

2008 ANNUAL REPORT

DELTA ELECTRONICS, INC.

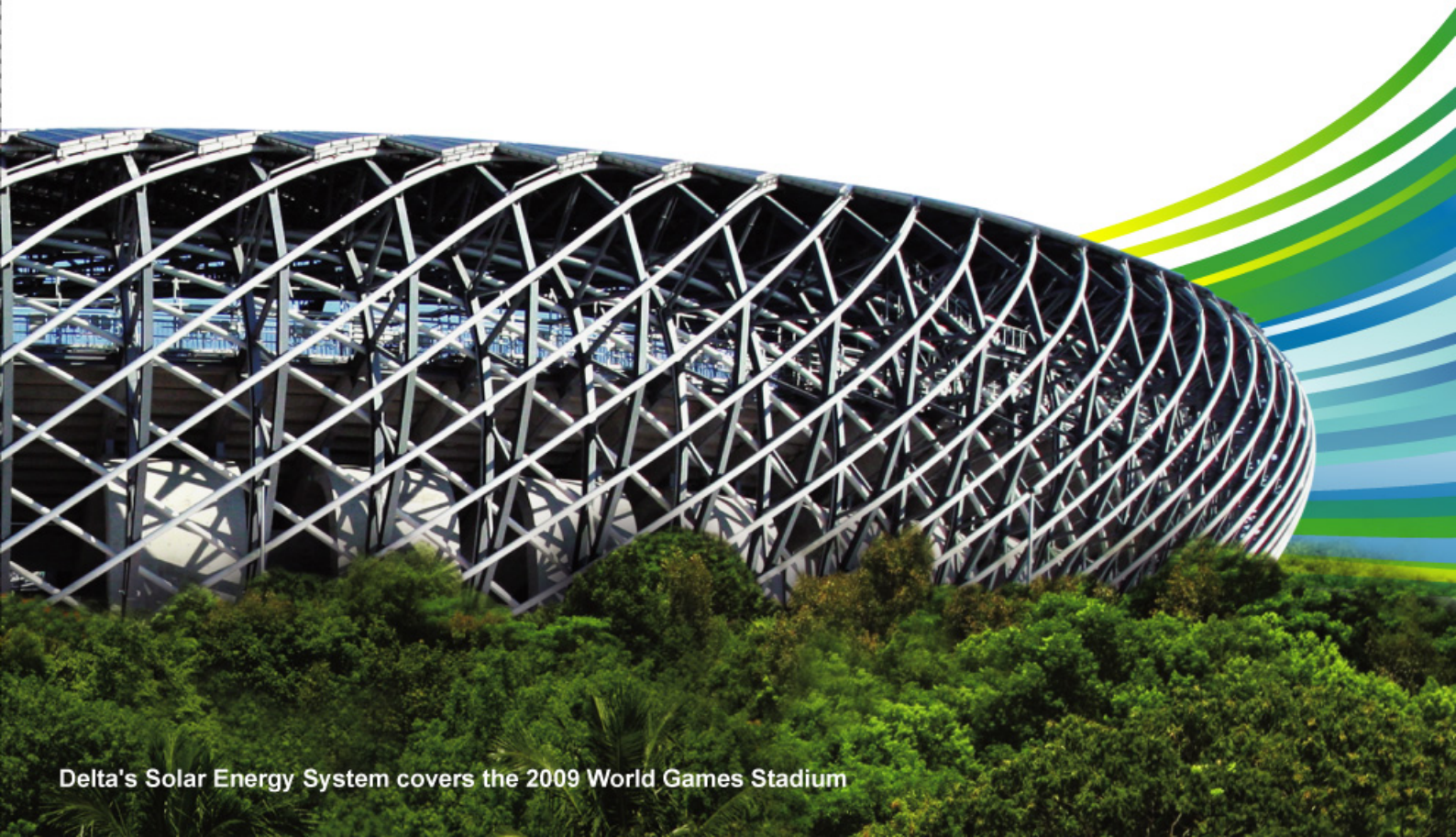


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Birdseye View of the Stadium



Delta Solar Panels



Delta Inverters

A Letter to Our Shareholders

Dear Shareholders:

Driven by the belief of "dare to change" and "dedicate to innovate", every business group at Delta always sets aggressive growth target and budget plans before the year ends and we used to surpass our goals. However, due to adverse economic conditions resulting from global financial tsunami starting from end of Q3, 2008, we failed to achieve our plans set for the year. Delta's consolidated sales revenues totaled NT\$142.6 billion, an increase of 9.2% from 2007. To be consistent with international financial accounting standards, the Taiwan government implemented a new accounting rule to expense employee bonuses and remuneration to board of directors and supervisors at fair market value last year. Based on the new Statement of Financial Accounting Standards, our gross profit totaled NT\$25.5 billion (17.9% of revenues), 7% decrease from 2007 figure which was based on old accounting standard. Our net operating profit totaled NT\$10.9 billion (7.6% of revenues), 30.6% decrease and net income of NT\$10.3 billion (7.2% of revenues) which represented a decrease of 31.9% from the previous year. Earnings per share (EPS) was NT\$4.69.

With our solid foundation in technology and years of efforts on innovation, Delta has been widely recognized as the leader in switching power supplies for global electronics industry. We are the world's number one in power supplies for servers, workstations and notebook computers and we continue to grow market share in consumer electronics sector through relentless increase in power conversion efficiency which contributes greatly to energy conservation and reduction in greenhouse gases emission. Among all progresses made last year, our achievement in telecom power systems and PV systems was noteworthy in particular. We not only increased the efficiency of our new generation telecom base station power system from 90% to 92% but also reduced the size by two thirds and achieved market leadership in both China and India. We also designed and installed the world's largest stadium solar systems for 2009 World Games in Kaohsiung with solar cells from DelSolar, a subsidiary to Delta, and our own 98% efficiency photovoltaic inverters. Although the capacity of this solar system was one mega watt by design, the actual electricity generated exceeded our expectation. Those examples clearly demonstrated our commitment to innovation and courage to take challenges to realize our corporate mission. We believe our potential to develop system-level businesses is greatly strengthened by the excellent performance of the teams.

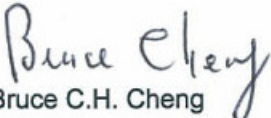
For display solutions business, we secured our competitive advantage through in-house key components which weathered us from severe competition in business projector market. Our projection display products such as home theaters, video walls, and large venue projectors with ultra-high brightness for professional markets also earned customer recognition. We partnered with a content provider to broadcast on live the opening ceremony and selected programs of 2008 Beijing Olympics through our full HD DLP projection display on a 300-inch outdoor screen to the general public, who enjoyed an unprecedented visual experience with absolute clarity and exceptional images. Delta also announced the industry's first full HD LED Home Theater DLPR Projector at IFA 2008 in Berlin featuring energy-saving, high resolution, wide color gamut, long life time, and immediate image display when powering on. We will work harder on marketing initiatives to bring more of our excellent products to customers. In order to provide customers with a complete line of products, we acquired an outstanding team specialized in outdoor large screen LED. We also exhibited our LED streetlamp and e-paper at IFA 2008 in Berlin, and we will continue to develop green products that are eco-friendly to meet the demand of the new century.


Delta was founded in 1971 at a time when the Taiwan government implemented investment incentive programs to attract foreign companies to set up manufacturing bases in Taiwan. We started from scratch to develop electronics components to meet market demand. We witnessed the massive abuse of natural resources and environmental pollution resulting from industrialization as well as the shortage in energy due to rapid increase in demand. We believed energy conservation was the best solution to the problem and since then we made it our corporate mission to develop high-efficiency switching power supplies and provide the world with energy efficient products and services. Over the years we continued to grow our business and

the world with energy efficient products and services. Over the years we continued to grow our business and market share as a result of strong customer satisfaction to our innovation capability, product quality, agility, and services. Each year we earned vendor awards from customers as a token for recognition. HP, Nokia Siemens, Fujitsu Siemens, for example, awarded Delta in 2008. We also received the "Excellent Innovation Achievement Award", the best of its kind from Ministry of Economic Affairs, last year. Besides innovation, we take corporate social responsibility as a primary consideration. Delta was named the most admired company in electronics industry by CommonWealth Magazine for the seventh consecutive year, and we were listed in the first place with distinction for Corporate Social Responsibility Award from GlobalView Magazine for the third consecutive year. Delta was ranked among Forbe's Asian Fabulous 50 Companies for the second consecutive year, and we received the best Investment Meetings Award from IR Magazine. In addition, Delta was the only Chinese enterprise featured on the list of "Global Top 100 Low-Carbon Pioneers" by CNBC European Business Magazine. We will continue our dedication to making Delta a highly regarded global company making long-lasting impact to the society.

The global financial tsunami caused by the American subprime mortgage crisis has affected Delta's business just as it has created adverse impact on global economy. Although an enterprise is bound to have ups and downs during its history, we will exercise special caution to voyage through this turmoil. We believe the market will be handicapped by large-scale workforce restructuring and compensation reduction measures adopted by major multinational corporations. As a result, we will further scrutinize our operation processes to identify every productivity increase opportunity, while at the same time spearheading our R&D and marketing efforts to adapt our organization and business activities to meet market requirements. Over the years Delta has committed resources to develop advanced eco-friendly new products with energy-efficient features such as solar systems, LEDs, E-paper, super-capacitor, and key components for electric vehicles. These visionary new products will be launched to the market at the soonest possible pace. With the announcement by major countries to engage in large-scale programs and green technology development to stimulate local economy, we see good potential in renewable energy, products with energy-saving features, telecom business and infrastructure projects. Our mission and new business development direction fit right into the picture. Our sound financial stance and healthy cash flow serve as another competitive weapon to our advantage in difficult economy. We also feel encouraged to keep staying firmly in our areas of core competences and avoid investment into manufacturing businesses with low entry barriers.

Delta is a company that consistently monitors the market trend and takes challenges to change and innovate. This economic downturn brought to our attention the need to expedite our speed of change and new product development. We wish to take this opportunity to thank all Delta members for their contributions to the Company. We believe everyone at Delta will continue to do their best to steer our course up on profitable growth. We would also like to express our gratitude to all shareholders for their support. Please be reassured that Delta will run at full speed to meet your expectation and we will bring the Company to the next level of success.


Bruce C.H. Cheng
Founder and Chairman


Yancey Hai
Vice Chairman and CEO


Roger Chu
Corporate CFO

Power Management



AC-DC Adapters

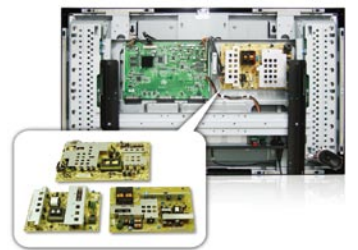


Desktop Switching Power Supplies

Server / Workstation Switching Power Supplies



DC-DC Converters / Voltage Regulator Modules



Display Power Supplies



Networking Switching Power Supplies



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



2,400W
Rectifiers

Telecom Power Systems



Uninterruptible Power Systems
(UPS)



2.5kW~5kW
Photovoltaic Inverters

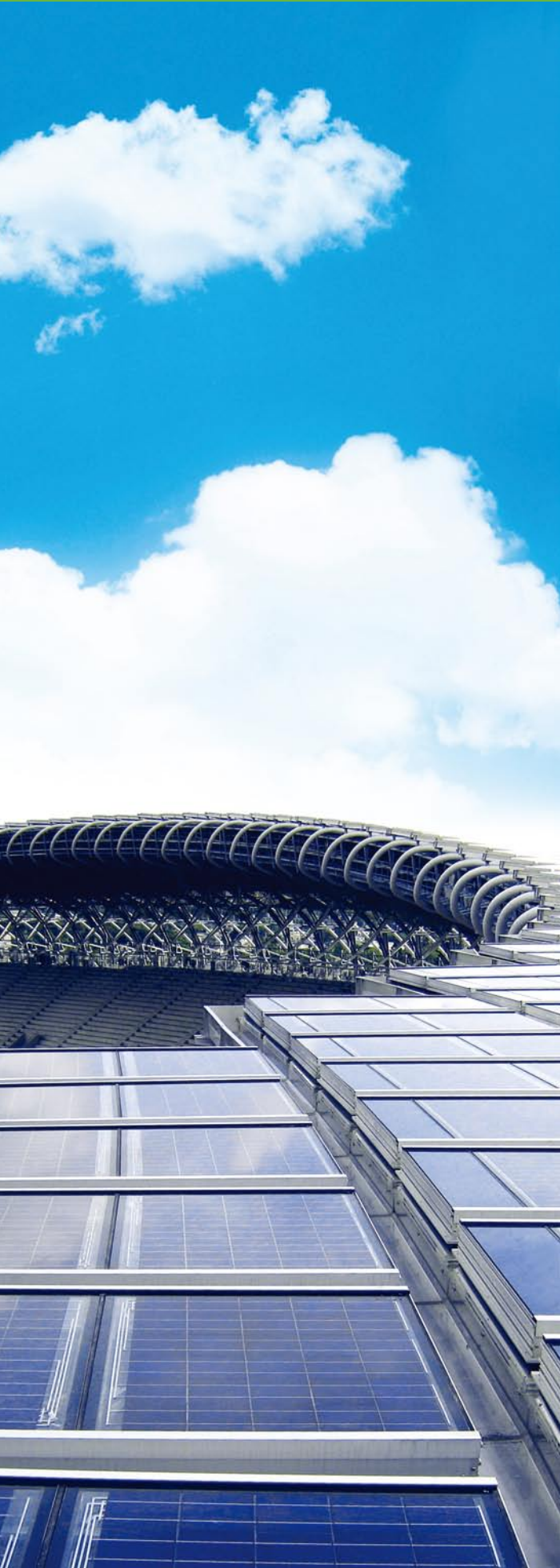
Energy Recycling Systems



Lithium Polymer
Battery Packs

Industrial Standard
Power Supplies

Renewable Energy



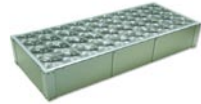
High Concentration Photovoltaic (HCPV)
System Solutions



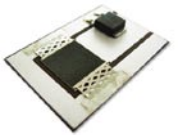
HCPV Trackers



HCPV Sensors



HCPV Modules



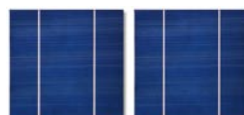
HCPV Receivers



Photovoltaic Inverters Installed
under Solar Panels



Mono c-Si Solar Cells



Multi c-Si Solar Cells

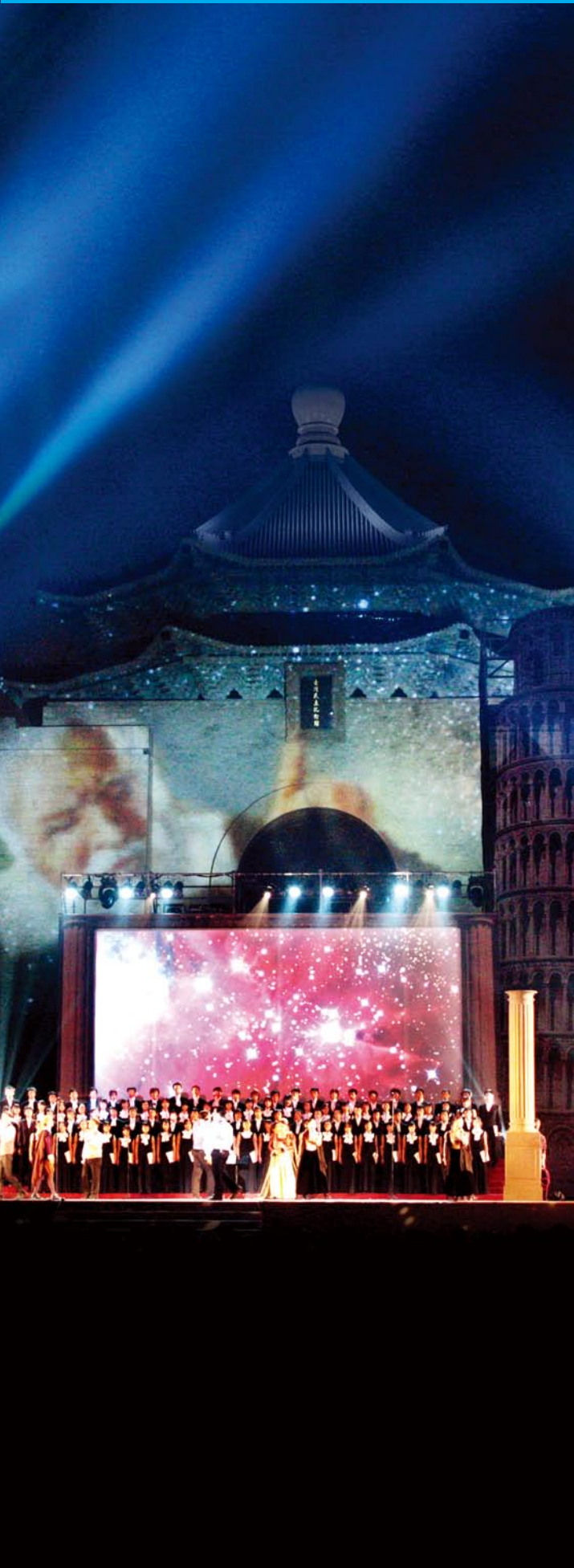


Fuel Cells



Fuel Cell Inverters

Display Solutions



Projection Display Systems



Video Walls



E-Paper



LED Display Systems



Digital Signage



LED Home Theater Projectors



Large Venue / E-Cinema Projectors



Portable Projectors



Full HD Projectors

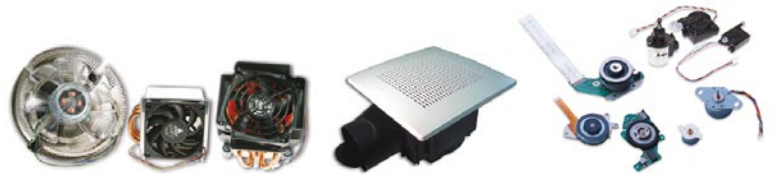


Conference Room Projectors

Components



DC Brushless Fans and Blowers



Thermal Management Products

Ventilation Systems

Stepping Motors / Spindle Motors and Pumps



Networking and Telecom Components



Fiber Optical Transceivers



Solenoids and Valves



Transformers and Inductors



EMI Filters



CCFLs for LCD Displays

LED Solutions



LED Streetlights for Highways



LED Streetlights for City Streets



LED Streetlights for Residential Streets



LED Functional Lighting



LED Automotive Modules

Industrial Automation



AC Motor Drives



Brushless DC Motors & Drives



AC Servo Motors & Drives



Rotary Optical Encoders



Programmable Logic Controllers



Temperature Controllers



Communication Modules



Timer / Counter /
Tachometers



Pressure Sensors



Human Machine
Interfaces

Automotive Electronics



Power Control Units for HEV / EV



Traction Motors for HEV / EV



Hybrid Control Units for Belt / Integrated Starter Generators



ECU for Body / Comfort Seats



Vehicle Keyless Systems



DC / AC Inverters
DC / DC Converters



Hub Motors for Electric Scooters



Engine Control Modules



Battery / Super Capacitor Chargers



ECU for Adaptive Headlight Systems



Li Battery Packs & Management Systems

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



Small 2G / 3G Base Stations



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 and one independent supervisor. 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 (seven meetings were held in 2008).

In addition to participating in board meetings, the independent director and supervisor attend Delta’s internal strategic meeting to learn better about company’s operation and further make recommendations; the compensation of senior executives also needs to be reviewed by the independent director.

Information disclosure is also an important aspect of Delta’s corporate governance. 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, as well as share price and dividend information 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.

Delta also 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 webcasted 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.

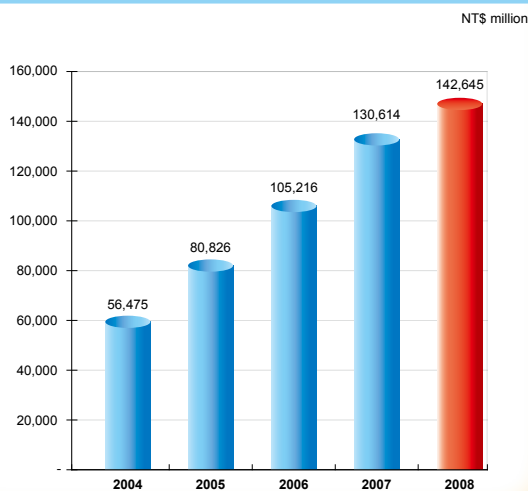
Delta’s efforts towards high quality corporate governance are well recognized. In 2008, Delta won the Corporate Citizenship Award from CommonWealth Magazine and received the CSR Honor Award from Global View Magazine after winning its CSR Award for three consecutive years. In addition, we were honored to receive Forbes Magazine’s “Asia’s Fabulous 50” award for the second time and also recognized as a CommonWealth Magazine Most Admired Company in the electronics industry for the 7th year in a row. 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.



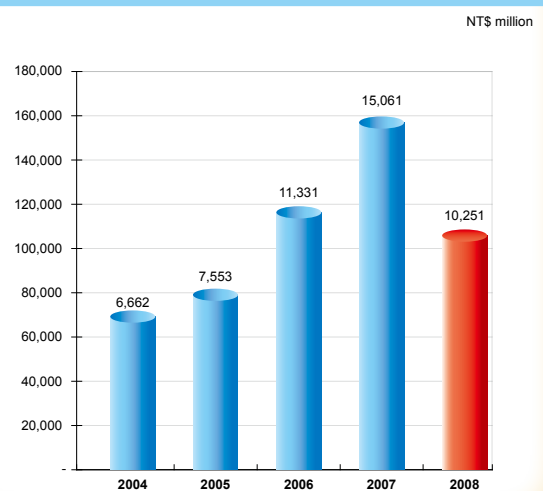
Consolidated Financial Highlights

| | 2008 | 2007 |
|----------------------------|---------|---------|
| Sales | 142,645 | 130,614 |
| Gross profit | 25,495 | 27,404 |
| Gross margin | 17.9% | 21.0% |
| Operating profit | 10,910 | 15,717 |
| Operating Margin | 7.6% | 12.0% |
| Net Income After Tax | 10,251 | 15,061 |
| Net Margin | 7.2% | 11.5% |
| EPS (NT\$) | 4.69 | 7.15 |
| Total Assets | 117,557 | 117,915 |
| Total Shareholders' Equity | 58,343 | 59,781 |
| ROE (%) | 17.4% | 27.5% |

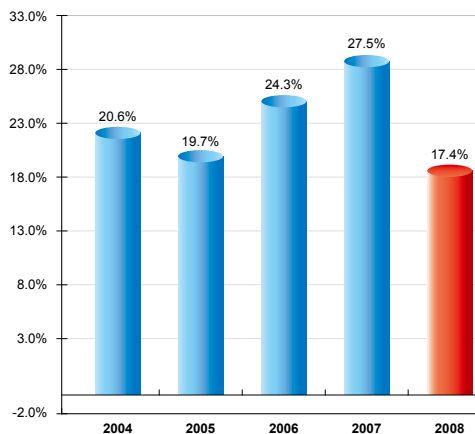
Revenues



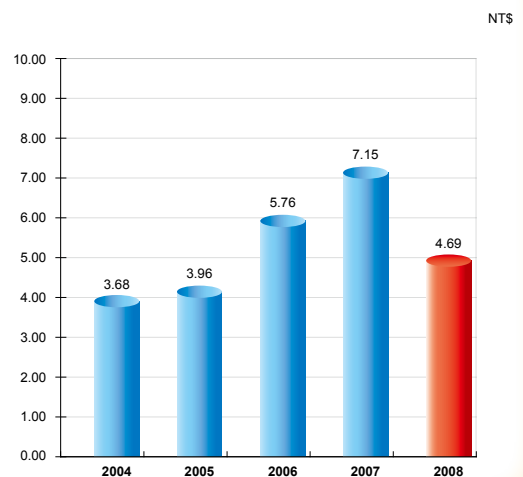
Net Profits



Return on Stockholders' Equity



Earnings Per Share



DELTA ELECTRONICS, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2007 AND 2008

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

Report of Independent Accountants Translated from Chinese

PWCR08000269


To Delta Electronics, Inc.

We have audited the accompanying consolidated balance sheets of Delta Electronics, Inc. and subsidiaries as of December 31, 2007 and 2008, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. As explained in Note 1(2), we did not audit the financial statements of certain consolidated subsidiaries for the years ended December 31, 2007 and 2008, which statements reflect total assets of \$718,468,000 and \$596,215,000, constituting 0.61% and 0.51% of the consolidated total assets as of December 31, 2007 and 2008, respectively, and total operating revenues of \$1,639,658,000 and \$1,896,736,000, constituting 1.26% and 1.33% of the consolidated operating revenues for the years then ended, respectively. In addition, we did not audit the financial statements of certain long-term equity investments, accounted for under the equity method. Long-term equity investments in these companies amounted to \$5,407,332,000 and \$5,926,150,000, constituting 4.59% and 5.04% of the consolidated total assets as of December 31, 2007 and 2008, respectively, and total investment income was \$504,416,000 and \$466,104,000, constituting 2.58% and 3.15% of the consolidated income before income tax and minority interest for the years then ended, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts and the information disclosed in Note 11. 2) included for such subsidiaries and investee companies, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Delta Electronics, Inc. and subsidiaries as of December 31, 2007 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and generally accepted accounting principles in the Republic of China.

As described in Note 3, effective January 1, 2008, Delta Electronics, Inc. and its subsidiaries adopted the R.O.C. Statement of Financial Accounting Standards (SFAS) No. 39, “Accounting for Share-based Payment” and EITF 96-052 “Accounting for Employees’ Bonuses and Directors’ and Supervisors’ Remuneration” prescribed by the Accounting Research and Development Foundation, R.O.C., whereby the costs of employees’ bonuses and directors’ and supervisors’ remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably.



The consolidated financial statements of Delta Electronics, Inc. and subsidiaries as of and for the year ended December 31, 2008, expressed in US dollars are presented solely for the convenience of the reader and were translated from the financial statements expressed in New Taiwan dollars using the exchange rate of NT\$32.82 to US\$1.00 at December 31, 2008. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

Pricewaterhouse Coopers

February 16, 2009

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

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

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

| | New Taiwan Dollars | | US Dollars | |
|---|-----------------------|------------|-----------------------|----------------------|
| | 2007 | % | 2008 | (Unaudited - Note 2) |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Current Liabilities | | | | |
| Short-term loans (Note 4(12)) | \$ 4,043,062 | 4 | \$ 7,093,047 | 6 |
| Financial liabilities at fair value through profit or loss - current (Note 4(13)) | 2,470 | - | 83,750 | - |
| Derivative financial liabilities for hedging - current (Note 10(9)) | 585,124 | 1 | 476,441 | - |
| Accounts payable | 25,708,180 | 22 | 19,847,131 | 17 |
| Accounts payable - related parties (Note 5) | 374,291 | - | 292,853 | - |
| Income tax payable (Note 4(20)) | 565,989 | 1 | 517,009 | - |
| Accrued expenses | 4,012,734 | 3 | 6,352,437 | 5 |
| Other payables | 3,309,052 | 3 | 1,732,161 | 2 |
| Receipts in advance | 492,941 | - | 524,342 | 1 |
| Deferred income tax liabilities - current (Note 4(20)) | - | - | 40,282 | - |
| Other current liabilities | 479,382 | - | 523,160 | 1 |
| Total current liabilities | 39,573,225 | 34 | 37,482,613 | 32 |
| Long-term Liability | | | | |
| Long-term loans (Note 4(14)) | - | - | 65,640 | - |
| Reserve | 57,341 | - | 74,312 | - |
| Land value incremental reserve (Note 4(9)) | - | - | - | - |
| Other Liabilities | | | | |
| Accrued pension liabilities (Note 4(15)) | 1,241,487 | 1 | 1,575,619 | 1 |
| Guarantee deposits received | 97,481 | - | 105,370 | - |
| Deferred income tax liabilities - non-current (Note 4(20)) | 4,345,555 | 4 | 5,242,385 | 5 |
| Other liabilities - other | 234,625 | - | 423,106 | - |
| Total other liabilities | 5,919,148 | 5 | 7,346,430 | 6 |
| Total liabilities | 45,549,714 | 39 | 44,968,995 | 38 |
| Stockholders' Equity | | | | |
| Common stock (Note 4(16)) | 21,064,173 | 18 | 21,850,456 | 19 |
| Capital reserves (Note 4(17)) | 10,682,563 | 9 | 10,471,921 | 9 |
| Capital reserve from conversion of convertible bonds | 2,804,693 | 2 | 2,810,283 | 2 |
| Capital reserve - others | - | - | - | - |
| Retained earnings | 5,792,189 | 5 | 7,298,319 | 6 |
| Legal reserve (Note 4(18)) | 17,361,138 | 15 | 13,563,786 | 12 |
| Undistributed earnings (Note 4(19)) | - | - | 359,616 | - |
| Other adjustments to stockholders' equity | 260,918 | - | 135,764 | - |
| Asset revaluations (Note 4(9)) | 1,326,699 | 1 | 1,884,323 | 2 |
| Unrealized gain or loss on financial instruments | 488,480 | 1 | (31,004) | - |
| Cumulative translation adjustments | - | - | 58,343,464 | 50 |
| Unrecognized pension cost (Note 4(15)) | - | - | 14,244,912 | 12 |
| Stockholders' equity | 59,780,853 | 51 | 72,588,376 | 62 |
| Minority interest | 12,584,207 | 10 | - | - |
| Total stockholders' equity | 72,365,060 | 61 | - | - |
| Commitments and contingent liabilities (Notes 5 and 7) | - | - | - | - |
| Subsequent events (Note 9) | - | - | - | - |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 117,914,774 | 100 | \$ 117,557,371 | 100 |
| | | | | \$ 3,581,882 |

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated February 16, 2009.

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)

| | 2007 | | 2008 | | New Taiwan Dollars | | US Dollars | |
|---|----------------|---------|----------------|---------|--------------------|---|------------|----------------------|
| | | % | | % | | % | | (Unaudited - Note 2) |
| Operating Revenues (Note 5) | \$ 131,273,777 | 100 | \$ 142,921,659 | 100 | | | \$ (| 4,354,712 |
| Sales | 1,103,580 | (1) | 1,223,062 | (1) | | | (| 37,266 |
| Sales returns | 2,327,712 | | 288,766 | | | | (| 8,708 |
| Sales discounts | 129,827,476 | 99 | 141,409,831 | 99 | | | (| 4,308,638 |
| Net Sales | 771,619 | 1 | 1,235,023 | 1 | | | (| 37,630 |
| Services income | 130,614,095 | 100 | 142,044,854 | 100 | | | (| 4,346,278 |
| Net Operating Revenues | | | | | | | (| 3,530,644 |
| Operating costs (Notes 4(22) and 5) | 102,685,205 | (79) | 116,171,126 | (81) | | | (| 30,814 |
| Cost of goods sold | 103,214,010 | (79) | 117,419,608 | (82) | | | (| 3,639,353 |
| Services costs | 1,468,735 | (1) | 23,495,240 | (18) | | | (| 776,820 |
| Net operating costs | 27,403,880 | 21 | 4,453,121 | (3) | | | (| 135,683 |
| Gross profit | 3,849,467 | (3) | 3,685,371 | (3) | | | (| 12,290 |
| Operating Expenses (Note 4(22)) | 2,727,498 | (2) | 6,346,593 | (4) | | | (| 190,523 |
| Sales and marketing expenses | 3,092,288 | (4) | 14,385,089 | (10) | | | (| 344,390 |
| General and administrative expenses | 11,686,735 | (9) | 10,910,102 | (8) | | | (| 352,424 |
| Research and development expenses | 13,717,137 | (12) | 1,144,013 | 1 | | | (| 34,857 |
| Total Operating Expenses and Gains | 1,175,501 | 1 | 61,537 | - | | | (| 1,875 |
| Non-operating Income and Gains | 86,506 | - | 695,116 | 1 | | | (| 21,180 |
| Interest income | 730,089 | 1 | 110,886 | - | | | (| 3,379 |
| Gain on valuation of financial assets (Note 4(2)) | 100,974 | - | 1,069,357 | 1 | | | (| 32,582 |
| Investment income accounted for under the equity method (Note 4(8)) | 1,324,047 | 1 | 13,682 | - | | | (| 417 |
| Dividend income | 538,696 | - | 693,895 | - | | | (| 21,142 |
| Foreign exchange gain, net | 12,808 | - | 1,525,985 | 1 | | | (| 46,496 |
| Income from sale of scrap inventory | 371,389 | - | 5,314,172 | 4 | | | (| 161,928 |
| Other non-operating income | 1,054,162 | 1 | 218,160 | - | | | (| 6,647 |
| Total Non-operating Income and Gains | 5,414,172 | 4 | 83,750 | - | | | (| 2,552 |
| Non-operating Expenses and Losses | 159,887 | - | 10,587 | - | | | (| 323 |
| Interest expense | 2,300 | - | 50,165 | - | | | (| 1,528 |
| Loss on valuation of financial liabilities (Note 4(12)) | 2,300 | - | 470,987 | - | | | (| 14,351 |
| Loss on disposal of property, plant and equipment | 24,134 | - | 7,907 | - | | | (| 18,167 |
| Loss on sale of investment | 173,714 | - | 596,248 | - | | | (| 43,809 |
| Provision for inventory obsolescence and market price declines | 679,227 | - | 1,437,804 | - | | | (| 450,543 |
| Impairment loss (Note 4(11)) | 544,477 | - | 14,786,829 | - | | | (| 76,908 |
| Other non-operating losses | 1,583,739 | - | 2,524,109 | - | | | (| 373,635 |
| Total Non-operating Expenses and Losses | 19,547,570 | 15 | 12,262,720 | 9 | | | (| 312,337 |
| Income before income tax | 2,400,301 | (2) | 10,250,915 | 7 | | | (| 61,298 |
| Income tax expense (Note 4(20)) | 17,147,269 | 13 | 2,011,805 | 2 | | | (| 373,635 |
| Consolidated net income | 15,061,305 | 12 | 12,262,720 | 9 | | | (| 373,635 |
| Attributable to: | | | | | | | | |
| Equity holders of the Company | 2,085,964 | 1 | 6,777 | 5.61 | | | (| 0.2063 |
| Minority interest | 17,147,269 | 13 | 5,885 | 4.69 | | | (| 0.1783 |
| Earnings Per Share (in Dollars) (Note 4(21)) | | | | | | | | |
| Basic Earnings Per Share | \$ 8.95 | \$ 7.85 | \$ 6.77 | \$ 5.61 | | | \$ 0.2063 | \$ 0.1709 |
| Net income from continuing operations | (0.96) | (0.96) | (0.92) | (0.92) | | | (0.0280) | (0.0280) |
| Minority interest income | 7.99 | 6.89 | 5.85 | 4.69 | | | 0.1783 | 0.1429 |
| Net income | | | | | | | | |
| Diluted earnings per share | \$ 8.95 | \$ 7.85 | \$ 6.67 | \$ 5.53 | | | \$ 0.2033 | \$ 0.1685 |
| Net income from continuing operations | (0.96) | (0.96) | (0.91) | (0.91) | | | (0.0277) | (0.0277) |
| Minority interest income | 7.99 | 6.89 | 5.76 | 4.62 | | | 0.1755 | 0.1408 |
| Net income | | | | | | | | |

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated February 16, 2009.

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

| | Retained earnings | | | | | | | Unrecognized pension cost | Minority interest | Total |
|--|-------------------|------------------|---------------|------------------------|--------------------|--|------------------------------------|---------------------------|-------------------|-------|
| | Common stock | Capital reserves | Legal reserve | Undistributed earnings | Asset revaluations | Unrealized gain or loss on financial instruments | Cumulative translation adjustments | | | |
| 2007 New Taiwan Dollars | | | | | | | | | | |
| Balance at January 1, 2007 | \$ 19,694,450 | \$ 11,615,396 | \$ 4,659,105 | \$ 13,086,557 | \$ 204,064 | \$ 280,829 | \$ 279,517 | \$ 5,244,793 | \$ 55,064,711 | |
| Distribution of 2006 earnings: | | | | | | | | | | |
| Legal reserve | - | - | 1,133,084 | (1,133,084) | - | - | - | - | - | |
| Directors' and supervisors' remuneration | - | - | (16,700) | (16,700) | - | - | - | - | (16,700) | |
| Employees' stock bonus | 385,000 | - | (385,000) | (385,000) | - | - | - | - | - | |
| Employees' cash bonus | - | - | (192,500) | (192,500) | - | - | - | - | (192,500) | |
| Stock dividends | 196,945 | - | (196,945) | (196,945) | - | - | - | - | - | |
| Cash dividends | - | - | (8,862,495) | (8,862,495) | - | - | - | - | (8,862,495) | |
| Capitalization of capital reserve | 787,778 | (787,778) | - | - | - | - | - | - | - | |
| Change in ownership percentage of long-term equity investments accounted for under equity method | - | 2,659,638 | - | - | - | - | - | - | 2,659,638 | |
| Adjustment for land value appraisal increments | - | - | - | - | 56,854 | - | - | - | 56,854 | |
| Proportional adjustments for investee companies' unrealized gain on financial instruments | - | - | - | - | - | 502,583 | - | - | 502,583 | |
| Changes in unrealized gain on financial instruments | - | - | - | - | - | 543,287 | - | - | 543,287 | |
| Changes in cumulative translation adjustment | - | - | - | - | - | - | 208,963 | - | 208,963 | |
| Changes in minority interest | - | - | - | - | - | - | - | 5,253,450 | 5,253,450 | |
| Consolidated net income for 2007 | - | - | - | 15,061,305 | - | - | - | 2,085,964 | 17,147,269 | |
| Balance at December 31, 2007 | \$ 21,064,173 | \$ 13,487,256 | \$ 5,792,189 | \$ 17,361,138 | \$ 260,918 | \$ 1,326,699 | \$ 488,480 | \$ 12,584,207 | \$ 72,365,060 | |
| 2008 New Taiwan Dollars | | | | | | | | | | |
| Balance at January 1, 2008 | \$ 21,064,173 | \$ 13,487,256 | \$ 5,792,189 | \$ 17,361,138 | \$ 260,918 | \$ 1,326,699 | \$ 488,480 | \$ 12,584,207 | \$ 72,365,060 | |
| Distribution of 2007 earnings: | | | | | | | | | | |
| Legal reserve | - | - | 1,506,130 | (1,506,130) | - | - | - | - | - | |
| Directors' and supervisors' remuneration | - | - | (16,200) | (16,200) | - | - | - | - | (16,200) | |
| Employees' stock bonus | 365,000 | - | (365,000) | (365,000) | - | - | - | - | - | |
| Employees' cash bonus | - | - | (365,000) | (365,000) | - | - | - | - | (365,000) | |
| Stock dividends | 210,642 | - | (210,642) | (210,642) | - | - | - | - | - | |
| Cash dividends | - | - | (11,585,295) | (11,585,295) | - | - | - | - | (11,585,295) | |
| Capitalization of capital reserve | 210,641 | (210,641) | - | - | - | - | - | - | - | |
| Change in ownership percentage of long-term equity investments accounted for under equity method | - | 5,589 | - | - | - | - | - | - | 5,589 | |
| Adjustment for land value appraisal increments | - | - | - | - | 98,698 | - | - | - | 98,698 | |
| Proportional adjustments for investee companies' unrealized gain on financial instruments | - | - | - | - | - | 74,473 | - | - | 74,473 | |
| Changes in unrealized gain on financial instruments | - | - | - | - | (1,265,408) | (1,265,408) | - | - | (1,265,408) | |
| Changes in cumulative translation adjustment | - | - | - | - | - | - | 1,395,843 | - | 1,395,843 | |
| Unrecognized pension cost | - | - | - | - | - | - | (31,004) | - | (31,004) | |
| Changes in minority interest | - | - | - | - | - | - | - | (351,100) | (351,100) | |
| Consolidated net income for 2008 | - | - | - | 10,250,915 | - | - | - | 2,011,805 | 12,262,720 | |
| Balance at December 31, 2008 | \$ 21,850,456 | \$ 13,282,204 | \$ 7,298,319 | \$ 13,563,786 | \$ 359,616 | \$ 135,764 | \$ 1,884,323 | \$ 14,244,912 | \$ 72,588,376 | |

(Continued on next page)

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

| | Retained earnings | | | | | | | | Total | |
|--|-------------------|------------------|---------------|------------------------|---------------------|--|------------------------------------|---------------------------|------------|-------------------|
| | Common stock | Capital reserves | Legal reserve | Undistributed earnings | Assets revaluations | Unrealized gain or loss on financial instruments | Cumulative translation adjustments | Unrecognized pension cost | | Minority interest |
| 2008 US Dollars (Unaudited-Note 2) | | | | | | | | | | |
| Balance at January 1, 2008 | \$ 641,809 | \$ 410,946 | \$ 176,484 | \$ 528,980 | \$ 7,950 | \$ 40,423 | \$ 14,884 | \$ - | \$ 383,432 | \$ 2,204,908 |
| Distribution of 2007 earnings: | | | | | | | | | | |
| Legal reserve | - | - | 45,890 | (45,890) | - | - | - | - | - | - |
| Directors' and supervisors' remuneration | - | - | - | (494) | - | - | - | - | - | (494) |
| Employees' stock bonus | 11,121 | - | - | (11,121) | - | - | - | - | - | - |
| Employees' cash bonus | - | - | - | (11,121) | - | - | - | - | - | (11,121) |
| Stock dividends | 6,418 | - | - | (6,418) | - | - | - | - | - | - |
| Cash dividends | - | - | - | (352,995) | - | - | - | - | - | (352,995) |
| Capitalization of capital reserve | 6,418 | (6,418) | - | - | - | - | - | - | - | - |
| Change in ownership percentage of long-term equity investments accounted for under equity method | - | 170 | - | - | - | - | - | - | - | 170 |
| Adjustment for land value appraisal increments | - | - | - | - | 3,007 | - | - | - | - | 3,007 |
| Proportional adjustments for investee companies' unrealized gain on financial instruments | - | - | - | - | - | 2,270 | - | - | - | 2,270 |
| Changes in unrealized gain on financial instruments | - | - | - | - | (38,556) | - | - | - | - | (38,556) |
| Changes in cumulative translation adjustment | - | - | - | - | - | - | 42,530 | - | - | 42,530 |
| Unrecognized pension cost | - | - | - | - | - | - | (944) | - | - | (944) |
| Changes in minority interest | - | - | - | - | - | - | - | (10,698) | (10,698) | (10,698) |
| Consolidated net income for 2008 | - | - | - | 312,337 | - | - | - | - | 61,298 | 373,635 |
| Balance at December 31, 2008 | \$ 665,766 | \$ 404,698 | \$ 222,374 | \$ 413,278 | \$ 10,957 | \$ 4,137 | \$ 57,414 | \$ (944) | \$ 434,032 | \$ 2,211,712 |

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated February 16, 2009.

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

| | <u>New Taiwan Dollars</u> | | <u>US Dollars</u> |
|--|---------------------------|-------------------|----------------------|
| | <u>2007</u> | <u>2008</u> | <u>2008</u> |
| <u>Cash flows from operating activities</u> | | | (Unaudited - Note 2) |
| Consolidated net income | \$ 17,147,269 | \$ 12,262,720 | \$ 373,635 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | | |
| Changes in unrealized valuation of financial assets | (82,809) | 24,969 | 761 |
| Changes in unrealized valuation of financial liabilities | (19,082) | 81,450 | 2,482 |
| Provision for doubtful accounts | 28,010 | 63,063 | 1,921 |
| Provision for inventory obsolescence and market prices decline | 173,714 | 470,987 | 14,351 |
| (Gain) loss on disposal of financial assets for non-trading purposes | (143,898) | 50,165 | 1,528 |
| Impairment loss on financial assets carried at cost | 229,221 | 7,053 | 215 |
| Foreign exchange loss (gain) on investments in bonds without active markets | 34,100 | (285,795) | (8,708) |
| Investment income recognized under equity method | (750,089) | (695,116) | (21,180) |
| Cash dividends received from investee companies accounted for under the equity method | 382,282 | 557,228 | 16,978 |
| Gain on disposal of equity in subsidiaries to minority shareholders | (1,173,864) | - | - |
| Depreciation (including assets leased to others) and amortization | 3,683,254 | 4,452,042 | 135,650 |
| Loss on disposal of property, plant and equipment, net | 24,134 | 10,587 | 323 |
| Impairment loss on fixed assets, intangible assets and assets leased to others | 450,006 | 854 | 26 |
| Amortization of long-term deferred income | (15,694) | (17,499) | (533) |
| Changes in assets and liabilities: | | | |
| Financial assets at fair value through profit or loss - current | 158,317 | - | - |
| Notes and accounts receivable | (5,599,825) | 4,482,975 | 136,593 |
| Accounts receivable - related parties | (465,132) | 22,118 | 674 |
| Other receivables | (620,040) | (555,603) | (16,929) |
| Inventories | (2,210,445) | 207,985 | 6,337 |
| Prepayments | 201,218 | (814,025) | (24,803) |
| Other current assets | (158,431) | 117,002 | 3,565 |
| Other assets - other | (735,505) | (830,418) | (25,302) |
| Accounts payable | 6,356,722 | (5,861,049) | (178,582) |
| Accounts payable - related parties | 56,191 | (81,438) | (2,481) |
| Income tax payable | 189,184 | (48,980) | (1,492) |
| Accrued expenses, other payables and receipts in advance | 2,318,786 | 817,532 | 24,910 |
| Other current liabilities | 173,942 | 43,931 | 1,339 |
| Deferred income tax | 1,280,502 | 1,107,166 | 33,734 |
| Accrued pension liabilities | 139,375 | 282,561 | 8,609 |
| Other liabilities - others | (33,756) | 205,980 | 6,276 |
| Net cash provided by operating activities | <u>21,017,657</u> | <u>16,078,445</u> | <u>489,897</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 |
|---|----------------------|----------------------|----------------------|
| | 2007 | 2008 | 2008 |
| <u>Cash flows from investing activities</u> | | | (Unaudited - Note 2) |
| (Increase) decrease in financial assets at fair value through profit or loss - current | (\$ 169) | \$ 169 | \$ 5 |
| Increase (decrease) in financial liabilities at fair value through profit or loss - current | 170 | (170) | (5) |
| Increase in other financial assets - current | (19) | (688,134) | (20,967) |
| Increase in available-for-sale financial assets and financial assets carried at cost | (54,000) | (702,854) | (21,415) |
| Proceeds from disposal of available-for-sale financial assets and financial assets carried at cost | 186,783 | 201,539 | 6,141 |
| Proceeds from capital reduction of available-for-sale financial assets and financial assets carried at cost | 5,000 | 26,871 | 818 |
| Decrease in investments in bonds without active markets | - | 6,272,795 | 191,127 |
| Increase in long-term equity investments accounted for under the equity method | (583,830) | (472,000) | (14,381) |
| Proceeds from liquidation of long-term equity investments accounted for under equity method | - | 11,909 | 363 |
| Increase in cash surrender value of life insurance | (5,150) | (4,347) | (132) |
| Acquisition of property, plant and equipment, intangible assets and deferred expenses | (7,901,089) | (8,035,489) | (244,835) |
| Proceeds from disposal of property, plant and equipment | 244,215 | 299,965 | 9,140 |
| Purchase of minority interests | - | (249,132) | (7,591) |
| (Increase) decrease in refundable deposits | (34,327) | 19,064 | 581 |
| Decrease (increase) in other assets - other | 17,915 | (3,266) | (100) |
| Proceeds from disposal of equity in subsidiaries to minority shareholders | 1,607,825 | - | - |
| Net cash used in investing activities | (6,516,676) | (3,323,080) | (101,251) |
| <u>Cash flows from financing activities</u> | | | |
| Increase in short-term loans | 618,058 | 3,049,985 | 92,931 |
| Increase in long-term loans | - | 65,640 | 2,000 |
| Increase in guarantee deposits received | 25,578 | 7,889 | 240 |
| Payment of directors' and supervisors' remuneration | (16,700) | (16,200) | (494) |
| Payment of cash dividends | (9,054,995) | (11,950,295) | (364,116) |
| Dividends paid to minority interests | (15,830) | (735,452) | (22,408) |
| Increase in subsidiaries' capital from minority shareholders | 7,284,354 | 167,578 | 5,106 |
| Net cash used in financing activities | (1,159,535) | (9,410,855) | (286,741) |
| Effect due to changes in exchange rate | 335,673 | 1,163,856 | 35,462 |
| Effect due to changes in consolidated subsidiaries | - | 18,141 | (553) |
| Net increase in cash and cash equivalents | 13,677,119 | 4,490,225 | 136,814 |
| Cash and cash equivalents at beginning of the year | 24,926,394 | 38,603,513 | 1,176,219 |
| Cash and cash equivalents at end of the year | <u>\$ 38,603,513</u> | <u>\$ 43,093,738</u> | <u>\$ 1,313,033</u> |
| <u>Supplemental disclosures of cash flow information</u> | | | |
| Cash paid during the year for interest | \$ 158,017 | \$ 258,287 | \$ 7,870 |
| Cash paid during the year for income tax | \$ 968,135 | \$ 1,667,723 | \$ 50,814 |
| <u>Non-cash flows from financing activity:</u> | | | |
| Employees' stock bonus | <u>\$ 385,000</u> | <u>\$ 365,000</u> | <u>\$ 11,121</u> |

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated February 16, 2009.

DELTA ELECTRONICS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2008

**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)**

1. HISTORY AND ORGANIZATION

1) Delta Electronics, Inc.

The Company was incorporated in April 1971 under the provisions of the Company Law of the Republic of China (R.O.C.) as a company limited by shares and was listed on Taiwan Stock Exchange Corporation (TSEC) since December 1988. The authorized capital of the Company amounted to \$25,000,000 and the issued and outstanding capital was \$21,850,456 as of December 31, 2008. 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, 2008, the Company had approximately 5,000 employees and all consolidated entities had approximately 49,000 employees.

2) Consolidated subsidiaries

| <u>Name of company</u> | <u>Relationship</u> | <u>Main activities</u> | <u>% of shares held as of</u> | |
|--|---------------------|--|-------------------------------|-------------|
| | | | <u>2007</u> | <u>2008</u> |
| 1. Delta International Holding Ltd. (DIH) | Note A | Equity investments | 94.00% | 94.00% |
| (1) Delta Electronics (H.K.) Ltd. (DHK) | Note B | Equity investments, operations management and engineering services | 94.00% | 94.00% |
| A. Delta Electronics (Dongguan) Co., Ltd. (DDG) | Note C | Manufacturing of power supplies | 94.00% | 94.00% |
| B. Delta Electronics Components (Dongguan) Co., Ltd. (DEC) | " | Manufacturing of transformers | 94.00% | 94.00% |

| <u>Name of company</u> | <u>Relationship</u> | <u>Main activities</u> | <u>% of shares held as of</u> | |
|---|---------------------|--|-------------------------------|-------------|
| | | | <u>2007</u> | <u>2008</u> |
| C. Delta Electronics Power (Dongguan) Co., Ltd. (DEP) | Note C | Manufacturing of power supplies | 94.00% | 94.00% |
| D. Delta Electronics (Shanghai) Co., Ltd. (DPEC) | " | Product design | 94.00% | 94.00% |
| E. Delta Electronics (Jiangsu) Ltd. (DWJ) | " | Manufacturing of power supplies | 51.70% | 51.70% |
| F. Delta Electronics Components (Wujiang) Ltd. (DWC) | " | Manufacturing of transformers | 51.70% | 51.70% |
| G. Delta Electro-Optics (Wujiang) Ltd. (DWO) | " | Manufacturing of peripherals and electronic control equipments | 51.70% | 51.70% |
| H. Delta Video Display System (Wujiang) Ltd. (DWV) | " | Manufacturing and sales of various projectors | 51.70% | 51.70% |
| I. Delta Electronics (Wuhu) Co., Ltd. (DWH) | " | Manufacturing of power supplies and transformers | 94.00% | 94.00% |
| J. Delta Electronics (Chenzhou) Co., Ltd. (DCZ) | " | Manufacturing of power supplies and transformers | 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. (Labuan) (DEIL-Labuan) | " | Sales of electronic products | 94.00% | 94.00% |
| (4) Delta Power Sharp Ltd. (DPS) | " | Operations management and engineering services | 94.00% | 94.00% |
| (5) DEI Logistics (USA) Corp. (ALI) | " | Warehousing and logistics services | 94.00% | 94.00% |

| Name of company | Relationship | Main activities | % of shares held as of | |
|---|--------------|--|------------------------|---------|
| | | | December 31, | |
| | | | 2007 | 2008 |
| (6) Delta Electronics (Japan), Inc. (DEJ) | Note B | Sales of electronic products | 94.00% | 94.00% |
| A. Addtron Technology (Japan) Co., Ltd. (AT Japan) | Note D | Trading of networking system and peripherals | 94.00% | 94.00% |
| B. Delta Electronics (Korea), Inc. (Delta Korea) | " | Sales of electronic products | 94.00% | 94.00% |
| (7) DAC Holding (Cayman) Ltd. (DAC) | Note B | Equity investments | 94.00% | 94.00% |
| A. Delta Electronics Mexico S.A. DE C.V. (DEM) | Note E | Manufacturing of electronic products | 94.00% | 94.00% |
| B. Delta Video Technology Ltd. (DVT) | " | Sales of electronic products | 94.00% | 94.00% |
| (8) Newton Power Ltd. (NPL) | Note B | R&D, sales and marketing services of power conversion products | 94.00% | 94.00% |
| 2. Delta Networks Holding Ltd. (DNH) | Note A | Equity investments | 100.00% | 100.00% |
| (1) Delta Networks, Inc. (Cayman) (DNI Cayman) | Note F | Equity investments | 59.51% | 60.20% |
| A. Delta Networks, Inc. (Taiwan) (DNIT) | Note G | Manufacturing of networking system and peripherals | 59.03% | 59.72% |
| B. DNI Logistics (USA) Co., (ALN) | " | Trading of networking system and peripherals | 59.51% | 60.20% |
| C. Delta Networks International Ltd. (Labuan) (DNIL-Labuan) | " | Trading of networking system and peripherals | 59.51% | 60.20% |

| <u>Name of company</u> | <u>Relationship</u> | <u>Main activities</u> | <u>% of shares held as of</u> | |
|--|---------------------|---|-------------------------------|-------------|
| | | | <u>December 31,</u> | |
| | | | <u>2007</u> | <u>2008</u> |
| D. Delta Networks (H.K.) Ltd. (DNHK) | Note G | Equity investments | 59.51% | 60.20% |
| (A) Delta Networks (Dongguan) Ltd. (DII) | Note H | Manufacturing and sales of other radio transmission apparatus, incorporating reception apparatus and other radio-broadcast receivers, combined with sound recording or reproducing apparatus | 59.51% | 60.20% |
| (B) Delta Networks (Wujiang) Ltd. (DNW) | Note I | Manufacturing and sales of other radio transmission apparatus, incorporating reception apparatus and other radio-broadcast receivers, combined with sound recording or reproducing apparatus | 59.51% | 60.20% |
| (C) Delta Networks (Shanghai) Ltd. (DNS) | Note J | Design computer software | 59.51% | 60.20% |
| 3. Deltronics (Netherlands) B.V. (DEN) | Note A | Trading of equipment, components and materials of telecom and computer systems | 100.00% | 100.00% |

| <u>Name of company</u> | <u>Relationship</u> | <u>Main activities</u> | <u>% of shares held as of</u> | |
|--|---------------------|---|-------------------------------|-------------|
| | | | <u>2007</u> | <u>2008</u> |
| 4. Delta Optoelectronics, Inc. (Delta Optoelectronics) | Note A | Manufacturing of displays with polymer light emission display (PLED) and carbon nano-tube electronic emitter (ENT) technology | 95.54% | Note N |
| 5. DelSolar Co., Ltd. (DelSolar) | " | Manufacturing of solar batteries and related systems | 54.75% | 53.22% |
| 6. NuLight Technology Co. (NuLight) | Note K | Manufacturing of electronic products and audio components | 53.39% | Note O |
| 7. PreOptix Co., Ltd. (PreOptix) | Note A | Manufacturing and sales of lenses and optical engines for projectors | - | 75.00% |
| (1) PreOptix (Hong Kong) Co., Ltd. (PHK) | Note L | Equity investments | - | 75.00% |
| (A)PreOptix (Jiang Su) Co., Ltd. | Note M | Manufacturing and sales of lenses and optical engines for projectors | - | 75.00% |

Note A: Majority-owned subsidiary.

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

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

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

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

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

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

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

Note I: It became the subsidiary of DNHK (originally, the subsidiary of DNI Cayman) in the first quarter of 2008 as a result of investment restructuring.

Note J: It became the subsidiary of DNHK (originally, the subsidiary of DNI Cayman) in the second quarter of 2008 as a result of investment restructuring.

Note K: The combined ownership percentage of NuLight Technology Corporation's common shares held by the Company and Delta Optoelectronics Inc. was more than 50%.

Note L: A subsidiary of PreOptix Co., Ltd. (PreOptix).

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

Note N: Dissolved by a resolution approved during the special shareholder's meeting on December 12, 2007 and is under the process of liquidation effective January 18, 2008. From then on, Delta Optoelectronics ceased to be accounted for under the equity method and was excluded from the consolidated financial statements.

Note O: Dissolved by a resolution approved during the special shareholder's meeting on April 18, 2008 and is under the process of liquidation effective April 20, 2008. From then on, Nulight ceased to be accounted for under the equity method and was excluded from the consolidated financial statements.

A. The financial statements of DEN, NPL and ALN for the years ended December 31, 2007 and 2008 were audited by other independent accountants. The total assets of these subsidiaries as of December 31, 2007 and 2008 were \$718,468 and \$596,215, constituting 0.61% and 0.51% of the consolidated total assets, respectively, and the related total operating revenues were \$1,639,658, and \$1,896,736 constituting 1.26% and 1.33% of the consolidated operating revenues for the years ended December 31, 2007 and 2008, respectively.

B. The shares of DNI Cayman were listed on the Stock Exchange of Hong Kong Limited since July 6, 2007. DNI Cayman issued 359,200 thousand shares of new common stock at HK\$4.5 (in dollars) per share. In July 2007, DNH, the subsidiary of the Company, sold 75,184 thousand shares of DNI Cayman's common stock to the underwriter at HK\$4.5 (in dollars) per share through the exercise of Over-Allotment Option. The gain on disposal of shares was \$936,436.

3) Changes in the consolidated subsidiaries

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

| <u>Name of company</u> | <u>Relationship</u> | <u>Main activities</u> | <u>% of shares held as of</u> | | |
|---|---------------------|------------------------------|-------------------------------|-------------|--|
| | | | <u>December 31,</u> | | |
| | | | <u>2007</u> | <u>2008</u> | |
| PreOptix Co., Ltd. (PreOptix) | Note A | Please refer to Note 1.2) | - | 75.00% | |
| (1) PreOptix (Hong Kong) Co., Ltd. (PHK) | Note B | " | - | 75.00% | |
| (A)PreOptix (Jiang Su) Co., Ltd. | Note C | " | - | 75.00% | |

Note A: Majority-owned subsidiary.

Note B: A subsidiary of PreOptix Co., Ltd. (PreOptix).

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

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

| <u>Name of company</u> | <u>Relationship</u> | <u>Main activities</u> | <u>% of shares held as of</u> | | <u>Note</u> |
|--|---------------------|------------------------------|-------------------------------|-------------|-------------|
| | | | <u>December 31,</u> | | |
| | | | <u>2007</u> | <u>2008</u> | |
| Delta Optoelectronics, Inc. (Delta Optoelectronics) | Note A | Please refer to Note 1.2) | 95.54% | Note C | - |
| NuLight Technology Co. (NuLight) | Note B | " | 53.39% | Note D | - |

Note A: Majority-owned subsidiary.

Note B: Majority-owned subsidiary.

Note C: Dissolved by a resolution approved during the special shareholder's meeting on December 12, 2007 and is under the process of liquidation effective January 18, 2008. From then on, Delta Optoelectronics ceased to be accounted for under the equity method and was excluded from the consolidated financial statements.

Note D: Dissolved by a resolution approved during the special shareholder's meeting on April 18, 2008 and is under the process of liquidation effective April 20, 2008. From then on, Nulight ceased to be accounted for under the equity method and was 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.
- 9) Details of the parent's stock that is held by the subsidiary: None.
- 10) The related information regarding a subsidiary's issuance of convertible bonds and new common stock: The issuance of convertible bonds and new common stock by subsidiaries had no significant effects on stockholders' equity of the parent company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1) Basis for preparation of consolidated financial statements

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

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

2) Translation of financial statements of foreign subsidiaries

Assets and liabilities of 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 is carried

forward from prior year's ending retained earnings. Dividends are translated at the rates prevailing at the date of declaration. Profit and loss accounts are translated using the weighted-average rate for the year. Exchange differences are recorded as cumulative translation adjustments and are included as a component of the stockholders' equity.

3) Foreign currency transactions

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

4) Classification of current and non-current items

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

6) Settlement date accounting

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

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

- 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.

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.

9) Financial assets carried at cost

- A. Investment in unquoted equity instruments is recognized or derecognized using trade date accounting and is stated initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- 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.

10) Investments in bonds without active markets

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

11) Derivative financial instruments for hedging

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

- A. Fair value hedges: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss. Changes in the fair value of the hedged asset or liability that are attributable to the hedged item are recognized in profit or loss as an adjustment to the carrying amount of the hedged item.
- B. Cash flow hedges: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity.
- a) If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized directly in equity are transferred to profit or loss in the same period or periods when the hedged item affects profit or loss.
- b) If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized directly in equity, are reversed and included in the initial cost or other carrying amount of the asset or liability.

12) Allowance for doubtful accounts

- 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 a percentage range for overdue accounts receivable based on the aging analysis. The related percentages of provision recognized were as follows:

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

(Note) Effective April 1, 2008, the Group adjusted the percentage of provision for accounts over 365 days from 80% to 100%

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

13) Inventories

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. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized effective January 1, 2006. Retrospective adjustment of the amount of goodwill amortized in previous years is not required. The excess of acquired net asset value of investee over the initial investment cost is allocated proportionately and applied as a reduction to the book values of identifiable non-current assets, and any remaining amount of such excess after this allocation is credited to Extraordinary gains. However, negative goodwill prior to December 31, 2005 is continuously amortized.

- b) Pursuant to EITF 92-047 of the Accounting Research and Development Foundation of the Republic of China, for shares transfer among parent company and subsidiaries, the carrying value of long-term investments transferred is the book value of the investment. The difference between payment for the equity and acquisition cost is recorded as capital reserve or retained earnings.
- c) Exchange differences arising from translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as “cumulative translation adjustments” under stockholders’ equity.
- d) The Company credits long-term equity investments accounted for under the equity method when cash dividends are declared by investee companies on ex-dividend date.

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.

Salvage value of the fully depreciated assets that are still in use is depreciated based on the re-estimated economic service lives.

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

The estimated useful lives of fixed assets are 2 to 8 years, except for buildings which are 5 to 55 years.
- 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. “Assets leased to others” were reclassified to “other assets” at their carrying value. Depreciation expense incurred in current period is accounted for as non-operating expense.

16) Intangible assets

Intangible assets, mainly patents, technology authorization fee and land use right, acquired in Mainland China are amortized on a straight-line basis over the period of contractual or other legal rights.

17) Deferred charges

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

18) 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.

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 Company and subsidiaries registered in Taiwan adopt the inter-period and intra-period allocation of income tax. Over or under provision of prior years' income tax liabilities is included in the current year's income tax expense.
- 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. 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.
- D. The Company and subsidiaries registered in Taiwan adopt the "Income Basic Tax Act". If the amount of regular income tax is equal or more than the amount of basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas, if the amount of regular income tax is less than the amount of basic tax, the income tax payable shall be equal to the basic tax. The difference between the regular income tax and basic tax shall not be subject to deductions of investment tax credits granted under the provisions of other laws.
- E. Some of the Company's overseas subsidiaries adopt the liability method.

21) Share-based payment — employee compensation plan

- A. The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF 92-070, EITF 92-071 and EITF 92-072 of the Accounting Research and Development Foundation, R.O.C., dated March 17, 2003. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share is prepared under the fair value method.

B. For the grant date of the share-based payment agreements set on or after January 1, 2008, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

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

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

23) Earnings per share

A. The Company's capital structure is a complex capital structure. Pursuant to the R.O.C. SFAS No. 24, "Accounting for Earnings Per Share", an enterprise with complex capital structure shall present both basic EPS and diluted EPS. The calculations of basic EPS and diluted EPS are as follows:

- a) Basic EPS: The amount of earnings (or loss) per share is computed by dividing the amount of net income (or loss) attributable to common stock outstanding for the reporting period by the weighted average number of common shares outstanding during that period.
- b) Diluted EPS: The calculation of diluted EPS is consistent with the calculation of basic EPS assuming that all dilutive potential common shares

have been converted into common shares at the beginning of the reporting period and the amount of net income (or loss) attributable to common stock outstanding for the reporting period has been adjusted by the after-tax effect of any other changes in income or expense that would result from the conversion of the dilutive potential common shares.

- B. The Company's potential common shares are the employee stock options issued by the Company and employees' bonus that could be distributed in the form of stock. The treasury stock method will be used to test whether or not potential common shares have dilutive effect in calculating diluted EPS.

24) Revenue, cost and expense recognition

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

25) 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) Share-based payment — employee compensation plan

Effective January 1, 2008, the Group adopted R.O.C. SFAS No. 39, "Accounting for Share-based Payment". The adoption of SFAS No. 39 had no significant impact on the consolidated financial statements as of and for the year ended December 31, 2008.

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

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. As a result

of the adoption of EITF 96-052, consolidated net income decreased by \$2,091,649 and basic earnings per share decreased by \$0.96 (in dollars), respectively, for the year ended December 31, 2008.

4. **DETAILS OF SIGNIFICANT ACCOUNTS**

1) **Cash and cash equivalents**

| | <u>December 31,</u> | |
|---|---------------------|---------------------|
| | <u>2007</u> | <u>2008</u> |
| Cash on hand | \$ 6,324 | \$ 6,381 |
| Checking and demand deposits | 4,318,702 | 16,122,205 |
| Time deposits | 30,653,195 | 26,717,812 |
| Cash equivalents-commercial paper and government bonds | <u>3,625,292</u> | <u>247,340</u> |
| | <u>\$38,603,513</u> | <u>\$43,093,738</u> |

As of December 31, 2007 and 2008, the Group's overseas checking and demand deposits were \$1,864,370 (USD \$53,909 thousand, HKD \$15,546 thousand, JPY \$94,800 thousand, THB\$14 thousand, MOP \$443 thousand, PLN \$4 thousand and EUR \$459 thousand) and \$11,727,785 (USD \$350,866 thousand, HKD \$23,510 thousand, JPY \$304,050 thousand, THB\$14 thousand, PLN \$3 thousand and EUR \$38 thousand), respectively. The overseas time deposits were \$9,787,741 (USD \$293,771 thousand, HKD \$27,522 thousand and JPY \$500,000 thousand) and \$12,591,535 (USD \$382,878 thousand, HKD \$6,013 thousand), respectively.

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

| | <u>December 31,</u> | |
|--|---------------------|------------------|
| | <u>2007</u> | <u>2008</u> |
| Current items: | | |
| Financial assets held for trading | | |
| Listed stocks | \$ 11,746 | \$ 11,746 |
| Derivatives | <u>169</u> | <u>-</u> |
| | 11,915 | 11,746 |
| Adjustment of financial assets held for trading | <u>86,506</u> | <u>31,745</u> |
| | <u>\$ 98,421</u> | <u>\$ 43,491</u> |

A. The Group recognized a net gain of \$299,385 (including the gain from disposal of open-ended mutual funds) and \$364,990 for the years ended December 31, 2007 and 2008, respectively.

B. The nature of derivative transactions and related information are summarized as follows:

| <u>Financial instruments</u> | <u>December 31, 2007</u> | |
|-----------------------------------|---|------------------------|
| | <u>Contract amount (Nominal principal) (in thousands)</u> | <u>Contract period</u> |
| Forward exchange contracts: | | |
| Sell USD/Buy TWD | USD 145,000 | 2007.11.21~2008.03.14 |
| Buy USD/Sell TWD | USD 145,000 | 2007.11.21~2008.03.13 |
| Sell USD/Buy RMB | USD 110,000 | 2007.01.05~2008.11.12 |
| Buy USD/Sell RMB | USD 100,000 | 2007.01.05~2008.10.13 |
| Forward currency option contracts | USD 2,000 | 2007.12.26~2008.01.02 |

| <u>Financial instruments</u> | <u>December 31, 2008</u> | |
|----------------------------------|---|------------------------|
| | <u>Contract amount (Nominal principal) (in thousands)</u> | <u>Contract period</u> |
| Multiple-stage inflating forward | USD 4,500 (Notes A and B) | 2008.10.20~2009.01.22 |
| Forward exchange contracts: | | |
| Buy USD/Sell RMB | USD 80,000 | 2008.10.06~2009.12.01 |
| Sell USD/Buy JPY | USD 500 | 2008.12.31~2009.02.13 |

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 2 and the maximum exercise principal will become USD 9 million.

- (1) 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 did not meet the criteria for hedge accounting. Therefore, the Group did not apply hedge accounting.
- (2) The subsidiaries entered into multiple-stage inflating forward to manage exposures to foreign exchange rate fluctuations of import or export sales.

However, the multiple-stage inflating forward did not meet the criteria for hedge accounting. Therefore, the subsidiaries did not apply hedge accounting.

(3) The Company 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 Company did not apply hedge accounting.

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

3) Accounts receivable and overdue receivables

| | <u>December 31,</u> | |
|---|----------------------|----------------------|
| | <u>2007</u> | <u>2008</u> |
| Accounts receivable | \$ 27,514,899 | \$ 22,922,480 |
| Less: Allowance for doubtful accounts | (45,781) | (112,011) |
| | <u>27,469,118</u> | <u>22,810,469</u> |
| Overdue receivables (shown as other assets) | 43,088 | 62,105 |
| Less: Allowance for doubtful accounts | (43,088) | (62,105) |
| | <u>-</u> | <u>-</u> |
| | <u>\$ 27,469,118</u> | <u>\$ 22,810,469</u> |

4) Inventories

| | <u>December 31,</u> | |
|---|---------------------|---------------------|
| | <u>2007</u> | <u>2008</u> |
| Raw materials | \$ 3,720,748 | \$ 2,898,633 |
| Work in process | 1,178,709 | 948,598 |
| Finished goods | 4,993,033 | 5,448,437 |
| Inventory in transit | <u>470,517</u> | <u>608,067</u> |
| | 10,363,007 | 9,903,735 |
| Less: Allowance for inventory obsolescence and market price decline | (399,808) | (658,782) |
| | <u>\$ 9,963,199</u> | <u>\$ 9,244,953</u> |

5) Available-for-sale financial assets

| | <u>December 31,</u> | |
|---|---------------------|-------------------|
| | <u>2007</u> | <u>2008</u> |
| Current items: | | |
| Listed (TSE and OTC) stocks | \$ 171,029 | \$ 397,808 |
| Adjustment of available-for-sale financial assets | <u>296,982</u> | <u>22,648</u> |
| | <u>\$ 468,011</u> | <u>\$ 420,456</u> |
| Non-current items: | | |
| Listed (TSE and OTC) stocks | \$ 842,922 | \$ 453,769 |
| Adjustment of available-for-sale financial assets | <u>522,088</u> | <u>(374,613)</u> |
| | <u>\$ 1,365,010</u> | <u>\$ 79,156</u> |

6) Financial assets carried at cost

| | <u>December 31,</u> | |
|------------------------------|---------------------|---------------------|
| | <u>2007</u> | <u>2008</u> |
| Non-current items: | | |
| Unlisted stocks | \$ 953,408 | \$ 1,273,631 |
| Less: Accumulated impairment | <u>(247,463)</u> | <u>(33,121)</u> |
| | <u>\$ 705,945</u> | <u>\$ 1,240,510</u> |

- (1) The investments held by the Group were measured at cost since the fair value cannot be measured reliably.
- (2) The net asset value of Quintum Technologies, Inc., Ezonics Corporation, Primarion, Inc., MHCC IT Fund 2000, Lightech Fiberoptic, Inc. and Asante Technologies Inc. held by DIH and DNH was lower than the cost. Accordingly, an impairment loss of \$229,221 and \$7,053 was recognized in profit or loss for the years ended December 31, 2007 and 2008, respectively.

7) Investments in bonds without active markets

| | <u>December 31,</u> | |
|--------------------------|---------------------|---------------------|
| | <u>2007</u> | <u>2008</u> |
| Non-current item: | | |
| Structured time deposits | <u>\$ 7,135,700</u> | <u>\$ 1,148,700</u> |

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

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>2007</u> | | <u>2008</u> | |
| | <u>%</u> | <u>Book value</u> | <u>%</u> | <u>Book value</u> |
| Delta Electronics (Thailand) Public Co., Ltd. (DET) (Note B) | 20.93 | \$ 4,831,288 | 20.93 | \$ 4,957,003 |
| Cyntec Co., Ltd. (Cyntec) | 34.22 | 1,179,337 | 33.28 | 1,296,484 |
| Trillion Science, Inc. (Trillion) | 40.98 | 576,044 | 40.93 | 530,770 |
| Amita Technologies, Inc. (Amita) | - | - | 37.47 | 398,707 |
| NeoEnergy Microelectronics, Inc. (NeoEnergy), etc. | - | - | - | 44,210 |
| | | <u>\$ 6,586,669</u> | | <u>\$ 7,227,174</u> |

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

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

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

| <u>Name of investee company</u> | <u>For the years ended December 31,</u> | |
|---------------------------------|---|-------------------|
| | <u>2007</u> | <u>2008</u> |
| DET | \$ 507,824 | \$ 549,335 |
| Cyntec | 245,673 | 229,012 |
| Trillion, etc. | (3,408) | (83,231) |
| | <u>\$ 750,089</u> | <u>\$ 695,116</u> |

- (3) The financial statements of other investee companies for the years ended December 31, 2007 and 2008 were audited by other independent accountants. Long-term equity investments in these companies amounted to \$5,407,332 and \$5,926,150 as of December 31, 2007 and 2008, respectively, and the related investment income was \$504,416 and \$466,104 for the years then ended, respectively.

- (4) Grand Advance Technology Ltd. had been dissolved during 2005. The process of liquidation has been completed in the fourth quarter of 2008.

- (5) Delta Optoelectronics and NuLight were dissolved based on a resolution approved during the special shareholder's meeting on December 12, 2007 and April 18, 2008, respectively, and are under the process of liquidation effective January 18, 2008 and April 20, 2008, respectively. Pursuant to EITF 88-233 of the Accounting Research and Development Foundation, R.O.C., dated December 29, 1999, "Accounting Treatment of Investee Company Accounted for under the Equity Method during Liquidation", these subsidiaries ceased to be accounted for under the equity method and were excluded from the consolidated financial statements.

9) Property, plant and equipment

| Item | December 31, 2007 | | | | | |
|--|----------------------|---------------------|----------------------|--------------------------|------------------------|---------------------|
| | Original cost | Appraisal increment | Total | Accumulated depreciation | Accumulated impairment | Net book value |
| Land | \$ 1,262,805 | \$ 291,338 | \$ 1,554,143 | \$ - | (\$ 4,584) | \$ 1,549,559 |
| Buildings | 9,243,448 | - | 9,243,448 | (1,831,317) | - | 7,412,131 |
| Machinery and equipment | 12,389,872 | - | 12,389,872 | (5,768,147) | (265,343) | 6,356,382 |
| Molding equipment | 1,290,253 | - | 1,290,253 | (957,431) | (6,388) | 326,434 |
| Computer and communication equipment | 919,337 | - | 919,337 | (818,717) | (15,250) | 85,370 |
| Testing equipment | 5,306,077 | - | 5,306,077 | (3,755,687) | (36,945) | 1,513,445 |
| Transportation equipment | 141,181 | - | 141,181 | (96,895) | (492) | 43,794 |
| Office equipment | 1,497,701 | - | 1,497,701 | (1,029,251) | (7,077) | 461,373 |
| Leasehold improvements | 383,129 | - | 383,129 | (92,805) | (82,801) | 207,523 |
| Other equipment | 20,887 | - | 20,887 | (3,380) | (16,594) | 913 |
| Construction in progress and prepayments for equipment | 889,494 | - | 889,494 | - | - | 889,494 |
| | <u>\$ 33,344,184</u> | <u>\$ 291,338</u> | <u>\$ 33,635,522</u> | <u>(\$ 14,353,630)</u> | <u>(\$ 435,474)</u> | <u>\$18,846,418</u> |

| Item | December 31, 2008 | | | | | |
|--|----------------------|---------------------|----------------------|--------------------------|------------------------|---------------------|
| | Original cost | Appraisal increment | Total | Accumulated depreciation | Accumulated impairment | Net book value |
| Land | \$ 1,654,542 | \$ 407,007 | \$ 2,061,549 | \$ - | (\$ 4,128) | \$ 2,057,421 |
| Buildings | 9,719,960 | - | 9,719,960 | (2,269,810) | (1,620) | 7,448,530 |
| Machinery and equipment | 12,856,518 | - | 12,856,518 | (6,312,866) | - | 6,543,652 |
| Molding equipment | 1,448,980 | - | 1,448,980 | (1,155,661) | - | 293,319 |
| Computer and communication equipment | 1,006,484 | - | 1,006,484 | (757,849) | - | 248,635 |
| Testing equipment | 6,622,990 | - | 6,622,990 | (4,685,030) | - | 1,937,960 |
| Transportation equipment | 175,705 | - | 175,705 | (107,534) | - | 68,171 |
| Office equipment | 1,639,476 | - | 1,639,476 | (1,207,827) | - | 431,649 |
| Leasehold improvements | 251,918 | - | 251,918 | (139,150) | - | 112,768 |
| Other equipment | 13,229 | - | 13,229 | (567) | - | 12,662 |
| Construction in progress and prepayments for equipment | 3,186,542 | - | 3,186,542 | - | - | 3,186,542 |
| | <u>\$ 38,576,344</u> | <u>\$ 407,007</u> | <u>\$ 38,983,351</u> | <u>(\$ 16,636,294)</u> | <u>(\$ 5,748)</u> | <u>\$22,341,309</u> |

(1) The Company made revaluation of its assets in accordance with the relevant laws and regulations. As of December 31, 2008, the revaluation increment amounted to \$407,007, after deducting the provision for land revaluation increment tax of \$47,391 which was recorded under capital reserve. As of December 31, 2008, "asset revaluations" amounted to \$359,616.

(2) DEJ, an indirect majority-owned subsidiary, recognized impairment loss of \$4,584 for the year ended December 31, 2007 as the market value of the land located at Tokyo, Japan was lower than the book value.

(3) DWH, an indirect majority-owned subsidiary of the Company, capitalized interest to property, plant and equipment in the amount of \$44,868 for the year ended December 31, 2008.

(4) Nulight, a subsidiary of the Company, recognized an impairment loss of \$430,890 for the year ended December 31, 2007.

10) Assets leased to others

| December 31, 2007 | | | | |
|-------------------|----------------------|---------------------------------|-------------------------------|-----------------------|
| | <u>Original cost</u> | <u>Accumulated depreciation</u> | <u>Accumulated impairment</u> | <u>Net book value</u> |
| Land | \$ 32,966 | \$ - | (\$ 9,219) | \$ 23,747 |
| Buildings | 17,905 | (4,972) | (3,617) | 9,316 |
| | <u>\$ 50,871</u> | <u>(\$ 4,972)</u> | <u>(\$ 12,836)</u> | <u>\$ 33,063</u> |
| December 31, 2008 | | | | |
| | <u>Original cost</u> | <u>Accumulated depreciation</u> | <u>Accumulated impairment</u> | <u>Net book value</u> |
| Land | \$ 41,341 | \$ - | (\$ 11,561) | \$ 29,780 |
| Buildings | 31,215 | (6,863) | (4,535) | 19,817 |
| | <u>\$ 72,556</u> | <u>(\$ 6,863)</u> | <u>(\$ 16,096)</u> | <u>\$ 49,597</u> |

DEJ, an indirect majority-owned subsidiary, recognized an impairment loss of \$12,836 for the year ended December 31, 2007 as the market value of the land located at Tokyo, Japan was lower than the book value.

11) Asset impairment

The subsidiaries recognized an impairment loss of \$679,227 and \$7,907 for the years ended December 31, 2007 and 2008, respectively. Details are set forth below:

| <u>Item</u> | <u>For the year ended December 31, 2007</u> | |
|----------------------------------|---|--|
| | <u>Amount included in statement of income</u> | <u>Amount included in stockholders' equity</u> |
| Impairment loss: | | |
| Property, plant and equipment | \$ 435,474 | \$ - |
| Financial assets carried at cost | 229,221 | - |
| Assets leased to others | 12,836 | - |
| Other intangible assets | 1,696 | - |
| | <u>\$ 679,227</u> | <u>\$ -</u> |

| Item | For the year ended December 31, 2008 | |
|----------------------------------|---|--|
| | Amount included in statement of income | Amount included in stockholders' equity |
| Impairment loss: | | |
| Financial assets carried at cost | \$ 7,053 | \$ - |
| Other intangible assets | 800 | |
| Property, plant and equipment | 54 | |
| | <u>\$ 7,907</u> | <u>\$ -</u> |

12) Short-term loans

| | December 31, | |
|-------------------------|----------------------|----------------------|
| | 2007 | 2008 |
| Unsecured bank loans | \$ 4,043,062 | \$ 6,436,647 |
| Secured bank loans | - | 656,400 |
| | <u>\$ 4,043,062</u> | <u>\$ 7,093,047</u> |
| Credit lines | <u>\$ 30,843,363</u> | <u>\$ 38,158,543</u> |
| Interest rate per annum | <u>1.09%~6.48%</u> | <u>1.14%~5.544%</u> |

13) Financial liabilities at fair value through profit or loss

| | December 31, | |
|--|-----------------|------------------|
| | 2007 | 2008 |
| Current items: | | |
| Financial liabilities held for trading | | |
| Derivatives | \$ 170 | \$ - |
| Adjustment of financial liabilities held for trading | 2,300 | 83,750 |
| | <u>\$ 2,470</u> | <u>\$ 83,750</u> |

(1) The Group recognized a net loss of \$4,746 and \$14,102 for the years ended December 31, 2007 and 2008, respectively.

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

| December 31, 2007 | | | |
|--|-----------------------|--------|--|
| Contract amount (Nominal principal) | | | |
| <u>Financial instruments</u> | <u>(in thousands)</u> | | <u>Contract period</u> |
| Multiple-stage inflating forward | USD | 18,000 | 2007. 12. 10~2008. 02. 22 (Notes A and B) |
| Multiple-stage inflating forward | USD | 2,000 | 2007. 12. 06~2008. 01. 08 (Notes A and C) |
| Forward currency option contracts | USD | 12,500 | 2007. 11. 06~2008. 03. 13 |

| December 31, 2008 | | | |
|--|-----------------------|--------|--|
| Contract amount (Nominal principal) | | | |
| <u>Financial instruments</u> | <u>(in thousands)</u> | | <u>Contract period</u> |
| Multiple-stage inflating forward | USD | 563 | 2008. 12. 04~2009. 02. 20 (Notes A and D) |
| Multiple-stage inflating forward | EUR | 3,700 | 2008. 11. 03~2009. 02. 13 (Notes A and E) |
| Forward exchange contracts: | | | |
| Buy USD/Sell RMB | USD | 90,000 | 2008. 10. 14~2009. 12. 03 |
| Sell USD/Buy RMB | USD | 90,000 | 2008. 06. 19~2009. 09. 11 |
| Buy USD/Sell EUR | EUR | 500 | 2008. 12. 16~2009. 03. 17 |
| Buy USD/Sell KRW | USD | 481 | 2008. 12. 08~2009. 01. 20 |

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 and the maximum exercise principal will become USD27 million.

Note C: If the exchange rate is above the predetermined exchange rate, the nominal principal will be multiplied by 2 and the maximum exercise principal will become USD4 million.

Note D: If the exchange rate is above the predetermined exchange rate, the nominal principal will be multiplied by 2 and the maximum exercise principal will become USD 1.125 million.

Note E: If the exchange rate is above the predetermined exchange rate, the nominal principal will be multiplied by 2 and the maximum exercise principal will become USD 7.4 million.

- (1) The Group entered into multiple-stage inflating forward to manage exposures to foreign exchange rate fluctuations of export sales. However, these transactions did not meet all the criteria for hedge accounting. Therefore, the Group did not apply the hedge accounting.
- (2) The subsidiaries entered into forward exchange contracts to manage exposures to foreign exchange rate fluctuations of imports or export sales. However, these transactions did not meet all the criteria for hedge accounting. Therefore, the subsidiaries did not apply the hedge accounting.
- (3) The Group entered into forward currency option contracts to manage exposures to foreign exchange rate fluctuations of imports or 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.
- (4) The Group entered into forward exchange contracts to manage exposures to foreign exchange rate fluctuations of imports or export sales which meet all the criteria for hedge accounting. The related information is described in Note 10. 9).

14) Long-term loans

| | December 31, | |
|-------------------------|--------------|-----------|
| | 2007 | 2008 |
| Unsecured bank loans | \$ - | \$ 65,640 |
| Interest rate per annum | - | 4.67% |

15) Accrued pension liabilities

- (1) The Company, DelSolar, Delta Optoelectronics and DNIT (collectively referred herein as the subsidiaries registered in Taiwan) have a non-contributory and funded defined benefit plan in accordance with the Labor Standards Law, covering all regular employees before the implementation of the Labor Pension Act on July 1, 2005. The defined benefit plan will continue to cover the employees who choose to remain with the defined benefit plan. Upon retirement, pension payments are calculated based on total years of service and average salary of the last six months prior to retirement. Two base units are earned for the first 15 years of service and one unit for each additional year thereafter, with a maximum number of 45 units. The Company and these subsidiaries contribute 2% of the employees' monthly salaries and wages to an independent retirement trust fund with the Bank of Taiwan, the trustee. For the years ended December 31, 2007 and 2008, the net periodic pension costs of the Company and these subsidiaries were \$166,023 and \$127,471, respectively. The balance of the retirement trust fund with the Bank of Taiwan was \$507,586 and \$536,548 as of December 31, 2007 and 2008, respectively. The fund balances are not reflected in the consolidated financial statements.
- (2) The reconciliation of the pension plan's funded status to accrued pension liability of the Company, DelSolar, Delta Optoelectronics and DNIT as of December 31, 2007 and 2008, the respective measurement dates, are as follows:

| | <u>December 31,</u> | |
|------------------------------------|---------------------|---------------------|
| | <u>2007</u> | <u>2008</u> |
| Benefit obligation: | | |
| Vested benefit obligation | (\$ 162,750) | (\$ 215,831) |
| Non-vested benefit obligation | (1,050,840) | (1,191,149) |
| Accumulated benefit obligation | (1,213,590) | (1,406,980) |
| Effect of future salary increments | (550,895) | (820,779) |
| Projected benefit obligation | (1,764,485) | (2,227,759) |
| Fair value of plan assets | <u>507,586</u> | <u>536,548</u> |
| Funded status | (1,256,899) | (1,691,211) |
| Unrecognized transition obligation | 61,619 | 46,194 |
| Unrecognized net pension loss | 407,368 | 788,221 |
| Accrued pension liability | <u>-</u> | <u>(51,583)</u> |
| Accrued pension liability (total) | <u>(\$ 787,912)</u> | <u>(\$ 908,379)</u> |

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

| | <u>2007</u> | <u>2008</u> |
|-------------------------------------|-------------|-------------|
| Discount rate | 3.00%~3.50% | 2.50% |
| Expected return rate on plan assets | 2.50%~3.00% | 2.50% |
| Average rate of salary increase | 2.50%~3.00% | 3.00% |

In 2007 and 2008, the details of net periodic pension cost are as follows:

| | <u>December 31,</u> | |
|--|---------------------|-------------------|
| | <u>2007</u> | <u>2008</u> |
| Service cost | \$ 60,299 | \$ 56,142 |
| Interest cost | 55,235 | 60,088 |
| Expected return on plan assets | (12,087) | (12,676) |
| Amortization of unrecognized transition obligation | 9,531 | 9,239 |
| Unrecognized pension loss | 11,186 | 14,678 |
| Curtailment or settlement loss | 41,859 | - |
| Net pension cost | <u>\$ 166,023</u> | <u>\$ 127,471</u> |

- (3) The subsidiaries, DIH and DNH, do not maintain an employee retirement plan. However, certain subsidiaries of DIH and DNH, located in Mainland China maintain a defined contribution retirement plan covering all employees. Under the plan, the employees of DIH and DNH subsidiaries contribute to a separate fund an amount based on a certain percentage of the monthly basic salary of the employees. Further, each DIH's and DNH's subsidiary also provides pension reserves for its employees for amounts depending on the employee's position. As of December 31, 2007 and 2008, the pension reserves of DIH's and DNH's subsidiaries were \$441,150 and \$653,234, respectively.
- (4) NPL, DEJ and the subsidiaries of DIH and DNH located in the United States have defined contribution plans in accordance with the local regulations.
- (5) Effective July 1, 2005, the Company and the subsidiaries registered in Taiwan have established a defined contribution pension plan under the Labor Pension Act (the "New Plan") for eligible employees holding Republic of China citizenship. The Company and the subsidiaries registered in Taiwan deposit the pension amount based on 6% of the employees' monthly salaries and wages into each employee's personal pension account with the Bureau of

Labor Insurance. For the years ended December 31, 2007 and 2008, the pension costs of the Company and these subsidiaries were \$143,570 and \$160,680, respectively.

16) Common stock

- (1) In accordance with the Company's Articles of Incorporation, the total authorized common stock is 2,500,000,000 shares (including 100,000,000 shares for stock warrants conversion). As of December 31, 2008, the total issued and outstanding common stock was 2,185,046,000 shares with par value of \$10 (in dollars) per share.
- (2) On December 20, 2004, the Board of Directors of the Company adopted a resolution that allowed certain stockholders to issue 16,000,000 units of global depository receipts (GDRs), represented by 80,000,000 shares of common stock (Deposited Shares), a unit of GDRs represents 5 shares of common stock. After obtaining approval from SFB, these GDRs were listed on the Securities Exchange of Luxembourg, with total proceeds of US\$134,666,000. The issuance of GDRs was represented by outstanding shares, therefore, there is no dilutive effect on the common shares' equity. The main terms and conditions of the GDRs are as follows:

A. Voting rights

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

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

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

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

D. Taking into account the stock dividend distribution year by year, there were 531 thousand units outstanding, representing 2,657,000 common shares of the Company's common stock.

(3) The Company issued 60,000,000 units of employee stock options on December 18, 2007, with a unit of employee stock option representing one share of common stock, as resolved by the Board of Directors on October 29, 2007. The exercise price under the stock-based employee compensation plan is based on the closing price of the Company's common stock at the grant date and is subject to adjustments due to changes in the number of common shares and issuance of cash dividends. The vesting period of the Company's employee stock option plan is six years. The employees may exercise the stock options in installments after the stock options are granted for two years.

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

| | <u>For the year ended December 31, 2007</u> | |
|---|---|--|
| <u>Stock options</u> | <u>No. of shares</u> | <u>Weighted-average exercise price (in dollars) (Note)</u> |
| Options outstanding at beginning of year | - | \$ - |
| Options granted | 60,000,000 | 100 |
| Options exercised | - | - |
| Options revoked | - | - |
| Options outstanding at end of year | <u>60,000,000</u> | <u>\$ 100</u> |
| Options exercisable at end of year | <u>-</u> | |
| Options authorized but not granted at end of year | <u>-</u> | |

| <u>Stock options</u> | <u>For the year ended December 31, 2008</u> | |
|---|---|--|
| | <u>No. of shares</u> | <u>Weighted-average exercise price (in dollars) (Note)</u> |
| Options outstanding at beginning of year | 60,000,000 | \$ 90 |
| Options granted | - | - |
| Options exercised | - | - |
| Options revoked | (1,633,000) | 90 |
| Options outstanding at end of year | <u>58,367,000</u> | <u>\$ 90</u> |
| Options exercisable at end of year | <u>-</u> | |
| Options authorized but not granted at end of year | <u>-</u> | |

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

B. Details of the employee stock options outstanding as of December 31, 2007 and 2008 are set forth below:

| <u>Stock options outstanding at December 31, 2007</u> | | | <u>Stock options exercisable at December 31, 2007</u> | | |
|---|---------------|-----------------------------------|---|---------------|--|
| Weighted-average | | | | | |
| Range of exercise price (in dollars) | No. of shares | expected remaining vesting period | Weighted-average exercise price (in dollars) | No. of shares | Weighted-average exercise price (in dollars) |
| \$ 100 | 60,000,000 | 5.96 years | \$ 100 | - | \$ - |

| <u>Stock options outstanding at December 31, 2008</u> | | | <u>Stock options exercisable at December 31, 2008</u> | | |
|---|---------------|-----------------------------------|---|---------------|--|
| Weighted-average | | | | | |
| Range of exercise price (in dollars) | No. of shares | expected remaining vesting period | Weighted-average exercise price (in dollars) | No. of shares | Weighted-average exercise price (in dollars) |
| \$ 90 | 58,367,000 | 4.96 years | \$ 90 | - | \$ - |

C. For the stock options granted (amended) on or after January 1, 2004, the compensation cost is zero using the intrinsic value method. The following sets forth the pro forma net income and earnings per share based on the assumption that the compensation cost is accounted for using the fair value

method.

a) Pricing Model: the Black-Scholes option-pricing

b) Parameters:

| | <u>For the years ended December 31,</u> | |
|--|---|-------------|
| | <u>2007</u> | <u>2008</u> |
| Stock options outstanding as at <u>December 31, 2007 and 2008</u> | | |
| Dividend yield rate | 0% | 0% |
| Expected price volatility | 33.68% | 33.68% |
| Risk-free interest rate | 2.457% | 2.46% |
| Expected vesting period | 4.45 years | 4.45 years |
| Weighted-average fair value per share (in dollars) | \$100 | \$90 |

c) Conclusion:

| | <u>For the years ended December 31,</u> | |
|--|---|----------------------------|
| | <u>2007</u> | <u>2008</u> |
| Stock options outstanding as at <u>December 31, 2007 and 2008</u> | | |
| Weighted-average fair value of stock options per share | \$ 31,7991 (in dollars) | \$ 31,7991 (in dollars) |
| Compensation cost accounted for using the fair value method | \$ 27,413 | \$ 660,589 |

d) Pro forma information:

| | | <u>For the years ended December 31,</u> | |
|---|---|---|---------------|
| | | <u>2007</u> | <u>2008</u> |
| Net income | Net income stated in the statement of income | \$ 15,061,305 | \$ 10,250,915 |
| | Pro forma net income | 15,033,892 | 9,590,326 |
| Basic earnings per share (EPS) (in dollars) | EPS stated in the statement of income | 6.89 | 4.69 |
| | Pro forma EPS | 6.88 | 4.39 |
| Diluted EPS (in dollars) | EPS stated in the statement of income | 6.89 | 4.62 |
| | Pro forma EPS | 6.88 | 4.32 |

17) 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.

18) Legal reserve

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

19) Undistributed earnings

- (1) As stipulated in the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order:
 - A. Payment of all taxes and dues.
 - B. Offset against prior years' operating losses, if any.
 - C. Set aside 10% of the remaining amount as legal reserve.
 - D. Set aside a certain amount as special reserve, if necessary.
 - E. The amount of distributable earnings after deducting items A, B, C and D, plus beginning undistributed earnings (the earnings), shall be distributed in the following percentage according to the resolution approved at the stockholders' meeting:
 - a) Directors' and supervisors' remuneration: up to 1% of the earnings.
 - b) Employees' bonus: at least 3% of the earnings. In addition, 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 should be authorized by the Company's Board of Directors or authorized person.

- c) Stockholders' bonus: balance of the earnings after deducting a) and b).
- (2) 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 with negative balance. Subsequently, the special reserve can be available for distribution after approval of the stockholders after the negative balance in these accounts has been fully recovered.
- (3) As of February 16, 2009, the distribution of 2008 earnings had not been approved by the Company's Board of Directors. The information will be posted in the "Market Observation Post System" of the Taiwan Stock Exchange Corporation.
- (4) The distribution of 2007 earnings was approved by the shareholders on June 13, 2008 which included legal reserve of \$1,506,130, employees' stock bonuses of \$365,000, employees' cash bonuses of \$365,000, stock dividends of \$210,642, cash dividends of \$11,585,295, directors' and supervisors' remuneration of \$16,200, and capitalization of capital reserve of \$210,642. The earnings distribution had been approved by SFB and the Company set July 21, 2008 as the ex-rights/dividend date.
- (5) The Company's dividend policy is summarized below:
- As the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. According to the dividend policy adopted by the Board of Directors, at least 50% of the Company's earnings shall be appropriated as dividends, and cash dividends shall account for at least 5% of the total dividends distributed.
- (6) According to the resolutions adopted at the shareholders' meeting, the Company paid cash dividends of \$4.5 (in dollars) and \$5.5 (in dollars) per share, and stock dividends of \$0.1 (in dollars) and \$0.1 (in dollars) per share in 2007 and 2008, respectively. In addition, the stockholders at the 2007 and 2008 annual meeting declared the distribution of stock dividends through capitalization of capital reserve for \$0.4 (in dollars) and \$0.1 (in dollars) per share, respectively.

(7) The Group's estimated amounts of employees' bonus and directors' and supervisors' remuneration for 2008 are \$2,196,262 and \$28,957, respectively, and are recognized as operating costs or operating expenses for 2008. While, if the estimated amounts are different from the amounts approved by the stockholders subsequently, the difference is recognized as gain or loss in 2009.

The basis of estimates is based on a certain percentage of undistributed earnings as of December 31, 2008. The calculation of shares of stock bonus distributed will be based on the closing price of the Company's common stock at the previous day of the 2009 stockholders' meeting after taking into account the effects of ex-rights and ex-dividends.

(8) For the distribution of 2007 and 2006 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 (1). E.
- B. The appropriation of 2007 earnings included employees' cash bonus of \$365,000, stock bonus of \$365,000, and directors' and supervisors' remuneration of \$16,200. Employees' stock bonus of 36,500 thousand shares constituted 1.73% of the outstanding shares as at December 31, 2007. The appropriation of 2006 earnings included employees' cash bonus of \$192,500, stock bonus of \$385,000, and directors' and supervisors' remuneration of \$16,700. Employees' stock bonus of 38,500 thousand shares constituted 1.95% of the outstanding shares as at December 31, 2006.

The effect on the 2006 and 2007 earnings per share (EPS) is as follows:

| | <u>2006 EPS</u> | | <u>2007 EPS</u> | |
|---|-----------------|----------------|-----------------|----------------|
| | <u>Basic</u> | <u>Diluted</u> | <u>Basic</u> | <u>Diluted</u> |
| Original EPS in the financial statements of current year | \$ 5.76 | \$ 5.76 | \$ 7.94 | \$ 7.94 |
| Effect of employees' bonus and directors' and supervisors' remuneration | (0.31) | (0.31) | (1.14) | (1.14) |
| Pro forma EPS | <u>\$ 5.45</u> | <u>\$ 5.45</u> | <u>\$ 6.80</u> | <u>\$ 6.80</u> |

C. The distribution of 2006 and 2007 earnings approved at the stockholders' meeting was the same as that proposed at the Board of Directors' meeting.

(9) 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.

(10) As of December 31, 2007 and 2008, details on tax credits of the Company are as follows:

| | December 31, | |
|---------------------------------------|--------------|--------------|
| | 2007 | 2008 |
| Imputation tax credit account balance | \$ 60,682 | \$ 108,681 |
| Creditable tax ratio | <u>2.29%</u> | <u>1.56%</u> |

(11) As of December 31, 2007 and 2008, the undistributed earnings are as follows:

| | December 31, | |
|--------------------------------|----------------------|----------------------|
| | 2007 | 2008 |
| Before January 1, 1998 | \$ 685,952 | \$ 685,952 |
| On and after January 1, 1998 | | |
| -10% additional tax assessed | 1,613,881 | 2,626,919 |
| -10% additional tax unassessed | <u>15,061,305</u> | <u>10,250,915</u> |
| | <u>\$ 17,361,138</u> | <u>\$ 13,563,786</u> |

20) Income tax

1. Deferred income tax assets and liabilities as of December 31, 2007 and 2008 are as follows:

| | December 31, | |
|---|---------------------|---------------------|
| | 2007 | 2008 |
| (A) Total deferred income tax assets | <u>\$ 3,312,686</u> | <u>\$ 2,901,530</u> |
| (B) Valuation allowance | <u>\$ 1,885,754</u> | <u>\$ 1,357,671</u> |
| (C) Total deferred income tax liabilities | <u>\$ 5,602,383</u> | <u>\$ 6,826,476</u> |

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

| | December 31, 2007 | | December 31, 2008 | |
|--|--------------------|-------------------------|--------------------|-------------------------|
| | Original amount | Tax effect | Original amount | Tax effect |
| Current: | | | | |
| Allowance for inventory obsolescence | \$ 137,425 | \$ 34,357 | \$ 212,110 | \$ 45,184 |
| Unrealized exchange loss | 382,062 | 95,515 | 7,736 | 1,934 |
| Others | 40,418 | 10,105 | (955,965) | (243,306) |
| Loss carryforwards | 153,333 | 38,333 | - | - |
| Investment tax credits | | <u>197,092</u> | | <u>445,755</u> |
| | | 375,402 | | 249,567 |
| Less: Valuation allowance - current | | (<u>205,298</u>) | | (<u>289,849</u>) |
| Net deferred income tax assets (liabilities) - current | | <u>\$ 170,104</u> | | (<u>\$ 40,282</u>) |
| | | | | |
| | December 31, 2007 | | December 31, 2008 | |
| | Original amount | Tax effect | Original amount | Tax effect |
| Non-current: | | | | |
| Investment income accounted for under the equity method, net | (\$ 22,384,963) | (\$ 5,596,241) | (\$ 26,188,596) | (\$ 6,547,149) |
| Depreciation difference between tax and financial book | 484,656 | 121,164 | 1,084,208 | 271,052 |
| Unfunded pension | 787,474 | 196,869 | 856,739 | 214,185 |
| Loss carryforwards | 1,257,082 | 314,270 | 68,656 | 17,164 |
| Assets impairment | 494,020 | 123,505 | 35,554 | 8,889 |
| Others | 126,967 | 31,742 | 143,597 | 35,898 |
| Investment tax credits | | <u>2,143,607</u> | | <u>1,825,448</u> |
| | | (<u>2,665,084</u>) | | (<u>4,174,513</u>) |
| Less: Valuation allowance - non-current | | (<u>1,680,471</u>) | | (<u>1,067,822</u>) |
| Net deferred income tax liabilities - non-current | | <u>(\$ 4,345,555)</u> | | <u>(\$ 5,242,335)</u> |

3. As of December 31, 2007 and 2008, income tax payable (refundable) is computed as follows:

| | <u>For the years ended December 31,</u> | |
|--|---|-------------------|
| | <u>2007</u> | <u>2008</u> |
| Current year's income tax expense | \$ 2,400,301 | \$ 2,524,109 |
| Effect of deferred income tax | (1,280,502) | (1,107,166) |
| Interest income subject to separate tax | (6,602) | (1,585) |
| Over provision of income tax in prior years, net | 12,120 | 14,493 |
| Prepaid income tax | (668,063) | (978,432) |
| Income tax receivable last period | - | (234,443) |
| Others | <u>12,032</u> | <u>74,883</u> |
| Income tax payable-net | <u>\$ 469,286</u> | <u>\$ 291,859</u> |
| Income tax refundable | (\$ 96,703) | (\$ 225,150) |
| Income tax payable | <u>565,989</u> | <u>517,009</u> |
| | <u>\$ 469,286</u> | <u>\$ 291,859</u> |

- D. As of December 31, 2008, according to the "Income Tax Law" and "Statute for Upgrading Industries", investments tax credits of the Company, DNIT and DelSolar are as follows:

| <u>Source of investments tax credits</u> | <u>Unused credits</u> | <u>Year of expiration</u> |
|---|-----------------------|---------------------------|
| Loss carryforwards | <u>\$ 17,164</u> | Between 2014 and 2019 |
| R&D expenditures | \$ 2,058,048 | Between 2009 and 2012 |
| Training expenditures | 13,874 | Between 2009 and 2012 |
| Expenditures for procurement of machinery and equipment | 20,667 | Between 2009 and 2012 |
| Emerging important strategic industries | <u>178,614</u> | Between 2010 and 2011 |
| | <u>\$ 2,271,203</u> | |

5. Cold Cathode Fluorescence Lamp (CCFL) and Projection System (including Color Projection Television) are entitled to a five-year exemption on income tax under the "Incentives for Emerging Important Strategic Industries in Manufacturing and Technology Services", which expires in December 2011. The income entitled to tax-exemption for the years ended December 31, 2007 and 2008 amounted to \$72,211 and \$6,526, respectively. Under the "Basic Income Tax Act" regulations, the income entitled to tax-exemption prior to the end of 2005 is excluded from the computation of basic tax.

6. Effective January 1, 2008, DDG, DEP, DEC and DII are high and new enterprises which can apply the preferential tax rate of 15%.
7. Effective January 1, 2008, DWJ and DWO adopted the law of the People's Republic of China on Enterprise Income Tax. The rate of foreign enterprise income tax is 25%.
8. DWC 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 25%.
9. Effective January 1, 2008, DWH is subject to the law of the People's Republic of China on Enterprise Income Tax, and the rate of enterprise income tax changed from 15% to 18%. DWH is still in the status of deficit, as a result, income tax is not recognized.
10. As of December 31, 2008, the Company and its subsidiaries' assessed and approved conditions of income tax returns are as follows:

| | <u>Years Assessed by Tax Authority</u> |
|-------------------|--|
| DelSolar and DNIT | 2006 |
| The Company | 2005 |
| PreOptix | Not assessed yet |

21) Earnings per share

| | <u>For the year ended December 31, 2007</u> | | | | |
|--|---|----------------------|--|--|-------------------|
| | <u>Amount</u> | | Weighted-average outstanding common shares (in thousands) (Note C) | <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 | | | | | |
| Net income | \$17,461,606 | \$ 15,061,305 | 2,185,046 | <u>\$ 7.99</u> | <u>\$ 6.89</u> |
| Dilutive effect of common stock equivalents: | | | | | |
| Employee stock options | - | - | 143 | | |
| Diluted EPS | | | | | |
| Net income | <u>\$17,461,606</u> | <u>\$ 15,061,305</u> | <u>2,185,189</u> | <u>\$ 7.99</u> | <u>\$ 6.89</u> |

| | For the year ended December 31, 2008 | | | | |
|--|--------------------------------------|---------------------|--|---------------------------------|----------------|
| | Amount | | Weighted-average outstanding common shares (in thousands) (Note C) | Earnings per share (in dollars) | |
| | Income before income tax | Net income | | Income before income tax | Net income |
| Basic EPS | | | | | |
| Net income | \$12,775,024 | \$10,250,915 | 2,185,046 | \$ 5.85 | \$ 4.69 |
| Dilutive effect of common stock equivalents: | | | | | |
| Employee stock options | - | - | (Note A) | | |
| Employee bonus (Note B) | - | - | 32,453 | | |
| Diluted EPS | | | | | |
| Net income | <u>\$12,775,024</u> | <u>\$10,250,915</u> | <u>2,217,499</u> | <u>\$ 5.76</u> | <u>\$ 4.62</u> |

Note A: The stock options will result in anti-dilutive effect when using the treasury method, therefore such shares shall not be included.

Note B: Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would increase from employees' stock bonus issuance in the calculation of the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effect of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year including the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends, the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively. However, the accounting treatment for the appropriation of employees' bonus for 2007 earnings resolved at the stockholders' meeting held in 2008 is still in accordance with the regulations on capitalization of employees' bonus under paragraphs 19 and 39 of R.O.C. SFAS No. 24, "Earnings per Share".

Note C: The weighted-average outstanding common shares were retroactively adjusted for stock dividends and employee bonuses distributed in 2008.

22) Personnel expenses, depreciation and amortization

| | For the years ended December 31, | | | | | |
|---|----------------------------------|---------------------|----------------------|---------------------|---------------------|----------------------|
| | 2007 | | 2008 | | | |
| | Operating cost | Operating expense | Total | Operating cost | Operating expense | Total |
| Personnel expenses | | | | | | |
| Salaries | \$ 5,649,468 | \$ 3,878,651 | \$ 9,528,119 | \$ 6,724,830 | \$ 4,375,569 | \$ 11,100,399 |
| Employees' bonus and directors' and supervisors' remuneration | - | - | - | 345,231 | 1,879,988 | 2,225,219 |
| Labor and health insurance | 132,851 | 206,161 | 339,012 | 511,358 | 295,167 | 806,525 |
| Pension | 129,961 | 279,827 | 409,788 | 94,039 | 447,312 | 541,351 |
| Others | 166,145 | 219,402 | 385,547 | 254,025 | 336,592 | 590,617 |
| | <u>\$ 6,078,425</u> | <u>\$ 4,584,041</u> | <u>\$ 10,662,466</u> | <u>\$ 7,929,483</u> | <u>\$ 7,334,628</u> | <u>\$ 15,264,111</u> |
| Depreciation (Note) | <u>\$ 2,594,714</u> | <u>\$ 758,128</u> | <u>\$ 3,352,842</u> | <u>\$ 3,680,564</u> | <u>\$ 465,215</u> | <u>\$ 4,145,779</u> |
| Amortization | <u>\$ 109,893</u> | <u>\$ 220,519</u> | <u>\$ 330,412</u> | <u>\$ 120,211</u> | <u>\$ 186,052</u> | <u>\$ 306,263</u> |

Note: Including the depreciation provided for assets leased to others for the years ended December 31, 2007 and 2008 which was recorded as other non-operating loss.

5. RELATED PARTY TRANSACTIONS

1) Names and relationship of related parties

| <u>Names of related parties</u> | <u>Relationship with the Company</u> |
|--|---|
| Cyntec Co., Ltd. (Cyntec) | Investee company accounted for under the equity method |
| Grand Advance Technology Inc. (Grand Advance) (Note) | " |
| Delta Electronics (Thailand) Public Co., Ltd. (DET) | " |
| Amita Technologies, Inc. (Amita) | " |
| NeoEnergy Microelectronics, Inc. (NeoEnergy) | " |
| Delta Products Corporation (DPC) | Related party in substance |
| Delta Greentech (China) Co., Ltd. (Delta Greentech) | " |
| Progressive Optoelectronics Technology Co., Ltd. (Progressive) | Another investor of PreOptix, subsidiary of the Company |
| Jurong Progressive Optoelectronics Technology Co., Ltd. | A subsidiary of Progressive |
| DET International Holding Ltd. (DET Holding) | A subsidiary of DET |
| Delta Energy Systems (Switzerland) AG. (DES Switzerland) | " |
| Delta Electronics Europe Ltd. (DEU) | A subsidiary of DET Holding |
| Delta Energy Systems (Germany) GMBH | " |
| Delta Energy Systems (India) PVT Ltd. (DES India) | " |
| Delta Power Solutions India PVT Ltd. (DPS India) | " |
| DET Logistics (USA) Corporation | " |
| DET Video Technology Ltd. (DET Video) | " |
| Delta Electronics (Slovakia) s.r.o. | " |
| Delta Energy Systems (Brasil) S.A. | A subsidiary of DES Switzerland |
| Delta Energy Systems (Guangzhou) Ltd. (DES Guangzhou) | " |

| <u>Names of related parties</u> | <u>Relationship with the Company</u> |
|--|--|
| Delta Energy Systems (Sweden) AB (DES Sweden) | A subsidiary of DES Switzerland |
| Delta Energy Systems (Finland) Oy | ” |
| Delta Green (Tianjin) Industries Co., Ltd. (Delta Green (Tianjin)) | Indirectly held investee, accounted for under the equity method by DET |
| Cyntec Electronics (SuZhou) Co., Ltd. | Affiliated enterprise of Cyntec |

(Note) Dissolved in 2005, and had been completely liquidated in 2008.

2) Significant transactions and balances with related parties

(1) Sales

| | <u>For the years ended December 31,</u> | |
|-----------------|---|---------------------|
| | <u>2007</u> | <u>2008</u> |
| Delta Greentech | \$ 3,452,318 | \$ 3,589,474 |
| DPS India | 93,354 | 795,873 |
| DPC | 782,285 | 610,636 |
| DES India | 656,447 | 594,911 |
| DET | 77,513 | 104,851 |
| Others | 124,086 | 226,530 |
| | <u>\$ 5,186,003</u> | <u>\$ 5,922,275</u> |

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

(2) Purchases

| | <u>For the years ended December 31,</u> | |
|-----------------------|---|---------------------|
| | <u>2007</u> | <u>2008</u> |
| Delta Green (Tianjin) | \$ 1,086,129 | \$ 1,045,889 |
| DET | 348,382 | 332,911 |
| Others | 64,303 | 53,392 |
| | <u>\$ 1,498,814</u> | <u>\$ 1,432,192</u> |

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

(3) Accounts receivable

| | December 31, | |
|-----------------|---------------------|---------------------|
| | 2007 | 2008 |
| Delta Greentech | \$ 879,677 | \$ 904,334 |
| DES India | 289,657 | 133,326 |
| DPS India | 40,533 | 132,713 |
| DPC | 239,514 | 111,652 |
| Others | 22,389 | 167,627 |
| | <u>\$ 1,471,770</u> | <u>\$ 1,449,652</u> |

(4) Accounts payable

| | December 31, | |
|-----------------------|-------------------|-------------------|
| | 2007 | 2008 |
| Delta Green (Tianjin) | \$ 289,777 | \$ 205,159 |
| Others | 84,514 | 87,694 |
| | <u>\$ 374,291</u> | <u>\$ 292,853</u> |

(5) Property transactions

PreOptix (Jiang Su), the indirect-majority-owned subsidiary of the Company, purchased land use right and fixed assets from Jurong Progressive Optoelectronics Technology Co., Ltd. during 2008 in the amount of \$47,379 and \$201,372, respectively.

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

| | 2007 | 2008 |
|-----------------------------------|-------------------|-------------------|
| Salaries (Note 1) | \$ 33,228 | \$ 34,878 |
| Bonuses (Note 2) | 21,641 | 6,585 |
| Services fees (Note 3) | 4,517 | 2,203 |
| Distribution of earnings (Note 4) | 103,548 | 178,062 |
| | <u>\$ 162,934</u> | <u>\$ 221,728</u> |

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

Note 2: Including all kinds of incentives.

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

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

For related information, please refer to Annual Report.

6. DETAILS OF PLEDGED ASSETS

As of December 31, 2007 and 2008, the details of pledged assets are as follows:

| <u>Assets pledged</u> | <u>December 31,</u> | | <u>Purpose of pledge</u> |
|---|---------------------|-------------------|--|
| | <u>2007</u> | <u>2008</u> | |
| Demand deposits (shown as other financial assets - current) | \$ - | \$ 6,146 | Collateral for customs duties |
| Time deposits (shown as other financial assets - current) | 20,000 | 27,620 | Collateral for disposition and seizure |
| Time deposits (shown as other financial assets - current) | 1,158 | 1,547 | Performance bonds |
| Time deposits (shown as other financial assets - current) | - | 673,979 | Collateral for loans |
| | <u>\$ 21,158</u> | <u>\$ 709,292</u> | |

7. COMMITMENTS AND CONTINGENT LIABILITIES

The Group's major commitments as of December 31, 2008 were as follows:

- Effective May 2004, the Company has a 20-year land and building lease in Tainan Science-Based Industrial Park. As of December 31, 2008, the future lease payments and the net present value discounted at 1.39%, one-year time deposit interest rate given by the Chunghwa Post Co., Ltd., as of December 31, 2008 are as follows:

| <u>Year</u> | <u>Amount</u> |
|---|------------------|
| 2009 | \$ 4,534 |
| 2010 | 4,534 |
| 2011 | 4,534 |
| 2012 | 4,534 |
| 2013 | 4,534 |
| 2014~2018 (the net present value is \$20,305) | 22,672 |
| 2019~2022 (the net present value is \$15,265) | 18,137 |
| 2023 (the net present value is \$ 3,686) | 4,534 |
| | <u>\$ 68,013</u> |

- 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 based on a certain percentage of total sales from the day the related products are sold and the maximum amount of the royalty is \$130,000. As of December 31, 2008, the Company has paid the related royalties of \$18,500.

- 3) In October 2007, the Company entered into an agreement with the Institute of Nuclear Energy Research, Atomic Energy Council, Executive Yuan, R.O.C. for technology authorization of Concentrating Photovoltaic Modules. The contract is valid through October 2017. In addition to the authorization fee of \$5,000, the Company commits to pay royalties based on a certain percentage of total sales from the day the authorized products are sold and the maximum amount of the royalty is \$100,000. As of December 31, 2008, the Company has paid the authorization fee totaling \$5,000 to the Institute of Nuclear Energy Research.
- 4) As of December 31, 2008, the unused letters of credit of the Group was \$19,145.
- 5) The Group entered into contracts for land lease, construction of new factories and buildings and acquisition of equipments with total future payments of approximately \$2,545,592.
- 6) DelSolar entered into long-term contracts for materials supply with local and foreign suppliers. The period of supply is from December 2006 to December 2018. DelSolar agreed to pay certain amounts which are non-refundable.

8. MAJOR CATASTROPHES

None.

9. SUBSEQUENT EVENTS

The subsidiary, Delsolar, applied to establish DelSolar Holding (Cayman) Ltd. in the amount of US\$9,000 as capital on December 17, 2008, and will invest in DelSolar (Wu Jiang) Ltd. via DelSolar Holding (Cayman) Ltd.

The above investment was approved by the Investment Commission on January 19, 2009.

10. OTHERS

- 1) Certain accounts in the 2007 consolidated financial statements were reclassified to conform with the 2008 financial statement presentation.

2) Fair value of the financial instruments

| | December 31, 2007 | | December 31, 2008 | |
|---|-------------------|---------------------------------------|-------------------|---------------------------------------|
| | Fair value | | Fair value | |
| | Book value | Quotations in an active market | Book value | Quotations in an active market |
| | | Estimated using a valuation technique | | Estimated using a valuation technique |
| <u>Non-derivative financial instruments</u> | | | | |
| Assets: | | | | |
| Financial assets with fair values equal to book values | \$ 69,417,409 | \$ - | \$ 69,417,409 | \$ 70,585,764 |
| Financial assets at fair value through profit or loss | 8,515 | 8,515 | - | 2,947 |
| Available-for-sale financial assets | 1,833,021 | 1,833,021 | - | 499,612 |
| Financial assets carried at cost | 705,945 | - | - | 1,240,510 |
| Investment in bonds without active markets | 7,135,700 | - | - | 1,148,700 |
| Liabilities: | | | | |
| Financial liabilities with fair values equal to book values | \$ 38,590,171 | \$ - | \$ 38,590,171 | \$ 36,463,168 |
| Long-term loans | - | - | - | 65,640 |
| <u>Derivative financial instruments</u> | | | | |
| Assets: | | | | |
| Multiple-stage inflating forward | \$ - | \$ - | \$ - | \$ 10,724 |
| Forward exchange contracts | 1,150,113 | - | 1,150,113 | 1,081,035 |
| Forward currency option contracts | 382 | - | 382 | - |
| Liabilities: | | | | |
| Multiple-stage inflating forward | \$ 163 | \$ - | \$ 163 | \$ 24,826 |
| Forward exchange contracts | 585,124 | - | 585,124 | 535,365 |
| Forward currency option contracts | 2,307 | - | 2,307 | - |

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, 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 the 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 values of long-term loans is based on book value, which approximate present value.

(2) The fair values of available-for-sale financial assets are based on the quotations in the active market, which are the latest quoted closing prices at the balance sheet date.

(3) The fair values of derivative financial instruments which include unrealized gains or losses on unsettled contracts were determined based on the amounts to be received or paid assuming that the contracts were settled as of the reporting date.

3) Information on available-for-sale financial assets

The Group recognized the adjustment in equity from available-for-sale financial assets amounting to \$612,639 and (\$1,267,990), and the amount removed from equity and recognized in profit or loss was \$94,762 and \$136,931 for the years ended December 31, 2007 and 2008, respectively.

4) Information on interest rate risk positions

As of December 31, 2007 and 2008, the Group's financial assets with fair value risk due to the change of interest amounted to \$28,696,745 and \$18,330,085, respectively, and the financial liabilities with fair value risk due to the change of

interest rate amounted to \$0 and \$2,899,553, respectively. The financial assets with cash flow risk due to the change of interest rate amounted to \$12,738,600 and \$10,493,040, respectively, and the financial liabilities with cash flow risk due to the change of interest amounted to \$4,043,062 and \$4,259,134, 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. Aside from evaluating the position twice a month, the authorized persons should monitor financial instrument transactions and the related profit or loss resulting from the transactions at any time. If any unusual event occurred, necessary actions should be taken and reported to the Board of Directors immediately. In addition, the performance of derivative transactions will be evaluated periodically to determine if these transactions are in compliance with the operating strategy and the risk of these transactions is within the tolerable range of the Group. The Group has established the procedures for derivative transactions.

6) Information of major financial risk

(1) Investments in equity financial instruments

| Items | December 31, | |
|-------------------------------------|--------------|------------|
| | 2007 | 2008 |
| Available-for-sale financial assets | \$ 1,833,021 | \$ 499,612 |
| Financial assets carried at cost | 705,945 | 1,240,510 |

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

| <u>Item</u> | <u>December 31,</u> | |
|---|---------------------|--------------|
| | <u>2007</u> | <u>2008</u> |
| Investments in bonds without active markets | \$ 7,135,700 | \$ 1,148,700 |

A. Market risk

The investments in bonds without active markets are structured time deposits, particularly, 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 these are 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,</u> | |
|--|---------------------|-------------|
| | <u>2007</u> | <u>2008</u> |
| Notes receivable, net | \$ 472,865 | \$ 582,309 |
| Accounts receivable (including related parties), net | 28,940,888 | 24,260,121 |
| Other receivables | 1,210,874 | 1,793,032 |

A. Market risk

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

B. Credit risk

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

C. Liquidity risk

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

D. Cash flow risk due to changes in interest rate

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

(4) Loans

| <u>Item</u> | <u>December 31,</u> | |
|------------------|---------------------|--------------|
| | <u>2007</u> | <u>2008</u> |
| Short-term loans | \$ 4,043,062 | \$ 7,093,047 |
| Long-term loans | - | 65,640 |

A. Market risk

The loans of the Group have no significant market risk.

B. Credit risk

None.

C. Liquidity risk

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

D. Cash flow risk due to changes in interest rate

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

7) Information of derivative transactions

(1) The balance of the Group's derivative transactions as of December 31, 2007 and 2008 are shown in Notes 4.2), 13) and 10.9). The related risk information are as follows:

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

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

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

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

8) Off-balance sheet financial instruments with credit risk

None.

9) Cash flow hedge

(1) Fair value hedge

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

| <u>Hedge item</u> | <u>Designated for hedging instrument</u> | |
|--------------------------------|--|---|
| | <u>Financial instrument was designated as hedging instrument</u> | <u>Fair value as of December 31, 2008</u> |
| Deposits in foreign currencies | Forward exchange contracts | \$ 29,792 |

(2) Cash flow hedge

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

| <u>Hedge item</u> | <u>Designated for hedging instrument</u> | | | <u>Period of gain (loss) anticipated to be recognized in income statement</u> |
|-----------------------------------|--|---|--|---|
| | <u>Financial instrument was designated as hedging instrument</u> | <u>Fair value as of December 31, 2008</u> | <u>Period of anticipated cash flow</u> | |
| Receivables in foreign currencies | Forward exchange contracts | (\$ 372,462) | 2009.01.05~ 2009.12.18 | 2009.01.05~ 2009.12.18 |
| Payables in foreign currencies | Forward exchange contracts | 917,444 | 2009.01.08~ 2009.12.04 | 2009.01.08~ 2009.12.04 |

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

| | 2007 | | | | | 2008 | | | | | | | | | |
|---|----------------|---------------|--------------|------------|-----------------|--------------|------------|----------------|--------------|--------------|------------|-----------|-----------------|--------------|---------|
| | The Company | DIH | DNH | DEN | Optoelectronics | DelSolar | NuLight | The Company | DIH | DNH | PreOptix | DEN | Optoelectronics | DelSolar | NuLight |
| Transactions | | | | | | | | | | | | | | | |
| 1. Elimination of long-term investments | (\$49,154,888) | \$ 39,424,787 | \$ 6,998,440 | \$ 53,838 | (\$ 26,718) | \$ 2,704,012 | \$ 529 | (\$59,900,080) | \$49,241,584 | \$ 7,568,481 | \$ 197,269 | \$ 56,668 | \$ - | \$ 2,836,078 | \$ - |
| 2. Elimination of intercompany receivable (AR) and payable (AP) accounts | 14,281,469 | (14,761,071) | 398,212 | 51,883 | (237) | 7,637 | 22,107 | 8,959,650 | (9,181,425) | 220,277 | (6,328) | 20,334 | - | (12,508) | - |
| 3. Elimination of profit and loss accounts | | | | | | | | | | | | | | | |
| (1) Sale and purchase transactions | | | | | | | | | | | | | | | |
| A. Downstream transactions | 332,138 | (292,706) | (9,616) | (29,176) | - | - | (640) | | | | | | | | |
| B. Upstream transactions | (29,926,122) | 29,892,033 | 221 | - | - | 33,868 | - | | | | | | | | |
| C. Sidestream transactions | - | 1,234,623 | (1,049,716) | (113,709) | - | (68,606) | (2,592) | | | | | | | | |
| (2) Services revenue, selling expenses, management and administrative expenses | 3,182,873 | (3,254,456) | (65,948) | 137,897 | - | (366) | - | | | | | | | | |
| (3) Rental revenue and rental expense | 35,920 | - | (35,920) | - | - | - | - | | | | | | | | |
| (4) Other revenue, R&D expense and impairment loss | - | - | - | - | 60,150 | - | (60,150) | | | | | | | | |
| 4. Elimination of minority interest income | 497,879 | (660,214) | - | - | 10,898 | (203,476) | 354,913 | | | | | | | | |
| 5. Elimination of other transactions | | | | | | | | | | | | | | | |
| (1) Refundable deposits and guarantee deposits received | 4,400 | - | (4,400) | - | - | - | - | | | | | | | | |
| (2) Available-for-sale financial assets - non-current and other liabilities - other | 39,050 | (39,050) | - | - | - | - | - | | | | | | | | |
| (3) Other revenue, intangible assets and R&D expense | (33,333) | - | - | - | 33,333 | - | - | | | | | | | | |
| Transactions | | | | | | | | | | | | | | | |
| 1. Elimination of long-term investments | 47,182 | (20,423) | (17,292) | - | (9,467) | - | - | | | | | | | | |
| 2. Elimination of intercompany receivable (AR) and payable (AP) accounts | (27,716,613) | 27,716,082 | 50 | 481 | - | - | - | | | | | | | | |
| 3. Elimination of profit and loss accounts | | | | | | | | | | | | | | | |
| (1) Sale and purchase transactions | | | | | | | | | | | | | | | |
| A. Downstream transactions | 4,290,441 | (4,467,603) | (20,996) | - | 200,326 | - | (145) | | | | | | | | |
| B. Upstream transactions | - | 1,130,275 | (936,096) | 25,606 | (123,193) | - | (96,592) | | | | | | | | |
| C. Sidestream transactions | - | 1,130,275 | (936,096) | 25,606 | (123,193) | - | (96,592) | | | | | | | | |
| (2) Services revenue, selling expenses, management and administrative expenses | 4,290,441 | (4,467,603) | (20,996) | - | 200,326 | - | (145) | | | | | | | | |
| (3) Rental revenue and rental expense | 36,438 | - | (36,438) | - | - | - | - | | | | | | | | |
| 4. Elimination of minority interest income | 884,412 | (565,174) | - | 10,296 | - | (703) | (331,105) | | | | | | | | |
| 5. Elimination of other transactions | | | | | | | | | | | | | | | |
| (1) Refundable deposits and guarantee deposits received | 4,400 | - | (4,400) | - | - | - | - | | | | | | | | |
| (2) Available-for-sale financial assets - non-current and other liabilities - other | 38,118 | (38,118) | - | - | - | - | - | | | | | | | | |

11. Disclosure information of the Company and its subsidiaries

1) Related information of significant transactions

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

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

(2) Guarantee information: None.

(3) Marketable securities held by the Company at December 31, 2008: (Combined amounts less than \$100,000 on December 31, 2008)

| Name of investor | Name and kind of marketable securities | | Relationship of the issuers with the Company | General ledger accounts | Number of shares (In thousands) | December 31, 2008 | | Note | |
|-------------------------|--|---|--|---|---------------------------------|-------------------|----------------------|---------------|--------------|
| | Type of marketable securities | Name of marketable securities | | | | Book value | Percentage ownership | | Market value |
| 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 | \$ 49,241,584 | 94.00 % | \$ 49,088,707 | - |
| " | " | Delta Networks Holding Ltd. | " | " | 39,800 | 7,568,481 | 100.00 | 7,570,031 | - |
| " | " | DeSolar Co., Ltd. | " | " | 62,962 | 2,836,078 | 53.22 | 2,830,373 | - |
| " | " | PreOptix Co., Ltd. | " | " | 21,000 | 197,269 | 75.00 | 194,533 | - |
| " | " | Delta Electronics (Thailand) Public Co., Ltd. | Investee company accounted for under the equity method | " | 69,128 | 2,573,726 | 5.54 | 812,496 | (Note) |
| " | " | Cyntec Co., Ltd. | " | " | 64,174 | 1,296,484 | 33.28 | 1,739,124 | - |
| " | " | Amita Technologies, Inc. | " | " | 9,500 | 398,707 | 37.47 | 202,208 | - |
| " | " | Anpec Electronics Corp. | None | Available-for-sale financial assets | 9,802 | 179,863 | 8.01 | 179,863 | - |
| " | " | D-Link Co., Ltd. | " | " | 10,123 | 232,329 | 1.79 | 232,329 | - |
| " | " | Edison Opto Corp. | " | Financial assets carried at cost - non-current | 2,160 | 162,000 | 4.33 | 162,000 | - |
| " | Preferred Shares | Delta America Ltd. | " | " | 2,100 | 103,064 | Preferred shares | 103,064 | - |
| " | Common Stock | Others | " | " | | 679,118 | | 679,301 | - |
| | Total | | | | | \$ 65,468,703 | | \$ 63,794,029 | |

(Note): The carrying value is based on the initial investment cost plus the investment income recognized by the combined ownership percentage of 20.01%. The market value of the long-term investment calculated by the Company's ownership is \$812,496. The combined ownership percentage of 20.01% of the market value of the long-term investment is \$2,933,592 as of December 31, 2008.

Marketable securities acquired or sold during 2008 in excess of \$100,000 or 20% of capital:

| Acquirer / seller | Name of marketable security | General ledger accounts | Name of transaction parties | January 1, 2008 | | Addition | | Disposal | | December 31, 2008 | | |
|-------------------------|-----------------------------|---|---|--|--------|---------------------------------|---------------------|---------------------------------|---------------|-------------------|---------------|---------------------------------|
| | | | | Relationship (in thousands) | Amount | 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. | Edison Opto Corp. | Financial assets carried at cost - non current | Edison Opto Corp. | - | \$ - | 2,160 | \$ 162,000 | - | \$ - | - | 2,160 | \$ 162,000 |
| " | Amita Technologies, Inc. | Long-term investments accounted for under the equity method | Amita Technologies, Inc. and existing individual shareholders of Amita Technologies, Inc. | Investee company accounted for under equity method | - | 9,500 | 398,707 (Note a) | - | - | - | 9,500 | 398,707 |
| " | PreOptix Co., Ltd. | " | PreOptix Co., Ltd. | " | - | 21,000 | 197,269 (Note b) | - | - | - | 21,000 | 197,269 |
| " | Anpec Electronics Corp. | Available-for-sale financial assets | Stock exchange market | - | 12,290 | 882,442 | (689,853) (Note c) | 162,246 | 12,726 | 149,520 | 9,802 | 179,863 |

(Note a): The Company invested \$429,500 in Amita Technologies, Inc., and recognized an investment loss under equity method. The net increase amount was \$398,707.

(Note b): The Company invested \$210,000 in PreOptix Co., Ltd. and recognized an investment loss under equity method and cumulative translation adjustment in the amount of \$12,731. The net increase amount was \$197,269.

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

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

| Property acquired by Delta Electronics, Inc. | Property acquired | Date of transaction | Transaction amount | Status of payment | Previous transfer information (as the transaction parties were related parties) | | | | | | |
|--|-------------------|---------------------|--------------------|-------------------|---|--|-------------------------------|-------------|--|---|------------------|
| | | | | | Relationship with the Company | Relationship of the owner with the Company | Date of the original transfer | | | | |
| | Land | 2008.5.8 | \$ 347,607 | cash | Counterparty Jen-de, Jan and Wen-lin, Lin | Original owner who sold the property to the counterparty | the Company | Amount \$ - | Basis or reference used in setting the price | Reason for acquisition of properties and status of the properties | Other commitment |
| | | | | | | | | | Evaluation from professional institution | Construction of a new factory | None |

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

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

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

| Name of creditor | Transaction parties | Relationship | Balance of receivable from related parties | | Turnover rate | Overdue receivable | | Subsequent collections (Note) | Allowance for doubtful accounts provided |
|-------------------------|--------------------------------------|--------------------|--|-------------------|---------------|--------------------|-------------------------------------|-------------------------------|--|
| | | | Accounts receivable | Other receivables | | Amount | Action adopted for overdue accounts | | |
| Delta Electronics, Inc. | Delta Electronics International Ltd. | A subsidiary of DH | \$ 320,603 | 154,320 | 7.34 | \$ - | \$ - | \$ 320,603 | - |
| | (Labuan) | | | | - | - | - | 144,111 | - |

(Note): The amounts collected subsequent to December 31, 2008 up to February 16, 2009.

(9) Information on derivative transactions: Please refer to Notes 4. 2), 13), 10. 2), 7) and 9).

2) Disclosure information of investee company

Information related to investee companies' investment income or loss was translated at the average exchange rate of 2008 while others were translated at the rate of exchange prevailing at the balance sheet date.

(1) Information of investee company: (Combined the individual book value less than \$100,000 on December 31, 2008)

| Name of investor | Name of investee company | Address | Main activities | Original investment (Note 1) | | Held as of December 31, 2008 | | | Investment income (loss) recognized by the Company | Note |
|-------------------------|---|---|--|---------------------------------|---------------------------------|---------------------------------|-------------------------|---------------------|--|------------------|
| | | | | Balance as of December 31, 2008 | Balance as of December 31, 2007 | Number of shares (in thousands) | Percentage of ownership | Book value | | |
| Delta Electronics, Inc. | Delta International Holding Ltd. | Cayman Islands | Equity investments | \$ 8,922,118 | \$ 8,922,118 | 67,680 | 94.00 | \$ 49,241,584 | \$ 8,666,389 | (Note g) |
| " | Delta Networks Holding Ltd. | Cayman Islands | Equity investments | 1,377,206 | 1,377,206 | 39,800 | 100.00 | 7,568,481 | 384,649 | - |
| " | DeSolar Co., Ltd. | Science-Based Industrial Park, Hsinchu City, Taiwan | Manufacturing of solar batteries and related systems | 763,403 | 763,403 | 62,962 | 53.22 | 2,836,078 | 758,815 | - |
| " | PreOptix Co., Ltd. | Taichung County, Taiwan | Manufacturing and sales of lenses and optical engines for projectors | 210,000 | - | 210,000 | 75.00 | 197,269 | (30,835) | (|
| " | Delta Electronics (Thailand) Public Co., Ltd. | Thailand | Manufacturing and sales of electronic products | 114,615 | 114,615 | 69,128 | 5.54 | 2,573,726 | 2,734,508 | 549,335 (Note h) |
| " | Cyntec Co., Ltd. | Science-Based Industrial Park, Hsinchu City, Taiwan | Research, development, manufacturing and sales of various thin film components | 455,814 | 455,814 | 64,174 | 33.28 | 1,296,484 | 737,350 | 229,012 |
| " | Amita Technologies, Inc. | Gueishan Township, Taoyuan County, Taiwan | Manufacturing of lithium polymer batteries and related systems | 429,500 | - | 9,500 | 37.47 | 398,707 | (69,435) | (30,793) |
| " | Delta Optoelectronics, Inc., etc. | | | <u>2,014,855</u> | <u>2,366,855</u> | <u>100,877</u> | | <u>8,350</u> | | <u>29,018</u> |
| | | | | <u>\$ 14,287,511</u> | <u>\$ 14,000,011</u> | <u>\$ 64,213,206</u> | | <u>\$ 9,638,686</u> | | |

Held as of December 31, 2008

| Name of investor | Name of investee company | Address | Main activities | Original investment (Note i) | | Number of shares (In thousands) | Percentage of ownership | Book value | Income (loss) of the investee company | Investment income (loss) recognized by the Company (Note a) | Note |
|----------------------------------|---|--|--|---------------------------------|---------------------------------|---------------------------------|-------------------------|---------------|---------------------------------------|---|------|
| | | | | Balance as of December 31, 2008 | Balance as of December 31, 2007 | | | | | | |
| Delta International Holding Ltd. | Delta Electronics International Ltd. (Labuan) | Malaysia | Sales of electronic products | \$ 65,640 | \$ 65,640 | 2,000 | 100.00 | \$ 22,447,203 | \$ 5,231,819 | - | - |
| " | Delta Electronics (H.K.) Ltd. | Hong Kong | Equity investments | 9,727,752 | 9,423,245 | 2,300,000 | 100.00 | 17,468,927 | 3,258,488 | " | - |
| " | DAC Holding (Cayman) Ltd. | Cayman Islands | Equity investments | 529,723 | 529,723 | 22,200 | 100.00 | 177,616 | 4,834 | " | - |
| " | Trillion Science, Inc. | California, U.S.A | R&D of anisotropic conductive film | 590,760 | 590,760 | 9,000 | 40.93 | 530,770 | (122,275) | " | - |
| " | Delta Electronics (Japan), Inc. | Japan | Sales of electronic products | 58,303 | 58,303 | 4 | 100.00 | 116,920 | 14,184 | " | - |
| " | Delta Power Sharp Ltd., etc. | Hong Kong, etc. | Operations management and engineering services, etc. | 90,654 | 90,983 | - | - | 143,819 | 12,770 | " | - |
| Delta Electronics (H.K.) Ltd. | Delta Electronics (Dongguan) Co., Ltd. | Dongguan City, Guangdong, Province, P.R.C. | Manufacturing of power supplies | 1,982,328 | 1,982,328 | - | 100.00 | 2,681,250 | 664,874 | (Note b) | - |
| " | Delta Electronics Power (Dongguan) Co., Ltd. | " | Manufacturing of power supplies | 1,381,722 | 1,381,722 | - | 100.00 | 3,079,062 | 1,438,159 | " | - |
| " | Delta Electronics Components (Dongguan) Co., Ltd. | " | Manufacturing of transformers | 1,206,135 | 1,206,135 | - | 100.00 | 1,726,519 | 260,072 | " | - |
| " | Delta Electronics (Shanghai) Co., Ltd. | Pudong New District, Shanghai City, P.R.C. | Product design | 1,029,256 | 1,029,256 | - | 100.00 | 1,001,220 | 12,852 | " | - |
| " | Delta Electronics (Jiangsu) Ltd. | Wujiang City, Jiang Su Province, P.R.C. | Manufacturing of power supplies | 722,040 | 722,040 | - | 55.00 | 1,942,672 | 1,294,764 | " | - |
| " | Delta Electronics Components (Wujiang) Ltd. | " | Manufacturing of transformers | 1,603,109 | 1,603,709 | - | 55.00 | 2,293,407 | 296,369 | " | - |
| " | Delta Electro-Optics (Wujiang) Ltd. | " | Manufacturing of peripherals and electronic control equipments | 523,479 | 523,479 | - | 55.00 | 993,603 | 356,249 | " | - |
| " | Delta Video Display System (Wujiang) Ltd. | " | Manufacturing and sales of various projectors | 523,479 | 523,479 | - | 55.00 | 705,369 | 127,650 | " | - |
| " | Delta Electronics (Wuhu) Co., Ltd. | Wu Hu City, Anhui Province, P.R.C. | Manufacturing of power supplies | 1,230,750 | 393,840 | - | 100.00 | 1,161,794 | (72,978) | " | - |

| Name of investor | Name of investee company | Address | Main activities | Original investment (Note i) | | | Held as of December 31, 2008 | | | Investment income (loss) recognized by the Company (Note b) | Note |
|--------------------------------|--|--|---|---------------------------------|---------------------------------|---------------------------------|------------------------------|--------------|--|---|------|
| | | | | Balance as of December 31, 2008 | Balance as of December 31, 2007 | Number of shares (in thousands) | Percentage of ownership | Book value | Income (loss) of the investee company (\$) | | |
| Delta Electronics (H.K.) Ltd. | Delta Electronic (Chenzhou) Co., Ltd. | Chenzhou City, Hunan Province, P.R.C. | Manufacturing of power supplies | \$ 1,083,060 | \$ 262,560 | - | 100.00 | \$ 1,053,242 | 47,015 | - | |
| Delta Networks Holding Ltd. | Delta Networks, Inc. (Cayman) | Cayman Islands | Equity investments | 1,168,654 | 1,168,654 | 712,160 | 60.20 | 5,909,780 | 774,982 | (Note c) | |
| Delta Networks, Inc. (Cayman) | Delta Networks, Inc. (Taiwan) | Gueishan Township, Taoyuan County | Manufacturing of networking system and peripherals | 458,969 | 458,969 | 49,599 | 99.20 | 1,279,825 | 118,858 | (Note d) | |
| " | Delta Networks International Ltd. (Labuan) | Malaysia | Trading of networking system and peripherals | 32,820 | 32,820 | 1,000 | 100.00 | 1,435,307 | 288,809 | " | |
| " | Delta Networks (H.K.) Ltd. | Hong Kong | Equity investments | 1,148,700 | 1,148,700 | 35,000 | 100.00 | 2,253,167 | 276,764 | " | |
| " | DNI Logistics (USA) Co. | U.S.A. | Trading of networking system and peripherals | 18,250 | 18,250 | 500 | 100.00 | 28,893 | 2,331 | " | |
| Delta Networks (H.K.) Ltd. | Delta Networks (Dongguan) Ltd. | Dongguan City Guangdong Province, P.R.C. | Manufacturing and sales of other radio transmission apparatus incorporating reception apparatus and other radio-broadcast receivers, combined with sound recording or reproducing apparatus | 863,020 | 863,020 | - | 100.00 | 1,539,796 | 297,315 | (Note e) | |
| " | Delta Networks (Wujiang) Ltd. | Wujiang City, Jiang Su Province, P.R.C. | " | 590,760 | 164,100 | - | 100.00 | 607,761 | 2,832 | " | |
| " | Delta Networks (Shanghai) Ltd. | Shanghai City | Design of computer software | 65,640 | 16,410 | - | 100.00 | 68,155 | 99 | " | |
| PreOptix Co., Ltd. | PreOptix (Hong Kong) Co., Ltd. | Hong Kong | Equity investments | 162,376 | - | 41,250 | 100.00 | 158,338 | (14,250) | (Note f) | |
| PreOptix (Hong Kong) Co., Ltd. | PreOptix (Jiang Su) Co., Ltd. | Jhengjiang City, Jiang Su Province, P.R.C. | Manufacturing and sales of lenses and optical engines for projectors | 162,376 | - | - | 100.00 | 158,269 | (14,239) | (Note j) | |

Note a: Investment income/loss recognized by Delta International Holding Ltd.
Note b: The investment income/loss on the subsidiary is originally accounted for through Delta International Holding Ltd., but is now accounted for through Delta Electronics (H.K.) Ltd. due to investment structure change in the fourth quarter of 2007.

Note c: Investment income/loss recognized by Delta Networks Holding Ltd.

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

Note e: The investment income/loss on the subsidiary is originally accounted for through Delta Networks, Inc. (Cayman) but is now accounted for through Delta Networks (H.K.) Ltd. due to investment restructuring between the fourth quarter of 2007 and the second quarter of 2008.

Note f: The investment income/loss recognized by PreOptix Co., Ltd.

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

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

Note i: The original investment represented the capital certified.

Note j: Investment income/loss recognized by PreOptix (Hong Kong) Co., Ltd.

(2) Financing activities to any company or person:

| Number (Note a) | Creditor | Borrower | General ledger account | Maximum outstanding balance during the year ended December 31, 2008 | Balance at December 31, 2008 | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral Item Value | Limit on loans granted to a single party (Note b) | Ceiling on total loans granted (Note c) |
|--------------------|----------------------------------|---|-----------------------------------|---|------------------------------|-----------------|----------------------|--|---------------------------------|---------------------------------|-----------------------|---|---|
| | | | | | | | | | | | | | |
| 1 | Delta International Holding Ltd. | Delta Electronics (Jiangsu) Ltd. | Other receivables-related parties | \$ 541,530 | - | 3.50% | Short-term financing | N/A | Additional operating capital | \$ - | None | \$5,222,203 | \$ 10,444,406 |
| 1 | " | Delta Electronics Components (Wujiang) Ltd. | " | 1,378,440 | 1,378,440 | 3.49% -3.50% | " | " | " | - | " | 5,222,203 | 10,444,406 |
| 1 | " | Delta Electro-Optics (Wujiang) Ltd. | " | 262,560 | - | 3.50% | " | " | " | - | " | 5,222,203 | 10,444,406 |
| 1 | " | Delta Electronics (Wuhu) Co., Ltd. | " | 65,640 | 65,640 | " | " | " | " | - | " | 5,222,203 | 10,444,406 |
| 1 | " | Delta Electronics (Dongguan) Co., Ltd. | " | 984,600 | 984,600 | 3.9125% | " | " | " | - | " | 5,222,203 | 10,444,406 |
| 1 | " | Delta Electronics Components (Dongguan) Co., Ltd. | " | 492,300 | 492,300 | " | " | " | " | - | " | 5,222,203 | 10,444,406 |

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

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

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

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

- (1) When lending funds to other companies or enterprises with which the Company has business relations, the amount lent to a single recipient shall not exceed the total transaction amount between the recipient and the company in the most recent year and the total amount lent shall not exceed 20 percent of the company's net worth as stated in the company's latest financial

statements.

(2) When providing short-term financing to other companies or enterprises, the total short-term financing amount shall not exceed 20 percent of the company's net worth as stated in the company's latest financial statements.

(3) The aggregate amount of total funds lent to other companies or enterprises with which the company has business relations and total short-term financing provided to other companies or enterprises shall not exceed 20 percent of the company's net worth as stated in the company's latest financial statements.

(3) Guarantee information:

| Number (Note a) | Name | Parties being guaranteed | Relationship with the Company | Limit on guarantees provided for a single party (Note d) | Highest outstanding guarantee amount in 2008 | Outstanding guarantee amount at 12/31/2008 | Amount of guarantee with collateral placed | Ratio of accumulated guarantee amount to net value of the company | Ceiling of the outstanding guarantee to the respective party (Note e) |
|--------------------|--------------------|----------------------------------|-------------------------------------|--|--|---|---|--|--|
| | Name | Name | (Notes b and f) | \$ | \$ | \$ | \$ | % | \$ |
| 1 | DeSolar Co., Ltd. | Delta Electronics, Inc | (Notes b and f) | \$ 2,127,300 | 270,600 | 270,600 | \$ - | 5% | \$ 4,254,600 |
| 2 | PreOptix Co., Ltd. | PreOptix (Jiang Su) Co., Ltd. | (Note c) | 103,751 | 98,460 | 98,460 | - | 38% | 207,502 |

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

Note b : The ultimate parent company.

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

Note d : In accordance with the guarantee procedure of the Company, the Company's limit on guarantees provided for a single party should not be in excess of 40 percent of the company's net assets.

Note e : In accordance with the guarantee procedure of the Company, the Company's guarantee to others should not be in excess of 80 percent of the company's net assets.

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

(4) Marketable securities held by the company on December 31, 2008: (Combined the individual amount less than \$100,000 on December 31, 2008)

| Name and kind of marketable securities | | December 31, 2008 | | | | | | |
|--|-----------------------------------|---|---|---|---------------------------------|--------------|------------|--------------|
| Name of investor | Kind of marketable securities | Name of marketable securities | Relationship of the issuer with the Company | General ledger accounts | Number of shares (in thousands) | Book value | Percentage | Market value |
| Delta International Holding Ltd. (DIH) | Common stock | Delta Electronics International Ltd. (Labuan) | A subsidiary of DIH | Long-term investments accounted for under the equity method | 2,000 | \$22,447,203 | 100.00 | \$22,447,203 |
| " | " | DAC Holding (Cayman) Ltd. | " | " | 22,200 | 177,616 | 100.00 | 177,616 |
| " | " | Delta Electronics (H.K.) Ltd. | " | " | 2,300,000 | 17,468,927 | 100.00 | 17,468,927 |
| " | " | Delta Electronics (Japan), Inc. | " | " | 4 | 116,920 | 100.00 | 116,920 |
| " | " | Delta Electronics (Thailand) Public Co., Ltd. | Investee company accounted for under the equity method of the Company | " | 191,984 | 2,383,277 | 15.39 | 2,268,335 |
| " | Preferred shares | Trillion Science, Inc. | Investee company accounted for under the equity method of DIH | " | 9,000 | 530,770 | 40.93 | 203,425 |
| " | Common stock | Delta Greentech (China) Co., Ltd. | Related party in substance | Financial assets carried at cost - non-current | 58,940 | 220,456 | 10.38 | 220,456 |
| " | Preferred shares | Solarflare Communication, Inc. | None | " | 7,000 | 229,740 | 5.35 | 229,740 |
| " | " | Delta Power Sharp Ltd., etc. | " | " | | 216,366 | | 216,366 |
| Delta Electronics (H.K.) Ltd. (DHHK) | Certificate of amount contributed | Delta Electronics (Dongguan) Co., Ltd. | A subsidiary of DHHK | Long-term investments accounted for under the equity method | - | 2,681,250 | 100.00 | 2,681,250 |
| " | " | Delta Electronics Power (Dongguan) Co., Ltd. | " | " | - | 3,079,062 | 100.00 | 3,079,062 |
| " | " | Delta Electronics Components (Dongguan) Co., Ltd. | " | " | - | 1,726,519 | 100.00 | 1,726,519 |
| " | " | Delta Electronics (Shanghai) Co., Ltd. | " | " | - | 1,001,220 | 100.00 | 1,001,220 |
| " | " | Delta Electronics (Jiangsu) Ltd. | " | " | - | 1,942,672 | 55.00 | 1,942,672 |
| " | " | Delta Electronics Components (Wujiang) Ltd. | " | " | - | 2,293,407 | 55.00 | 2,293,407 |
| " | " | Delta Electro-Optics (Wujiang) Ltd. | " | " | - | 993,603 | 55.00 | 993,603 |
| " | " | Delta Video Display System (Wujiang) Ltd. | " | " | - | 705,369 | 55.00 | 705,369 |
| " | " | Delta Electronics (Wuhu) Co., Ltd. | " | " | - | 1,161,794 | 100.00 | 1,161,794 |
| " | " | Delta Electronics (Chenzhou) Co., Ltd. | " | " | - | 1,053,242 | 100.00 | 1,053,242 |
| Delta Networks Holding Ltd. (DNH) | Common stock | Delta Networks, Inc. (Cayman) | A subsidiary of DNH | " | 712,160 | 5,909,780 | 60.20 | 3,649,357 |
| Delta Networks, Inc. (Cayman) (DNI Cayman) | " | Delta Networks, Inc. (Taiwan) | A subsidiary of DNI Cayman | " | 49,599 | 1,279,825 | 99.20 | 1,279,825 |
| " | " | Delta Networks International Ltd. (Labuan) | " | " | 1,000 | 1,435,307 | 100.00 | 1,435,307 |

| Name and kind of marketable securities | | December 31, 2008 | | | | | | |
|--|-----------------------------------|--|--|---|---------------------------------|--------------|------------|--------------|
| Name of investor | Kind of marketable securities | Name of marketable securities | Relationship of the issuers with the Company | General ledger accounts | Number of shares (in thousands) | Book value | Percentage | Market value |
| Delta Networks, Inc. (Cayman) | Common stock | Delta Networks (H.K.) Ltd. | A subsidiary of DNI Cayman | Long-term investments accounted for under the equity method | 35,000 | \$ 2,253,167 | 100.00 | \$ 2,253,167 |
| " (DNI Cayman) | " | DNI Logistics (USA) Co. | " | " | 500 | 28,893 | 100.00 | 28,893 |
| Delta Networks, Inc. (Taiwan) (DNIT) | | Network Equipment Technology, Inc., etc. | | | | 2,947 | | 2,947 |
| Delta Networks (H.K.) Ltd. (DNHK) | Certificate of amount contributed | Delta Networks (Donggaun) Ltd. | A subsidiary of DNHK | Long-term investments accounted for under the equity method | - | 1,539,796 | 100.00 | 1,539,796 |
| " | " | Delta Networks (Wujiang) Ltd. | " | " | - | 607,761 | 100.00 | 607,761 |
| " | " | Delta Networks (Shanghai) Ltd. | " | " | - | 68,155 | 100.00 | 68,155 |
| PreOptix Co., Ltd. | Common stock | PreOptix (Hong Kong) Co., Ltd. | A subsidiary of PreOptix Co., Ltd. | " | 41,250 | 158,338 | 100.00 | 158,338 |
| PreOptix (Hong Kong) Co., Ltd. | Certificate of amount contributed | PreOptix (Jiang Su) Co., Ltd. | A subsidiary of PreOptix (Hong Kong) Co., Ltd. | " | - | 158,269 | 100.00 | 158,269 |

(5) Marketable securities acquired or sold in excess of \$100,000 or 20% capital:

| Acquirer/ seller | Name of marketable security | General ledger accounts | Name of transaction parties | Relationship | January 1, 2008 | | Addition | | Disposal | | December 31, 2008 | |
|----------------------------------|--|---|--|----------------------------|---------------------------------|--------------|---------------------------------|-----------------------|---------------------------------|------------------|---------------------------------|-------------------------|
| | | | | | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount |
| Delta International Holding Ltd. | Delta Electronics (H.K.) Ltd. Common stock accounted for under the equity method | Long-term investments | Delta Electronics (H.K.) Ltd. | Subsidiary | 2,228,002 | \$14,561,493 | 71,998 | \$ 2,907,434 (Note a) | - | \$ - | - | 2,300,000 \$ 17,468,927 |
| " | Delta Greentech (China) Co., Ltd. Common stock | Financial assets carried at cost - non-current | Delta Greentech (China) Co., Ltd. | Related party in substance | 34,036 | 99,432 | 24,904 | 121,024 (Note c) | - | - | - | 58,940 220,456 |
| " | Solarflare Communications Inc. Preferred shares | " | Solarflare Communications Inc. | None | - | - | 7,000 | 229,740 | - | - | - | 7,000 229,740 |
| Delta Electronics (H.K.) Ltd. | Delta Electronics (Wuhu) Co., Ltd. Certificate of amount contributed | Long-term investments accounted for under the equity method | Delta Electronics (Wuhu) Co., Ltd. | Subsidiary | - | 370,227 | - | 791,567 (Note d) | - | - | - | - 1,161,749 |
| " | Delta Electronics (Chenzhou) Co., Ltd. Certificate of amount contributed | " | Delta Electronics (Chenzhou) Co., Ltd. | " | - | 258,329 | - | 794,913 (Note e) | - | - | - | - 1,053,242 |
| Delta Networks, Inc. (Cayman) | Delta Network (Wujiang) Ltd. Certificate of amount contributed | " | Delta Networks (H.K.) Ltd. | (Note b) | - | 164,155 | - | 7,161 (Note f) | 154,750 | 156,994 (Note j) | - | - 607,761 |
| Delta Networks (H.K.) Ltd. | Delta Networks (Wujiang) Ltd. Certificate of amount contributed | " | Delta Networks, Inc. (Cayman) | Subsidiary | - | - | - | 607,761 (Note g) | - | - | - | - 607,761 |
| PreOptix Co., Ltd. | PreOptix (Hong Kong) Co., Ltd. Common stock | " | PreOptix (Hong Kong) Co., Ltd. | " | - | - | 41,250 | 158,338 (Note h) | - | - | - | 41,250 158,338 |

| Acquirer/seller | Name of marketable security | General ledger accounts | Name of transaction parties | Relationship | January 1, 2008 | | Addition | | Disposal | | December 31, 2008 | |
|--------------------------------|---|---|-------------------------------|--------------|---------------------------------|--------|---------------------------------|--------|---------------------------------|--------|---------------------------------|---------|
| | | | | | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount |
| PreOptix (Hong Kong) Co., Ltd. | PreOptix (Jiang Su) Co., Ltd. Certificate of amount contributed | Long-term investments accounted for under the equity method | PreOptix (Jiang Su) Co., Ltd. | Subsidiary | - | \$ - | 158,269 | - | - | - | - | 158,269 |

Note a : Delta International Holding Ltd. invested \$304,507 in Delta Electronics (H.K.) Co., Ltd. in the first quarter of 2008. Investment income accounted for under the equity method and adjustment recognized due to change in subsidiary's net asset value was \$2,602,927.

Note b: The counterparty for purchase transactions is the subsidiary, and the counterparty for sale transactions is Delta Networks (H.K.) Ltd.

Note c : Delta International Holding Ltd. invested \$119,843 in Delta Greentech (China) Co., Ltd. and recognized change in cumulative translation adjustment in the amount of \$1,181.

Note d : Delta Electronics (H.K.) Ltd. invested \$836,910 in Delta Electronics (Wuhu) Co., Ltd. Investment loss accounted for under the equity method and adjustment recognized due to change in subsidiary's net asset value was (\$45,343).

Note e : Delta Electronics (H.K.) Ltd. invested \$820,500 in Delta Electronics (Chenzhou) Co., Ltd. Investment loss accounted for under the equity method and adjustment recognized due to change in subsidiary's net asset value was (\$25,587).

Note f : Delta Networks, Inc. (Cayman) recognized included investment income accounted for under the equity method, adjustment due to change of investees' equity in the amount of (\$7,161).

Note g : Delta Electronics (H.K.) Ltd. invested \$590,760 in Delta Networks (Wujiang) Ltd. Investment income accounted for under the equity method and adjustment recognized due to change in subsidiary's net asset value was \$17,001.

Note h : PreOptix Co., Ltd. invested \$162,376 in PreOptix (Hong Kong) Co., Ltd. Investment loss accounted for under the equity method and adjustment recognized due to change in subsidiary's net asset value was (\$4,038).

Note i : PreOptix (Hong Kong) Co., Ltd. invested \$162,376 in PreOptix (Jiang Su) Ltd. Investment loss accounted for under the equity method and adjustment recognized due to change in subsidiary's net asset value was (\$4,106).

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

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

| Property acquired by | Property acquired | Date of transaction | Transaction amount | Status of payment | Previous transfer information | | | Reason for acquisition of properties and status of the properties |
|-------------------------------|-------------------|---------------------|--------------------|-------------------|--|--|--|---|
| | | | | | Relationship with the Company | Date of the original transfer | Basis or reference used in setting the price | |
| PreOptix (Jiang Su) Co., Ltd. | Factory | 2008. 09. 10 | \$ 104,083 | Cash | Original owner who sold the property to counterparty | Relationship of the owner with the Company | Amount | Other commitment |
| | | | | | Jurong City, Jiangsu Province Economic Development Zone Development and Construction Corporation | - | \$ - | None |
| | | | | | | | Counterparty's book value | Construction of a new factory |

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

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

The transaction of the Company and its consolidated subsidiaries: Please see Notes 5.2 (1) and (3)

| Name of the counterparty | Name of transaction parties | Relationship | Transaction terms | | | Description of and reasons for difference in transaction terms compared to non-related party transactions | | | Accounts or notes receivable (payable) | |
|---|---|----------------------------|--------------------------|--------------|------------------------------|---|------------|---------------|--|---|
| | | | Purchases (sales) (Note) | 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 Green (Tianjin) Industries Ltd. | Related party in substance | Purchases | \$ 1,048,346 | 0.90 | 75 days | - | - | (\$ 203,542) | 0.87 |
| " | Delta Electronics (Thailand) Public Co., Ltd. | Associate | " | 141,222 | 0.12 | " | - | - | (21,377) | 0.09 |
| " | Delta Electronics (Chenzhou) Co., Ltd. | Affiliated enterprise | " | 174,440 | 0.15 | " | - | - | (101,560) | 0.43 |
| " | Delta Electronics (Japan), Inc. | " | " | 102,667 | 0.09 | " | - | - | (17,039) | 0.07 |
| " | Delta Electronics (Dongguan) Co., Ltd. | " | Sales | 7,053,812 | 5.43 | " | - | - | 2,676,250 | 7.92 |
| " | Delta Electronics Power (Dongguan) Co., Ltd. | " | " | 21,873,311 | 16.83 | " | - | - | 5,553,676 | 16.43 |
| " | Delta Electronics Components (Dongguan) Co., Ltd. | " | " | 3,916,543 | 3.01 | " | - | - | 805,111 | 2.38 |
| " | Delta Electronics (Jiangsu) Ltd. | " | " | 2,155,104 | 1.66 | " | - | - | 1,946,001 | 8.65 |

| Name of the counterparty | Name of transaction parties | Relationship | Purchases (sales) (Note) | | | Transaction terms | | | Description of and reasons for difference in transaction terms compared to non-related party transactions | | | Accounts or notes receivable (payable) | |
|---|---|-----------------------|--------------------------|------------------------------|--------------|-------------------|---------------|---------|---|------|--|--|--|
| | | | 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 Components (Wujiang) Ltd. | Affiliated enterprise | \$ 513,321 | 0.39 | 75 days | - | - | - | \$ 405,217 | 1.53 | | | |
| " | Delta Electro - Optics (Wujiang) Ltd. | " | 236,031 | 0.18 | " | - | - | - | 245,719 | 0.92 | | | |
| " | Deltronics (Netherlands) B.V. | " | 123,905 | 0.10 | " | - | - | - | 29,144 | 0.09 | | | |
| " | Delta Video Display System (Wujiang) Ltd. | " | 527,629 | 0.41 | " | - | - | - | 221,174 | 0.65 | | | |
| Delta Electronics International Ltd. (Labuan) | Delta Electronics (Chenzhou) Co., Ltd. | " | 149,927 | 0.12 | " | - | - | - | 11,893 | 0.04 | | | |
| " | Delta Energy System (India) PVT Ltd. | Associate | 537,719 | 0.41 | " | - | - | - | 128,993 | 0.38 | | | |
| " | Delta Power Solutions (India) PVT Ltd. | " | 786,362 | 0.61 | " | - | - | - | 124,134 | 0.37 | | | |
| " | Delta Electronics (Japan), Inc. | Affiliated enterprise | 593,558 | 0.46 | " | - | - | - | 189,241 | 0.56 | | | |
| " | DEI Logistics (USA) Corp. | " | 5,180,451 | 3.99 | " | - | - | - | 1,231,724 | 3.64 | | | |

| Name of the counterparty | Name of transaction parties | Relationship | Purchases (sales) (Note) | | Transaction terms | | Description of and reasons for difference in transaction terms compared to non-related party transactions | | | Accounts or notes receivable (payable) | |
|---|---|----------------------------|--------------------------|------------|------------------------------|--------------|---|---------------|-----------|---|--|
| | | | Sales | Amount | % of total purchases (sales) | Credit terms | Unit price | Credit period | Balance | % of total accounts or notes receivable (payable) | |
| Delta Electronics International Ltd. (Labuan) | Delta Networks International Ltd. (Labuan) | Affiliated enterprise | \$ 177,585 | \$ 177,585 | 0.14 | 75 Days | - | - | \$ 22,752 | 0.07 | |
| " | Delta Products Corporation | Related party in substance | " | 607,679 | 0.47 | " | - | - | 110,946 | 0.33 | |
| " | Delta Electronics, Inc. | Ultimate parent company | " | 27,700,634 | 21.35 | " | - | - | 9,150,064 | 27.00 | |
| Delta Electronics Components (Dongguan) Co., Ltd. | Delta Electronics Power (Dongguan) Co., Ltd. | Affiliated enterprise | " | 1,037,165 | 18.11 | " | - | - | 42,346 | 2.02 | |
| " | Delta Electronics International Ltd. (Labuan) | " | " | 3,653,846 | 63.81 | " | - | - | 1,426,698 | 41.87 | |
| Delta Electronics Power (Dongguan) Co., Ltd. | " | " | " | 27,779,840 | 95.90 | " | - | - | 4,388,859 | 93.25 | |
| " | Delta Networks (Dongguan) Ltd. | " | " | 276,226 | 0.95 | " | - | - | 81,789 | 2.12 | |
| " | Delta Electronics (Dongguan) Co., Ltd. | " | " | 215,213 | 0.74 | " | - | - | 6,072 | 0.16 | |
| Delta Electronics (Dongguan) Co., Ltd. | Delta Electronics International Ltd. (Labuan) | " | " | 10,600,595 | 93.75 | " | - | - | 3,865,794 | 87.17 | |
| " | Delta Networks (Dongguan) Ltd. | " | " | 348,822 | 3.08 | " | - | - | 82,534 | 2.01 | |
| Delta Networks International Ltd. (Labuan) | " | " | " | 7,797,228 | 43.79 | " | - | - | 1,314,761 | 39.83 | |

| Name of the counterparty | Name of transaction parties | Relationship | Transaction terms | | | Description of and reasons for difference in transaction terms compared to non-related party transactions | | | Accounts or notes receivable (payable) | |
|---|---|----------------------------|--------------------------|--------------|------------------------------|---|------------|---------------|--|---|
| | | | Purchases (sales) (Note) | Amount | % of total purchases (sales) | Credit terms | Unit price | Credit period | Balance | % of total accounts or notes receivable (payable) |
| Delta Networks International Ltd. (Labuan) | DNI Logistic (USA) Co. | Affiliated enterprise | Sales | \$ 1,355,748 | 7.61 | 75 Days | - | - | \$ 243,621 | 7.38 |
| Delta Networks (Dongguan) Ltd. | Delta Networks International Ltd. (Labuan) | " | " | 8,777,887 | 89.51 | " | - | - | 1,820,392 | 95.27 |
| Delta Networks, Inc. (Taiwan) | " | " | " | 611,598 | 24.53 | " | - | - | 207,606 | 37.22 |
| Delta Electronics (Jiangsu) Ltd. | Delta Greentech (China) Co., Ltd. | Related party in substance | " | 1,336,483 | 3.21 | 90 days | - | - | 218,432 | 4.16 |
| " | Delta Electronics International Ltd. (Labuan) | Affiliated enterprise | " | 27,431,573 | 65.93 | 75 days | - | - | 2,916,249 | 55.49 |
| " | Delta Electronics (Wuhu) Co., Ltd. | " | Purchases | 293,687 | 0.84 | " | - | - | 64,264 | 0.86 |
| Delta Electro-Optics (Wujiang) Ltd. | Delta Greentech (China) Co., Ltd. | Related party in substance | Sales | 1,966,818 | 47.87 | 90 days | - | - | 571,379 | 62.48 |
| " | Delta Electronics International Ltd. (Labuan) | Affiliated enterprise | " | 1,972,326 | 48.00 | 75 days | - | - | 316,941 | 34.66 |
| Delta Electronics Components (Wujiang) Ltd. | Delta Electronics (Jiangsu) Ltd. | " | " | 143,882 | 1.60 | " | - | - | 29,036 | 1.90 |
| " | Delta Electronics International Ltd. (Labuan) | " | " | 4,585,336 | 50.88 | " | - | - | 693,933 | 45.33 |
| Delta Video Display System (Wujiang) Ltd. | " | " | " | 3,518,860 | 75.51 | " | - | - | 288,805 | 54.79 |

| Name of the counterparty | Name of transaction parties | Relationship | Transaction terms | | | Description of and reasons for difference in transaction terms compared to non-related party transactions | | | Accounts or notes receivable (payable) | |
|---|-----------------------------------|----------------------------|--------------------------|------------|------------------------------|---|------------|---------------|--|---|
| | | | Purchases (sales) (Note) | Amount | % of total purchases (sales) | Credit terms | Unit price | Credit period | Balance | % of total accounts or notes receivable (payable) |
| Delta Video Display System (Wujiang) Ltd. | Delta Greentech (China) Co., Ltd. | Related party in substance | Sales | \$ 281,322 | 6.04 | 90 days | - | - | \$ 109,683 | 20.81 |
| DelSolar Co., Ltd. | Delta Electronics, Inc. | Ultimate parent company | " | 103,794 | 1.54 | 70 days | - | - | 21,352 | 7.72 |

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

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

| Name of creditor | Transaction parties | Relationship | Balance of receivable from related parties | | Turnover rate | Overdue receivable | | Subsequent collections (Note) | Allowance for doubtful accounts provided |
|---|---|----------------------------|--|-----------|---------------|--------------------|---------------------------------------|-------------------------------|--|
| | | | \$ | 2,676,250 | | Amount | Action adopted for overdue accounts | | |
| Delta Electronics International Ltd. (Labuan) | Delta Electronics (Dongguan) Co., Ltd. | Affiliated enterprise | \$ | 2,676,250 | 2.74 | \$ 1,789,663 | Continued collection expected in 2009 | \$ 886,137 | \$ - |
| " | Delta Electronics Power (Dongguan) Co., Ltd. | " | | 5,553,676 | 4.10 | 3,863,091 | " | 2,724,625 | - |
| " | Delta Electronics Components (Dongguan) Co., Ltd. | " | | 805,111 | 5.07 | 570,686 | " | 164,098 | - |
| " | DEI Logistics (USA) Corp. | " | | 1,231,724 | 4.38 | 829,238 | " | 531,974 | - |
| " | Delta Electronics (Jiangsu) Ltd. | " | | 1,946,001 | 0.77 | 1,944,814 | " | 1,210,760 | - |
| " | Delta Electronics Components (Wujiang) Ltd. | " | | 405,217 | 1.03 | 376,502 | " | 302,191 | - |
| " | Delta Electro-Optics (Wujiang) Ltd. | " | | 245,719 | 0.79 | 244,489 | " | 184,166 | - |
| " | Delta Video Display System (Wujiang) Ltd. | " | | 221,174 | 2.48 | 220,447 | " | 89,342 | - |
| " | Delta Energy System (India) PVT Ltd. | Associate | | 128,993 | 4.34 | - | - | 24,254 | - |
| " | Delta Power Solutions (India) PVT Ltd. | " | | 124,134 | 6.60 | - | - | 20,611 | - |
| " | Delta Electronics (Japan), Inc. | Affiliated enterprise | | 189,241 | 3.27 | - | - | 80,054 | - |
| " | Delta Products Corporation | Related party in substance | | 110,946 | 5.70 | - | - | 28,910 | - |
| " | Delta Electronics, Inc. | Ultimate parent company | | 9,150,064 | 3.16 | 1,973,886 | Continued collection expected in 2009 | 1,994,265 | - |
| Delta Electronics Components (Dongguan) Co., Ltd. | Delta Electronics International Ltd. (Labuan) | Affiliated enterprise | | 1,426,698 | 4.33 | 225,265 | " | 877,812 | - |
| Delta Electronics Power (Dongguan) Co., Ltd. | " | " | | 4,388,859 | 8.03 | 44,906 | " | 2,133,300 | - |
| Delta Electronics (Dongguan) Co., Ltd. | " | " | | 3,865,794 | 3.09 | 71,663 | " | 262,560 | - |

| 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 (Jiangsu) Ltd. | Delta Electronics International Ltd. (Labuan) | Affiliated enterprise | \$ 2,916,249 | 9.47 | \$ 2,321 | Continued collection expected in 2009 | \$ 2,891,963 | \$ - |
| " | Delta Greentech (China) Co., Ltd. | Related party in substance | 218,432 | 6.86 | - | - | 102,530 | - |
| Delta Electronics Components (Wujiang) Ltd. | Delta Electronics International Ltd. (Labuan) | Affiliated enterprise | 693,933 | 9.39 | 151 | Continued collection expected in 2009 | 383,089 | - |
| Delta Electro-Optics (Wujiang) Ltd. | " | " | 316,941 | 8.40 | - | - | 181,547 | - |
| " | Delta Greentech (China) Co., Ltd. | Related party in substance | 571,379 | 3.41 | - | - | 195,783 | - |
| Delta Video Display System (Wujiang) Ltd. | " | " | 109,683 | 2.81 | - | - | 16,437 | - |
| " | Delta Electronics International Ltd. (Labuan) | Affiliated enterprise | 288,805 | 12.32 | - | - | 288,539 | - |
| Delta Networks International Ltd. (Labuan) | DNI Logistics (USA) Co. | " | 243,621 | 4.82 | 65,223 | Continued collection expected in 2009 | 194 | - |
| " | Delta Networks (Dongguan) Ltd. | " | 1,314,761 | 3.62 | 424,549 | " | 174,415 | - |
| Delta Networks (Dongguan) Ltd. | Delta Networks International Ltd. (Labuan) | " | 1,820,392 | 3.78 | 7,310 | " | 283,367 | - |
| Delta Networks, Inc. (Taiwan) | " | " | 207,666 | 0.30 | - | - | 7,450 | - |
| Delta Electronics (Chenzhou) Co., Ltd. | Delta Electronics International Ltd. (Labuan) | " | 101,560 | 1.72 | 18,730 | Continued collection expected in 2009 | - | - |

Note : The amount collected subsequent to December 31, 2008 up to February 16, 2009.

(10) Information on derivative transactions

The information on derivative transactions of investee companies for the year ended December 31, 2008 are as follows:

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

The nature and related information of investee companies' outstanding derivative transactions as of December 31, 2008 are summarized as follows:

| Derivative transactions | Par value, contract amount or nominal principal (Note a) | Contract period |
|---|--|-----------------------|
| A. Delta Electronics International Ltd. (Labuan) (A subsidiary of DIH) | | |
| Forward foreign currency contracts – Buy USD, sell RMB | USD 420,000 | 2008.01.07~2009.07.13 |
| Forward foreign currency contracts – Buy RMB, sell USD | USD 300,000 | 2008.10.16~2009.12.08 |
| Forward foreign currency contracts – Buy USD, sell EUR | EUR 500 | 2008.12.16~2009.03.17 |
| Forward foreign currency contracts – Buy JPY, sell USD | USD 500 | 2008.12.31~2009.02.13 |
| Forward foreign currency contracts – Buy USD, sell KRW | USD 481 | 2008.12.08~2009.01.20 |
| Multiple-stage inflating forward (Note b) | USD 4,500 | 2008.10.20~2009.01.22 |
| Multiple-stage inflating forward (Note c) | EUR 3,500 | 2008.11.03~2009.02.13 |
| The net loss recognized on forward foreign currency contracts for the year ended December 31, 2008 amounted to \$763,160 and the unrealized gain recognized on financial instruments under stockholders' equity amounted to \$957,312 as these met all the criteria for hedge accounting. | | |
| B. Delta Electronics (Dongguan) Co., Ltd. (A subsidiary of DHK) | | |
| Forward foreign currency contracts – Sell USD, buy RMB | USD 132,000 | 2008.01.07~2009.07.09 |
| Forward foreign currency contracts – Sell RMB, buy USD | RMB 137,222 | 2008.03.26~2009.04.02 |
| Forward foreign currency contracts – Sell RMB, buy USD | USD 106,000 | 2008.10.16~2009.12.04 |
| The net gain recognized on forward foreign currency contracts for the year ended December 31, 2008 amounted to \$336,887 and the unrealized loss recognized on financial instruments under stockholders' equity amounted to \$120,694 as these met all the criteria for hedge accounting. | | |
| C. Delta Electronics Power (Dongguan) Co., Ltd. (A subsidiary of DHK) | | |
| Forward foreign currency contracts – Sell USD, buy RMB | USD 266,000 | 2008.01.07~2009.07.09 |
| Forward foreign currency contracts – Sell RMB, buy USD | RMB 122,958 | 2008.12.25~2009.01.06 |
| Forward foreign currency contracts – Sell RMB, buy USD | USD 190,000 | 2008.10.16~2009.12.04 |
| The net gain recognized on forward foreign currency contracts for the year ended December 31, 2008 amounted to \$821,247 and the unrealized loss recognized on financial instruments under stockholders' equity amounted to \$272,262 as these met all the criteria for hedge accounting. | | |

| Derivative transactions | Par value, contract amount or nominal principal (Note a) | Contract period |
|---|--|-----------------------|
| D. Delta Electronics Components (Dongguan) Co., Ltd. (A subsidiary of DHK) | | |
| Forward foreign currency contracts – Sell USD, buy RMB | USD 22,000 | 2008.01.07-2009.07.09 |
| Forward foreign currency contracts – Sell RMB, buy USD | USD 4,000 | 2008.11.21-2009.12.04 |
| The net gain recognized on forward foreign currency contracts for the year ended December 31, 2008 amounted to \$79,069 and the unrealized loss recognized on financial instruments under stockholders' equity amounted to \$22,137 as these met all the criteria for hedge accounting. | | |
| E. Delta Networks (Dongguan) Ltd. (A subsidiary of DNHK) | | |
| Forward foreign currency contracts – Sell USD, buy RMB | USD 90,000 | 2008.06.19-2009.09.11 |
| Forward foreign currency contracts – Sell RMB, buy USD | USD 90,000 | 2008.10.14-2009.12.03 |
| The net loss recognized on forward foreign currency contracts for the year ended December 31, 2008 amounted to \$5,646. | | |
| F. Delta Networks, Inc. (Taiwan) (registered in Taiwan, a subsidiary of DNI Cayman) | | |
| The derivative financial instruments held by Delta Networks, Inc. at the end of 2008 were all settled. The net gain on foreign currency options held for trading purposes was recognized in the amount of \$726 in 2008. | | |
| G. Delta Networks International Ltd. (Labuan) (A subsidiary of DNI Cayman) | | |
| Forward foreign currency contracts – Buy USD, sell RMB | USD 80,000 | 2008.10.06-2009.12.01 |
| The net loss recognized on forward foreign currency contracts for the year ended December 31, 2008 amounted to \$122,940. | | |

Note a : Unit: Thousands of dollars.

Note b : If the exchange rate is above the predetermined rate, the nominal principal will be multiplied by 2 and the maximum exercise principal will be USD 9 million.

Note c : If the exchange rate is above the predetermined rate, the nominal principal will be multiplied by 2 and the maximum exercise principal will be EUR 7 million.

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, 2008, others are translated at the rate of exchange prevailing at the balance sheet date.

(1) Basic information

| Name of investee in Mainland China | Main activities of investee | Capital (Notes a and p) | Investment method | Accumulated remittance as of January 1, 2008 | Remitted or collected this period | | Accumulated remittance as of December 31, 2008 | Ownership held by Company (direct and indirect) | Investment income (loss) recognized by the Company during the year | Ending balance of investment | Investment income (loss) remitted back as of December 31, 2008 |
|---|---|----------------------------|-------------------|--|-----------------------------------|--------------|--|---|--|------------------------------|--|
| | | | | | Invested by | Remitted out | | | | | |
| Delta Electronics (Dongguan) Co., Ltd. | Manufacturing of power supplies | \$ 1,982,328 (US\$ 60,400) | Invested by DHK | \$ 1,217,840 (US\$ 37,107) | \$ - | \$ - | \$ 1,217,840 (US\$ 37,107) | 94.00% | \$ 624,982 (Note q) | \$ 2,520,375 | \$ - (Note b) |
| Delta Greentech (China) Co., Ltd. | Manufacturing and sales of uninterruptible power systems | 2,727,536 (RMB\$ 568,000) | Invested by DIH | 98,528 (US\$ 3,002) | 200,714 (US\$ 6,116) | - | 299,242 (US\$ 9,118) | 11.40% | - | 207,229 | - (Note c) |
| Delta Networks (Dongguan) Ltd. | Manufacturing and sales of other radio transmission apparatus incorporating reception apparatus and other radio-broadcast receivers, combined with sound recording or reproducing apparatus | 968,190 (US\$ 29,500) | Invested by DNHK | 692,088 (US\$ 21,087) | - | - | 692,088 (US\$ 21,087) | 60.20% | 178,984 | 926,957 | - (Note d) |
| Delta Electronics Components (Dongguan) Co., Ltd. | Manufacturing of transformers | 1,206,135 (US\$ 36,750) | Invested by DHK | 988,681 (US\$ 30,124) | - | - | 988,681 (US\$ 30,124) | 94.00% | 244,468 | 1,622,928 | 14,472 (US\$ 441) (Note e) |
| Delta Electronics Power (Dongguan) Co., Ltd. | Manufacturing of power supplies | 1,381,722 (US\$ 42,100) | " | 555,314 (US\$ 16,920) | - | - | 555,314 (US\$ 16,920) | 94.00% | 1,351,869 | 2,894,318 | 440,969 (US\$ 13,436) (Note f) |
| Delta Electronics Components (Wujiang) Ltd. | Manufacturing of transformers | 2,914,744 (US\$ 88,810) | " | 678,718 (US\$ 20,680) | - | - | 678,718 (US\$ 20,680) | 51.70% | 153,223 | 2,155,803 | - (Note g) |
| Delta Electronics (Jiangsu) Ltd. | Manufacturing of power supplies | 1,312,800 (US\$ 40,000) | " | 678,718 (US\$ 20,680) | - | - | 678,718 (US\$ 20,680) | 51.70% | 669,393 | 1,826,112 | - |
| Delta Electro-Optics (Wujiang) Ltd. | Manufacturing of peripherals and electronic control equipments | 951,780 (US\$ 29,000) | " | 424,199 (US\$ 12,925) | - | - | 424,199 (US\$ 12,925) | 51.70% | 184,181 | 933,987 | 15,575 (US\$ 474) (Note h) |
| Delta Video Display System (Wujiang) Ltd. | Manufacturing and sales of various projectors | 951,780 (US\$ 29,000) | " | 220,583 (US\$ 6,721) | - | - | 220,583 (US\$ 6,721) | 51.70% | 65,995 | 663,047 | - (Note i) |

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| Name of investee in Mainland China | Main activities of investee | Capital (Notes a and p) | Investment method | Accumulated remittance as of | | Remitted or collected | | Ownership held by Company (direct and indirect) | Investment income (loss) recognized by the Company during the year | Ending balance of investment | Investment income (loss) remitted back as of December 31, 2008 |
|--|--|------------------------------|---------------------------------------|------------------------------|----------------------|-----------------------|-----------|---|--|------------------------------|--|
| | | | | January 1, 2008 | December 31, 2008 | Remitted out | Collected | | | | |
| Delta Electronics (Shanghai) Co., Ltd. | Product design | \$ 1,139,995 (RMB\$ 237,400) | Invested by DHK | \$ - | \$ - | \$ - | \$ - | 94.00% | 12,081 | \$ 941,147 | \$ - (Note j) |
| Delta Electronics (Wuhu) Co., Ltd. | Manufacturing of power supplies and transformers | 1,230,750 (US\$ 37,500) | " | 185,105 (US\$ 5,640) | - | - | - | 94.00% | 68,599 | 1,092,086 | - (Note k) |
| Delta Networks (Wujiang) Ltd. | Manufacturing and sales of other radio transmission apparatus, incorporating reception apparatus and other radio-broadcast receivers, combined with sound recording or reproducing apparatus | 590,760 (US\$ 18,000) | Invested by DNHK | - | - | - | - | 60.20% | 1,705 | 365,872 | - (Note l) |
| Delta Networks (Shanghai) Ltd. | Design of computer software | 65,640 (US\$ 2,000) | " | - | 29,026 (US\$ 884) | - | - | 60.20% | 60 | 41,029 | - (Note m) |
| Delta Electronics (Chenzhou) Co., Ltd. | Manufacturing of power supplies and transformers | 1,083,060 (US\$ 33,000) | Invested by DHK | - | - | - | - | 94.00% | 44,194 | 990,047 | - (Note n) |
| PreOptix (Jiang Su) Co., Ltd. | Manufacturing and sales of lenses and optical engines for projectors | 172,305 (US\$ 5,250) | Invested by PreOptix (H.K.) Co., Ltd. | - | 172,305 (US\$ 5,250) | - | - | 75.00% | 10,679 | 118,702 | - |

Note a: The capital was translated based on the currencies of capital certified report of the investee companies into New Taiwan Dollars at the average exchange rate of RMB 6.8346 to US\$1 and RMB 4.8020 to NT\$1.

Note b: Except for the facility of US\$37,107 permitted by Investment Commission, the capitalization of earnings of US\$21,996 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note c: Except for the facility of US\$10,134 permitted by Investment Commission, the capitalization of earnings of US\$980 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note d: Except for the facility of US\$23,437 permitted by Investment Commission, the capitalization of earnings of US\$5,812 permitted by Investment Commission 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 is excluded from the Company's amount of investment in Mainland China.

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

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

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

Note 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 is excluded from the Company's amount of investment in Mainland China.

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

Note k: Except for the facility of US\$5,640 permitted by Investment Commission, the capitalization of earnings of US\$54,520 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note l: The capitalization of earnings of US\$10,802 is excluded from the Company's amount of investment in Mainland China.

Note m: Except for the facility of US\$884 permitted by Investment Commission, the capitalization of earnings of US\$298 permitted by Investment Commission is excluded from the Company's amount of investment in Mainland China.

Note n: The capitalization of earnings of US\$31,020 is excluded from the Company's amount of investment in Mainland China.

Note o: Capital represented the original investment cost translated at the balance sheet exchange rate, the original investment cost in US dollars does not exceed the amount approved by the Investment Commission.

Note p: Capital represented the capital certified.

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

Note r: 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.

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

| Name of investor | Accumulated amount remitted out of Taiwan to Mainland China | Investment amount approved by the Investment Commission | | Ceiling of investment amount of the Company |
|-------------------------|---|---|---|---|
| | | Investment amount approved by the Investment Commission | Investment amount approved by the Investment Commission | |
| Delta Electronics, Inc. | \$ 5,498,498 (US\$ 167,535) (Note r) | \$ 5,608,994 (US\$ 170,902) (Note r) | \$ 5,608,994 (US\$ 170,902) (Note s) | (Note s) |
| PreOptix Co., Ltd. | \$ 172,305 (US\$ 5,250) (Note o) | \$ 172,305 (US\$ 5,250) (Note o) | \$ 172,305 (US\$ 5,250) (Note o) | \$ 103,751 |

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

The significant transactions directly between the Company and the investee companies for the year ended December 31, 2008 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) (DEIL-Labuan), and DNI Cayman's subsidiary, Delta Networks International Ltd. (Labuan) (DNIL-Labuan) for the year ended December 31, 2008 are shown in Note 11.2 (8).

4) The relationship and significant transactions between the Company and its subsidiaries
For the year ended December 31, 2008:

| Number (Note a) | Name of counterparty | Name of transaction parties | Relationship (Note b) | Subject | Relationship (Note f) | Transaction terms (Note d) | Percentage of total combined revenue or total assets (Note c) |
|--------------------|--|--|--------------------------|---------|--------------------------|----------------------------------|---|
| | | | | | | | |
| 0 | Delta Electronics, Inc. | Delta Electronics International Ltd. (Labuan) | 1 | | 4,290,407 | | 3.01 |
| 1 | Delta Electronics International Ltd. (Labuan) | Delta Electronics (Dongguan) Co., Ltd. | 3 | Sales | 7,053,812 | " | 4.95 |
| 1 | " | Delta Electronics Power (Dongguan) Co., Ltd. | 3 | " | 21,873,311 | " | 15.33 |
| 1 | " | Delta Electronics Components (Dongguan) Co., Ltd. | 3 | " | 3,916,543 | " | 2.75 |
| 1 | " | Delta Electronics (Jiangsu) Ltd. | 3 | " | 2,155,104 | " | 1.51 |
| 1 | " | Delta Electronics Components (Wujiang) Ltd. | 3 | " | 513,321 | " | 0.36 |
| 1 | " | Delta Electro-Optics (Wujiang) Ltd. | 3 | " | 236,031 | " | 0.17 |
| 1 | " | Delta Video Display System (Wujiang) Ltd. | 3 | " | 527,629 | " | 0.37 |
| 1 | " | Delta Electronics (Chenzhou) Co., Ltd. | 3 | " | 149,972 | " | 0.11 |
| 1 | " | Deltronics (Netherlands) B.V. | 3 | " | 123,905 | " | 0.09 |
| 1 | " | Delta Electronics (Japan), Inc. | 3 | " | 593,558 | " | 0.42 |
| 1 | " | DEI Logistics (USA) Corp. | 3 | " | 5,180,451 | " | 3.63 |
| 1 | " | Delta Networks International Ltd. (Labuan) | 3 | " | 177,585 | " | 0.12 |
| 1 | " | Delta Electronics, Inc. | 2 | " | 27,700,634 | " | 19.42 |
| 2 | Delta Electronics Components (Dongguan) Co., Ltd. | Delta Electronics Power (Dongguan) Co., Ltd. | 3 | " | 1,037,165 | " | 0.73 |
| 2 | " | Delta Electronics International Ltd. (Labuan) | 3 | " | 3,653,846 | " | 2.56 |
| 3 | Delta Electronics Power (Dongguan) Co., Ltd. | " | 3 | " | 27,779,840 | " | 19.47 |
| 3 | " | Delta Networks (Dongguan) Ltd. | 3 | " | 276,226 | " | 0.19 |

| Number (Note a) | Name of counterparty | Name of transaction parties | Relationship (Note b) | Subject | Relationship (Note f) | Transaction terms | Percentage of total combined revenue or total assets (Note c) |
|--------------------|---|---|--------------------------|---------------------|--------------------------|----------------------|---|
| 3 | " | Delta Electronics (Dongguan) Co., Ltd. | 3 | " | 215,213 | " | 0.15 |
| 4 | Delta Electronics (Dongguan) Co., Ltd. | Delta Electronics International Ltd. (Labuan) | 3 | Sales | \$ 10,600,595 | (Note d) | 7.43 |
| 4 | " | Delta Networks (Dongguan) Ltd. | 3 | " | 348,822 | " | 0.24 |
| 5 | Delta Networks International Ltd. (Labuan) | " | 3 | " | 7,797,228 | " | 5.47 |
| 5 | " | DNI Logistics (USA) Co. | 3 | " | 1,355,748 | " | 0.95 |
| 6 | Delta Networks (Dongguan) Ltd. | Delta Networks International Ltd. (Labuan) | 3 | " | 8,777,887 | " | 6.15 |
| 7 | Delta Networks, Inc. (Taiwan) | " | 3 | " | 611,598 | " | 0.43 |
| 8 | Delta Electronics (Jiangsu) Ltd. | Delta Electronics International Ltd. (Labuan) | 3 | " | 27,431,573 | " | 19.23 |
| 9 | Delta Electro-Optics (Wujiang) Ltd. | " | 3 | " | 1,972,326 | " | 1.38 |
| 10 | Delta Electronics Components (Wujiang) Ltd. | " | 3 | " | 4,585,336 | " | 3.21 |
| 10 | " | Delta Electronics (Jiangsu) Ltd. | 3 | " | 143,882 | " | 0.10 |
| 11 | Delta Video Display System (Wujiang) Ltd. | Delta Electronics International Ltd. (Labuan) | 3 | " | 3,518,860 | " | 2.47 |
| 12 | Delta Electronics (Chenzhou) Co., Ltd. | " | 3 | " | 174,440 | " | 0.12 |
| 13 | Delta Electronics (Wuhu) Co., Ltd. | Delta Electronics (Jiangsu) Ltd. | 3 | " | 293,687 | " | 0.21 |
| 14 | Delta Electronics (Japan), Inc. | Delta Electronics International Ltd. (Labuan) | 3 | " | 102,667 | " | 0.07 |
| 15 | DeSolar Co., Ltd. | Delta Electronics, Inc. | 2 | " | 103,794 | " | 0.07 |
| 0 | Delta Electronics, Inc. | Delta Electronics International Ltd. (Labuan) | 1 | Other receivables | 154,320 | " | 0.13 |
| 1 | Delta Electronics International Ltd. (Labuan) | Delta Electronics, Inc. | 2 | " | 290,387 | " | 0.25 |
| 0 | Delta Electronics, Inc. | Delta Electronics International Ltd. (Labuan) | 1 | Accounts receivable | 320,603 | " | 0.27 |

| Number (Note a) | Name of counterparty | Name of transaction parties | Relationship (Note b) | | Subject Accounts receivable | Relationship (Note f) | Transaction terms (Note d) | Percentage of total combined revenue or total assets (Note c) |
|--------------------|--|--|--------------------------|--|-----------------------------------|--------------------------|----------------------------------|---|
| | | | | | | | | |
| 1 | Delta Electronics International Ltd. (Labuan) | Delta Electronics (Dongguan) Co., Ltd. | 3 | | \$ | 2, 676, 250 | | 2. 28 |
| 1 | " | Delta Electronics Power (Dongguan) Co., Ltd. | 3 | | " | 5, 553, 676 | " | 4. 72 |
| 1 | " | Delta Electronics Components (Dongguan) Co., Ltd. | 3 | | " | 805, 111 | " | 0. 68 |
| 1 | " | Delta Electronics (Jiangsu) Ltd. | 3 | | " | 1, 946, 001 | " | 1. 66 |
| 1 | " | Delta Electronics Components (Wujiang) Ltd. | 3 | | " | 405, 217 | " | 0. 34 |
| 1 | " | Delta Electro-Optics (Wujiang) Ltd. | 3 | | " | 245, 719 | " | 0. 21 |
| 1 | " | Delta Video Display System (Wujiang) Ltd. | 3 | | " | 221, 174 | " | 0. 19 |
| 1 | " | Delta Electronics (Japan), Inc. | 3 | | " | 189, 241 | " | 0. 16 |
| 1 | " | DEI Logistics (USA) Corp. | 3 | | " | 1, 231, 724 | " | 1. 05 |
| 1 | " | Delta Electronics, Inc. | 2 | | " | 9, 150, 064 | " | 7. 78 |
| 2 | Delta Electronics Components (Dongguan) Co., Ltd. | Delta Electronics International Ltd. (Labuan) | 3 | | " | 1, 426, 698 | " | 1. 21 |
| 3 | Delta Electronics Power (Dongguan) Co., Ltd. | " | 3 | | " | 4, 388, 859 | " | 3. 73 |
| 4 | Delta Electronics (Dongguan) Co., Ltd. | " | 3 | | " | 3, 865, 794 | " | 3. 29 |
| 8 | Delta Electronics (Jiangsu) Ltd. | " | 3 | | " | 2, 916, 249 | " | 2. 48 |
| 10 | Delta Electronics Components (Wujiang) Ltd. | " | 3 | | " | 693, 933 | " | 0. 59 |
| 9 | Delta Electro-Optics (Wujiang) Ltd. | " | 3 | | " | 316, 941 | " | 0. 27 |
| 11 | Delta Video Display System (Wujiang) Ltd. | " | 3 | | " | 288, 805 | " | 0. 25 |
| 12 | Delta Electronics (Chenzhou) Co., Ltd. | " | 3 | | " | 101, 560 | " | 0. 09 |

| Number (Note a) | Name of counterparty | Name of transaction parties | Relationship (Note b) | Subject | Relationship (Note f) | Transaction terms (Note d) | Percentage of total combined revenue or total assets (Note c) |
|--------------------|---|---|--------------------------|------------------------|--------------------------|----------------------------------|---|
| 5 | Delta Networks International Ltd. (Labuan) | Delta Networks (Dongguan) Ltd. | 3 | Accounts receivable | \$ 1,314,761 | | 1.12 |
| 5 | " | DNI Logistics (USA) Co. | 3 | " | 243,621 | " | 0.21 |
| 6 | Delta Networks (Dongguan) Ltd. | Delta Networks International Ltd. (Labuan) | 3 | " | 1,820,392 | " | 1.55 |
| 7 | Delta Networks, Inc. (Taiwan) | " | 3 | " | 207,666 | " | 0.18 |
| 0 | Delta Electronics, Inc. | Delta Networks, Inc. (Taiwan) | 1 | Leased assets | 641,750 | (Note e) | 0.55 |

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.

For the year ended December 31, 2007:

| Number (Note a) | Name of counterparty | Name of transaction parties | Relationship (Note b) | Subject | Relationship (Note f) | Transaction terms | Percentage of total combined revenue or total assets (Note c) |
|--------------------|--|--|--------------------------|---------------------|--------------------------|----------------------|---|
| | | | | Services revenue \$ | | (Note d) | |
| 0 | Delta Electronics, Inc. | Delta Electronics International Ltd. (Labuan) | 1 | | 3, 184, 892 | | 2.44 |
| 1 | Delta Electronics International Ltd. (Labuan) | Delta Electronics (Jiangsu) Ltd. | 3 | Sales | 333, 525 | " | 0.26 |
| 1 | " | Delta Electronics Components (Wujiang) Ltd. | 3 | " | 138, 933 | " | 0.11 |
| 1 | " | Delta Video Display System (Wujiang) Ltd. | 3 | " | 134, 675 | " | 0.10 |
| 1 | " | Delta Electronics (Japan), Inc. | 3 | " | 528, 653 | " | 0.40 |
| 1 | " | Delta Networks International Ltd. (Labuan) | 3 | " | 208, 410 | " | 0.16 |
| 1 | " | Delta Electronics (Dongguan) Co., Ltd. | 3 | " | 4, 217, 414 | " | 3.23 |
| 1 | " | Delta Electronics Power (Dongguan) Co., Ltd. | 3 | " | 25, 040, 496 | " | 19.17 |
| 1 | " | Delta Electronics Components (Dongguan) Co., Ltd. | 3 | " | 6, 140, 484 | " | 4.70 |
| 1 | " | DEI Logistics (USA) Corp. | 3 | " | 4, 954, 521 | " | 3.79 |
| 1 | " | Deltronics (Netherlands) B.V. | 3 | " | 113, 845 | " | 0.09 |
| 1 | " | Delta Electronics, Inc. | 2 | " | 29, 491, 800 | " | 22.58 |
| 2 | Delta Electronics Components (Dongguan) Co., Ltd. | Delta Electronics Power (Dongguan) Co., Ltd. | 3 | " | 1, 099, 846 | " | 0.84 |
| 2 | " | Delta Electronics International Ltd. (Labuan) | 3 | " | 5, 747, 554 | " | 4.40 |
| 3 | Delta Electronics Power (Dongguan) Co., Ltd. | " | 3 | " | 30, 698, 377 | " | 23.50 |
| 3 | " | Delta Networks (Dongguan) Ltd. (Note g) | 3 | " | 299, 547 | " | 0.23 |

| Number (Note a) | Name of counterparty | Name of transaction parties | Relationship (Note b) | Subject | Relationship (Note f) | Transaction terms (Note d) | Percentage of total combined revenue or total assets (Note c) |
|--------------------|---|---|--------------------------|---------------------|--------------------------|----------------------------------|---|
| 4 | Delta Electronics (Dongguan) Co., Ltd. | Delta Electronics International Ltd. (Labuan) | 3 | Sales | \$ 5,731,898 | " | 4.39 |
| 4 | " | Delta Networks (Dongguan) Ltd. (Note g) | 3 | " | 368,134 | " | 0.28 |
| 5 | Delta Electronics (Jiangsu) Ltd. | Delta Electronics International Ltd. (Labuan) | 3 | " | 21,034,190 | " | 16.10 |
| 6 | Delta Electronics Components (Wujiang) Ltd. | " | 3 | " | 4,073,376 | " | 3.12 |
| 6 | " | Delta Electronics (Jiangsu) Ltd. | 3 | " | 107,063 | " | 0.08 |
| 7 | Delta Electro-Optics (Wujiang) Ltd. | Delta Electronics International Ltd. (Labuan) | 3 | " | 1,771,291 | " | 1.36 |
| 8 | Delta Video Display System (Wujiang) Ltd. | " | 3 | " | 2,980,715 | " | 2.28 |
| 9 | Delta Electronics (Japan), Inc. | Delta Electronics Components (Wujiang) Ltd. | 3 | " | 113,187 | " | 0.09 |
| 9 | " | Delta Electronics International Ltd. (Labuan) | 3 | " | 165,291 | " | 0.13 |
| 10 | Delta Networks International Ltd. (Labuan) | Delta Networks (Dongguan) Ltd. (Note g) | 3 | " | 8,328,817 | " | 6.38 |
| 10 | " | DNI Logistics (USA) Co. | 3 | " | 1,309,769 | " | 1.00 |
| 11 | Delta Networks (Dongguan) Ltd. (Note g) | Delta Networks International Ltd. (Labuan) | 3 | " | 9,252,751 | " | 7.08 |
| 12 | Delta Networks, Inc. (Taiwan) | " | 3 | " | 142,080 | " | 0.11 |
| 0 | Delta Electronics, Inc. | Delta Electronics International Ltd. (Labuan) | 1 | Other receivables | 187,089 | " | 0.16 |
| 1 | Delta Electronics International Ltd. (Labuan) | Delta Electronics, Inc. | 2 | " | 1,745,593 | " | 1.48 |
| 0 | Delta Electronics, Inc. | Delta Electronics International Ltd. (Labuan) | 1 | Accounts receivable | 849,388 | " | 0.72 |

| Number (Note a) | Name of counterparty | Name of transaction parties | Relationship (Note b) | Subject | Relationship (Note f) | Transaction terms (Note d) | Percentage of total combined revenue or total assets (Note c) |
|--------------------|--|--|--------------------------|------------------------|--------------------------|----------------------------------|---|
| 1 | Delta Electronics International Ltd. (Labuan) | Delta Electronics Components (Dongguan) Co., Ltd. | 3 | Accounts receivable | \$ 2, 203, 628 | | 1. 87 |
| 1 | " | DEI Logistics (USA) Corp. | 3 | " | 922, 443 | " | 0. 78 |
| 1 | " | Delta Electronics, Inc. | 2 | " | 13, 682, 021 | " | 11. 60 |
| 1 | " | Delta Electronics (Japan), Inc. | 3 | " | 216, 152 | " | 0. 18 |
| 1 | " | Delta Electronics (Dongguan) Co., Ltd. | 3 | " | 2, 136, 039 | " | 1. 81 |
| 1 | " | Delta Electronics Power (Dongguan) Co., Ltd. | 3 | " | 10, 189, 510 | " | 8. 64 |
| 4 | Delta Electronics (Dongguan) Co., Ltd. | Delta Electronics International Ltd. (Labuan) | 3 | " | 1, 218, 405 | " | 1. 03 |
| 4 | " | Delta Networks (Dongguan) ltd. (Note g) | 3 | " | 110, 781 | " | 0. 09 |
| 2 | Delta Electronics Components (Dongguan) Co., Ltd. | Delta Electronics International Ltd. (Labuan) | 3 | " | 2, 770, 725 | " | 2. 35 |
| 3 | Delta Electronics Power (Dongguan) Co., Ltd. | " | 3 | " | 10, 545, 106 | " | 8. 94 |
| 5 | Delta Electronics (Jiangsu) Ltd. | " | 3 | " | 2, 975, 761 | " | 2. 52 |
| 6 | Delta Electronics Components (Wujiang) Ltd. | " | 3 | " | 315, 210 | " | 0. 27 |
| 7 | Delta Electro-Optics (Wujiang) Ltd. | " | 3 | " | 166, 558 | " | 0. 14 |
| 8 | Delta Video Display System (Wujiang) Ltd. | " | 3 | " | 292, 524 | " | 0. 25 |
| 10 | Delta Networks International Ltd. (Labuan) | Delta Networks (Dongguan) Ltd. (Note g) | 3 | " | 2, 599, 899 | " | 2. 20 |
| 10 | " | DNI Logistics (USA) Co. | 3 | " | 318, 405 | " | 0. 27 |
| 11 | Delta Networks (Dongguan) Ltd. (Note g) | Delta Networks International Ltd. (Labuan) | 3 | " | 2, 824, 072 | " | 2. 40 |

| Number (Note a) | Name of counterparty | Name of transaction parties | Relationship (Note b) | Subject | Relationship (Note f) | Transaction terms | Percentage of total combined revenue or total assets (Note c) |
|--------------------|-------------------------------|---|--------------------------|------------------------|--------------------------|----------------------|---|
| 12 | Delta Networks, Inc. (Taiwan) | Delta Networks International Ltd. (Labuan) | 3 | Accounts receivable | \$ 123,680 | (Note d) | 0.10 |
| 0 | Delta Electronics, Inc. | Delta Networks, Inc. (Taiwan) | 1 | Leased assets | 587,021 | (Note e) | 0.50 |

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.

Note g: Formerly "Delta Electronics Industrial (Dongguan) Co., Ltd."

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 2007 and 2008.

B. Financial information by geographic area

Geographic area information in 2007 and 2008 were as follows:

| | 2007 | | | | |
|---|----------------------|---------------------|----------------------|------------------------|----------------------|
| | Asia | Others | Domestic | Elimination | Consolidated |
| Operating revenues from unaffiliated customers | \$ 82,102,908 | \$ 6,510,877 | \$ 42,000,310 | \$ - | \$130,614,095 |
| Operating revenues from the Company and its consolidated subsidiaries | <u>87,447,187</u> | <u>239,235</u> | <u>3,960,280</u> | <u>(91,646,702)</u> | <u>-</u> |
| Total operating revenues | <u>\$169,550,095</u> | <u>\$ 6,750,112</u> | <u>\$ 45,960,590</u> | <u>(\$ 91,646,702)</u> | <u>\$130,614,095</u> |
| Segment profits | <u>\$ 14,452,592</u> | <u>\$ 91,764</u> | <u>\$ 3,731,639</u> | <u>\$ 169,140</u> | <u>\$ 18,445,135</u> |
| Investment income under equity method | | | | | 750,089 |
| Gain on disposal of investments | | | | | 1,324,047 |
| General expenses | | | | | (811,814) |
| Interest expense | | | | | (159,887) |
| Net income before income tax and minority interest | | | | | <u>\$ 19,547,570</u> |
| Identifiable assets | <u>\$ 67,316,622</u> | <u>\$22,885,502</u> | <u>\$ 36,545,581</u> | <u>(\$ 17,490,555)</u> | <u>\$109,257,150</u> |
| Long-term investments | | | | | 8,657,624 |
| General assets | | | | | - |
| Total assets | <u>\$ 2,431,058</u> | <u>\$ 27,066</u> | <u>\$ 894,718</u> | <u>\$ -</u> | <u>\$117,914,774</u> |
| Depreciation | <u>\$ 6,872,262</u> | <u>\$ 2,696</u> | <u>\$ 1,300,690</u> | <u>\$ -</u> | <u>\$ 3,352,842</u> |
| Capital expenditures | | | | | <u>\$ 8,175,648</u> |

2008

| | Asia | Others | Domestic | Elimination | Consolidated |
|---|----------------|---------------|---------------|------------------|----------------|
| Operating revenues from unaffiliated customers | \$ 93,186,786 | \$ 6,847,257 | \$ 42,610,811 | \$ - | \$ 142,644,854 |
| Operating revenues from the Company and its consolidated subsidiaries | 95,384,276 | 295,452 | 5,080,969 | (100,760,697) | - |
| Total operating revenues | \$ 188,571,062 | \$ 7,142,709 | \$ 47,691,780 | \$ (100,760,697) | \$ 142,644,854 |
| Segment profits | \$ 11,632,809 | \$ 115,679 | \$ 3,102,770 | \$ (255,726) | \$ 14,595,532 |
| Investment income under equity method | | | | | 695,116 |
| Gain on disposal of investments | | | | | - |
| General expenses | | | | | (285,659) |
| Interest expense | | | | | (218,160) |
| Net income before income tax and minority interest | | | | | \$ 14,786,829 |
| Identifiable assets | \$ 77,937,615 | \$ 17,243,106 | \$ 24,830,725 | \$ (11,000,915) | \$ 109,010,531 |
| Long-term investments | | | | | 8,546,840 |
| General assets | | | | | - |
| Total assets | \$ 3,240,737 | \$ 16,827 | \$ 888,215 | \$ - | \$ 117,557,371 |
| Depreciation | \$ 6,152,544 | \$ 5,488 | \$ 1,322,537 | \$ - | \$ 4,145,779 |
| Capital expenditures | | | | | \$ 7,480,569 |

C. Information about export sales

The export sales of the Group in 2007 and 2008 were as follows:

| Destination | 2007 | 2008 |
|----------------|---------------|----------------|
| Southeast Asia | \$ 50,908,669 | \$ 47,899,563 |
| U.S.A. | 18,957,642 | 26,076,085 |
| Europe | 16,562,220 | 22,883,595 |
| Northeast Asia | 4,648,172 | 6,661,071 |
| Americas | 2,996,684 | 2,556,785 |
| Others | 2,403,717 | 3,832,225 |
| | \$ 96,477,104 | \$ 109,909,324 |

D. Major customer information

The customer accounting for more than 10% of the company's operating revenues for the years ended December 31, 2007 and 2008 is set forth below:

| | 2007 | 2008 |
|------------|--------------------|--------------------|
| | Amount | Amount |
| Customer A | \$13,642,713 | \$13,946,319 |
| | 35% | 37% |
| | operating revenues | operating revenues |
| | % of total | % of total |



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