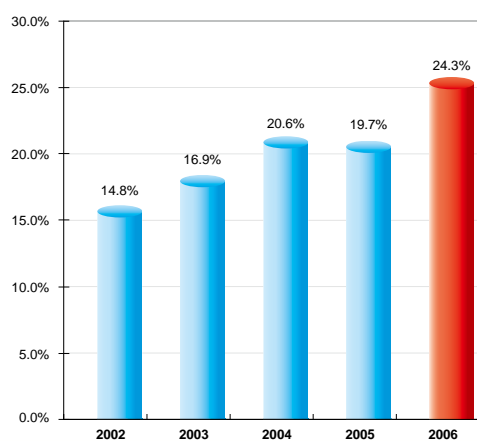
## Revenues



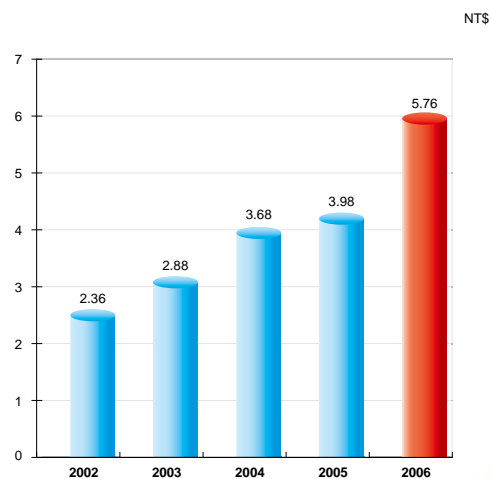
## Net Profits



## Return on Stockholders' Equity



## Earnings Per Share



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**DELTA ELECTRONICS, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS AND**

**REPORT OF INDEPENDENT ACCOUNTANTS**

**DECEMBER 31, 2005 AND 2006**

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The English consolidated financial statements and report of independent accountants were translated from the consolidated financial statements and report of independent accountants originally prepared in Chinese.

PWCR06000519

**Report of Independent Accountants**

To Delta Electronics, Inc.

We have audited the accompanying consolidated balance sheets of Delta Electronics, Inc. and subsidiaries as of December 31, 2005 and 2006, 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), we did not audit the financial statements of certain directly and indirectly owned consolidated subsidiaries for the years ended December 31, 2005 and 2006, which statements reflected total assets of \$397,284,000 and \$482,760,000 constituting 0.49% and 0.54%, respectively, of the consolidated total assets as of December 31, 2005 and 2006, respectively, and total operating revenue of \$1,174,009,000 and \$1,323,464,000 constituting 1.45% and 1.26% of the consolidated operating revenue for the years then ended, respectively. In addition, we did not audit the Company's and subsidiaries' certain long-term investments accounted for under the equity method. The total amount of related long-term investments in these investee companies were \$4,381,646,000 and \$4,495,099,000 constituting 5.35% and 5.04%, respectively, of the consolidated total assets as of December 31, 2005 and 2006, respectively, and the related investment income were \$217,237,000 and \$282,887,000 constituting 2.60% and 2.03%, respectively, of the consolidated income before income tax and minority interest for the years then ended, respectively. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries and investee companies, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Delta Electronics, Inc. and subsidiaries as of December 31, 2005 and 2006, 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”, “Business Entity Accounting Law”, “Regulation on Business Entity Accounting Handling” and generally accepted accounting principles in the Republic of China.

As described in Note 3, effective January 1, 2005, the Company and its subsidiaries adopted the Statements of Financial Accounting Standards (SFAS) No. 34 “Accounting for Financial Instruments”, No. 36 “Disclosure and Presentation of Financial Instruments” and the amended SFAS No. 5 “Long-term Investments in Equity Securities”. SFAS No. 5 states that the excess of the initial investment cost over the acquired net asset value of the investee company attributable to goodwill is no longer amortized and that goodwill should be evaluated periodically.



The consolidated financial statements of Delta Electronics, Inc. and subsidiaries as of and for the year ended December 31, 2006, expressed in US dollars are presented solely for the convenience of the reader and were translated from the New Taiwan dollars using the exchange rate of NT\$32.59 to US\$1.00 at December 31, 2006. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

March 1, 2007

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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. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31,**

**(EXPRESSED IN THOUSANDS OF DOLLARS)**

	New Taiwan Dollars		U.S. Dollars	
	2005	2006	2005	2006
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents (Note 4(1))	\$ 23,779,563	\$ 24,926,394	28	\$ 764,848
Financial assets at fair value through profit or loss - current (Note 4(2))	169,629	162,014	-	4,971
Available-for-sale financial assets - current (Note 4(5))	-	6,969	-	214
Derivative financial assets for hedging - current (Note 10(9))	-	58,732	-	1,802
Notes receivable, net	172,041	358,668	-	11,005
Accounts receivable (Note 4(3))	19,589,237	22,011,500	25	675,407
Accounts receivable, net - related parties (Note 5)	1,131,164	1,006,638	1	30,888
Other receivables (Note 4(19))	650,747	1,582,600	1	17,877
Other financial assets - current (Note 6)	1,361,928	21,139	-	649
Inventories (Note 4(4))	6,888,311	7,926,468	9	243,218
Prepayments	323,836	563,508	1	17,291
Deferred income tax assets - current (Note 4(19))	309,661	228,859	-	7,022
Other current assets - other	63,083	29,976	-	919
<b>Total current assets</b>	<u>54,439,210</u>	<u>57,883,462</u>	<u>67</u>	<u>1,776,111</u>
<b>Funds and Investments</b>				
Available-for-sale financial assets - non-current (Note 4(5))	655,333	1,347,002	2	41,332
Financial assets carried at cost - non-current (Note 4(6))	974,658	918,719	1	28,190
Investments in bonds without active markets - non-current (Note 4(7))	7,237,000	7,169,800	8	220,000
Long-term equity investments accounted for under the equity method (Note 4(8))	5,272,920	5,512,690	6	169,153
Cash surrender value of life insurance	77,699	82,365	-	2,527
<b>Total funds and investments</b>	<u>14,207,610</u>	<u>15,030,576</u>	<u>17</u>	<u>461,202</u>
<b>Property, Plant and Equipment, Net (Note 4(9))</b>				
<b>Cost</b>				
Land	1,288,490	1,283,862	2	39,394
Buildings	7,777,152	7,251,406	8	222,504
Machinery and equipment	6,923,148	8,834,238	10	271,072
Molding equipment	1,178,400	1,277,722	2	39,206
Computer and communication equipment	811,450	859,242	1	26,365
Testing equipment	3,921,042	4,629,395	5	142,050
Transportation equipment	132,312	139,342	-	4,276
Office equipment	1,166,608	1,244,710	1	38,193
Leasehold improvements	74,158	143,250	-	4,396
Other equipment	-	7,995	-	245
Land value appraisal increments	168,738	230,228	-	7,064
Cost and revaluation increments	21,441,498	25,901,390	29	794,765
Less: Accumulated depreciation	(9,995,872)	(11,978,384)	(14)	(367,548)
Construction in progress and prepayments for equipment	1,098,556	1,510,786	2	46,357
<b>Total property, plant and equipment, net</b>	<u>12,544,182</u>	<u>15,433,792</u>	<u>17</u>	<u>473,574</u>
<b>Intangible Assets</b>				
Deferred pension costs (Note 4(14))	6,261	-	-	-
Other intangible assets - other	226,459	340,390	-	10,445
<b>Total intangible assets</b>	<u>232,720</u>	<u>340,390</u>	<u>-</u>	<u>10,445</u>
<b>Other Assets</b>				
Idle assets (Note 4(10))	-	1,851	-	57
Refundable deposits	43,866	46,269	-	1,420
Deferred expenses	313,765	299,167	1	9,180
Other assets - other	63,149	74,105	-	2,274
<b>Total other assets</b>	<u>420,780</u>	<u>421,392</u>	<u>1</u>	<u>12,931</u>
<b>TOTAL ASSETS</b>	<u>\$ 81,844,502</u>	<u>\$ 89,109,615</u>	<u>100</u>	<u>\$ 2,734,263</u>

(Continued on next page)

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

	New Taiwan Dollars		US Dollars	
	2005	%	2006	(Unaudited - Note 2)
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Short-term loans (Note 4(11))	\$ 7,891,215	10	\$ 3,425,004	4
Financial liabilities at fair value through profit or loss - current (Note 4(12))	632	-	21,382	-
Derivative financial liabilities for hedging - current (Note 10(9))	-	-	115,791	-
Notes payable	64	-	-	-
Accounts payable	17,330,667	21	19,351,458	22
Accounts payable - related parties (Note 5)	441,256	-	318,100	-
Income tax payable (Note 4(19))	79,525	-	376,805	-
Accrued expenses	2,273,584	3	2,470,408	3
Other payables	2,195,019	3	2,673,661	3
Receipts in advance	484,148	1	351,872	-
Long-term liabilities - current portion (Note 4(13))	440,847	-	-	-
Other current liabilities	152,078	-	424,251	1
Total current liabilities	31,289,035	38	29,528,732	33
Reserves				
L and value incremental reserve (Note 4(9))	44,837	-	53,085	-
Total reserves	44,837	-	53,085	-
Other Liabilities				
Accrued pension liabilities (Note 4(14))	953,051	1	1,102,112	1
Guarantee deposits received	65,377	-	71,903	-
Deferred income tax liabilities - non-current (Note 4(19))	2,175,492	3	3,123,808	4
Other liabilities - other	42,922	-	165,264	-
Total other liabilities	3,236,842	4	4,463,087	5
Total liabilities	34,570,714	42	34,044,904	38
Stockholders' Equity				
Common stock (Note 4(15))	18,303,815	22	19,694,450	22
Capital reserves (Note 4(16))	11,140,668	14	11,470,341	13
Capital reserve from conversion of convertible bonds	160,898	-	145,055	-
Retained earnings				
Legal reserve (Note 4(17))	3,903,811	5	4,659,105	5
Special reserve (Note 4(18))	447,112	1	-	-
Undistributed earnings (Note 4(18))	8,895,809	11	13,086,557	15
Other adjustments to stockholders' equity				
Unrealized gain or loss on financial instruments	( 3,252)	-	280,829	1
Asset revaluations (Note 4(9))	150,823	-	204,064	-
Cumulative translation adjustments	399,867	-	279,517	-
Stockholders' equity	43,399,551	53	49,819,918	56
Minority interest	3,874,237	5	5,244,793	6
Total stockholders' equity	47,273,788	58	55,064,711	62
Commitments and contingent liabilities (Notes 5, 7 and 10(8))				
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$ 81,844,502	100	\$ 89,109,615	100
				\$ 2,734,263

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 1, 2007.



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

	New Taiwan Dollars		US Dollars	
	2005	2006	%	2006
Operating Revenues (Note 5)				
Sales revenue	\$ 81,120,153	\$ 105,459,095	100	(Unaudited - Note 2)
Sales returns	(526,624)	(645,140)	(1)	\$ 3,235,934
Sales discounts	(179,313)	(215,869)	(1)	( 19,796)
Net Sales	80,414,216	104,598,086	99	( 6,623)
Services income	411,304	617,951		3,209,515
Net Operating Revenues	80,825,520	105,216,037	100	3,228,476
Operating costs (Notes 4 (21) and 5)				
Cost of goods sold	(64,757,079)	(82,709,130)	(79)	( 2,537,868)
Gross profit	16,068,441	22,506,907	20	690,608
Realized gain from intercompany transactions	16,068,430	22,506,907	21	690,608
Operating Expenses (Note 4(21))				
Sales and marketing expenses	(2,735,229)	(3,098,961)	(3)	( 95,089)
General and administrative expenses	(2,048,375)	(2,319,384)	(2)	( 71,169)
Research and development expenses	(3,844,519)	(4,637,680)	(4)	( 142,917)
Total Operating Expenses	(8,628,123)	(10,076,025)	(9)	( 309,175)
Operating income	7,440,307	12,430,882	12	381,433
Non-operating Income and Gains				
Interest income	530,184	697,258	1	21,395
Gain on valuation of financial assets (Note 4(2))	4,108	3,697	-	113
Investment income accounted for under the equity method (Note 4(8))	152,691	466,613	-	14,318
Dividend income	60,471	44,463	-	1,364
Gain on disposal of property, plant and equipment	-	9,552	-	293
Gain on disposal of investments	342,299	15,529	-	477
Foreign exchange gain, net	78,256	116,514	-	3,575
Other non-operating income	877,524	1,093,542	1	33,553
Non-operating Income and Gains	2,045,533	2,447,168	2	75,088
Non-operating Expenses and Losses				
Interest expense	(276,012)	(175,249)	-	( 5,377)
Loss on valuation of financial liabilities (Note 4(11))	(632)	(21,382)	-	( 656)
Other investment loss (Note 4(6))	(328,211)	(168,927)	-	( 5,184)
Loss on disposal of property, plant and equipment	(14,304)	(302,355)	(1)	( 9,277)
Provision for loss on inventory obsolescence and market price declines	(74,978)	(29,685)	-	( 909)
Impairment loss (Notes 4(6)(10))	(435,241)	(264,836)	(1)	( 8,127)
Other non-operating losses	(129,378)	(627,434)	(2)	( 29,530)
Non-operating Expenses and Losses	(8,356,467)	(13,915,616)	(10)	( 426,391)
Income from continuing operations before income tax	(148,863)	(1,633,002)	(1)	( 50,108)
Income tax expense (Note 4(19))	8,207,599	12,282,614	10	376,883
Income from continuing operations	-	27,822	-	854
Consolidated net income	\$ 8,207,599	\$ 12,310,436	10	\$ 377,737
Attributable to:				
Equity holders of the Company	\$ 7,552,940	\$ 11,330,841	9	\$ 347,679
Minority interest	\$ 654,659	\$ 979,595	1	\$ 30,058
	\$ 8,207,599	\$ 12,310,436	10	\$ 377,737
	Before Tax	After Tax	Before Tax	After Tax
Earnings Per Share (In Dollars) (Note 4(20))				
Basic Earnings Per Share	\$ 4.41	\$ 4.33	\$ 7.07	\$ 6.25
Net income from continuing operations	( 0.35)	( 0.35)	( 0.50)	( 0.01)
Cumulative effect of changes in accounting principles	4.06	3.38	6.38	5.76
Minority interest income				
Net income	\$ 4.38	\$ 4.30	\$ 7.07	\$ 6.25
Diluted earnings per share	( 0.34)	( 0.34)	( 0.50)	( 0.01)
Net income from continuing operations	4.04	3.36	6.38	5.76
Cumulative effect of changes in accounting principles				
Minority interest income				
Net income	\$ 4.04	\$ 3.36	\$ 6.38	\$ 5.76

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 1, 2007.

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

	Retained earnings									
	Common stock	Capital reserves	Legal reserve	Special reserve	Undistributed earnings	Unrealized gain or loss on financial instruments	Asset revaluations	Cumulative translation adjustments	Minority interest	Total
<u>2005 New Taiwan Dollars</u>										
Balance at January 1, 2005	\$ 15,859,720	\$ 6,738,315	\$ 3,237,641	\$ -	\$ 7,620,513	(\$ 2,967)	\$ 114,715	(\$ 444,144)	\$ 2,771,756	\$ 35,895,549
Distribution of 2004 earnings:	-	-	666,170	-	( 666,170)	-	-	-	-	-
Appropriation of legal reserve	-	-	-	447,112	( 447,112)	-	-	-	-	-
Appropriation of special reserve	-	-	-	-	( 16,700)	-	-	-	-	( 16,700)
Directors' and supervisors' remuneration	-	-	-	-	( 320,775)	-	-	-	-	-
Employees' bonus	320,775	-	-	-	( 803,693)	-	-	-	-	-
Issuance of stock dividends	803,693	-	-	-	( 4,018,467)	-	-	-	-	( 4,018,467)
Cash dividends	-	-	-	-	-	-	-	-	-	5,882,878
Convertible bonds converted into common stock	1,319,627	4,563,251	-	-	-	-	-	-	-	5,882,878
Proportional adjustments for change in ownership percentage of long-term investment	-	-	-	-	( 4,727)	-	-	-	-	( 4,727)
Proportional adjustment for investee companies' unrealized loss on financial instruments	-	-	-	-	-	( 285)	36,108	-	-	( 285)
Adjustment for land value incremental reserve	-	-	-	-	-	-	-	-	-	36,108
Changes in cumulative translation adjustments	-	-	-	-	-	-	-	844,011	-	844,011
Changes in minority interest	-	-	-	-	-	-	-	-	447,822	447,822
Consolidated net income for 2005	-	-	-	-	7,552,940	-	-	-	654,659	8,207,599
Balance at December 31, 2005	<u>\$ 18,303,815</u>	<u>\$ 11,301,566</u>	<u>\$ 3,903,811</u>	<u>\$ 447,112</u>	<u>\$ 8,895,809</u>	<u>(\$ 3,252)</u>	<u>\$ 150,823</u>	<u>\$ 399,867</u>	<u>\$ 3,874,237</u>	<u>\$ 47,273,788</u>
<u>2006 New Taiwan Dollars</u>										
Balance at January 1, 2006	\$ 18,303,815	\$ 11,301,566	\$ 3,903,811	\$ 447,112	\$ 8,895,809	(\$ 3,252)	\$ 150,823	\$ 399,867	\$ 3,874,237	\$ 47,273,788
Distribution of 2005 earnings:	-	-	-	( 447,112)	447,112	-	-	-	-	-
Reversal of special reserve	-	-	755,294	-	( 755,294)	-	-	-	-	-
Appropriation of legal reserve	-	-	-	-	( 16,700)	-	-	-	-	( 16,700)
Directors' and supervisors' remuneration	-	-	-	-	( 370,015)	-	-	-	-	-
Employees' bonus	370,015	-	-	-	( 920,211)	-	-	-	-	-
Issuance of stock dividends	920,221	-	-	-	( 5,521,267)	-	-	-	-	( 5,521,267)
Cash dividends	-	-	-	-	-	-	-	-	-	430,081
Convertible bonds converted into common stock	100,409	329,672	-	-	-	-	-	-	-	430,081
Change in ownership percentage of long-term equity investments accounted for under equity method	-	( 15,842)	-	-	( 3,718)	-	-	-	-	( 19,560)
Proportional adjustments for investee companies' unrealized loss financial instruments	-	-	-	-	-	( 119,411)	-	-	-	( 119,411)
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	403,492	-	-	-	403,492
Adjustment for land value appraisal increments	-	-	-	-	-	-	53,241	-	-	53,241
Changes in cumulative translation adjustments	-	-	-	-	-	-	-	( 120,350)	-	( 120,350)
Changes in minority interest	-	-	-	-	-	-	-	-	390,961	390,961
Consolidated net income for 2006	-	-	-	-	11,330,841	-	-	-	979,595	12,310,436
Balance at December 31, 2006	<u>\$ 19,694,450</u>	<u>\$ 11,615,396</u>	<u>\$ 4,659,105</u>	<u>\$ -</u>	<u>\$ 13,086,557</u>	<u>\$ 280,829</u>	<u>\$ 204,064</u>	<u>\$ 279,517</u>	<u>\$ 5,244,793</u>	<u>\$ 55,064,711</u>

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

	Retained earnings							Minority interest	Cumulative translation adjustments	Total
	Common stock	Capital reserves	Legal reserve	Special reserve	Undistributed earnings	Unrealized gain or loss on financial instruments	Assets revaluations			
2006 US Dollars (Unaudited-Note 2)										
Balance at January 1, 2006	\$ 561,639	\$ 346,780	\$ 119,785	\$ 13,719	\$ 272,961	(\$ 100)	\$ 4,628	\$ 12,270	\$ 118,878	\$ 1,450,560
Distribution of 2005 earnings:										
Reversal of special reserve	-	-	-	( 13,719)	13,719	-	-	-	-	-
Appropriation of legal reserve	-	-	23,176	-	( 23,176)	-	-	-	-	-
Directors' and supervisors' remuneration	-	-	-	-	( 512)	-	-	-	-	( 512)
Employees' bonus	11,354	-	-	-	( 11,354)	-	-	-	-	-
Issuance of stock dividends	28,236	-	-	-	( 28,236)	-	-	-	-	-
Cash dividends	-	-	-	-	( 169,416)	-	-	-	-	( 169,416)
Convertible bonds converted into common stock	3,081	10,116	-	-	-	-	-	-	-	13,197
Change in ownership percentage of long-term equity investments accounted for under equity method	-	( 486)	-	-	( 114)	-	-	-	-	( 600)
Proportional adjustments for investee companies' unrealized loss financial instruments	-	-	-	-	-	( 3,664)	-	-	-	( 3,664)
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	12,381	-	-	-	12,381
Land value appraisal increments	-	-	-	-	-	-	1,634	-	-	1,634
Changes in cumulative translation adjustment	-	-	-	-	-	-	( 3,694)	-	-	( 3,694)
Changes in minority interest	-	-	-	-	-	-	-	-	11,997	11,997
Consolidated net income for 2006	-	-	-	-	347,679	-	-	-	30,058	377,737
Balance at December 31, 2006	\$ 604,310	\$ 356,410	\$ 142,961	\$ -	\$ 401,551	\$ 8,617	\$ 6,262	\$ 8,576	\$ 160,933	\$ 1,689,620

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 1, 2007.



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

	New Taiwan Dollars		US Dollars
	2005	2006	2006
<u>Cash flows from operating activities</u>			(Unaudited - Note 2)
Consolidated net income	\$ 8,207,599	\$ 12,310,436	\$ 377,737
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Changes in unrealized gain on valuation of financial assets	-	411	13
Changes in unrealized loss on valuation of financial liabilities	632	20,750	637
Provision for (reserval of) allowance for doubtful accounts	( 21,787)	2,114	65
Loss on inventory obsolescence and market prices declines	74,978	302,355	9,278
Impairment loss on financial assets carried at cost - non-current	-	18,242	560
Foreign exchange loss (gain) on investments in bonds without active markets	( 266,045)	57,200	1,755
Gain on disposal of financial assets not for trading purposes	( 329,006)	( 14,536)	( 446)
Investment income (loss) recognized under equity method, net of other investment loss	175,520	( 466,613)	( 14,318)
Cash dividends received from investee companies accounted for under the equity method	204,026	301,924	9,264
Depreciation and Amortization	2,598,361	2,805,251	86,077
Loss on disposal of property, plant and equipment, net	14,304	159,375	4,890
Impairment loss on idle assets	-	11,443	351
Exchange gain on revaluation of foreign currency denominated convertible bonds	( 14,204)	( 10,766)	( 330)
Amortization of long-term deferred income	-	( 10,509)	( 322)
Changes in assets and liabilities:			
(Increase) decrease in :			
Notes and accounts receivable, net	( 7,002,926)	( 2,612,668)	( 80,168)
Accounts receivable - related parties	( 200,432)	124,526	3,821
Other receivables	( 98,440)	80,817	2,480
Inventories	( 2,048,764)	( 1,340,512)	( 41,133)
Prepayments	( 179,304)	( 239,672)	( 7,354)
Other current assets - other	90,271	33,117	1,016
Increase (decrease) in :			
Notes and accounts payable	5,815,061	2,020,727	62,005
Accounts payable - related parties	133,856	( 123,156)	( 3,779)
Income tax payable	45,323	297,280	9,122
Accrued expenses, other payables and receipts in advance	1,317,744	543,190	16,667
Other current liabilities - other	77,841	272,173	8,351
Deferred income tax	( 97,959)	1,029,118	31,578
Accrued pension liabilities	175,162	155,322	4,766
Other liabilities - others	42,922	12,249	376
Net cash provided by operating activities	<u>8,714,733</u>	<u>15,739,588</u>	<u>482,959</u>

(Continued on next page)

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

	New Taiwan Dollars		US Dollars
	2005	2006	2006
<u>Cash flows from investing activities</u>			(Unaudited - Note 2)
Decrease in financial assets at fair value through profit or loss - current	\$ 2,216,350	\$ 7,204	\$ 221
Increase in available-for-sale financial assets - current and non-current	-	( 327,732)	( 10,056)
Decrease (increase) in other financial assets - current	( 1,320,945)	1,340,789	41,141
Increase in investments in bonds without active markets - non-current	( 1,080,730)	-	-
Proceeds from disposal of available-for-sale financial assets and remittance of capital reduction of financial assets carried at cost	821,710	133,693	4,102
Increase in long-term investments	( 267,400)	( 189,356)	( 5,810)
Increase in cash surrender value of life insurance	( 5,268)	( 4,666)	( 143)
Acquisition of property, plant and equipment and deferred expenses	( 4,729,828)	( 5,983,152)	( 183,589)
Increase in other intangible asset	( 1,000)	-	-
Proceeds from disposal of property, plant and equipment	46,417	94,617	2,903
Increase in refundable deposits	( 3,459)	( 2,403)	( 74)
Increase in other assets - other	( 63,149)	( 10,956)	( 336)
Net cash used in investing activities	( 4,387,302)	( 4,941,962)	( 151,641)
<u>Cash flows from financing activities</u>			
(Decrease) increase in short-term loans	3,808,857	( 4,466,211)	( 137,042)
Decrease in notes and bills payable	( 155,000)	-	-
Increase in guarantee deposits received	59,129	6,526	200
Payment of directors' and supervisors' remuneration	( 16,700)	( 16,700)	( 512)
Payment of cash dividends	( 4,018,467)	( 5,521,267)	( 169,416)
Increase in minority interest	447,822	390,961	11,996
Net cash provided by (used in) financing activities	125,641	( 9,606,691)	( 294,774)
Foreign exchange difference	344,546	( 44,104)	( 1,354)
Effect on changes in consolidated subsidiaries	1,083,059	-	-
Increase in cash and cash equivalents	5,880,677	1,146,831	35,190
Cash and cash equivalents at beginning of the year	17,898,886	23,779,563	729,658
Cash and cash equivalents at end of the year	<u>\$ 23,779,563</u>	<u>\$ 24,926,394</u>	<u>\$ 764,848</u>
<u>Supplemental disclosures of cash flow information</u>			
Chas paid during the year for interest	\$ 168,613	\$ 211,775	\$ 6,498
Cash paid during the year for income taxes	\$ 208,339	\$ 232,802	\$ 7,143
<u>Non-cash flows from investing and financing activities:</u>			
Employees' stock bonus	\$ 320,775	\$ 370,015	\$ 11,354
Convertible bonds (par value) converted into common stock	\$ 5,882,878	\$ 430,081	\$ 13,197

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 1, 2007.

**DELTA ELECTRONICS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 AND 2006**

(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT AS INDICATED)

**1. HISTORY AND ORGANIZATION**

1) Delta Electronics, Inc.

The Company was incorporated in April 1971 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares. The authorized capital of the Company amounted to \$23,000,000 and the issued and outstanding capital was \$19,694,450 as of December 31, 2006. The main activities of the Company are installation of electronic control systems and manufacturing of communication products and components, computer information system and power supply. As of December 31, 2006, the Company had approximately 4,760 employees and all consolidated entities had approximately 54,000 employees.

2) Consolidated subsidiaries

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31,</u>	
			<u>2005</u>	<u>2006</u>
1. Delta International Holding Ltd. (DIH)	Note A	Equity investments	94.00%	94.00%
(1) Delta Electronics (H.K) Ltd. (DHK)	Note B	Operations management and engineering services	94.00%	94.00%
(2) Delta Electronics Agent Ltd. (DAL)	Note B	Operations management and engineering services	94.00%	94.00%
(3) Delta Electronics International Ltd. (DEIL)	Note B	Sales of electronic products	94.00%	94.00%
(4) Delta Electronics International Ltd. (Labuan) (DEIL-Labuan)	Note B	Sales of electronic products	94.00%	94.00%
(5) Delta Electronics Trading Ltd. (DTL)	Note B	Sales of electronic products	94.00%	-
(6) Delta Power Sharp Ltd. (DPS)	Note B	Operations management and engineering services	94.00%	94.00%

Name of company	Relationship	Main activities	% of shares held as of December 31,	
			2005	2006
(7) DEI Logistics (USA) Corp. (ALI)	Note B	Warehousing and logistics services	94.00%	94.00%
(8) Delta Electronics (Dong Guan) Co., Ltd. (DDG)	Note B	Manufacturing of power supplies	94.00%	94.00%
(9) Delta Electronics Components (Dong Guan) Co., Ltd. (DEC)	Note B	Manufacturing of transformers	94.00%	94.00%
(10) Delta Electronics Power (Dong Guan) Co., Ltd. (DEP)	Note B	Manufacturing of power supplies	94.00%	94.00%
(11) Delta Electronics (Shanghai) Co., Ltd. (DPEC)	Note B	Product design	94.00%	94.00%
(12) Delta Electronics (Jiang Su) Co., Ltd. (DWJ)	Note B	Manufacturing of power supplies	51.70%	51.70%
(13) Delta Electronics Components (Wu Jiang) Co., Ltd. (DWC)	Note B	Manufacturing of transformers	51.70%	51.70%
(14) Delta Electro-optics (Wu Jiang) Ltd. (DWO)	Note B	Manufacturing of peripherals and electronic control equipments	51.70%	51.70%
(15) Delta Video Display System (Wu Jiang) Co., Ltd. (DWV)	Note B	Manufacturing and sales of various projectors	51.70%	51.70%
(16) Delta Electronics (Japan) Inc. (DEJ)	Note B	Sales of electronic products	94.00%	94.00%
A. Addtron Technology (Japan) Co., Ltd. (AT Japan)	Note C	Trading of networking system and peripherals	94.00%	94.00%
B. Delta Electronics (Korea) Inc. (Delta Korea)	Note C	Sales of electronic products	94.00%	94.00%
(17) DAC Holding Ltd. (DAC)	Note B	Equity investments	55.78%	94.00%



Name of company	Relationship	Main activities	% of shares held as of December 31,	
			2005	2006
A. Delta Electronics Mexico S.A. DE C.V. (DEM)	Note D	Manufacturing of electronic products	55.78%	94.00%
B. Delta Video Technology Ltd. (DVT)	Note D	Sales of electronic products	55.78%	94.00%
(18) Newton Power Ltd. (NPL)	Note B	R&D, sales and marketing services of power conversion products	–	94.00%
2. Delta Networks Holding Ltd. (DNH)	Note A	Equity investments	100.00%	100.00%
(1) Delta Networks Inc. (DNI Cayman)	Note E	Equity investments	94.00%	94.00%
A. Delta Electronics Industrial (Dong Guan) Co., Ltd. (DII)	Note F	Manufacturing of other radio transmission apparatus incorporating reception apparatus and other radio-broadcast receivers, combined with sound recording or reproducing apparatus	94.00%	94.00%
B. Delta Networks, Inc. (DNIT) (registered in Taiwan)	Note F	Manufacturing of networking system and peripherals.	93.25%	93.25%
C. Delta Networks International Ltd. (DNIL)	Note F	Trading of networking system and peripherals	94.00%	–
D. DNI Logistics (USA) Corp. (ALN)	Note F	Trading of networking system and peripherals	94.00%	94.00%
E. Delta Networks International Ltd. (Labuan) (DNIL-Labuan)	Note F	Trading of networking system and peripherals	94.00%	94.00%
3. Pyramis Corporation (Pyramis) (registered in Taiwan)	Note A	Design and sales of electronic products	99.24%	99.24%
Pyramis Holding Ltd. (Pyramis Holding)	Note G	Equity investments	99.24%	–
Pyramis Corporation (Pyramis US)	Note H	Development of electronic products	99.24%	–

<u>Name of company</u>	<u>Relationship</u>	<u>Main activities</u>	<u>% of shares held as of December 31,</u>	
			<u>2005</u>	<u>2006</u>
4. Deltronics (Netherlands) B.V. (DEN)	Note A	Trading of equipment, components and material of telecom and computer systems	100.00%	100.00%
5. Delta Optoelectronics Inc. (Delta Optoelectronics)	Note A	Manufacturing of displays with polymer light emission display (PLED) and carbon nano-tube electronic emitter (ENT) technology	95.21%	95.21%
6. Delsolar Co., Ltd. (Delsolar)	Note A	Manufacturing of solar batteries and related systems	82.50%	79.66%
7. Nulight Technology Corporon (Nulight)	Note I	Manufacturing of electronic products and audio components	-	53.39%

Note A: Majority-owned subsidiary.

Note B: A subsidiary of Delta International Holding Ltd. (DIH), an indirectly majority-owned subsidiary.

Note C: A subsidiary of Delta Electronics (Japan) Inc. (DEJ), an indirectly majority-owned subsidiary.

Note D: A subsidiary of DAC Holding Ltd. (DAC), an indirectly majority owned subsidiary.

Note E: A subsidiary of Delta Networks Holding Ltd. (DNH), an indirectly majority-owned subsidiary.

Note F: A subsidiary of Delta Networks Inc. (DNI Cayman), an indirectly majority-owned subsidiary.

Note G: A subsidiary of Pyramis Corporation (Pyramis), an indirectly majority-owned subsidiary.

Note H: A subsidiary of Pyramis Holding Ltd. (Pyramis Holding), an indirectly majority-owned subsidiary.

Note I: The combined ownership Percentage of Nulight Technology Corporation's common shares held by the Company and Delta Optoelectronics Inc. (Delea Optoelectronics) was more than 50%.

The financial statements of DEN, Pyramis US and ALN for the years ended December 31, 2005 and 2006 were audited by other independent accountants. The total assets of these subsidiaries at December 31, 2005 and 2006 were \$397,284 and \$482,760, constituting 0.49% and 0.54% of the consolidated total assets, respectively, and the related total operating revenues were \$1,174,009 and \$1,323,464, constituting 1.45% and 1.26% of the consolidated operating revenues for the years ended December 31, 2005 and 2006, respectively.

### 3) Changes in the consolidated subsidiaries

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

Name of Company	Relationship	Main activities	% of shares held as of December 31,		Note
			2005	2006	
(1) Nulight technology Corporation (Nulight)	Note A	Please refer to Note 1. 2)	-	53.39%	Note C
(2) Newton Power Ltd. (NPL)	Note B	"	-	94.00%	Note D

Note A: The combined ownership percentage of Nulight's common shares held by the Company and Delta Optoelectronics was more than 50%.

Note B: A subsidiary of DIH, an indirectly majority-owned subsidiary.

Note C: Established in the second quarter of 2006.

Note D: Acquired the majority ownership in the second quarter of 2006 and is included in the consolidated financial statements.

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

Name of Company	Relationship	Main activities	% of shares held as of December 31,		Note
			2005	2006	
Delta Electronics Trading Ltd. (DTL)	Note A	Please refer to Note 1.2)	94.00%	-	Note E
Pyramis Holding Ltd. (Pyramis Holding)	Note B	"	99.24%	-	Note F
Pyramis Corporation (Pyramis US)	Note C	"	99.24%	-	Note F
Delea Networks International Ltd. (DNIL)	Note D	"	94.00%	-	Note G

Note A: A subsidiary of DIH, an indirectly majority-owned subsidiary.

Note B: A subsidiary of Pyramis Corporation (Pyramis), an indirectly majority-owned subsidiary.

Note C: A subsidiary of Pyramis Holding Ltd., an indirectly majority-owned subsidiary.

Note D: A subsidiary of DNI Cayman, an indirectly majority-owned subsidiary.

Note E: Dissolved in 2005 and excluded from the consolidated financial statements.

Note F: Dissolved in the third quarter of 2006 and excluded from the consolidated financial statements.

Note G: Dissolved in the fourth quarter of 2006 and excluded from the consolidated financial statements.

- 4) Subsidiaries not included in the consolidated financial statements: None.
- 5) Adjustments for subsidiaries with different balance sheet dates: None.
- 6) Difference in the accounting policies adopted between the Company and the subsidiaries: No significant differences.
- 7) Special operating risk of foreign subsidiaries: No significant special operating risks which would have impact on the Company.
- 8) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in accordance with the “Rules Governing the Preparation of Financial Statements of Securities Issuers”, “Business Entity Accounting Law”, “Regulation on Business Entity Accounting Handling” and generally accepted accounting principles in the Republic of China. The Group’s significant accounting policies are summarized as follows:

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

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

Significant inter-company transactions and assets and liabilities arising from inter-company transactions are eliminated.

### **2) Translation of financial statements of foreign subsidiaries**

Assets and liabilities of 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 weighted-average rate. Exchange differences are recorded as cumulative translation adjustments and are included as a component of the stockholders' equity.

### **3) Foreign currency transactions**

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

### **4) Classification of current and non-current items**

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
  - b) Assets held mainly for trading purposes;
  - c) Assets that are expected to be realized within twelve months from the balance sheet date;
  - d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - a) Liabilities arising from operating activities that are expected to be paid off

within the normal operating cycle;

- b) Liabilities arising mainly from trading activities;
- c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

#### **5) Cash equivalents**

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

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

#### **6) Settlement date accounting**

Any change in the fair value during the period between the trade date and settlement date is recognized in the profit and loss for financial assets and financial liabilities at fair value through profit or loss, is recognized in equity for available-for-sale financial assets and is not recognized for financial assets carried at cost or amortized cost.

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

- A. Derivative financial instruments are recognized and derecognized using settlement date accounting and are recognized initially at fair value.
- B. Financial assets and financial liabilities at fair value through profit or loss are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks and OTC stocks is based on latest quoted fair prices at the balance sheet date.
- C. The accounting policies before December 31, 2005 are described in Note 3.

#### **8) Available-for-sale financial assets**

- A. Equity investments are recognized and derecognized using trade date accounting and are recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. Available-for-sale financial assets are remeasured and stated at fair value and the gain or loss is recognized in equity. When the financial assets are derecognized, the cumulative gain or loss shall be removed from equity and recognized in

profit or loss. The fair value of listed stocks and OTC stocks is based on latest quoted fair prices at the balance sheet date.

- C. If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss. Impairment losses recognized previously in profit or loss for an investment in an equity instrument shall not be reversed through profit or loss, and if, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.
- D. The accounting policies before December 31, 2005 are described in Note 3.

#### **9) Financial assets carried at cost**

- A. Investment in unquoted equity instruments is recognized or derecognized using trade date accounting and is recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss cannot be reversed.
- C. The accounting policies before December 31, 2005 are described in Note 3.

#### **10) Investments in bonds without active markets**

- A. Investment in bonds without active markets is recognised and derecognized using settlement date accounting and is recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. This financial asset is carried at amortized cost.
- C. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. If, subsequently, the fair value of asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognized impairment loss shall be reversed to the extent of the amount of the amortized cost that would have been had the impairment not been recognized at the date the impairment is reversed.

D. The accounting policies before December 31, 2005 are described in Note 3.

**11) Derivative financial instruments for hedging**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity.

- A. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized directly in equity are transferred to profit or loss in the same period or periods when the hedged item affects profit or loss.
- B. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized directly in equity, are reversed and included in the initial cost or other carrying amount of the asset or liability. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction occurs.

**12) Allowance for doubtful accounts**

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

Overdue							Over
_____ days	<u>1~15days</u>	<u>16~30days</u>	<u>31~60days</u>	<u>61~90days</u>	<u>91~180days</u>	<u>181~365days</u>	<u>365days</u>
Percentage provided	None	0.50%	2.50%	15.00%	25.00%	50.00%	80.00%

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

**13) Inventories**

Inventories are stated at the lower of aggregate cost or market value. Cost is determined based on the weighted-average method using perpetual inventory system.

The market value is based on the replacement cost for raw materials and supplies and net realizable value for work in process, finished goods and merchandise. Allowance for slow moving items and decline in the market value is provided when necessary.

#### **14) Funds and investments**

##### A. Long-term equity investments accounted for under the equity method

- a) Long-term equity investments in which the Company holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. Effective January 1, 2006, the excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized. Retrospective adjustment of the amount of goodwill amortized in previous years is not required. The excess of acquired net asset value of investee over the initial investment cost is allocated proportionately and applied as a reduction to the book values of identifiable non-current assets, and any remaining amount of such excess after this allocation is credited to Extra-ordinary gains. However, negative goodwill acquired prior to December 31, 2005 is continuously amortized.
- b) Exchange differences arising from translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as "cumulative translation adjustments" under stockholders' equity.
- c) The Company credits long-term equity investments accounted for under the equity method when cash dividends are declared by investee companies on ex-dividend date.
- d) The accounting policies before December 31, 2005 are described in Note 3.

##### B. Cash surrender value of life insurance

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

#### **15) Property, plant and equipment**

- A. Property, plant and equipment are stated at cost except for land which is carried at appraised value.



- B. Depreciation is provided on a straight-line method over the estimated lives of the assets. Leasehold improvements are amortized over the life of the leases. The Company and subsidiaries use \$1 (depending on their respective reporting currency) as salvage value after 2001.

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

- C. Major renewals and improvements are capitalized and depreciated accordingly. Maintenance and repairs are charged to expense as incurred. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current non-operating results.
- D. Property, plant and equipment that are idle or have no value in use are reclassified to “other assets” at the lower of the fair value less costs to sell or book value. The resulting difference is included in current operations. Depreciation provided on these assets is charged to non-operating expense.

#### **16) 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.

#### **17) Impairment of non-financial assets**

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

**18) Convertible bonds**

Bonds payable was issued before December 31, 2005. However, the embedded conversion options, call and put options, were not separated from the bonds. The accounting treatments are as follows:

- A. The excess of the redemption price over the par value of the convertible bonds is amortized under the interest method over the redemption period.
- B. When bonds are converted, the par value of bonds is credited to common stock and any excess is credited to capital reserve. No gain or loss is recognized on bond conversion.

**19) Retirement plan**

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

**20) Income tax**

- A. The provision for income tax of the Company, Pyramis, Delsolar, Delta Optoelectronics, Nulight and DNIT adopt inter-period and intra-period allocation of income tax. Over or under provision of prior years' income tax liabilities are included in the current year's income tax expense.
- B. Investment tax credits arising from expenditures incurred on acquisitions of equipment or technology, research and development, employees training, and equity investments are recognized in the year the related expenditures are incurred.
- C. The Company's overseas subsidiaries adopt the liability method.
- D. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- E. Effective January 1, 2006, the Company, Pyramis, Delsolar, Delta Optoelectronics, Nulight and DNIT adopted the "Income Basic Tax Act". If the amount of regular income tax is greater than or equal to the amount of basic

tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas the amount of regular income tax is less than the amount of basic tax, the income tax payable shall also include the difference in the amount of regular income tax and basic tax, in addition to the amount as calculated in accordance with the Income Tax Act and other relevant laws. The balance calculated in accordance with the provisions shall not allow for deductions claimed in regard to investment tax credit granted under the provisions of other laws.

## **21) Earnings per share**

A. Before the first quarter of 2006, the capital structure of the Company was complex capital structure. In accordance with R.O.C. SFAS No. 24 “Earnings Per Common Share” as revised in November 1, 2001, the basic earnings and diluted earnings per share are disclosed in statement of income. The computation of earnings per share is 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.

B. The potentially dilutive securities consist of Euro convertible bonds. The Company adopted the "if converted method" in computing the dilutive effect of the Euro convertible bonds. All potentially dilutive securities had been converted during the first quarter of 2006. Accordingly, the capital structure of the Company has been changed to the simple capital structure.

## **22) Revenue, costs and expenses recognition**

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

## **23) Accounting estimates**

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

### 3. CHANGES IN ACCOUNTING PRINCIPLES

#### 1) Assets impairment and losses of controlled entities be fully recognized

Effective January 1, 2005, the Group adopted the R.O.C. SFAS No. 35 "Accounting for Asset Impairments" and the amended R.O.C. SFAS No. 5 "Accounting for Long-term Equity Investments" which require losses of the controlled entities to be fully recognized. The adoption of these accounting principles had no significant impact on the consolidated financial statements as of and for the year ended December 31, 2005.

#### 2) Goodwill

Effective January 1, 2006, the Group adopted the amended of R.O.C SFAS No. 1, No. 5, No. 7, No. 25 and No. 35 which discontinued amortization of goodwill. The adoption of these accounting principles had no significant impact on the consolidated financial statements as of and for the year ended December 31, 2006.

#### 3) Financial instruments

A. Effective January 1, 2006, the Group adopted the R.O.C. SFAS No. 34, "Accounting for Financial Instruments" and No. 36, "Disclosure and Presentation of Financial Instruments". The Group have properly reclassified certain accounts on December 31, 2005 (included) based on its holding purposes and abilities in accordance with such standards and the "Rules Governing the Preparation of Financial Statements of Securities Issuers".

B. The accounting policies before December 31, 2005 (included) were as follows:

##### a). Forward currency option contracts

Premiums or discounts on option contracts are recorded as liabilities or assets at cost and are 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.

##### b). 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 period 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.

c). 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 in accordance with 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.

b). Long-term investments in equity securities - under the cost method

Long-term investments in which the Company holds less than 20% of the voting shares of the investees and has no ability to exercise significant influence on the investees' operational decisions are stated at the lower of cost or market value if the investee company is listed, and under the cost method if the investee company is not listed. Unrealized loss on the decline in market value is accounted for as a deduction of the stockholders' equity. Where the decline in the investment value is permanent and the possibility of share price recovery is remote, an investment loss is recognized and charged against current income.

e). Other financial assets - non-current

Structured time deposits (shown as other financial assets) are recognized initially at its acquisition cost and carried at amortized cost at the balance sheet date. If there is any objective evidence indicating that the future cash flow of the financial assets may decrease, the Company should recognize the impairment loss of the financial assets. An impairment loss is recognized for the amount by which the carrying amount of the other financial assets exceeds the recoverable amount.

f). Short-term investments

Short-term investments are stated at the lower of cost or market value. Cost is determined by the weighted-average method. The market value of open-end fund is based on the net asset value at the balance sheet date. The market values of listed securities are determined based on the average closing prices of the last month of the period.

C. As a result of the adoption of SFAS No. 34 and No. 36, consolidated net income attributable to the Company and earnings per share decreased by \$35,641



(including cumulative effect of changes in accounting principles of \$27,822) and NT\$ 0.02 (in dollars), respectively, for the year ended December 31, 2006. Total assets and stockholders' equity both increased by \$251,519 as of December 31, 2006.

#### 4. **DESCRIPTION OF SIGNIFICANT ACCOUNTS**

##### 1) **Cash and cash equivalents**

	<u>December 31,</u>	
	<u>2005</u>	<u>2006</u>
Cash on hand	\$ 6,994	\$ 6,702
Checking and demand deposits	5,423,850	10,520,657
Time deposit	16,741,106	11,595,122
Cash equivalent-commercial paper and government bonds	<u>1,607,613</u>	<u>2,803,913</u>
	<u>\$23,779,563</u>	<u>\$24,926,394</u>

As of December 31, 2005 and 2006, the Group's overseas checking and demand deposits were \$2,172,706 (USD\$65,746 thousand、HKD\$3,328 thousand、KRW\$89,573 thousand、JPY\$17,052 thousand、THB\$16 thousand and \$20) and \$10,248,471 (USD\$312,176 thousand、HKD\$1,437 thousand、JPY\$107,717 thousand、THB\$15 thousand and EUR \$910 thousand), respectively. The overseas time deposits were \$144,540 (USD\$4,400 thousand) and \$0, respectively.

##### 2) **Financial assets at fair value through profit or loss**

	<u>December 31,</u>	
	<u>2005</u>	<u>2006</u>
Current items:		
Financial assets held for trading		
Open-end funds	\$ -	\$ 158,317
Derivatives	<u>165,521</u>	<u>-</u>
	165,521	158,317
Adjustment of financial assets held for trading	<u>4,108</u>	<u>3,697</u>
	<u>\$ 169,629</u>	<u>\$ 162,014</u>

- A. The Group recognized a net loss of \$26,555 (including the net gain of credit-linked notes) and net gain of \$16,783 (including gain on the disposal of open-end funds) for the years ended December 31, 2005 and 2006, respectively.
- B. The nature of derivative transactions and related information were summarized as follows:

<u>December 31, 2005</u>			
<u>Financial instruments</u>	<u>Contract amount</u> <u>(Nominal principal)</u>	<u>Contract period</u>	
Multiple-stage inflating forward	USD 30,000	2005.12.16~2006.03.20	
Forward exchange contracts:			
Sell USD/Buy RMB	USD 279,000	2005.01.18~2006.07.07	
Buy USD/Sell RMB	USD 320,016	2005.01.18~2006.08.18	
 <u>December 31, 2006</u>			
<u>Financial instruments</u>	<u>Contract amount</u> <u>(Nominal principal)</u>	<u>Contract period</u>	
Multiple-stage inflating forward	USD 20,000 (Note A)	2006.12.19~2007.01.18	
Multiple-stage inflating forward	USD 21,800 (Note A and B)	2006.12.21~2007.02.15	
Multiple-stage inflating forward	USD 35,000 (Note A and C)	2006.12.19~2007.01.29	

Note A: Will be exercised if the spot rate is below or above the strike price or knock in price.

Note B: If the exchange rate is above the predetermined exchange rate, the nominal principal will be multiplied by 1.5 times and the maximum exercise principal will become USD32,700.

Note C: If the exchange rate is above the predetermined exchange rate, the nominal principal will be multiplied by 2 times and the maximum exercise principal will become USD70,000.

- (1) The Group entered into multiple-stage inflating forward to manage exposures to foreign exchange rate fluctuations of export sales. However, the forward exchange transactions did not meet all the criteria for hedge accounting. Therefore, the Group did not apply the hedge accounting.
- (2) The Group entered into forward exchange contracts to manage exposures to foreign exchange rate fluctuations of import or export sales. However, the forward exchange transactions before October 1, 2006 did not meet the criteria for hedge accounting. Therefore, the Group did not apply the hedge accounting. The forward exchange contracts after October 1, 2006 of certain subsidiaries meet all the criteria for hedge accounting and the related information refer to Note 10 9).

3) **Accounts receivable and overdue receivable**

	<u>December 31,</u>	
	<u>2005</u>	<u>2006</u>
Accounts receivable	\$ 19,608,578	\$ 22,029,271
Less: Allowance for doubtful accounts	( 19,341)	( 17,771)
	<u>19,589,237</u>	<u>22,011,500</u>
Overdue receivables (shown as other assets)	176,563	174,833
Less: Allowance for doubtful accounts	( 176,563)	( 174,833)
	-	-
	<u>\$ 19,589,237</u>	<u>\$ 22,011,500</u>

4) **Inventories**

	<u>December 31,</u>	
	<u>2005</u>	<u>2006</u>
Raw materials	\$ 2,884,631	\$ 3,140,959
Work in process	755,102	825,766
Finished goods	3,337,106	4,310,663
Inventory in transit	<u>387,029</u>	<u>64,489</u>
	7,363,868	8,341,877
Less: Allowance for inventory obsolescence and market price declines	( 475,557)	( 415,409)
	<u>\$ 6,888,311</u>	<u>\$ 7,926,468</u>

5) **Available-for-sale financial assets**

	December 31,	
	2005	2006
Current items:		
Listed (TSE and OTC)	\$ -	\$ 6,969
Adjustment of available-for-sale financial assets	-	-
	<u>\$ -</u>	<u>\$ 6,969</u>
Non-current items:		
Listed(TSE and OTC) stocks	\$ 655,333	\$ 1,237,031
Adjustment of available-for-sale financial assets	-	109,971
	<u>\$ 655,333</u>	<u>\$ 1,347,002</u>

6) **Financial assets carried at cost**

	December 31,	
	2005	2006
Non-current items:		
Unlisted stocks	\$ 974,658	\$ 936,961
Less: impairment loss	-	(18,242)
	<u>\$ 974,658</u>	<u>\$ 918,719</u>

- (1) The investments held by the Company were measured at cost since the fair value cannot be measured reliably.
- (2) The net asset value of Quintum Technologies, Inc. and Ezonics Corporation held by DIH and DNH was lower than the cost, accordingly, an impairment loss of \$18,242 was recognized during 2006.
- (3) The decline in the investment value of certain investee companies is permanent and the possibility of share price recovery is remote, the Company, DIH and DNH recognized impairment loss of \$328,211 recorded as "other investment loss".

7) **Investments in bonds without active markets**

	December 31,	
	2005	2006
Non-current items:		
Structured time deposits	<u>\$ 7,227,000</u>	<u>\$ 7,169,800</u>

The interest rates of structured time deposits were based on the contract.

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

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

<u>Investee company</u>	<u>December 31,</u>			
	<u>2005</u>		<u>2006</u>	
	<u>%</u>	<u>Book value</u>	<u>%</u>	<u>Book value</u>
	<u>(Note A)</u>		<u>(Note A)</u>	
Equity method:				
Delta Electronics (Thailand) Public Co., Ltd. (DET) (Note B)	21.05	\$ 4,363,163	20.96	\$ 4,471,522
Cyntec Co., Ltd (Cyntec)	36.22	878,386	35.18	1,017,591
Netpower Technologies Inc.	21.29	18,483	21.29	23,577
Grand Advance Technology Ltd. (Grand Advance)	39.20	12,888	39.20	-
		<u>\$ 5,272,920</u>		<u>\$ 5,512,690</u>

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

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

(2) Investment income accounted for under the equity method for the year ended December 31, 2005 and 2006 are set forth below:

<u>Name of investee company</u>	<u>For the year ended December 31,</u>	
	<u>2005</u>	<u>2006</u>
DET	\$ 213,708	\$ 277,679
Cyntec	107,350	183,944
Netpower Technology Inc.	3,529	5,208
Grand Advance	(171,896)	(218)
	<u>\$ 152,691</u>	<u>\$ 466,613</u>

(3) Certain investee companies accounted for under the equity method for the years ended December 31, 2005 and 2006 were audited by other auditors. The investment income recognized in these investee companies under equity method was \$217,237 and \$282,887 for the years ended December 31, 2005 and 2006, respectively, and the related balance of long-term investments was \$4,381,646 and \$4,495,099 as of December 31, 2005 and 2006, respectively.



9) **Property, plant and equipment**

Item	December 31, 2005				
	Original cost	Appraisal increment	Total	Accumulated depreciation	Net book value
Land	\$ 1,288,490	\$ 168,738	\$ 1,457,228	\$ -	\$ 1,457,228
Buildings	5,777,152	-	5,777,152	( 1,219,022)	4,558,130
Machinery and equipment	6,923,148	-	6,923,148	( 3,384,474)	3,538,674
Molding equipment	1,178,400	-	1,178,400	( 901,411)	276,989
Computer and communication equipment	811,450	-	811,450	( 662,846)	148,604
Testing equipment	3,921,042	-	3,921,042	( 2,869,860)	1,051,182
Transportation equipment	132,312	-	132,312	( 92,418)	39,894
Office equipment	1,166,608	-	1,166,608	( 810,501)	356,107
Leasehold improvement	74,158	-	74,158	( 55,340)	18,818
Prepayments for equipment and construction in progress	1,098,556	-	1,098,556	-	1,098,556
	<u>\$ 22,371,316</u>	<u>\$ 168,738</u>	<u>\$ 22,540,054</u>	<u>(\$ 9,995,872)</u>	<u>\$ 12,544,182</u>

Item	December 31, 2006				
	Original cost	Appraisal increment	Total	Accumulated depreciation	Net book value
Land	\$ 1,283,862	\$ 230,228	\$ 1,514,090	\$ -	\$ 1,514,090
Buildings	7,251,406	-	7,251,406	( 1,499,171)	5,752,235
Machinery and equipment	8,834,238	-	8,834,238	( 4,222,949)	4,611,289
Molding equipment	1,277,722	-	1,277,722	( 1,043,427)	234,295
Computer and communication equipment	859,242	-	859,242	( 721,847)	137,395
Testing equipment	4,629,395	-	4,629,395	( 3,383,945)	1,245,450
Transportation equipment	139,342	-	139,342	( 100,576)	38,766
Office equipment	1,244,710	-	1,244,710	( 915,240)	329,470
Leasehold improvement	143,250	-	143,250	( 90,882)	52,368
Other equipment	7,995	-	7,995	( 347)	7,648
Prepayments for equipment and construction in progress	1,510,786	-	1,510,786	-	1,510,786
	<u>\$ 27,181,948</u>	<u>\$ 230,228</u>	<u>\$ 27,412,176</u>	<u>(\$ 11,978,384)</u>	<u>\$ 15,433,792</u>

Note A: The appraisal increment of land in property, plant and equipment and leased assets amounted to \$230,228 and the reserve for land value incremental tax was \$89,195. Effective 2005, under the amended Land Tax Act, the land value incremental tax rate was reduced. Accordingly, the reserve for land value incremental tax was decreased and capital reserve was increased by \$36,108.

Note B: Interest capitalized to the property, plant and equipment amounted to \$49,103 for the year ended December 31, 2006.

**10) Idle assets**

	<u>December 31, 2006</u>		
	<u>Original cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Machinery and equipment	\$ 26,824	(\$ 22,487)	\$ 4,337
Molding equipment	1,175	( 1,175)	-
Computer and communication equipment	1,968	( 1,465)	503
Testing equipment	<u>15,011</u>	<u>( 6,557)</u>	<u>8,454</u>
	<u>\$ 44,978</u>	<u>(\$ 31,684)</u>	13,294
Less: accumulated impairment loss			<u>( 11,443)</u>
			<u>\$ 1,851</u>

**11) Short-term loans**

	<u>December 31,</u>	
	<u>2005</u>	<u>2006</u>
Unsecured bank loans	\$ 6,577,246	\$ 3,425,004
Secured bank loans	<u>1,313,969</u>	<u>-</u>
	<u>\$ 7,891,215</u>	<u>\$ 3,425,004</u>
Credit lines	<u>\$ 24,616,231</u>	<u>\$ 28,051,196</u>
Interest rate per annum	<u>0.465%~4.83%</u>	<u>0.895%~5.966%</u>

**12) Financial liabilities at fair value through profit or loss**

	<u>December 31,</u>	
	<u>2005</u>	<u>2006</u>
Current items:		
Financial liabilities held for trading		
Derivatives	\$ -	\$ -
Adjustment of financial liabilities held for trading	<u>632</u>	<u>21,382</u>
	<u>\$ 632</u>	<u>\$ 21,382</u>

(1) The Group recognized a net loss of \$17,777 and net gain of \$4,292 (including the net loss of closed interest rate swap) for the years ended December 31, 2005 and 2006, respectively.

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

<u>December 31, 2005</u>			
<u>Financial instruments</u>	<u>Contract amount (Nominal principal)</u>		<u>Contract period</u>
Forward currency option contracts	USD	9, 000	2005. 12. 16-2006. 04. 20

<u>December 31, 2006</u>			
<u>Financial instruments</u>	<u>Contract amount (Nominal principal)</u>		<u>Contract period</u>
Forward exchange contracts:			
Buy USD/Sell RMB	USD	490, 000	2006. 09. 28-2007. 10. 09
Sell USD/Buy RMB	USD	490, 000	2006. 09. 28-2007. 12. 06
Sell USD/Buy JPY	JPY	6, 000	2006. 12. 17-2007. 02. 15
Forward currency option contracts	USD	13, 990	2006. 12. 06-2007. 02. 26

A. The Group entered into forward exchange contracts to manage exposures to foreign exchange rate fluctuations of import or export sales. However, the forward exchange contracts before October 1, 2006 did not meet the criteria for hedge accounting. Therefore, the Group did not apply the hedge accounting. The forward exchange contracts after October 1, 2006 of certain subsidiaries meet all the criteria for hedge accounting and the related information refer to Note 10 9).

B. The Group entered into forward currency option contracts to manage exposures to foreign exchange rate fluctuations of export sales. However, the forward currency option contracts did not meet the criteria for hedge accounting. Therefore, the Group did not apply the hedge accounting.

### 13) Convertible bonds

A. As of December 31, 2005 and 2006 the details of the fourth foreign currency Euro convertible bonds (ECB IV) were as follows:

	<u>December 31, 2005</u>	<u>December 31, 2006</u>
Issuance amount	\$ 6, 876, 910	\$ 6, 876, 910
Converted amount	( 6, 415, 469)	( 6, 876, 910)
Outstanding amount	461, 441	-
Less: foreign currency revaluation	( 20, 594)	-
Book value	440, 847	-
Less: long-term liabilities- current portion	( 440, 847)	-
	<u>\$ -</u>	<u>\$ -</u>

B. The issuance of ECB IV was approved by SFB (Securities and Futures Bureau). The issuance and condition of ECB IV are summarized as follows:

	<u>ECB IV</u>
(A) Trustee	The Bank of New York
(B) Amount of issuance	US\$200,000
(C) Nominal interest rate (net of tax)	0%
(D) Period of issuance	5 years (July 30, 2003 ~July 30, 2008)
(E) Place of issuance	Luxembourg
(F) Period of conversion	August 30, 2003 ~ June 30, 2008
(G) Exchange rate of conversion	Fixed exchange rate of NT\$34.35 to US\$1.00
(H) Redemption price and adjustment (in NT dollars)	The initial conversion price was NT\$55, and it may be adjusted for change in the number of common shares outstanding. (As of December 31, 2006, all the ECB have been converted into common stock)

ECB IV

(I) Redemption of bonds

- a. Redemption at principal amount on due date.
- b. Early redemption
  - (a) Redemption price: 94.63% of outstanding principal amount.
  - (b) Redemption date: At any time on or after July 30, 2006.
  - (c) The condition of early redemption:
    - 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) Purchase of bonds

- a. Purchase date: July 30, 2005
- b. Purchase price: 97.82% of outstanding principal amount.

- C. The put and call options embedded in bonds payable issued before December 31, 2005 were not separated in accordance to EITF 95-078.
- D. As of December 31, 2006, US\$200,000 thousand (par value) of ECB IV had been converted into common stock. The cumulative shares of converted common stock was 142,416,000 with the premium recognized as capital reserve amounting to \$4,909,413.



**14) Accrued pension liabilities**

- (1) The Company, Pyramis, Delsolar, Delta Optoelectronics and DNIT have a non-contributory and funded defined benefit plan in accordance with the Labor Standards Law, covering all regular employees before the implementation of the Labor Pension Act on July 1, 2005. The defined benefit plan will continue to cover the employees who choose to remain with the defined benefit plan. Upon retirement, pension payments are calculated based on total years of service and average salary of the last six months prior to retirement. Two base units are earned for the first 15 years of service and one unit for each year thereafter, with a maximum number of 45 units. The Company contributes 2% of the employees' monthly salaries and wages to an independent retirement trust fund, with the Central Trust of China, the trustee. For the years ended December 31, 2005 and 2006, the net periodic pension cost of the Company and certain subsidiaries were \$161,582 and \$116,797, respectively. The balance of the retirement trust fund with the Central Trust of China was \$441,957 and \$493,888 as of December 31, 2005 and 2006, respectively. The fund balances are not reflected in the consolidated financial statements.
- (2) The reconciliation of the funded status to accrued pension liability of the Company, Pyramis, Delsolar, Delta Optoelectronics and DNIT as of December 31, 2005 and 2006, the respective measurement dates, are as follows:

	<u>December 31,</u>	
	<u>2005</u>	<u>2006</u>
Benefit obligation:		
Vested benefit obligation	(\$ 131, 800)	(\$ 172, 682)
Non-vested benefit obligation	( 854, 036)	( 952, 117)
Accumulated benefit obligation	( 985, 836)	( 1, 124, 799)
Additional benefits based on future salary increases	( 479, 725)	( 525, 440)
Projected benefit obligation	( 1, 465, 561)	( 1, 650, 239)
Fair value of plan assets	<u>441, 957</u>	<u>493, 888</u>
Funded status	( 1, 023, 604)	( 1, 156, 351)
Unrecognized transition obligation	88, 851	72, 234
Unrecognized net pension loss	245, 840	329, 501
Additional pension liability	( 6, 261)	-
Accrued pension liability	<u>(\$ 695, 174)</u>	<u>(\$ 754, 616)</u>

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

	<u>2005</u>	<u>2006</u>
Discount rate	3.50%	2.50%~3.50%
Expected return rate on plan assets	2.50%	2.50%~3.00%
Average rate of salary increase	3.00%	2.00%~3.00%

(3) In 2005 and 2006, the details of net periodic pension cost are as follows:

	<u>December 31,</u>	
	<u>2005</u>	<u>2006</u>
Service cost	\$ 104,346	\$ 58,982
Interest cost	51,407	50,929
Expected return on plan assets	( 10,439)	( 11,402)
Amortization of unrecognized transition obligation	6,893	9,752
Unrecognized pension loss	<u>9,375</u>	<u>8,536</u>
Net pension cost	<u>\$ 161,582</u>	<u>\$ 116,797</u>

(4) Effective July 1, 2005, the Company, Pyramis, Delta Optoelectronics, Delsolar, Nulight and DNIT have established a defined contribution pension plan under the Labor Pension Act (the "New Plan") for eligible employees holding Republic of China citizenship. The Company, Pyramis, Delta Optoelectronics, Delsolar, Nulight and DNIT deposit the pension amount based on 6% of the employees' monthly salaries and wages into each employee's personal pension account with the Bureau of Labor Insurance. For the years ended December 31, 2005 and 2006, the pension cost of the Company and subsidiaries were \$59,144 and \$133,071.

(5) The subsidiaries, DIH and DNH, do not maintain an employee retirement plan. However, certain subsidiaries of DIH and DNH, located in Mainland China maintain a defined contribution retirement plan covering all employees. Under the plan, the employees of DIH and DNH subsidiaries contribute to a separate fund an amount based on certain percentage of the monthly basic salary of employees. And each DIH's and DNH's subsidiary also provides pension reserves for its employees for amounts depending on the employee's positions. As of December 31, 2005 and 2006, the pension

reserves of DIH'S and DNH'S subsidiaries were \$254,322 and \$338,690, respectively.

- (6) The subsidiaries, DIH, DNH, Pyramis-US, NPL and DEJ have defined contribution plans in accordance with the local regulations.

## 15) Common stock

- A. In accordance with the Company's Articles of Incorporation, the total shares of authorized common stock were 2,300,000,000 shares (including 60,000,000 shares for warrant bonds conversion). As of December 31, 2006, the total issued and outstanding common stock was 1,969,445,000 shares with par value of \$10 (in dollars) per share.
- B. As of December 31, 2006, 142,416,000 shares of common stock were issued for conversion of ECB IV.
- C. On December 20, 2004, the Company's Board of Directors of the Company adopted a resolution that allowed certain stockholders to issue 16,000,000 units of global depository receipts (GDRs), represented by 80,000,000 shares of common stock (Deposited Shares). After obtaining approval from SFB, these GDRs were listed on the Securities Exchange of Luxembourg, with total proceeds of US\$134,666. The issuance of GDRs were represented by outstanding shares, accordingly, there is no diluted effect on the common shares. The main terms and conditions of the GDRs are as follows:

### a) Voting rights

GDR holders may, pursuant to the Depositary Agreement and the relevant laws and regulations of the R.O.C., exercise the voting rights pertaining to the underlying the Company's common shares represented by the GDRs.

### b) Sales and redemption of the underlying common shares represented by the GDRs

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

c) Distribution of dividends, preemptive rights and other rights and interests

GDR units bear the same rights as common shares.

d) Taking into effect the stock dividend distribution year by year, there were 4,239 thousand units outstanding, representing 21,196,000 common shares of the Company's common stock.

**16) Capital reserve**

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

**17) Legal reserve**

The R.O.C. Company Law requires that the Company shall set aside 10% of its net income as the 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 capitals, and shall be limited to 50% of the excess portion of the reserve.

**18) Undistributed earnings**

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

a) Payment of all taxes and dues.

b) Offset against prior years' operating losses, if any.

c) Set aside 10% of the remaining amount as legal reserve.

d) Set aside a certain amount as special reserve, if necessary.

e) The amount of distributable earnings after deducting items a), b), c) and d), plus beginning undistributed earnings (the earnings), shall be distributed in the following percentage according to the resolution approved at the stockholders' meeting :

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

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

(iii) Stockholders' bonus: balance of the earnings after deducting (i) and (ii).

As stipulated in the Company's Articles of Incorporations, at least 50% of the distributable retained earnings shall be distributed as dividends to stockholders, of which at least 5% shall be in the form of cash dividends.

- B. In addition to the legal reserve, the Company may, based on its Articles of Incorporation or by a resolution adopted at the meeting of stockholders, set aside an additional special reserve to cover accounts under stockholders' equity negative balance. Subsequently, the special reserves can be available for distribution after approval of the stockholders after the negative balance in these accounts has been fully recovered.
- C. As of March 1, 2007, the distribution of 2006 earnings had not been approved by the Company's Board of Directors. The information will be posted in the "Market Observation Post System" of the Taiwan Stock Exchange Corporation.
- D. The distribution of 2005 earnings was approved by the shareholders' meeting on May 18, 2006, which included the employees' bonuses of \$370,015, stock dividends of \$920,211 and cash dividends of \$5,521,267. The distribution of 2005 earnings had been approved by SFB and the Company set June 24, 2006 as the ex-rights/dividend date.
- E. The Company's dividend policy is summarized below:

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

F. In accordance with the resolutions adopted at the shareholders' meeting, the Company paid cash dividends of \$2.41194 (in dollars) and \$3.0 (in dollars) per share, and stock dividends of \$0.48238 (in dollars) and \$0.5 (in dollars) per share in 2005 and 2006, respectively.

G. For the distribution of 2004 and 2005 earnings, details on employees' bonus are as follows:

- a) The distribution of employees' bonus and directors' and supervisors' remuneration set forth in the Articles of Incorporation: Please refer to Note A. e)
- b) The actual payment of employees' bonus and directors' and supervisors' remuneration from the distribution of 2004 and 2005 earnings were \$320,775 ; \$16,700 and \$370,015 ; \$16,700, respectively. The Company issued 32,078,000 and 37,001,000 shares of common stock as employees' bonus, which accounted for 2.02% and 2.02% of the outstanding common shares as of December 31, 2004 and 2005, respectively.

The effect on the 2004 and 2005 earnings per share (EPS) is as follows:

	<u>2004 EPS</u>		<u>2005 EPS</u>	
	<u>Basic</u>	<u>Diluted</u>	<u>Basic</u>	<u>Diluted</u>
Original EPS in the financial statements of current year	\$ 4.20	\$ 3.87	\$ 4.26	\$ 4.24
Effect of employees' bonus and directors' and supervisors' remuneration	( 0.21)	( 0.20)	( 0.22)	( 0.22)
Pro forma EPS	<u>\$ 3.99</u>	<u>\$ 3.67</u>	<u>\$ 4.04</u>	<u>\$ 4.02</u>

- c) The distribution of 2004 and 2005 earnings approved at the stockholders' meeting was the same as that proposed at the Board of Directors' meeting.

H. 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.



- I. As of December 31, 2005 and 2006, details on tax credits of the Company are as follows:

	<u>December 31,</u>	
	<u>2005</u>	<u>2006</u>
Imputation tax credit account balance	\$ <u>25,940</u>	\$ <u>34,805</u>
Creditable tax ratio	<u>2005 (Actual)</u> 0.36%	<u>2006 (Estimated)</u> 2.16%

- J. As of December 31, 2005 and 2006, the undistributed earnings balances are as follows:

	<u>December 31,</u>	
	<u>2005</u>	<u>2006</u>
Before January 1, 1998	\$ 685,952	\$ 685,952
On and after January 1, 1998		
-10% additional tax assessed	661,644	1,073,482
-10% additional tax unassessed	<u>7,548,213</u>	<u>11,327,123</u>
	<u>\$ 8,895,809</u>	<u>\$13,086,557</u>

## 19) Income tax

- A. Deferred income tax assets and liabilities as of December 31, 2005 and 2006 are as follows:

	<u>December 31,</u>	
	<u>2005</u>	<u>2006</u>
(A) Total deferred income tax assets	<u>\$ 2,049,422</u>	<u>\$ 2,577,205</u>
(B) Allowance for deferred income tax assets	<u>\$ 1,188,881</u>	<u>\$ 1,492,097</u>
(C) Total deferred income tax liabilities	<u>\$ 2,726,372</u>	<u>\$ 3,980,057</u>

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

	<u>December 31, 2005</u>		<u>December 31, 2006</u>	
	<u>Original amount</u>	<u>Tax effects</u>	<u>Original amount</u>	<u>Tax effects</u>
Current:				
Allowance for inventory obsolescence	\$ 199,455	\$ 49,864	\$ 183,394	\$ 45,849
Unrealized exchange loss	421,032	105,258	564,067	141,017
Others	229,458	57,365	301,498	75,375
Investment tax credits		<u>336,074</u>		<u>251,143</u>
		548,561		513,384
Less: allowance for deferred income tax assets - current		( <u>238,900</u> )		( <u>284,525</u> )
Net deferred income tax assets - current		<u>\$ 309,661</u>		<u>\$ 228,859</u>
Non-current:				
Investment income accounted for under the equity method, net	(\$10,761,617)	(\$ 2,690,404)	(\$ 15,563,214)	(\$ 3,890,804)
Unfunded pension	689,000	172,250	655,118	163,779
Loss carryforwards	1,100,894	275,223	1,110,926	277,731
Others	221,612	55,403	417,841	104,460
Investment tax credits		<u>962,017</u>		<u>1,428,598</u>
		( 1,225,511)		( 1,916,236)
Less: allowance for deferred income tax assets - non-current		( <u>949,981</u> )		( <u>1,207,572</u> )
Net deferred income tax liabilities - non-current		<u>(\$ 2,175,492)</u>		<u>(\$ 3,123,808)</u>

C. As of December 31, 2005 and 2006, income tax payable (refundable) is computed as follows:

	<u>For the years ended December 31,</u>	
	<u>2005</u>	<u>2006</u>
Current year's income tax expense	\$ 148,863	\$ 1,633,002
Effect of deferred income tax	97,959	( 1,029,118)
Interest income subject to separate tax	( 7,497)	( 6,747)
Over provision of income tax in prior years, net	12,072	40,357
Prepaid income tax	( 190,327)	( 265,206)
Others	( 2,516)	( 4,829)
Income tax payable-net	<u>\$ 58,554</u>	<u>\$ 367,459</u>
Income tax refundable	(\$ 20,971)	(\$ 9,346)
Income tax payable	<u>79,525</u>	<u>376,805</u>
	<u>\$ 58,554</u>	<u>\$ 367,459</u>

D. As of December 31, 2006, according to the "Income Tax Law" and "Statute for Upgrading Industries", investments tax credits of the Company, DNIT, Delta Optoelectronics, Delsolar and Nulight are as follows:

<u>Sources of</u>	<u>investments tax credits</u>	<u>Total credits</u>	<u>Unused credits</u>	<u>Year of expiration</u>
R&D expenditures	\$ 1,794,569	\$ 1,616,712		Between 2007 and 2010
Training expenditures	20,436	20,436		Between 2007 and 2010
Expenditures for procurement of machinery and equipment	59,155	<u>42,593</u>		Between 2007 and 2010
			<u>\$ 1,679,741</u>	

E. DWC, DWO and DWV are subject to tax laws applicable to foreign investment enterprises in the P.R.C. and are fully exempt from PRC income tax for two years starting from the first profit-making year followed by a 50% reduction for the next three years. The current enterprise income tax rate is 24%. DEC, DEP and DII are high and new enterprises which can apply the tax preference of 15% and are fully exempt from PRC income tax for two years starting from the first profit-making year followed by a 50% reduction for the next three years. According to the related regulations, the enterprise can apply the tax preference of 7.5%.

- F. DDG is an export-oriented company (i.e. export sales constituting 70% of total sales) and a high-investment, low-return company (i.e. minimum capital of US\$30 million) and advanced technology enterprise. According to the related regulations, the enterprise income tax rate is 10%.
- G. DWJ is an export-oriented company. According to related regulations, after the maturity of the income tax exemption period, DWJ can apply for the tax preference of 50% discount of enterprise tax rate of 24% if the company's export sales exceed 70% of total sales in the current year.
- H. The Group's assessed and approved income tax returns are as follows:

	<u>Year Assessed by Tax Authority</u>
Pyramis	2005
Delsolar and Delta Optoelectronics	2004
The Company and DNIT	2003
Nulight	Not assessed yet

## 20) Earnings per share

	<u>For the year ended December 31, 2005</u>				
	<u>Amount</u>		Weighted-average outstanding common shares (in thousands) (Note b)	<u>Earnings per share (in dollars)</u>	
	<u>Income before income tax</u>	<u>Net income</u>		<u>Income before income tax</u>	<u>Net income</u>
Basic EPS	\$ 7,701,803	\$ 7,552,940	1,896,277	<u>\$ 4.06</u>	<u>\$ 3.98</u>
Effect of potential common shares with dilutive effect: 0% Euro convertible bonds	-	-	10,744		
Diluted EPS	<u>\$ 7,701,803</u>	<u>\$ 7,552,940</u>	<u>1,907,021</u>	<u>\$ 4.04</u>	<u>\$ 3.96</u>

For the year ended December 31, 2006					
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Income before income tax	Net income		Income before income tax	Net income
Basic EPS	<u>\$ 12,963,843</u>	<u>\$ 11,330,841</u>	<u>1,968,789</u>	<u>\$ 6.58</u>	<u>\$ 5.76</u>

Note a: The potential dilutive common stock of the Company, 0% Euro convertible bonds, had been completely converted to common stock during the first quarter of 2006, according, only the basic EPS is disclosed for the year ended December 31, 2006.

Note b: The weighted-average outstanding common shares were retroactively adjusted for stock dividends and employee bonuses distributed in 2006.

**21) Personnel expense, depreciation and amortization expense**

	For the years ended December 31,					
	2005		2006			
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Personnel expense						
Salaries	\$ 2,742,779	\$ 2,902,713	\$ 5,645,492	\$ 3,755,162	\$ 3,430,621	\$ 7,185,783
Labor and health insurances	51,899	200,112	252,011	94,567	233,501	328,068
Pension	82,486	217,896	300,382	115,118	245,687	360,805
Others	274,476	120,388	394,864	163,507	176,622	340,129
	<u>\$ 3,151,640</u>	<u>\$ 3,441,109</u>	<u>\$ 6,592,749</u>	<u>\$ 4,128,354</u>	<u>\$ 4,086,431</u>	<u>\$ 8,214,785</u>
Depreciation (Note)	<u>\$ 1,873,313</u>	<u>\$ 526,077</u>	<u>\$ 2,399,390</u>	<u>\$ 1,956,691</u>	<u>\$ 593,685</u>	<u>\$ 2,550,376</u>
Amortization	<u>\$ 38,703</u>	<u>\$ 160,268</u>	<u>\$ 198,971</u>	<u>\$ 46,458</u>	<u>\$ 208,417</u>	<u>\$ 254,875</u>

Note: Including the depreciation provided for idle assets for the year ended December 31, 2006 which was recorded as other non-operating loss.



## 5. RELATED PARTY TRANSACTIONS

### (1) Name and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Cyntec Co., Ltd. (Cyntec)	Investee accounted for under the equity method
Grand Advance Technology Inc. (Grand Advance)	"
Delta Electronics (Thailand) Public Co., Ltd. (DET)	"
Delta Products Corporation (DPC)	Related party in substance
Deltron-Cimic Electric and Electronics Co., Ltd (Deltron-Cimic)	"
Delta Energy Systems (Switzerland) AG. (DES Switzerland)	A subsidiary of DET
Delta Electronics Europe Ltd. (DEU)	Indirectly owned subsidiary of DET
Delta Energy Systems (Germany) Gmbh	"
Delta Energy Systems (India) PVT (DES India)	"
Delta Video Technology Ltd.(DET Video)	"
Delea Energy Systems (Brasil) S.A.	A subsidiary of DES Switzerland
Delta Green (Tianjin) Industries Company Limited (Delta Green (Tianjin))	Indirectly held investee, accounted for under the equity method by DET

(2) **Significant transactions with related parties**

A. Sales

	<u>For the years ended December 31,</u>	
	<u>2005</u>	<u>2006</u>
Delta-Cimic	\$ 1,493,261	\$ 2,088,132
DPC	1,087,320	726,251
DES India	206,577	279,492
DET	293,360	174,692
Cyntec	83,721	132,400
DET Video	-	117,522
DEU	244,718	-
Others	<u>34,206</u>	<u>36,467</u>
	<u>\$ 3,443,163</u>	<u>\$ 3,554,956</u>

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

B. Purchases

	<u>For the years ended December 31,</u>	
	<u>2005</u>	<u>2006</u>
Delta Green (Tianjin)	\$ 270,951	\$ 623,883
DET	939,763	379,406
Others	<u>53,296</u>	<u>75,317</u>
	<u>\$ 1,264,010</u>	<u>\$ 1,078,606</u>

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

C. Accounts receivable

	<u>For the years ended December 31,</u>	
	<u>2005</u>	<u>2006</u>
Delta-Cimic	\$ 491,829	\$ 624,563
DPC	309,916	225,682
DES India	121,404	50,520
DEU	119,172	-
Others	<u>88,843</u>	<u>105,873</u>
	<u>\$ 1,131,164</u>	<u>\$ 1,006,638</u>

D. Accounts payable

	<u>December 31,</u>	
	<u>2005</u>	<u>2006</u>
Delta Green (Tianjin)	\$ 102,447	\$ 203,712
DET	317,818	68,277
Others	<u>20,991</u>	<u>46,111</u>
	<u>\$ 441,256</u>	<u>\$ 318,100</u>

E. Endorsements and guarantees

The amount of endorsements and guarantees provided by the Company on behalf of a related party as of December 31, 2005 and 2006 are listed below:

	<u>December 31,</u>	
	<u>2005</u>	<u>2006</u>
DPC	<u>\$ 328,500</u>	<u>\$ -</u>

**6. DETAILS OF PLEDGED ASSETS**

As of December 31, 2005 and 2006, the details of pledged assets are as follows:

<u>Assets pledged</u>	<u>December 31,</u>		<u>Purpose</u>
	<u>2004</u>	<u>2005</u>	
Time deposits (shown as other financial assets - current)	\$ 20,000	\$ 20,000	Collateral for patent suit
Time deposits (shown as other financial assets - current)	1,123	1,139	Performance bonds
Time deposits (shown as other financial assets - current)	<u>1,340,805</u>	-	Collateral for bank loans
	<u>\$ 1,361,928</u>	<u>\$ 21,139</u>	

**7. COMMITMENTS AND CONTINGENT LIABILITIES**

Except for Note 5, the Company's commitments in relation to leases was as follows:

- 1) Effective May, 2004, the Company has a 20-year land and building lease in Tainan Science-Based Industrial Park. As of December 31, 2006, the future lease payments and the net present value discounted at 2.175%, one-year time deposit interest rate given by the Chunghwa Post Co., Ltd., as of December 31, 2006, are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 3,077
2008	3,077
2009	3,077
2010	3,077
2011	3,077
2012~2016 (the net present value is \$12,958)	15,385
2017~2021 (the net present value is \$11,637)	15,385
2022~2023 (the net present value is \$ 4,315)	6,154
	<u>\$ 52,309</u>

- 2) In December 2006, the Company entered into a three-year contract of high-efficiency LED (Light Emitting Diodes) for monitors and patent licensing agreement with Industrial Technology Research Institute. The Company has to pay technology and patent royalties amounting to \$31,000. In addition, the Company commits to pay royalties by a certain percentage of total sales from the day that related products are sold and the maximum amount of the royalty is \$130,000.
- 3) As of December 31, 2006, the unused letter of credits amount was \$365,190.
- 4) Minimum future payments for land lease of DDG were approximately \$33,389.
- 5) The Company and subsidiaries entered into contracts for the construction of a new factory and acquisition of equipments with total future payments of approximately \$212,769.

**8. MAJOR CATASTROPHE**

None.

**9. SUBSEQUENT EVENTS**

None.

**10. OTHER**

- 1) Certain accounts in the consolidated financial statements for the year ended December 31, 2005 have been reclassified to conform with the presentation adopted for the year ended December 31, 2006.

## (2) Fair value of the financial instruments

	December 31, 2005			December 31, 2006		
	Fair value			Fair value		
	Book value	Quotations in an active market	Estimated using a valuation	Book value	Quotations in an active market	Estimated using a valuation
<u>Non-derivative financial instruments</u>						
Assets:						
Financial assets with fair values equal to book values	\$ 46,806,245	\$ -	\$ 46,806,245	\$ 49,035,573	\$ -	\$ 49,035,573
Financial assets at fair value through profit or loss	-	-	-	158,317	158,317	-
Available-for-sale financial assets	655,333	1,058,084	-	1,353,971	1,353,971	-
Financial assets carried at cost	974,658	-	-	918,719	-	-
Investment in bonds without active markets	7,227,000	-	-	7,169,800	-	-
Liabilities:						
Financial liabilities with fair values equal to book values	\$ 30,869,632	\$ -	\$ 30,869,632	\$ 29,111,590	\$ -	\$ 29,111,590
<u>Derivative financial instruments</u>						
Assets:						
Multiple-stage inflating forward	\$ 4,108	-	\$ 4,108	\$ 3,697	-	\$ 3,697
Forward exchange contracts	165,521	-	148,604	58,732	-	58,732
Liabilities:						
Forward currency option contracts	\$ 632	-	\$ 632	\$ 1,992	-	\$ 1,992
Forward exchange contracts	-	-	-	135,181	-	135,181

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

- (1) Financial assets and liabilities with fair values equal to book values
  - A. For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, other financial assets - current, short-term loans, notes payable, accounts payable (including related parties), income tax payable, accrued expenses, other payables and other current liabilities.
  - B The fair value of cash surrender value of life insurance is based on the book value at balance sheet date.
  - C The fair values of refundable deposits and guarantee deposits received are based on book values, which approximate present value.
  - D The fair value of convertible bonds is based on the 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.
- (2) The fair values of the financial assets at fair value through profit or loss, open-end funds, are based on the net asset value at the balance sheet date.
- (3) The fair values of available-for-sale financial assets are based on the quotations in the active market, which are the average quoted closing prices during the last month of the accounting period and the latest quoted closing prices at the balance sheet date as of December 31, 2005 and 2006, respectively.
- (4) The fair values of derivative financial instruments which include unrealized gains or losses on unsettled contracts were determined based on the amounts to be received or paid assuming that the contracts were settled as of the reporting date.



3) Information about available-for-sale financial assets

The Group recognized the adjustment in equity from available-for-sale financial assets amounting to \$351,380, and the amount removed from equity and recognized in profit or loss was \$13,664 for the year ended December 31, 2006.

4) The financial assets with fair value risk and cash flow risk due to the change of interest rate

As of December 31, 2006, the Group's financial assets and financial liabilities with fair value risk due to the change of interest amounted to \$9,785,539 and \$0, respectively, and the financial assets and financial liabilities with cash flow risk due to the change of interest amounted to \$11,804,434 and \$3,425,004, respectively.

5) Procedure of financial risk control and hedge

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

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

In monitoring control, the Group Chief Financial Officer and the internal auditors should monitor and manage derivative transactions. Except for evaluating the position twice a month, the authorized persons should monitor financial instrument transactions and the related profit or loss resulting from the transactions at any time. If any unusual event occurred, necessary actions should be taken and reported to the Board of Directors right away. In addition, the performance of derivative transactions will be evaluated periodically to determine if these transactions are in compliance with the operating strategy and the risk of these transactions is within the tolerated range of the Group. The Group has established the procedures for derivative transactions.

6) Information of major financial risk

(1) Investments in equity financial instruments

Items	December 31, 2006
Available-for-sale financial assets	\$ 1,353,971
Financial assets carried at cost	918,719

A. Market risk

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

B. Credit risk

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

C. Liquidity risk

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

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

D. Cash flow risk due to changes in interest rate

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

(2) Other financial instruments investments

Item	December 31, 2006
Investment in bonds without active markets	\$ 7,169,800

A. Market risk

The investment in bonds without active markets is structured time deposits, which is the principal guaranteed product; therefore, the Group expects no significant market risk.

#### B. Credit risk

The counterparties of the structured time deposits invested by the Group are international financial institutions which are all in good credit standing; therefore, the credit risk is extremely low.

#### C. Liquidity risk

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

#### D. Cash flow risk due to changes in interest rate

The future cash flows of the principal guaranteed financial instruments will fluctuate with the changes in market interest rate. Since it is principal guaranteed financial instruments, the market interest rate fluctuations will not reduce the cash flow of the principal.

### (3) Receivables

<u>Items</u>	<u>December 31, 2006</u>
Notes receivable, net	\$ 358,668
Accounts receivable (including related parties), net	23,018,138
Other receivables	582,600

#### A. Market risk

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

#### B. Credit risk

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

#### C. Liquidity risk

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

D. Cash flow risk due to changes in interest rate

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

(4) Loans

<u>Item</u>	<u>December 31, 2006</u>
Short-term loans	\$ 3,425,004

A. Market risk

Short-term loans of subsidiaries are all due within one year; therefore, the subsidiaries expect no significant market risk.

B. Credit risk

None.

C. Liquidity risk

Short-term loans of subsidiaries are all due within one year and the future cash flow is expected to be sufficient to cover the capital demand of subsidiaries; therefore, the subsidiaries expect no significant liquidity risk.

D. Cash flow risk due to changes in interest rate

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

7) Information of derivative transactions

(1) The balance of the Group's derivative transactions as of December 31, 2005 and 2006 are shown in Notes 4(2), (12) and 10(9). The related risk information are as follows:

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

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

- C. Liquidity risk: The Group has sufficient working capital; therefore no material liquidity risk is expected.
- D. Cash flow risk due to changes in interest rate: The Group did not enter into any derivative contract that is interest rate related; therefore, no material cash flow risk due to changes in interest rate is expected.

(2) As of December 31, 2005 and 2006, the details of the Group's derivative transactions are as follows:

Derivative transactions of the Company	Par value, contract amount or nominal principal	Transaction terms		Realized gain (or loss)	Related future cash flows	
		Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow
<u>Derivative transactions of the Company during 2005</u>						
Sell option(USD CALL/TWD PUT)	USD 9,000	2006.02.23-2006.04.20	USD1:NTD33.255	(\$ 632)	\$ 299,295	USD 9,000
Multiple-Stage Inflation Forward	USD 30,000	2006.01.18-2006.03.20	(Note a)	4,108	(Note b)	(Note b)
Interest Rate Swap	\$ 1,000,000	2005.12.10	2.26909%	( 20,764)	(Note c)	(Note c)
Credit-Linked Notes	\$ 150,000	2005.12.12	90 Days CP interest rate+1.45%	3,434	(Note c)	(Note c)
				<u>(\$ 13,854)</u>		
<u>Derivative transactions of the subsidiaries during 2005</u>						
1.Delta Electronics International Ltd. (the subsidiary of DIH)						
Forward foreign currency contracts	USD 238,000	2006.01.13-2006.07.11	USD1:RMB7.8315-7.9845	\$ 57,427	(Note)	(Note)
"	USD 284,000	2005.01.11-2005.12.30	USD1:RMB7.8340-8.1385	155,124	(Note c)	(Note c)
Total				<u>\$ 212,551</u>		
Note: Delta Electronics International Ltd. will pay or receive the difference net of all transactions, so future cash flow cannot be estimated reasonably.						
2.Delta Electronics (Dong Guan) Co., Ltd. (the subsidiary of DIH)						
Forward foreign currency contracts	USD 16,000	2005.01.07-2005.12.07	USD1:RMB8.1563-8.2235	(\$ 6,998)	(Note c)	(Note c)
"	USD 14,000	2006.01.19-2006.07.07	USD1:RMB7.9632-8.0460	( 10,574)	RMB 112,039	USD 14,000
Total				<u>(\$ 17,572)</u>		
3.Delta Electronics Power (Dong Guan) Co., Ltd. (the subsidiary of DIH)						
Forward foreign currency contracts	USD 203,000	2005.01.07-2005.12.28	USD1:RMB8.1295-8.2235	(\$ 56,124)	(Note c)	(Note c)
"	USD 144,000	2006.01.11-2006.07.07	USD1:RMB7.9632-8.0972	( 108,827)	RMB 1,153,358	USD 144,000
"	USD 30,536	2006.07.28-2006.08.18	USD1:RMB7.8552-7.8566	12,414	USD 30,536	RMB 239,880
Total				<u>(\$ 152,537)</u>		



Derivative transactions	Par value, contract amount or nominal principal	Transaction terms		Realized gain (or loss)	Related cash flows	
		Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow
4. Delta Electronics Components (Dong Guan) Co., Ltd. (the subsidiary of DIH)						
Forward foreign currency contracts	USD 68,000	2005.01.07-2005.12.28	USD1:RMB8.1563-8.2235	(\$ 18,667)	(Note c)	(Note c)
"	USD 80,000	2006.01.11-2006.07.07	USD1:RMB7.9632-8.0972	( 59,001)	RMB 641,792	USD 80,000
"	USD 10,480	2006.07.28	USD1:RMB7.8557-7.8566	4,797	USD 10,480	RMB 82,336
Total				<u>(\$ 72,871)</u>		
5. Delta Electronics (Japan) Inc. (the subsidiary of DIH)						
Forward foreign currency contracts	USD 300	2005.09.30	USD1:JPY 111.50	(\$ 378)	(Note c)	(Note c)
"	USD 300	2005.10.31	USD1:JPY 111.18	( 1,203)	"	"
"	USD 300	2005.11.30	USD1:JPY 110.80	( 2,496)	"	"
Total				<u>(\$ 4,077)</u>		
6. Delta Electronics Industrial (Dong Guan) Co., Ltd. (the subsidiary of DNI Cayman)						
Forward foreign currency contracts	USD 68,000	2005.06.14-2006.07.07	USD1:RMB7.9632-8.1872	(\$ 417)	RMB 328,215	USD 41,000
7. Delta Networks, Inc. (registered in Taiwan, the subsidiary of DNI Cayman)						
Buy option (USD PUT/TWD CALL)	USD 21,900	2005.02.14-2005.06.24	USD1:NTD31.00-32.20	(\$ 1,064)	(Note c)	(Note c)
Buy option (USD CALL/TWD PUT)	USD 20,000	2005.03.22-2005.11.29	USD1:NTD31.30-33.20	( 6,214)	"	"
Sell option (USD CALL/TWD PUT)	USD 127,600	2005.02.23-2005.12.29	USD1:NTD31.00-33.85	3,321	"	"
Sell option (USD PUT/TWD CALL)	USD 80,700	2005.02.23-2005.12.29	USD1:NTD30.57-33.65	5,652	"	"
Sell option (USD CALL/JPY PUT)	USD 23,000	2005.01.26-2005.10.27	USD1:JPY104.75-112.00	1,618	"	"
Buy option (USD PUT/JPY CALL)	USD 1,000	2005.02.25	USD1:JPY105.7	306	"	"
Total				<u>\$ 3,619</u>		
8. Delta Networks International Ltd. (the subsidiary of DNI Cayman)						
Forward foreign currency contracts	USD 68,000	2005.06.14-2006.07.07	USD1:RMB7.8385-8.0565	\$ 826	USD 41,000	RMB 323,651

(Note a): The exercise rate is determined by the exchange rate at exercise date. Therefore, the exercise rate cannot be estimated reasonably.

(Note b): The Company will pay or receive predetermined nominal principal by the exercise rate of contract, so future cash flow cannot be estimated reasonably.

(Note c): The transaction had to be closed.

Derivative transactions Derivative transactions of the Company during 2006	Transaction terms			Recognized		Related future cash flows	
	Par value, contracts amount or nominal principal	Exercise dates	Exercise prices/ Exercise rates	gain (loss)	Cash inflow	Cash outflow	
Buy option (USD PUT/JPY CALL)	USD 500	2006. 12. 11	USD1:JPY 117.88	\$ 406	Closed	Closed	
Sell option (USD PUT/TWD CALL)	USD 10,000	2006. 12. 26	USD1:NTD 32.1-32.2	809	"	"	
Sell option (USD CALL/TWD PUT)	USD 10,000	2007. 01. 25	USD:NTD 32.5	( 1,517)	NTD 325,000	USD 10,000	
Multiple-stage Inflating Forward	USD 44,000	2006. 02. 17-2007. 01. 18	(Note a)	1,343	(Note b)	(Note b)	
"	(Note c and d)						
USD 36,000	2006. 02. 17-2007. 01. 26	(Note a)	3,220	(Note b)	(Note b)	(Note b)	
(Note c and e)							
USD 161,000	2006. 01. 25-2007. 01. 29	(Note a)					
(Note c and f)							
				15,544	(Note b)	(Note b)	
				\$ 19,805			

(Note a): The exercise rate is determined by the exchange rate at exercise date. Therefore, the exercise rate cannot be estimated reasonably.

(Note b): The Company will pay or receive predetermined nominal principal by the exercise rate of contract, so future cash flow cannot be estimated reasonably.

(Note c): Will be exercised if the spot rate is below or above the strike price or knock in price.

(Note d): Except for the amount of USD 20,000 which has not been closed yet, the remaining amount of USD 24,000 was closed. If the spot rate is below the or above strike price or knock in price, the transaction will be exercised.

(Note e): Except for the amount of USD 20,000 which has not been closed yet, the remaining amount of USD 16,000 was closed. If the exchange rate is above the predetermined exchange rate, the nominal principal will be multiplied by 1.5 times and the maximum amount of exercise principal will become USD 30,000.

(Note f): Except for the amount of USD 35,000 which has not been closed yet, the remaining amount of USD 126,000 was closed. If the exchange rate is above the predetermined exchange rate, the nominal principal will be multiple and the maximum amount of exercise principal will become USD 70,000.

	Par value, contracts amount or nominal principal	Transaction terms		Recognized gain (loss) (Note b)	Related future cash flows	
		Exercise dates	Exercise prices/ Exercise rates		Cash inflow	Cash outflow
<b>Derivative transactions of the consolidated subsidiaries during 2006</b>						
Delta Electronics International Ltd. (the subsidiary of DIH)						
Forward foreign currency contracts	USD 238,000	2006.01.13-2006.07.11	USD1:RMB 7.8315-7.9845	\$ 73,443	Closed	Closed
Delta Electronics International Ltd. (Labuan) (the subsidiary of DIH)						
Forward foreign currency contracts	USD 771,000 (Note e)	2006.08.16-2007.12.12	USD1:RMB 7.4915-7.8550	( 101,278)	(Note c)	(Note c)
"	JPY 42,200 (Note f)	2006.01.16-2007.02.15	USD1:JPY 111.19-119.05	( 1,374)	(Note c)	(Note c)
				<u>(\$ 102,652)</u>		
Delta Electronics (Dong Guan) Co., Ltd. (the subsidiary of DIH)						
Forward foreign currency contracts	USD 116,000 (Note g)	2006.01.19-2007.12.06	USD1:RMB 7.6342-8.046	\$ 12,621	RMB 633,637 USD	82,000
Delta Electronics Power (Dong Guan) Co., Ltd. (the subsidiary of DIH)						
Forward foreign currency contracts	USD 726,536 (Note h)	2006.01.11-2007.12.10	USD1:RMB 7.632-8.0972	\$ 75,683	RMB 3,533,123 USD	457,000
Delta Electronics Components (Dong Guan) Co., Ltd. (the subsidiary of DIH)						
Forward foreign currency contracts	USD 212,480 (Note i)	2006.01.11-2007.12.06	USD1:RMB 7.6342-8.0972	<u>(\$ 3,599)</u>	RMB 634,569 USD	82,000
Delta Electronics (Jiang Su) Co., Ltd. (the subsidiary of DIH)						
Multiple-stage Inflating Forward	USD 5,000 (Note j and k)	2006.08.16-2007.02.15	USD1:JPY 115.5-119.35	<u>(\$ 1,277)</u>	(Note d)	(Note d)
Delta Electronics Components (Wu Jiang) Co., Ltd. (the subsidiary of DIH)						
Multiple-stage Inflating Forward	USD 8,600 (Note l and m)	2006.08.16-2007.02.15	USD1:JPY 116.31-119.35	<u>(\$ 2,424)</u>	(Note d)	(Note d)
Delta Video Display System (Wu Jiang) Co., Ltd.						
Multiple-stage Inflating Forward	USD 2,000	2006.08.16-2006.10.18	USD1:JPY 115.5-116.7	<u>(\$ 1,144)</u>	Closed	Closed

	Transaction terms		Related future cash flows			
	Par value, contracts amount or nominal principal	Exercise dates	Exercise prices/ Exercise rates	Recognized gain (loss) (Note b)	Cash inflow	Cash outflow
Delta Electronics Industrial (Dong Guan) Co., Ltd. (the subsidiary of DNI Cayman)						
Forward foreign currency contracts	USD 211,000 (Note n)	2006.01.19~2007.12.06	USD1 : RMB 7.6342~8.046	\$ 9,836	RMB 928,453	USD 120,000
Delta Networks, Inc. (registered in Taiwan, the subsidiary of DNI Cayman)						
Buy option (USD PUT/TWD CALL)	USD 4,500	2006.03.22~2006.12.07	USD1 : NTD 32.05~32.92	(\$ 474)	Closed	Closed
Sell option (USD CALL/TWD PUT)	USD 32,990 (Note o)	2006.02.06~2007.02.26	USD1 : NTD 32.13~33.05	987	(Note c)	(Note c)
Sell option (USD PUT/TWD CALL)	USD 6,490 (Note p)	2006.02.13~2007.02.14	USD1 : TND 31.6~32.40	248	(Note c)	(Note c)
Forward foreign currency contracts	USD 2,000	2006.10.05~2006.10.19	USD1 : NTD 32.84~32.91	-	Closed	Closed
Total				\$ 761		
Delta Networks International Ltd. (the subsidiary of DNI Cayman)						
Forward foreign currency contracts	USD 41,000	2006.01.19~2006.07.07	USD1 : RMB 7.8385~7.9835	\$ 11,894	Closed	Closed
Delta Networks International Ltd. (Labuan) (the subsidiary of DNI Cayman)						
Forward foreign currency contracts	USD 170,000 (Note q)	2006.08.07~2007.12.06	USD1 : RMB 7.6440~7.8735	(\$ 16,658)	(Note c)	(Note c)
Sell option (USD CALL/JPY PUT)	USD 3,000	2006.02.17~2006.10.03	USD1 : JPY 114~118.5	324	Closed	Closed
Total				(\$ 16,334)		

(Note a): Unit: Thousands of dollars.

(Note b): Except for the amount of \$57,059 recognized directly in equity as unrealized loss on financial instruments because of meeting all the criteria for hedge accounting, the remaining amount recognized in profit or loss.

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

(Note d): The company will pay or receive predetermined nominal principal by the exercise rate of contract, so future cash flow cannot be estimated reasonably.

(Note e): Except for the amount of USD 621,000 which has not been closed yet, the remaining amount of USD 150,000 was closed.

(Note f): Except for the amount of JPY 6,000 which has not been closed yet, the remaining amount of JPY 36,200 was closed.

(Note g): Except for the amount of USD 82,000 which has not been closed yet, the remaining amount of USD 34,000 was closed.

(Note h): Except for the amount of USD 457,000 which has not been closed yet, the remaining amount of USD 269,536 was closed.

(Note i): Except for the amount of USD 82,000 which has not been closed yet, the remaining amount of USD 130,480 was closed.

(Note j): Except for the amount of USD 800 which has not been closed yet, the remaining amount of USD 4,200 was closed.

(Note k): If the exchange rate is above the predetermined exchange rate, the nominal principal will be multiplied by 1.5 times and the maximum exercise principal will become USD 1,200.

- (Note l): Except for the amount of USD 1,000 which has not been closed yet, the remaining amount of USD 7,600 was closed.
- (Note m): If the exchange rate is above the predetermined exchange rate, the nominal principal will be multiplied by 1.5 times and the maximum exercise principal will become USD 1,500.
- (Note n): Except for the amount of USD 120,000 which has not been closed yet, the remaining amount of USD 91,000 was closed.
- (Note o): Except for the amount of USD 3,490 which has not been closed yet, the remaining amount of USD 29,500 was closed.
- (Note p): Except for the amount of USD 500 which has not been closed yet, the remaining amount of USD 5,990 was closed.
- (Note q): Except for the amount of USD 120,000 which has not been closed yet, the remaining amount of USD 50,000 was closed.

8) Off-balance sheet financial instruments with credit risk

	December 31,	
	2005	2006
Loan guarantees for related parties	\$ 328,500	\$ -

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

9) Cash flow hedge

Effective October 1, 2006, in order to prevent the risk resulting from future cash flow fluctuation due to foreign exchange rate fluctuations, subsidiaries entered into foreign currency forward contracts which meet all criteria of hedge accounting. The related information is as followed:

<u>Hedge item</u>	<u>Designated for hedging instrument</u>	Fair value		<u>Period of anticipated cash flow</u>	<u>Period of gain (loss) recognized in income statements</u>
		Financial instrument was designated for hedging instrument	as of December 31, 2006		
Payables in foreign currencies	Forward exchange contracts		\$ 58,732	2007.05.17~ 2007.12.10	2007.05.17~ 2007.12.10
Receivables in foreign currencies	Forward exchange contracts		( 115,791)	2007.05.19~ 2007.12.12	2007.05.19~ 2007.12.12

10) Significant intercompany transactions between the Company, DIH, DNH, Pyramis, DEN, Delta Optoelectronics, Delsolar, Nulight and the consolidated subsidiaries are eliminated when preparing the consolidated financial statements. The details are as follows:

	2005					2006					
	The Company	DIH	DNH	Pyramis	DEN	Optoelectronics	Delsolar	Nulight	Optoelectronics	Delsolar	Nulight
<b>Transactions</b>											
1. Elimination of long-term investments	(\$21,745,716)	\$18,607,929	\$2,173,234	\$80,558	\$12,126	\$357,859	\$514,010	\$412,791	\$735,590	\$31,450	(24)
2. Elimination of intercompany receivable (AR) and payable (AP) accounts	12,229,786	(12,450,208)	188,571	119	12,388	3,608	15,736				
3. Elimination of profit and loss accounts											
(1) Sale and purchase transactions											
A. Downstream transactions	5,362,801	(5,139,419)	(168,917)	-	(53,921)	(116)	(428)				
B. Upstream transactions	(54,737,686)	54,615,273	122,413	-	-	-	-				
C. Sidestream transactions	-	420,744	(420,744)	-	-	-	-				
(2) Services revenue, selling expenses, management and administrative expenses	3,397,219	(3,484,128)	(39,978)	-	126,915	-	(28)				
4. Elimination of minority interest	227,501	(229,200)	-	(5,805)	-	7,670	(166)				
5. Elimination of other transactions	5,632	-	(4,400)	(1,232)	-	-	-				
(1) Refundable deposits and guarantee deposits received	30,111	-	(30,111)	-	-	-	-				
(2) Rental revenue and rental expense											
<b>Transactions</b>											
1. Elimination of long-term investments	(\$32,583,295)	\$28,060,481	\$3,229,476	\$11,481	\$18,304	\$115,172	\$735,590	\$412,791	\$735,590	\$31,450	(24)
2. Elimination of intercompany receivable (AR) and payable (AP) accounts	9,144,706	(9,406,466)	195,190	1,950	29,857	3,337	31,450				
3. Elimination of profit and loss accounts											
(1) Sale and purchase transactions											
A. Downstream transactions	2,579,905	(2,489,029)	(34,971)	-	(54,610)	(10)	(1,010)	(275)			
B. Upstream transactions	(49,887,172)	49,872,463	8,708	-	-	-	6,001	-			
C. Sidestream transactions	-	745,345	(654,719)	-	(66,814)	(127)	(23,325)	(360)			
(2) Services revenue, selling expenses, management and administrative expenses	905,728	(974,521)	(54,587)	702	127,833	(588)	(3,650)	(917)			
(3) Rental revenue and rental expense	28,693	(28,693)	-	-	-	-	-	-			
(4) Other revenue and R&D expense	(26,373)	-	-	26,373	-	6,300	-	(6,300)			
(5) Other revenue and other expense	-	(35,155)	-	35,155	-	-	-	-			
4. Elimination of minority interest	574,712	(614,970)	-	4,760	-	12,153	(33,823)	57,168			
5. Elimination of other transactions											
(1) Refundable deposits and guarantee deposits received	4,400	-	(4,400)	-	-	-	-	-			
(2) Intangible assets and other liabilities	-	-	-	-	-	60,150	-	(60,150)			
(3) Available-for-sale financial assets - non-current and other liabilities - other	39,050	(39,050)	-	-	-	-	-	-			



### 11. Disclosure information of the Company and its subsidiaries

#### (1) Related information of significant transactions

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

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

#### B. Guarantee information:

Number (Note a)	Name of the company providing guarantee	Parties being guaranteed		The limit of guarantee for such party (Note c)	The highest outstanding guarantee amount in 2006 (Note e)	The outstanding guarantee amount at 12/31/2006 (Note i)	The amount of guarantee with collateral placed	The rate of accumulated guarantee amount to net value of the Company	The ceiling of the outstanding guarantee to the respective party (Note d)
		Name	Relationship with the Company (Note b)						
0	Delta Electronics, Inc.	Delta Products Corp.	1	\$ 325,900	\$ 325,900	\$ -	-	\$	39,855,934
0	"	Delta Networks International Ltd.	2	260,720	260,720	-	-	-	"
0	"	Delta Optoelectronics Inc.	2	400,000	400,000	400,000	-	0.80%	"
0	"	DelSolar Co., Ltd.	2	200,000	200,000	200,000	-	0.40%	"
0	"	Delta Networks International Ltd. (Labuan) (Note f)	2	619,210	619,210	619,210	-	1.24%	"
0	"	Delta Electronics International Ltd. (Labuan) (Note g)	2	32,590	32,590	32,590	-	0.07%	"
						\$ 1,251,800			

(Note a): Number 0 represents the Company.

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

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

(Note d): 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.

(Note e): The highest outstanding guarantee amount in the year of 2006 were translated using the exchange rate when the Company declared to SFB.

(Note f): The guarantee was provided to Delta Networks International Ltd. (Labuan) – Macao Branch.

(Note g): The guarantee was provided to Delta Electronics International Ltd. (Labuan) – Macao Branch.

(Note h): The guarantee provided to Delta Networks International Ltd. was terminated during the first quarter of 2006.

(Note i): The guarantee provided to Delta Products Corp. was terminated during the fourth quarter of 2006.

## C. Marketable securities held by the Company at December 31, 2006: (Combine the amount less than 100,000 on December 31, 2006)

Name and kind of marketable securities		December 31, 2006							
Name of investor	Type of marketable securities	Name of marketable securities	Relationship of the issuers with the Company	General ledger accounts	Number of shares (In thousand)	Book value	Percentage ownership	Market value	Note
Delta Electronics, Inc.	Common Stock	Delta International Holding Ltd.	A subsidiary of the Company	Long-term investments accounted for under the equity method	67,680	\$ 28,060,481	94.00	\$ 27,920,881	-
"	"	Delta Networks Holding Ltd.	"	"	39,800	3,229,476	100.00	3,280,255	-
"	"	Delta Electronics (Thailand) Public Co., Ltd.	Investee company accounted for under the equity method	"	69,128	1,556,055	5.55	1,104,549	-
"	"	Cyntec Co., Ltd.	"	"	56,950	1,017,591	35.18	2,403,285	-
"	"	Desolar Co., Ltd.	A subsidiary of the Company	"	49,500	735,590	79.66	735,590	-
"	"	Nulight Technology Corp.	"	"	41,250	355,228	46.24	355,262	-
"	"	Delta Optoelectronics Inc.	"	"	128,057	115,172	95.21	115,225	-
"	"	D-Link Co., Ltd.	None	Available-for-sale financial assets - non-current	13,859	591,771	2.09	591,771	-
"	"	Anpec Electronics Corp.	"	"	12,109	499,480	12.48	499,480	-
"	Preferred Shares	Delta America Ltd.	"	Financial assets carried at cost - non-current	2,100	103,064	Preferred shares	103,064	-
"	Common Stock	Others				578,597		578,597	-
	Total					\$ 36,842,505		\$ 37,687,959	

D. Marketable securities acquired or sold during 2006 in excess year of \$100,000 or over 20% of capital:

Acquirer / seller	Name of marketable security	General ledger accounts	Name of transaction parties	January 1, 2006		Addition		Disposal			December 31, 2005		
				Number of shares (in thousands)	Amount	Relationship	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Selling price	Book value	Disposal gain	Number of shares (in thousands)
Delta Electronics, Inc.	PECO II, Inc. common stock and warrants	Available-for-sale financial assets	Delta International Holding Ltd.	-	\$ -	Subsidiary	1,575	\$ 68,795	1,575	\$ 100,626	\$ 68,795	31,831	\$ -
"	Nulight Technology Corp. common stock	Long-term investments accounted for under the equity method	Nulight Technology Corporation	-	-	"	warrants	51,806	59,025	51,806	7,219	-	-
							41,250	355,228	-	-	-	41,250	355,228

(Note a): The downstream transactions between the Company and subsidiary. Accordingly, the disposal gain is deferred and recorded as other liabilities - other.

(Note b): The Company invested \$412,500 in Nulight and recognized an investment loss of \$57,167 under the equity method during 2006 and recognized adjustments for change in subsidiaries' net asset value amounting to \$105. The net increase amount was \$355,228.

E. Acquisition of real estate in excess of \$100,000 or over 20% of capital:

Property acquired by	Property acquired	Date of transaction	Transaction amount	Status of payment	Counterparty	Relationship with the Company	Previous transfer information (as the transaction parties were related parties)			Reason for acquisition of properties and status of the properties	Other commitment	
							Original owner who sold the property to counterparty	Relationship of the owner with the Company	Date of the original transfer			
Delta Electronics Inc.	Buildings	2006. 05. 30-2006. 12. 05	\$ 141,481	Cash	Lijin Engineering Co., Ltd.	-	-	-	-	Actual payment of construction cost	Build factory building in Taiwan Science-Based Industrial Park	None

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

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

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

Name of creditor	Transaction parties	Relationship of the Company	Balance of receivable from related parties		Turnover rate	Overdue receivable		Subsequent collections (Note)	Allowance for doubtful accounts provided
			Accounts receivable	Other receivables		Amount	Action adopted for overdue accounts		
Delta Electronics, Inc.	Delta International Holding Ltd.	A subsidiary of the Company							
			\$	\$					\$
				590,827					
"	Delta Video Display System (Wu Jiang) Co., Ltd. (DWV)	A subsidiary of DIH		216,119	2.89			109,219	
"	Delta Electronics International Ltd. (Labaun)	"							
"	Delta Electronics Components (Wu Jiang) Co., Ltd. (DWC)	"							
				211,595				211,595	
				112,580				107,415	

(Note): The amounts collected subsequently by March 1, 2007.

## I. Information on derivative transactions: Please refer to Notes 4 (2), (12) and 10 (2) and (7).

(2) Disclosure information of investee company

Information related to investee companies' investment income or loss was translated at the average exchange rate of 2006 while others were translated at the rate of exchange prevailing at the balance sheet date.

A. Information of investee company: (Combine the individual book value less than \$100,000 on December 31, 2006)

Name of investor	Name of investee company	Address	Main activities	Original investment (Note g)		Held as of December 31, 2006		Percentage of ownership	Book value	Income (loss) of the investee company	Investment income (loss) recognized by the Company	Note
				Balance as of December 31, 2006	Balance as of December 31, 2005	Number of shares (in thousands)						
Delta Electronics, Inc.	Delta International Holding Ltd.	Cayman Islands	Equity investments	\$ 8,922,118	\$ 8,922,118	67,680	94.00	\$ 28,060,481	\$ 10,041,660	\$ 9,636,189	(Note d)	
"	Delta Networks Holding Ltd.	Cayman Islands	Equity Investments	1,377,206	1,377,206	39,800	100.00	3,229,476	1,100,785	1,049,102	-	
"	Delta Electronics (Thailand) Public Co., Ltd.	Thailand	Manufacturing and sales of electronic products	114,615	114,615	69,128	5.55	1,556,055	1,675,242	277,679	(Note e)	
"	Cyntec Co., Ltd.	Science-Based Industrial Park, Hsinchu City, Taiwan	Research, development, manufacturing and sales of various thin film components	455,814	455,814	56,950	35.18	1,017,591	517,667	183,944	-	
"	Delsolar Co., Ltd.	"	Manufacturing of solar batteries and related systems	495,000	495,000	49,500	79.66	735,590	261,215	227,392	-	
"	Nulight Technology Corporation	South District, Tainan City, Taiwan	Manufacturing of electronic products and audio components	412,500	-	41,250	46.24	355,228	123,773	57,167	-	
"	Delta Optoelectronics, Inc.	Science-Based Industrial Park, Hsinchu City, Taiwan	Manufacturing of displays with polymer light emission display (PLED) and carbon nano-tube electronic emitter (CNT) technology	1,418,882	1,418,882	128,057	95.21	115,172	254,841	242,688	-	
"	Deltronics (Netherlands) B.V., etc.			727,569	727,569			29,785	70,769	64,359	-	
				<u>\$ 13,923,704</u>	<u>\$ 13,511,204</u>			<u>\$ 35,099,378</u>		<u>\$ 11,010,092</u>		

Name of investor	Name of investee company	Address	Main activities	Original investment (Note f)		Held as of December 31, 2006			Income (loss) of the investee company	Investment income (loss) recognized by the Company (Note a)	Note
				Balance as of December 31, 2006	Balance as of December 31, 2005	Number of shares (In thousands)	Percentage of ownership	Book value			
Delta International Holding Ltd.	Delta Electronics International Ltd.	British Virgin Islands	Sales of electronic products	\$ 29,331	\$ 29,331	900	100.00	\$ 7,496,860	\$ 199,075	-	
"	Delta Electronics International Ltd. (Labuan)	Malaysia	Sales of electronic products	65,180	65,180	2,000	100.00	8,231,613	8,154,614	"	
"	Delta Electronics (Dong Guan) Co., Ltd.	Dongguan City, Guangdong, Province, P.R.C.	Manufacturing of power supplies	1,310,118	1,228,643	-	100.00	1,575,107	(140,163)	-	
"	Delta Electronics Power (Dong Guan) Co., Ltd.	"	Manufacturing of power supplies	1,372,039	879,930	-	100.00	2,311,342	820,815	"	
"	Delta Electronics Components (Dong Guan) Co., Ltd.	"	Manufacturing of transformers	1,197,683	1,042,880	-	100.00	1,980,101	616,635	"	
"	Delta Electronics (Shanghai) Co., Ltd.	Pudong New District, Shanghai City, P.R.C.	Product design	325,324	325,324	-	100.00	212,262	(47,665)	-	
"	DAC Holding Ltd.	Cayman Islands	Equity investments	526,011	429,308	22,200	100.00	239,284	3,398	"	
"	Delta Electronics (Jiang Su) Co., Ltd.	Wujiang City, Jiang Su Province, P.R.C.	Manufacturing of power supplies	716,980	716,980	-	55.00	985,436	334,679	"	
"	Delta Electronics Components (Wu Jiang) Co., Ltd.	"	Manufacturing of transformers	1,218,866	716,980	-	55.00	1,338,130	94,809	"	
"	Delta Electro-optics (Wu Jiang) Co., Ltd.	"	Manufacturing of peripherals and electronic control equipments	448,113	448,113	-	55.00	655,446	249,578	"	
"	Delta Video Display System (Wu Jiang) Co., Ltd.	"	Manufacturing of monitors	519,811	519,811	-	55.00	412,624	(167,081)	"	
"	Delta Electronics Agent Ltd., etc.	Hong Kong, etc.	Operations management and engineering services, etc.	249,071	276,994	-	-	274,583	20,890	"	

Name of investor	Name of investee company	Address	Main activities	Original investment (Note f)		Held as of December 31, 2006			Investment income (loss) recognized by the Company	Note
				Balance as of December 31, 2006	Balance as of December 31, 2005	Number of shares (in thousands)	Percentage of ownership	Book value		
Delta Networks Holding Ltd.	Delta Networks Inc. (Cayman)	Cayman Islands	Equity Investments	\$ 1,282,977	\$ 1,282,977	39,367	94.00	\$ 3,266,151	\$ 1,172,452	-
Delta Networks Inc. (Cayman)	Delta Networks Inc.	Gueishan Township, Taoyuan County U.S.A.	Manufacturing of networking system and peripherals	458,969	458,969	49,599	99.20	764,152	388,224	-
"	DNI Logistics (USA) Corp.	U.S.A.	Trading of networking system and peripherals	18,122	18,122	500	100.00	25,154	1,355	-
"	Delta Networks International Ltd. (Labuan)	British Virgin Islands	Trading of networking system and peripherals	-	281,577	-	-	-	64,283	(Note g)
"	Delta Networks International Ltd. (Labuan)	Malaysia	Trading of networking system and peripherals	32,590	32,590	1,000	100.00	453,118	421,788	-
"	Delta Electronics Industrial (Dong Guan) Co., Ltd.	Dongguan City, Guangdong Province, P.R.C.	Manufacturing of other radio transmission apparatus incorporating reception apparatus and other radio-broadcast receivers, combined with sound recording or reproducing apparatus	775,497	625,583	-	100.00	1,193,452	283,770	-

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 Cayman Inc.

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

Note e: The weighted average shareholding ratio was 20.03%, and the investment income included the elimination of intercompany transactions.

Note f: The original investment represented the capital certified.

Note g: Delta Network International Ltd. was liquidated during the fourth quarter of 2006.



- B. Financing activities to any company or person: None.  
 C. Guarantee information: None.  
 D. Marketable securities held by the company at December 31, 2006: (Combined the individual amount less than 100,000 on December 31, 2006)

Name of investor	Name and kind of marketable securities		The relationship of the issuers with the Company	General ledger accounts	December 31, 2006		
	Kind of marketable securities	Name of marketable securities			Number of shares (in thousands)	Book value	Percentage
Delta International Holding Ltd. (DIH)	Common stock	Delta Electronics International Ltd.	A subsidiary of DIH	Long-term investments accounted for under the equity method	900	\$ 7,496,860	\$ 7,496,860
"	"	Delta Electronics International Ltd. (Labuan)	"	"	2,000	8,231,613	8,231,613
"	Certificate of amount contributed	Delta Electronics (Dong Guan) Co., Ltd.	"	"	-	1,575,107	1,575,107
"	"	Delta Electronics Power (Dong Guan) Co., Ltd.	"	"	-	2,311,342	2,311,342
"	"	Delta Electronics Components (Dong Guan) Co., Ltd.	"	"	-	1,980,101	1,980,101
"	"	Delta Electronics (Shanghai) Co., Ltd.	"	"	-	212,262	212,262
"	"	Delta Electronics (Jiang Su) Co., Ltd.	"	"	-	985,436	985,436
"	"	Delta Electronics Components (Wu Jiang) Co., Ltd.	"	"	-	1,338,130	1,338,130
"	"	Delta Electro-optics (Wu Jiang) Ltd.	"	"	-	655,446	655,446
"	"	Delta Video Display System (Wu Jiang) Co., Ltd.	"	"	-	412,624	412,624
"	Common stock	DAC Holding Ltd.	"	"	22,200	239,284	239,284
"	"	Delta Electronics (Thailand) Public Co., Ltd.	Investee company accounted for under the equity method	"	191,984	4,665,337	3,065,819
"	Common stock	Peco II, Inc.	None	Available-for-sale financial assets - non-current	4,740	151,399	151,399
"	Warrants	"	"	"	-	35,495	35,495

Name and kind of marketable securities		December 31, 2006				
Name of investor	Kind of marketable securities	Name of marketable securities	The relationship of the issuers with the Company	General ledger accounts	Number of shares (in thousands)	Market value
	Preferred shares	Primation Inc.	None	Financial assets carried at cost - non-current	\$ 16,013	\$ 202,456
		Others			Preferred Shares	\$ 202,456
"		Others			-	420,394
Delta Networks Holding Ltd. (DNH)	Common stock	Delta Networks Inc. (Cayman)	A subsidiary of DNH	Long-term investments	39,367	3,266,151
Delta Networks Inc. (Cayman)	"	Delta Networks Inc.	A subsidiary of DNI	accounted for under the equity method	49,599	764,152
"	Certificate of amount contributed	Delta Electronics Industrial (Dong Guan) Co., Ltd.	"	"	-	1,193,452
"	Common stock	Delta Networks International Ltd. (Labuan)	"	"	1,000	453,118
"	"	DNI Logistics (USA) Corp.	"	"	500	25,154
Delea Networks Inc.		Others				33,452
Delta Optoelectronics Inc.	Common stock	Nulight Technology Corporation	A subsidiary of the Company	Long-term investments	6,700	57,562
Nulight Technology Corporation	Fund	Others	None	accounted for under the equity method	-	158,845
				Financial assets at fair value through profit or loss - current	-	158,845

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

Acquiree/ seller	Name of marketable security	General ledger accounts	Name of transaction parties	Relationship	January 1, 2006		Addition		Disposal		December 31, 2005		
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Book value	Disposal gain/(loss)	Number of shares (in thousands)	Amount
Delta International Holding Ltd.	Delta Electronics (Thailand) Public Co., Ltd. Common stock	Long-term investments accounted for under the equity method	Active market	None	180,984	\$4,446,452	11,000	\$218,885 (Note a)	-	-	-	191,984	\$4,665,337
"	Delta Electronics Components (Wu Jiang) Co., Ltd. Certificate of amount contributed	"	Delta Electronics Components (Wu Jiang) Co., Ltd.	Subsidiary	-	984,290	-	353,840 (Note b)	-	-	-	-	1,338,130
"	PECO II, Inc. Common stock	Available-for-sale financial assets - non-current	Delta Products Corporation	Related party in substance	-	-	3,165	101,092 (Note c)	-	-	-	3,165	101,092
"	Warrants	"	"	"	-	-	Warrants	23,701 (Note d)	-	-	-	-	23,701
"	Common stock	"	Delta Electronics, Inc.	The ultimate parent company	-	-	1,575	50,307 (Note c)	-	-	-	1,575	50,307
"	Warrants	"	"	"	-	-	Warrants	11,794 (Note d)	-	-	-	-	11,794
Nulight Technology Corporation	Ta Choung Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	29,173	378,358 (Note e)	305,000	304,361	639	5,682	73,997

(Note a): The original investment cost amounted to \$188,601 and the difference of \$30,284 was due to the exchange rate.

(Note b): Cash capital increased \$274,896 in Delta Electronics Components (Wu Jiang) Co., Ltd. and recognized \$94,931 of investment income and cumulative translation adjustments. The net investment amount was \$353,840

(Note c): The investment cost amounted to \$302,845 and the adjustment of fair value was \$151,446.

(Note d): The investment cost amounted to \$177,643 and the adjustment of fair value was \$142,148.

(Note e): The investment cost amounted to \$378,000 and the adjustment of fair value was \$358.

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

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

Name of the counterparty	Name of transaction parties	Relationship	Purchases (sales)		Transaction terms			Description of and reasons for difference in transaction terms compared to non-related party transactions			Accounts or notes receivable (payable)	
			Purchase	(sales)	Amount	% of total purchases (sales)	Credit terms	Unit price	Credit period	Balance	% of total accounts or notes receivable (payable)	
Delta Electronics International Ltd. (Labuan)	Delta Electronics (Dong Guan) Co., Ltd.	Affiliated enterprise	\$ 4,444,255	7.26	75 days	-	-	(\$ 929,257)	( 4.93)			
"	Delta Electronics Power (Dong Guan) Co., Ltd.	"	28,852,271	47.13	"	-	-	( 11,410,150)	( 60.50)			
"	Delta Electronics Components (Dong Guan) Co., Ltd.	"	5,747,154	9.39	"	-	-	( 2,011,412)	( 10.67)			
"	Delta Green (Tianjin) Industries Co., Ltd.	Related party in substance	620,241	1.01	"	-	-	( 203,392)	( 1.08)			
"	Delta Electronics (Japan) Inc.	Affiliated enterprise	164,475	0.27	"	-	-	( 29,353)	( 0.16)			
"	Delta Electronics (Taiwan) Public Co., Ltd.	Associate	108,424	0.18	"	-	-	( 10,689)	( 0.06)			
"	Delta Electronics (Dong Guan) Co., Ltd.	Affiliated enterprise	3,229,307	3.65	"	-	-	1,238,537	4.81			

Name of the counterparty	Name of transaction parties	Relationship	Transaction terms			Description of and reasons for difference in transaction terms compared to non-related party transactions			Accounts or notes receivable (payable)	
			Purchases (sales)	Amount	% of total purchases (sales)	Credit terms	Unit price	Credit period	Balance	% of total accounts or notes receivable (payable)
Delta Electronics International Ltd. (Labuan)	Delta Electronics Power (Dong Guan) Co., Ltd.	Affiliated enterprise	Sales	\$25,422,929	28.74	75 days	-	-	\$ 9,659,823	37.49
"	Delta Electronics Components (Dong Guan) Co., Ltd.	"	"	5,674,278	6.41	"	-	-	2,078,837	8.07
"	Delta Electronics (Japan) Inc.	"	"	201,675	0.23	"	-	-	67,751	0.26
"	Delta Networks International Ltd. (Labuan)	"	"	104,056	0.12	"	-	-	44,943	0.17
"	DEI Logistics (USA) Corp.	"	"	2,730,237	3.09	"	-	-	704,004	2.73
"	Delta Energy Systems (India) PVT Ltd.	Associate	"	209,976	0.24	"	-	-	46,138	0.18
"	Delta Electronics Components (Wu Jiang) Co., Ltd.	Affiliated enterprise	"	150,810	0.17	"	-	-	85,491	0.33
"	Delta Electronics (Jiang Su) Co., Ltd.	"	"	410,779	0.46	"	-	-	373,267	1.45
"	Delta Video Display System (Wu Jiang) Co., Ltd.	"	"	166,919	0.19	"	-	-	121,215	0.47

Name of the counterparty	Name of transaction parties	Relationship	Transaction terms			Description of and reasons for difference in transaction terms compared to non-related party transactions			Accounts or notes receivable (payable)	
			Purchases (sales)	Amount	% of total purchases (sales)	Credit terms	Unit price	Credit period	Balance	% of total accounts or notes receivable (payable)
Delta Electronics International Ltd. (Labuan)	Delta Products Corporation	Related party in substance	Sales	\$ 538,581	0.61	75 days	-	\$ -	221,331	0.86
"	Delta Electronics Inc.	The ultimate parent company	"	49,736,583	57.13	"	-	-	9,915,425	40.20
Delta Electronics (Dong Guan) Co., Ltd.	Delta Electronics Power (Dong Guan) Co., Ltd.	Affiliated enterprise	"	178,880	3.66	"	-	-	95,572	6.14
Delta Electronics Components (Dong Guan) Co., Ltd.	"	"	"	1,026,782	15.06	"	-	-	1,576,829	43.63
Delta Electronics (Jiang Su) Co., Ltd.	Delta Electronics International Ltd. (Labuan)	"	"	13,548,167	70.44	"	-	-	2,914,096	64.50
"	Delttron Cimic Electric and Electronics Co., Ltd.	Related party in substance	"	676,564	3.52	"	-	-	147,997	3.28
Delta Electronics Components (Wu Jiang) Co., Ltd.	Delta Electronics International Ltd. (Labuan)	Affiliated enterprise	"	2,593,707	47.75	"	-	-	492,077	36.92
Delta Electron-optics (Wu Jiang) Co., Ltd.	"	"	"	1,229,895	48.01	"	-	-	251,722	37.53
"	Delttron-Cimic Electric and Electronics Co., Ltd.	Related party in substance	"	1,285,372	50.17	"	-	-	415,617	61.96
Delta Video Display System (Wu Jiang) Co., Ltd.	Delta Electronics International Ltd. (Labuan)	Affiliated enterprise	"	3,889,586	88.36	"	-	-	555,854	84.58

Name of the counterparty	Name of transaction parties	Relationship	Transaction terms			Description of and reasons for difference in transaction terms compared to non-related party transactions			Accounts or notes receivable (payable)	
			Purchases (sales)	Amount	% of total purchases (sales)	Credit terms	Unit price	Credit period	Balance	% of total accounts or notes receivable (payable)
Delta Video Display System (Wu Jiang) Co., Ltd.	Deltron-cimic Electric and Electronics Co., Ltd.	Related party in substance	Sales	\$ 114,959	2.61	75 days	-	-	\$ 52,822	8.04
Delta Networks International Ltd.	Delta Networks International Ltd. (Labuan)	Affiliated enterprise	"	191,909	100.00	"	-	-	-	-
Delta Networks International Ltd. (Labuan)	Delta Electronics Industrial (Dong Guan) Co., Ltd.	"	"	6,947,421	45.00	"	-	-	2,485,226	57.80
"	DNI Logistic (USA) Corp.	"	"	1,111,022	7.00	"	-	-	233,556	5.40
Delta Electronics Industrial (Dong Guan) Co., Ltd.	Delta Networks International Ltd. (Labuan)	"	"	7,342,017	89.00	"	-	-	2,138,062	95.00
Delta Networks Inc.	"	"	"	202,677	9.00	"	-	-	172,416	44.00
Delta Video Technology Ltd.	DET Video Technology Ltd.	Associate	"	117,522	46.38	"	-	-	54,287	88.21
Delta Electronics (Japan) Inc.	Delta Electronics (Thailand) Public Co., Ltd.	"	Purchase	144,633	15.89	"	-	-	19,052	12.75



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

Name of creditor	Transaction parties	Relationship	Balance of receivable from related parties	Turnover rate	Overdue receivable		Subsequent collections (Note)	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
Delta Electronics International Ltd. (Labuan)	DEI Logistics (USA) Corp.	Affiliated enterprise	\$ 704,004	3.88	\$ -	\$ -	\$ 252,826	\$ -
"	Delta Products Corporation	Related party in substance	221,331	2.44	-	-	59,170	-
"	Delta Electronics Inc.	The ultimate parent company	9,915,425	5.04	-	-	4,841,135	-
"	Delta Electronics (Jiang Su) Co., Ltd.	Affiliated enterprise	373,267	1.10	-	-	20,728	-
"	Delta Electronics (Dong Guan) Co., Ltd.	"	1,238,537	2.61	-	-	564,037	-
"	Delta Electronics Power (Dong Guan) Co., Ltd.	"	9,659,823	2.51	-	-	4,934,313	-
"	Delta Electronics Components (Dong Guan) Co., Ltd.	"	2,078,837	2.73	-	-	1,137,538	-
"	Delta Video Display System (Wu Jiang) Co., Ltd.	"	121,215	1.38	-	-	7,043	-
Delta Electronics (Dong Guan) Co., Ltd.	Delta Electronics International Ltd. (Labuan)	"	929,257	4.79	-	-	894,458	-
Delta Electronics Power (Dong Guan) Co., Ltd.	"	"	11,410,510	2.53	-	-	6,783,523	-
Delta Electronics Components (Dong Guan) Co., Ltd.	Delta Electronics Power (Dong Guan) Co., Ltd.	"	1,576,829	0.65	-	-	8,906	-
"	Delta Electronics International Ltd. (Labuan)	"	2,011,412	2.86	-	-	1,381,354	-
Delta Electronics (Jiang Su) Co., Ltd.	Deltron-Cimic Electric and Electronics Co., Ltd.	Related party in substance	147,997	3.67	-	-	89,190	-
"	Delta Electronics International Ltd. (Labuan)	Affiliated enterprise	2,914,096	7.36	-	-	1,577,842	-

Name of creditor	Transaction parties	Relationship	Balance of receivable from related parties		Turnover rate	Overdue receivable		Subsequent collections (Note)	Allowance for doubtful accounts provided
			Amount	Turnover rate		Amount	Action adopted for overdue accounts		
Delta Electronics Components (Wu Jiang) Co., Ltd.	Delta Electronics International Ltd. (Labuan)	Affiliated enterprise	\$ 492,077	8.28	-	-	\$ 492,077	-	
Delta Electro-optics (Wu Jiang) Co., Ltd.	Deltron-Cimic Electric and Electronics Co., Ltd.	Related party in substance	415,617	3.96	-	-	249,168	-	
Delta Electro-optics (Wu Jiang) Co., Ltd.	Delta Electronics International Ltd. (Labuan)	Affiliated enterprise	251,722	7.46	-	-	123,161	-	
Delta Video Display System (Wu Jiang) Co., Ltd.	"	"	555,854	5.88	-	-	555,854	-	
Delta Networks International Ltd. (Labuan)	Delta Electronics Industrial (Dong Guan) Co., Ltd.	"	2,485,226	7.45	-	-	1,242,201	-	
"	DNI Logistics (USA) Corp.	"	233,556	12.69	-	-	198,585	-	
Delta Electronics Industrial (Dong Guan) Co., Ltd.	Delta Networks International Ltd. (Labuan)	"	2,138,062	9.16	-	-	1,242,201	-	
Delta Networks Inc.	"	"	172,416	3.13	-	-	24,781	-	

(Note ): The amount collected subsequently by March 1, 2007.

(10) Information on derivative transactions

The information on derivative transactions of investee companies for the year ended December 31, 2006 are as follows:

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

	Par value, contracts amount or nominal principal (Note a)	Transaction terms			Related future cash flows	
		Exercise dates	Exercise prices/Exercise rates	Recognized gain (loss) (Note b)	Cash inflow	Cash outflow
<u>Derivative transactions of the consolidated subsidiaries during 2006</u>						
Delta Electronics International Ltd. (the subsidiary of DIH)	USD	2006.01.13-2006.07.11	USD: RMB 7.8815-7.9845	\$ 73,443	Closed	Closed
Forward foreign currency contracts						
Delta Electronics International Ltd. (Labuan) (the subsidiary of DIH)	USD	2006.01.16-2007.02.15	USD: RMB 7.4915-7.8530	( 101,278)	(Note c)	(Note c)
Forward foreign currency contracts						
Forward foreign currency contracts	JPY	2006.01.16-2007.02.15	USD: JPY 111.19-119.05	( 1,374)	(Note c)	(Note c)
				(\$ 102,652)		
Delta Electronics (Dong Guan) Co., Ltd. (the subsidiary of DIH)	USD	2006.01.19-2007.12.06	USD: RMB 7.6342-8.046	\$ 12,621	RMB 633,637	USD 82,000
Forward foreign currency contracts						
Delta Electronics Power (Dong Guan) Co., Ltd. (the subsidiary of DIH)	USD	2006.01.11-2007.12.10	USD: RMB 7.632-8.0972	\$ 75,683	RMB 3,533,123	USD 457,000
Forward foreign currency contracts						
Delta Electronics Components (Dong Guan) Co., Ltd. (the subsidiary of DIH)	USD	2006.01.11-2007.12.06	USD: RMB 7.6342-8.0972	(\$ 3,599)	RMB 634,569	USD 82,000
Forward foreign currency contracts						
Delta Electronics (Jiang Su) Co., Ltd. (the subsidiary of DIH)	USD	2006.08.16-2007.02.15	USD: JPY 115.5-119.35	(\$ 1,277)	(Note d)	(Note d)
Multiple-stage Inflating Forward						
Delta Electronics Components (Wu Jiang) Co., Ltd. (the subsidiary of DIH)	USD	2006.08.16-2007.02.15	USD: JPY 116.31-119.35	(\$ 2,424)	(Note d)	(Note d)
Multiple-stage Inflating Forward						
Delta Video Display System (Wu Jiang) Co., Ltd.	USD	2006.08.16-2007.10.18	USD: JPY 115.5-116.7	(\$ 1,144)	Closed	Closed
Multiple-stage Inflating Forward						

Derivative transactions	Par value, contracts amount or nominal principal	Transaction terms		Related future cash flows	
		Exercise dates	Exercise prices/ Exercise rates	Cash inflow	Cash outflow
Delta Electronics Industrial (Dong Guan) Co., Ltd. (the subsidiary of DNI Cayman) Forward foreign currency contracts	USD 211,000 (Note n)	2006.01.19-2007.12.06	USD1 : RMB 7.6342-8.046	RMB 9,836	USD 120,000
Delta Networks, Inc. (registered in Taiwan, the subsidiary of DNI Cayman) Buy option (USD PUT/TWD CALL)	USD 4,500	2006.03.22-2006.12.07	USD1 : NTD 32.05-32.92	474	Closed
Sell option (USD CALL/TWD PUT)	USD 32,990 (Note o)	2006.02.06-2007.02.26	USD1 : NTD 32.13-33.05	987	(Note c)
Sell option (USD PUT/TWD CALL)	USD 6,490 (Note p)	2006.02.13-2007.02.14	USD1 : TND 31.6-32.40	248	(Note c)
Forward foreign currency contracts	USD 2,000	2006.10.05-2006.10.19	USD1 : NTD 32.84-32.91	-	Closed
Total				\$ 761	
Delta Networks International Ltd. (the subsidiary of DNI Cayman) Forward foreign currency contracts	USD 41,000	2006.01.19-2006.07.07	USD1 : RMB 7.8385-7.9835	11,894	Closed
Delta Networks International Ltd. (Labuan) (the subsidiary of DNI Cayman) Forward foreign currency contracts	USD 170,000 (Note q)	2006.08.07-2007.12.06	USD1 : RMB 7.6440-7.8735	16,658	(Note c)
Sell option (USD CALL/JPY PUT)	USD 3,000	2006.02.17-2006.10.03	USD1 : JPY 114-118.5	324	Closed
Total				(\$ 16,334)	

(Note a): Unit: Thousands of dollars.

(Note b): Except for the amount of loss of \$57,059 which recognized directly in equity as unrealized loss on financial instruments because of meeting the criteria for hedge accounting, the remaining amount recognized in profit or loss.

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

(Note d): The company will pay or receive predetermined nominal principal by the exercise rate of contract, so future cash flow cannot be estimated reasonably.

(Note e): Except for the amount of USD 621,000 which has not been closed yet, the remaining amount of USD 150,000 was closed.

(Note f): Except for the amount of JPY 6,000 which has not been closed yet, the remaining amount of JPY 36,200 was closed.

(Note g): Except for the amount of USD 82,000 which has not been closed yet, the remaining amount of USD 34,000 was closed.

(Note h): Except for the amount of USD 457,000 which has not been closed yet, the remaining amount of USD 269,536 was closed.

(Note i): Except for the amount of USD 82,000 which has not been closed yet, the remaining amount of USD 130,480 was closed.

(Note j): Except for the amount of USD 800 which has not been closed yet, the remaining amount of USD 4,200 was closed.

(Note k): If the exchange rate is above the predetermined exchange rate, the nominal principal will be multiplied by 1.5 times and the maximum exercise principal will become USD 1,200.

- (Note l): Except for the amount of USD 1,000 which has not been closed yet, the remaining amount of USD 7,600 was closed.
- (Note m): If the exchange rate is above the predetermined exchange rate, the nominal principal will be multiplied by 1.5 times and the maximum exercise principal will become USD 1,500.
- (Note n): Except for the amount of USD 120,000 which has not been closed yet, the remaining amount of USD 91,000 was closed.
- (Note o): Except for the amount of USD 3,490 which has not been closed yet, the remaining amount of USD 29,500 was closed.
- (Note p): Except for the amount of USD 500 which has not been closed yet, the remaining amount of USD 5,990 was closed.
- (Note q): Except for the amount of USD 120,000 which has not been closed yet, the remaining amount of USD 50,000 was closed.

(3) Disclosure of information on indirect investments in Mainland China (Units: In thousands)  
Investment income or loss recognized are translated at the average rate for the year ended December 31, 2006, others are translated at the rate of exchange prevailing at the balance sheet date.

## A. Basic information

Name of investee in Mainland China	Main activities of investee	Capital (Note a and I)	Investment method	Accumulated remittance as of		Remitted or collected this period		Accumulated remittance as of December 31, 2006 (US\$ 37,107)	Ownership held by Company (direct and indirect)	Investment income (loss) recognized by the Company during the year (\$ 131,753)	Ending balance of investment \$ 1,480,601	The investment income (loss) remitted back as of December 31, 2006 (Note b)
				January 1, 2006 (US\$ 37,107)	December 31, 2006 (US\$ 3,002)	Remitted out	Collected					
Delta Electronics (Dong Guan) Co., Ltd.	Manufacturing of power supplies	\$ 1,310,118 (US\$ 40,200)	Invested by Delta International Holding Ltd.	NT\$ 97,837 (US\$ 3,002)	NT\$ 1,209,306 (US\$ 37,107)	-	-	NT\$ 97,837 (US\$ 3,002)	94.00%	-	93.913	(Note c)
Deltron-Cimic Electric and Electronics Co., Ltd.	Manufacturing and sales of uninterruptible power systems	\$ 1,368,841 (US\$ 328,000)	"	NT\$ 97,837 (US\$ 3,002)	NT\$ 1,209,306 (US\$ 37,107)	-	-	NT\$ 97,837 (US\$ 3,002)	9.76%	-	93.913	(Note c)
Delta Electronics Industrial (Dong Guan) Co., Ltd.	Manufacturing of other radio transmission apparatus incorporating reception apparatus and other radio-broadcast receivers, combined with sound recording or reproducing apparatus	\$ 879,930 (US\$ 27,000)	Invested by Delta Networks Inc. (Cayman)	NT\$ 687,238 (US\$ 21,087)	NT\$ 687,238 (US\$ 21,087)	-	-	NT\$ 687,238 (US\$ 21,087)	94.00%	266,744	1,121,845	(Note d)
Delta Electronics Components (Dong Guan) Co., Ltd.	Manufacturing of transformers	\$ 1,197,683 (US\$ 36,750)	Invested by Delta International Holding Ltd.	NT\$ 981,753 (US\$ 30,124)	NT\$ 981,753 (US\$ 30,124)	-	-	NT\$ 981,753 (US\$ 30,124)	94.00%	579,637	1,861,295	(Note e)
Delta Electronics Power (Dong Guan) Co., Ltd.	Manufacturing of power supplies	\$ 1,372,039 (US\$ 42,100)	"	NT\$ 551,423 (US\$ 16,920)	NT\$ 551,423 (US\$ 16,920)	-	-	NT\$ 551,423 (US\$ 16,920)	94.00%	771,566	2,172,661	(Note f) (Note g)
Delta Electronics (Jiang Su) Co., Ltd.	Manufacturing of transformers and peripherals	\$ 1,303,600 (US\$ 40,000)	"	NT\$ 673,961 (US\$ 20,680)	NT\$ 673,961 (US\$ 20,680)	-	-	NT\$ 673,961 (US\$ 20,680)	51.70%	173,029	926,310	-
Delta Electronics Components (Wu Jiang) Co., Ltd.	Manufacturing of power supplies	\$ 2,216,120 (US\$ 68,000)	"	NT\$ 673,961 (US\$ 20,680)	NT\$ 673,961 (US\$ 20,680)	-	-	NT\$ 673,961 (US\$ 20,680)	51.70%	49,016	1,257,842	(Note h)

Name of investee in Mainland China	Main activities of investee	Capital (Note a and l)	Investment method	Remitted or collected this period		Ownership held by Company (direct and indirect)	Investment income (loss) recognized by the Company during the year	Ending balance of investment	The investment income (loss) remitted back as of December 31, 2006
				Accumulated remittance as of January 1, 2006	Collected				
Delta Electro-optics (Wu Jiang) Ltd.	Manufacturing of peripherals and electronic control equipments	\$ 814,750 (US\$ 25,000)	"	NT\$ 421,226 (US\$ 12,925)	-	NT\$ 421,226 (US\$ 12,925)	129,032	616,119	-
Delta Video Display System (Wu Jiang) Co., Ltd.	Manufacturing of monitors	\$ 945,110 (US\$ 29,000)	Invested by Delta International Holding Ltd.	NT\$ 219,037 (US\$ 6,721)	-	NT\$ 219,037 (US\$ 6,721)	(\$ 86,381)	387,867	(Note i)
Delta Electronics (Shanghai) Co., Ltd.	Product design	\$ 345,574 (US\$ 82,800)	"	-	-	-	44,805	199,526	(Note j)
Delta Electronics (Wu Hu) Co., Ltd.	Manufacturing of power supplies	-	"	-	-	-	-	-	(Note k)

Note a: The capital was translated from the functional currencies of the investee companies into New Taiwan Dollars at the average exchange rate of RMB 7.8087 to US\$1 and RMB 4.1736 to NT\$1.

Note b: Except for the facility of US\$37,106 permitted by Investment Commission, the capitalization of earnings of US\$3,008 permitted by Investment Commission on December 24, 2004 and December 7, 2005, respectively, therefore, the capitalization of earnings is excluded from the Company's amount of investment in Mainland China.

Note c: Except for the facility of US\$3,034 permitted by Investment Commission, the capitalization of earnings of US\$980 permitted by Investment Commission on September 13, 2001 is excluded from the Company's amount of investment in Mainland China.

Note d: Except for the facility of US\$23,437 permitted by Investment Commission, the capitalization of earnings of US\$4,324 permitted by Investment Commission on June 19, 2006 is excluded from the Company's amount of investment in Mainland China.

Note e: Except for the facility of US\$30,124 permitted by Investment Commission, the capitalization of earnings of US\$4,465 permitted by Investment Commission on May 18, 2006 is excluded from the Company's amount of investment in Mainland China.

Note f: Except for the facility of US\$17,104 permitted by Investment Commission, the remaining amount US\$184 is not invested yet as of December 31, 2006.

Note g: Except for the facility of US\$16,920 permitted by Investment Commission, the capitalization of earnings of US\$22,654 permitted by Investment Commission on September 29, 2004 and October 4, 2006 is excluded from the Company's amount of investment in Mainland China.

Note h: Except for the facility of US\$20,680 permitted by Investment Commission, the capitalization of earnings of US\$14,476 permitted by Investment Commission on July 21, 2006 is excluded from the Company's amount of investment in Mainland China.

Note i: Except for the facility of US\$6,721 permitted by Investment Commission, the capitalization of earnings of US\$8,272 permitted by Investment Commission on May 19, 2005 is excluded from the Company's amount of investment in Mainland China.

Note j: The Company is permitted by Investment Commission on December 1, 2003 and September 2, 2004, respectively, to use Delta Electronics (Dong Guan) Co., Ltd.'s earnings distribution of US\$ 9,400 and paid via Delta Electronics (Dong Guan) Co., Ltd. to increase capital of Delta Electronics (Shanghai) Co., Ltd. This capitalization of earnings of US\$9,400 is excluded from the Company's amount of investment in Mainland China.

Note k: The Company is permitted by Investment Commission on September 29, 2006, to invest Delta Electronics (Wu Hu) Co., Ltd. in the amount US\$5,640. The Company's investment has not remitted out yet till December 31, 2006.

Note l: Capital represented the capital certified.

Note m: The investment income of US\$14,351 was remitted back on December 29, 2005 from the investee companies in Mainland China and was permitted by Investment Commission on January 6, 2006 which is deductible from the Company's accumulated amount remitted out of Taiwan to Mainland China.

Accumulated amount remitted out of Taiwan to Mainland China	Investment amount approved by the Investment Commission	Ceiling of investment amount of the Company
(Note m)	(Note m)	
NT\$ 5,048,028	NT\$ 5,309,475	\$ 11,463,984
(US\$ 154,895)	(US\$ 162,917)	

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

The significant transactions directly between the Company and the investee companies for the year ended December 31, 2006 are described in Note 5. 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. (Labuan), and DNI Cayman's subsidiary, Delta Networks International Ltd. (Labuan) (DNIL-Labuan) for the year ended December 31, 2006 are shown in Note 11(2)H.

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

For the year ended December 31, 2005:

Number (Note a)	Name of counterparty	Name of transaction parties	Relationship (Note b)	Transaction terms			The percentage of total combined revenue or total assets (Note c)
				Subject	Amount (Note e)	Transaction terms (Note d)	
0	Delta Electronics, Inc.	Delta International Holding Ltd.	1	Services revenue	\$ 3,364,154	"	4.16
0	"	Delta Electronics (Japan) Inc.	1	Sales	386,610	"	0.48
0	"	DEI Logistics (USA) Corp.	1	"	3,509,548	"	4.34
0	"	Delta Networks International Ltd.	1	"	168,342	"	0.21
0	"	Delta Video Technology Ltd.	1	"	338,282	"	0.42
1	Delta Electronics International Ltd.	Delta Electronics, Inc.	2	"	55,135,869	"	68.22
1	"	Delta Electronics (Dong Guan) Co., Ltd.	3	"	2,000,522	"	2.48
1	"	Delta Electronics Power (Dong Guan) Co., Ltd.	3	"	19,159,154	"	23.70
1	"	Delta Electronics Components (Dong Guan) Co., Ltd.	3	"	4,563,089	"	5.65
2	Delta Electronics (Jiang Su) Co., Ltd.	Delta Electronics International Ltd.	3	"	9,517,314	"	11.78
3	Delta Electronics Components (Wu Jiang) Co., Ltd.	Delta Electronics (Jiang Su) Co., Ltd.	3	"	489,270	"	0.61
3	"	Delta Electronics Video Display System (Wu Jiang) Co., Ltd.	3	"	208,489	"	0.26
3	"	Delta Electronics International Ltd.	3	"	1,686,822	"	2.09



Number (Note a)	Name of counterparty	Name of transaction parties	Relationship (Note b)	Transaction terms			The percentage of total combined revenue or total assets (Note c)
				Subject	Amount (Note e)	Transaction terms (Note d)	
4	Delta Electro-optics (Wu Jiang) Co., Ltd.	Delta Electronics International Ltd.	3	Sales	\$ 846,709	(Note d)	1.05
5	Delta Video Display System (Wu Jiang) Co., Ltd.	"	3	"	5,635,804	"	6.97
6	Delta Electronics (Dong Guan) Co., Ltd.	"	3	"	3,051,173	"	3.78
6	"	Delta Electronics Industrial (Dong Guan) Co., Ltd.	3	"	136,090	"	0.17
7	Delta Electronics Components (Dong Guan) Co., Ltd.	Delta Electronics International Ltd.	3	"	4,928,040	"	6.10
7	"	Delta Electronics Power (Dong Guan) Co., Ltd.	3	"	939,995	"	1.16
8	Delta Electronics Power (Dong Guan) Co., Ltd.	Delta Electronics International Ltd.	3	"	22,397,798	"	27.71
8	"	Delta Electronics Industrial (Dong Guan) Co., Ltd.	3	"	160,183	"	0.20
9	Delta Electronics (Japan) Inc.	Delta Video Display System (Wu Jiang) Co., Ltd.	3	"	611,100	"	0.76
9	"	Delta Electronics International Ltd.	3	"	205,201	"	0.25
10	Delta Networks International Ltd.	Delta Electronics Industrial (Dong Guan) Co., Ltd.	3	"	5,806,688	"	7.18
10	"	DNI Logistics (USA) Corp.	3	"	955,830	"	1.18
11	Delta Networks Inc.	Delta Networks International Ltd.	3	"	139,905	"	0.17
0	Delta Electronics Inc.	Delta International Holding Ltd.	1	Accounts receivable	1,950,630	"	2.38
0	"	Delta Video Display System (Wu Jiang) Co., Ltd.	1	"	271,197	"	0.33
0	"	DEI Logistics (USA) Corp.	1	"	515,940	"	0.63
0	"	Delta Video Technology Ltd.	1	"	105,723	"	0.13
0	"	Delta Electronics International Ltd.	1	Other receivables	202,524	"	0.25
0	"	Delta International Holding Ltd.	1	"	1,581,040	"	1.93
1	Delta Electronics International Ltd.	Delta Electronics Inc.	2	Accounts receivable	17,134,838	"	20.94
1	"	Delta Electronics Power (Dong Guan) Co., Ltd.	3	"	1,092,564	"	1.33

Number (Note a)	Name of counterparty	Name of transaction parties	Relationship (Note b)	Transaction terms			The percentage of total combined revenue or total assets (Note c)
				Subject	Amount (Note e)	Transaction terms (Note d)	
1	Delta Electronics International Ltd.	Delta Electronics (Dong Guan) Co., Ltd.	3	Accounts receivable	\$ 219,811	(Note d)	0.27
2	Delta Electronics (Jing Su) Co., Ltd.	Delta Electronics International Ltd.	3	"	826,884	"	1.01
3	Delta Electronics Components (Wu Jiang) Co., Ltd.	"	3	"	144,658	"	0.18
4	Delta Video Display System (Wu Jiang) Co., Ltd.	"	3	"	776,995	"	0.95
5	Delta Electronics Components (Dong Guan) Co., Ltd.	"	3	"	134,379	"	0.16
5	"	Delta Electronics Power (Dong Guan) Co., Ltd.	3	"	546,387	"	0.67
6	Delta Networks International Ltd.	Delta Electronics Industrial (Dong Guan) Co., Ltd.	3	"	257,889	"	0.32
6	"	DNI Logistics (USA) Corp.	3	"	204,572	"	0.25
7	Delta Electronics (Japan) Inc.	Delta Video Display System (Wu Jiang) Co., Ltd.	3	"	174,057	"	0.21
0	Delta Electronics, Inc.	Delta Networks Inc.	1	Leased assets	671,243	(Note f)	0.82

For the year ended December 31, 2006

Number (Note a)	Name of counterparty	Name of transaction parties	Relationship (Note b)	Transaction terms			The percentage of total combined revenue or total assets (Note c)
				Subject	Amount (Note f)	Transaction terms	
0	Delta Electronics, Inc.	Delta Electronics International Ltd. (Labuan)	1	Services revenue	\$ 795, 958	(Note d)	0. 76
0	"	DEI Logistics (USA) Corp.	1	Sales	1, 494, 210	"	1. 42
1	Delta Electronics (Dong Guan) Co., Ltd.	Delta Electronics International Ltd. (Labuan)	3	"	4, 444, 255	"	4. 22
2	Delta Electronics Power (Dong Guan) Co., Ltd.	"	3	"	28, 852, 271	"	27. 42
3	Delta Electronics Components (Dong Guan) Co., Ltd.	"	3	"	5, 747, 154	"	5. 46
4	Delta Electronics (Japan) Inc.	"	3	"	164, 475	"	0. 16
5	Delta Electronics International Ltd. (Labuan)	Delta Electronics (Dong Guan) Co., Ltd.	3	"	3, 229, 307	"	3. 07
5	"	Delta Electronics Power (Dong Guan) Co., Ltd.	3	"	25, 422, 929	"	24. 16
5	"	Delta Electronics Components (Dong Guan) Co., Ltd.	3	"	5, 674, 278	"	5. 39
5	"	Delta Electronics (Japan) Inc.	3	"	201, 675	"	0. 19
5	"	Delta Networks International Ltd. (Labuan)	3	"	104, 056	"	0. 10
5	"	DEI Logistics (USA) Corp.	3	"	2, 730, 237	"	2. 59
5	"	Delta Electronics Components (Wu Jiang) Co., Ltd.	3	"	150, 810	"	0. 14
5	"	Delta Electronics (Jiang Su) Co., Ltd.	3	"	410, 779	"	0. 39
5	"	Delta Video Display System (Wu Jiang) Co., Ltd.	3	"	166, 919	"	0. 16
5	"	Delta Electronics, Inc.	3	"	49, 736, 583	"	47. 27
1	Delta Electronics (Dong Guan) Co., Ltd.	Delta Electronics Power (Dong Guan) Co., Ltd.	3	"	178, 880	"	0. 17
3	Delta Electronics Components (Dong Guan) Co., Ltd.	"	3	"	1, 026, 782	"	0. 98

Number (Note a)	Name of counterparty	Name of transaction parties	Relationship (Note b)	Transaction terms			The percentage of total combined revenue or total assets (Note c)
				Subject	Amount (Note f)	Transaction terms (Note d)	
6	Delta Electronics (Jiang Su) Co., Ltd.	Delta Electronics International Ltd. (Labuan)	3	Sales	\$ 13,548,167	(Note d)	12.88
7	Delta Electronics Components (Wu Jiang) Co., Ltd.	"	3	"	2,593,707	"	2.47
8	Delta Electro-optics (Wu Jiang) Ltd.	"	3	"	1,229,895	"	1.17
9	Delta Video Display System (Wu Jiang) Co., Ltd.	"	3	"	3,889,586	"	3.70
10	Delta Networks International Ltd.	Delta Networks International Ltd. (Labuan)	3	"	191,909	"	0.18
11	Delta Networks International Ltd. (Labuan)	Delta Electronics Industrial (Dong Guan) Co., Ltd.	3	"	6,947,421	"	6.60
11	"	DNI Logistics (USA) Corp.	3	"	1,111,022	"	1.06
12	Delta Electronics Industrial (Dong Guan) Co., Ltd.	Delta Networks International Ltd. (Labuan)	3	"	7,342,017	"	6.98
13	Delta Networks Inc.	Delta Networks International Ltd. (Labuan)	3	"	202,677	"	0.19
0	Delta Electronics, Inc.	Delta International Holding Ltd.	1	Other receivables	590,827	"	0.66
0	"	Delta Video Display System (Wu Jiang) Co., Ltd.	1	Accounts receivable	216,119	"	0.24
0	"	Delta Electronics International Ltd. (Labuan)	1	Other receivables	211,595	"	0.24
0	"	Delta Electronics Components (Wu Jiang) Co., Ltd.	1	"	112,580	"	0.13
5	Delta Electronics International Ltd. (Labuan)	DEI Logistics (USA) Corp.	3	Accounts receivable	704,004	"	0.79
5	"	Delta Electronics, Inc.	2	"	9,915,425	"	11.13
5	"	Delta Electronics Jiang Su Co., Ltd.	3	"	373,267	"	0.42
5	"	Delta Electronics (Dong Guan) Co., Ltd.	3	"	1,238,537	"	1.39

Number (Note a)	Transaction terms						The percentage of total combined revenue or total assets (Note c)
	Name of counterparty	Name of transaction parties	Relationship (Note b)	Subject	Amount (Note f)	Transaction terms (Note d)	
5	Delta Electronics International Ltd. (Labaun)	Delta Electronics Power (Dong Guan) Co., Ltd.	3	Accounts receivable	\$ 9,659,823	(Note d)	10.84
5	"	Delta Electronics Components (Dong Guan) Co., Ltd.	3	"	2,078,837	"	2.33
5	"	Delta Video Display System (Wu Jiang) Co., Ltd.	3	"	121,215	"	0.14
6	Delta Electronics (Dong Guan) Co., Ltd.	Delta Electronics International Ltd. (Labaun)	3	"	929,257	"	1.04
2	Delta Electronics Power (Dong Guan) Co., Ltd.	"	3	"	11,410,150	"	12.80
3	Delta Electronics Components (Dong Guan) Co., Ltd.	Delta Electronics Power (Dong Guan) Co., Ltd.	3	"	1,576,829	"	1.77
3	"	Delta Electronics International Ltd. (Labaun)	3	"	2,011,412	"	2.26
1	Delta Electronics (Jiang Su ) Co., Ltd.	"	3	"	2,914,096	"	3.27
7	Delta Electronics Components (Wu Jiang) Co., Ltd.	"	3	"	492,077	"	0.55
8	Delta Electro-optics (Wu Jiang) Ltd.	"	3	"	251,722	"	0.28
9	Delta Video Display System (Wu Jiang) Co., Ltd.	"	3	"	555,854	"	0.62
11	Delta Networks International Ltd. (Labaun)	Delta Electronics Industrial (Dong Guan) Co., Ltd.	3	"	2,485,226	"	2.79
11	"	DNI Logistics (USA) Corp.	3	"	233,556	"	0.26
12	Delta Electronics Industrial (Dong Guan) Co., Ltd.	Delta Networks International Ltd. (Labaun)	3	"	2,138,062	"	2.40
13	Delta Networks Inc.	"	3	"	172,416	"	0.19
0	Delta Electronics Inc.	Delta Networks Inc.	1	Leased assets	597,883	(Note e)	0.67

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

1. Number 0 represents the Company.

2. The consolidated subsidiaries are in order from number 1.

Note b: The relationships with the transaction parties are as follows:

1. The Company to the consolidated subsidiary.
2. The consolidated subsidiary to the Company.
3. The consolidated subsidiary to another consolidated subsidiary.

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

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

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

Note f: Only related party transactions in excess of \$100,000 are disclosed and the opposite side of which are not disclosed.

12. SEGMENT FINANCIAL INFORMATION

A. Financial information by industry

The Group operates in one single industry - the electronics industry. Accordingly, no different industry information is presented in 2005 and 2006.

B. Financial information by geographic area

Geographic area information in 2005 and 2006 were as follows:

	2005				
	Asia	Others	Domestic	Elimination	Consolidated
Operating revenues from unaffiliated customers	\$ 9,984,339	\$14,635,124	\$ 56,206,057	\$ -	\$ 80,825,520
Operating revenues from the Company and its consolidated subsidiaries	460,367	54,358,398	8,907,194	( 63,725,959)	-
Total operating revenues	<u>\$ 10,444,706</u>	<u>\$68,993,522</u>	<u>\$ 65,113,251</u>	<u>( \$ 63,725,959)</u>	<u>\$ 80,825,520</u>
Segment profits	<u>\$ 8,099,444</u>	<u>\$ 259,957</u>	<u>\$ 4,444,717</u>	<u>( \$ 3,315,436)</u>	<u>\$ 9,488,682</u>
Investment loss under equity method					152,691
General expense					( 1,008,899)
Interest expense					( 276,012)
Net income before income tax and minority interest					<u>\$ 8,356,462</u>
Identifiable assets	<u>\$ 49,820,463</u>	<u>\$ 4,990,538</u>	<u>\$ 43,304,762</u>	<u>( \$ 23,174,172)</u>	<u>\$ 74,941,591</u>
Long-term investments					6,902,911
General assets					-
Total assets	<u>\$ 1,812,978</u>	<u>\$ 28,827</u>	<u>\$ 557,585</u>	<u>\$ -</u>	<u>\$ 81,844,502</u>
Depreciation expense					<u>\$ 2,399,390</u>
Capital expenditure	<u>\$ 2,442,318</u>	<u>\$ 19,182</u>	<u>\$ 1,562,594</u>	<u>\$ -</u>	<u>\$ 4,024,094</u>

2006

	<u>Asia</u>	<u>Others</u>	<u>Domestic</u>	<u>Elimination</u>	<u>Consolidated</u>
Operating revenues from unaffiliated customers	\$ 37,660,230	\$ 5,737,473	\$ 61,818,334	\$ -	\$105,216,037
Operating revenues from the Company and its consolidated subsidiaries	<u>92,029,679</u>	<u>334,019</u>	<u>3,508,890</u>	<u>( 95,872,588)</u>	<u>-</u>
Total operating revenues	<u>\$129,689,909</u>	<u>\$ 6,071,492</u>	<u>\$ 65,327,224</u>	<u>(\$ 95,872,588)</u>	<u>\$105,216,037</u>
Segment profits	<u>\$ 11,510,014</u>	<u>\$ 146,597</u>	<u>\$ 2,826,148</u>	<u>\$ 267,507</u>	<u>\$ 14,750,266</u>
Investment income under equity method					466,613
General expense					( 1,126,014)
Interest expense					( 175,249)
Net income before income tax and minority interest					<u>\$ 13,915,616</u>
Identifiable assets	<u>\$ 51,160,013</u>	<u>\$ 8,362,978</u>	<u>\$ 33,840,587</u>	<u>(\$ 12,032,374)</u>	<u>\$ 81,331,204</u>
Long-term investments					7,778,411
General assets					<u>-</u>
Total assets	<u>\$ 1,783,533</u>	<u>\$ 28,188</u>	<u>\$ 738,655</u>	<u>\$ -</u>	<u>\$ 89,109,615</u>
Depreciation expense					<u>\$ 2,550,376</u>
Capital expenditure	<u>\$ 4,245,312</u>	<u>\$ 1,520</u>	<u>\$ 1,508,231</u>	<u>\$ -</u>	<u>\$ 5,755,063</u>



C. Information about export sales

The export sales of the Group in 2005 and 2006 were as follows:

Destination	2005	2006
Southeast Asia	\$ 33,244,682	\$ 45,975,734
U.S.A.	19,752,418	14,456,064
Europe	7,961,437	12,625,205
Northeast Asia	3,699,877	3,862,252
Americas	1,683,605	1,924,810
Others	1,194,070	2,753,682
	\$ 67,536,089	\$ 81,597,747

D. Major customer information

The customer accounting for more than 10% of the Group's operating revenues for the years ended December 31, 2005 and 2006 is set forth below:

	2005		2006	
		% of total operating revenues		% of total operating revenues
	Amount		Amount	
Customer A	\$7,968,934	12%	\$9,607,676	16%



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Chairman Bruce CH Cheng

