

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
REPORT AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30th JUNE, 2000

Report of Independent Auditor

To The Board of Directors and Shareholders of
Delta Electronics (Thailand) Public Company Limited

I have reviewed the accompanying consolidated balance sheet of Delta Electronics (Thailand) Public Company Limited and its subsidiaries as at 30th June, 2000, and the related consolidated statements of earnings for the three-month and six-month periods ended 30th June, 2000 and 1999, the consolidated statements of changes in shareholders' equity, retained earnings and cash flows for the six-month period ended 30th June, 2000 and 1999, and the separate financial statements of Delta Electronics (Thailand) Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and completeness of the presentation. My responsibility is to report on these financial statements based on my reviews.

I conducted my reviews in accordance with the auditing standard applicable to review engagements. This standard requires that I plan and perform the reviews to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my reviews, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

I have previously audited the consolidated financial statements of Delta Electronics (Thailand) Public Company Limited and its subsidiaries and the separate financial statements of Delta Electronics (Thailand) Public Company Limited for the year ended 31st December, 1999, in accordance with generally accepted auditing standards and expressed an unqualified opinion on those statements under my report dated 3rd February, 2000. The balance sheets as at 31st December, 1999, as presented herein for comparative purposes, formed an integral part of the financial statements which I audited and reported on. I have not performed any other audit procedures subsequent to the date of that report.

Sophon Permsirivallop
Certified Public Accountant (Thailand) No. 3182

Ernst & Young Office Limited
Bangkok : 28th July, 2000

(UNAUDITED/BUT REVIEWED)

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

1.1 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 41 "Interim financial statements", which the Company choosing to present condensed interim financial statements. However, additional line items are presented in the balance sheets, the statements of earnings, retained earnings, changes in shareholders' equity, and cash flows as in the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

1.2 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for preparation of the financial statements for the year ended 31st December, 1999.

(UNAUDITED/BUT REVIEWED)

1.3 Basic earnings per share

Earnings per share as presented in the earnings statements is the basic earnings per share, calculated by dividing net earnings for the period by the weighted average number of ordinary shares in issue and paid up during the period.

No disclosure of diluted earnings per share is required since the Company has no potential ordinary shares.

1.4 Basis of consolidation

The basis of consolidation in the interim financial statements is the same as that for the consolidated financial statements for the year ended 31st December, 1999. However, there were structural changes relating to the subsidiaries, and they are summarised below :-

	Percentage of shares held by the Company		Total assets of subsidiaries included in consolidated balance sheets		Total income of subsidiaries included in consolidated earnings statements for the six-month period ended		Net earnings (losses) of subsidiaries included in consolidated earnings statements for the six-month period ended	
	30th June, 2000	31st December, 1999	30th June, 2000	31st December, 1999	30th June, 2000		30th June, 1999	
	%	%	%	%	%	%	%	%
<u>Increase of subsidiary held by the Company</u>								
DET Logistic (USA) Corporation Limited (owned by DET International Holding Limited)	100	-	9.38	-	17.26	-	1.80	-
<u>Decrease of subsidiary held by the Company</u>								
Delta Videocom Company Limited (being under the Company's control)	-	19	-	0.38	-	0.01	-	(0.27)

On 19th October, 1999, the Company's board of directors resolved to establish DET Logistic (USA) Corporation Limited. The Company has a registered capital of USD 1 million, and was established in January 2000, with 100% of its shares held by a subsidiary of the Company.

(UNAUDITED/BUT REVIEWED)

An extraordinary general meeting of the shareholders of a subsidiary, Delta Videocom Company Limited, passed a resolution to dissolve that company on 7th September, 1999. The Company's investment funds were returned in January 2000.

NOTE 2 - CASH IN HAND AND AT BANKS

As at 30th June, 2000, the Company had a deposit of USD 2 million with an overseas bank as security against the bank loans of a subsidiary. The Company will be able to withdraw this deposit when the subsidiary repays the loan. This loan will be due on August, 2000.

NOTE 3 - INVESTMENTS IN MARKETABLE SECURITIES - AVAILABLE FOR SALES

	30th June, 2000		31st December, 1999	
	Cost/ Book value BAHT	Fair value BAHT	Cost/ Book value BAHT	Fair value BAHT
<u>Available-for-sales securities</u>				
a) Flextronics	499,064,970	775,232,179	-	-
b) Others	75,930,301	45,193,330	68,023,903	69,561,374
Total	574,995,271	820,425,509	68,023,903	69,561,374
Add : Unrealized gain on securities	245,430,238		1,537,471	
Less : Translation adjustments	(203,185)		(343,819)	
Net equity securities	820,222,324		69,217,555	

The investment in Flextronics International Limited during the current quarter arose from a subsidiary's swapping its investments in the shares of 3 related companies, Palo Alto Manufacturing (Thailand) Limited, Palo Alto Plastics (Thailand) Limited and Palo Alto Products International Pte. Ltd. for the shares of Flextronics International Limited, which is listed on a foreign stock market. The Company classified the swapped securities as investments in available-for-sale securities.

(UNAUDITED/BUT REVIEWED)

NOTE 4 - ACCOUNTS RECEIVABLE - TRADE

The aging of outstanding balance as at 31st June, 2000 and 31st December, 1999 is as follows :-

	CONSOLIDATED		THE COMPANY ONLY	
	<u>30th June, 2000</u>	<u>31st December, 1999</u>	<u>30th June, 2000</u>	<u>31st December, 1999</u>
	BAHT	BAHT (Audited)	BAHT	BAHT (Audited)
Current	4,965,032,243	5,138,095,180	5,556,829,170	5,137,972,266
Past due 1 - 3 months	904,999,021	1,984,455,708	874,267,068	1,983,842,335
Past due 3 - 6 months	133,669,086	147,876,487	133,619,129	147,828,491
Past due 6 - 12 months	101,583,707	40,180,180	101,583,707	40,180,180
Past due over 12 months	22,430,263	2,286,370	22,430,263	2,286,370
Total	<u>6,127,714,320</u>	<u>7,312,893,925</u>	<u>6,688,729,337</u>	<u>7,312,109,642</u>
Less : Allowance for doubtful accounts	<u>(83,882,294)</u>	<u>(60,047,996)</u>	<u>(83,832,337)</u>	<u>(60,000,000)</u>
Accounts receivable - net	<u><u>6,043,832,026</u></u>	<u><u>7,252,845,929</u></u>	<u><u>6,604,897,000</u></u>	<u><u>7,252,109,642</u></u>

The Company's management believes that the allowance for doubtful accounts set aside is adequate under present situation.

(UNAUDITED/BUT REVIEWED)

NOTE 5 - INVESTMENTS IN RELATED COMPANIES

These represent investments in ordinary shares of the following companies :-

	Issued and paid up capital		Percentage owned by the Company		<u>Consolidated</u>		<u>The Company Only</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	As at 30th <u>June, 2000</u>	As at 31st <u>December, 1999</u>	As at 30th <u>June, 2000</u>	As at 31st <u>December, 1999</u>
	BAHT	BAHT	%	%	BAHT	BAHT (Audited)	BAHT	BAHT (Audited)
<u>Subsidiary companies</u>								
Delta Videocom Company Limited								
- Cost	-	75,000,000	-	19	-	-	-	14,250,000
- Share of loss (accumulated to 9th September, 1999)							-	(971,914)
							-	13,278,086
DET International Holding Limited								
- Cost	1,471,509,658	1,376,371,207	100	100	-	-	1,471,509,658	1,376,371,208
- Share of loss (accumulated to 30th June and 31st December)							(149,186,037)	(138,683,608)
							<u>1,322,323,621</u>	<u>1,237,687,600</u>
Total investments in subsidiary companies					<u>-</u>	<u>-</u>	<u>1,322,323,621</u>	<u>1,250,965,686</u>
<u>Associated companies</u>								
Huada Holding Company Limited (owned by DET International Holding Limited)								
- Cost	551,136,000	551,136,000	45	49	248,011,200	270,056,640	-	-
- Share of loss (accumulated to 30th June and 31st December)					(109,740,913)	(115,169,049)		
					<u>138,270,287</u>	<u>154,887,591</u>		
Delta Green (Tianjin) Industries Company Limited (owned by DET International Holding Limited)								
- Cost	578,558,440	421,875,240	50	50	289,279,220	210,937,620	-	-
- Share of loss (accumulated to 30th June and 31st December)					(22,657,402)	(14,124,759)		
					<u>266,621,818</u>	<u>196,812,861</u>		
Delta Components International Limited (owned by DET International Holding Limited)								
- Cost	37,672,800	37,672,800	50	50	18,836,400	18,836,400	-	-
- Share of loss (accumulated to 30th June and 31st December)					(7,668,594)	(4,414,609)		
					<u>11,167,806</u>	<u>14,421,791</u>		

(UNAUDITED/BUT REVIEWED)

	Issued and paid up capital		Percentage owned by the Company		Consolidated		The Company Only	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	As at 30th	As at 31st	As at 30th	As at 31st
	BAHT	BAHT	%	%	<u>June, 2000</u>	<u>December, 1999</u>	<u>June, 2000</u>	<u>December, 1999</u>
Palo Alto Manufacturing (Thailand) Limited (owned by DET International Holding Limited)*								
- Cost	-	320,000,000	-	20	-	63,679,223	-	-
- Share of loss (accumulated to 30th June and 31st December)					-	(7,566,191)		
					-	56,113,032		
Palo Alto Plastics (Thailand) Limited (owned by DET International Holding Limited)*								
- Cost	-	450,000,000	-	27	-	122,785,545	-	-
- Share of loss (accumulated to 30th June and 31st December)					-	(6,124,405)		
					-	116,661,140		
Translation adjustments					<u>15,874,259</u>	<u>4,543,239</u>	-	-
Total investments in associated companies					<u>431,934,170</u>	<u>543,439,654</u>	-	-
Total investments in related companies					<u>431,934,170</u>	<u>543,439,654</u>	<u>1,322,323,621</u>	<u>1,250,965,686</u>

*The Company swap shares of investment with shares of Flextronics International Limited to hold as investment in marketable securities - available for sale.

- 5.1 Share of loss of associated companies is based on the financial statements as prepared by the management of these associated companies which have yet to be reviewed by their auditors.
- 5.2 The subsidiaries held by DET International Holding Limited are Newton Power Limited, Delcom Electronics Company Limited and DET Logistic (USA) Corporation Limited.
- 5.3 During the current quarter, the susidiary, DET International Holding Limited sold part of the investment in an associated company, Huada Holding Company Limited. It made the percentage of the investment changed from 49% to 45%.

(UNAUDITED/BUT REVIEWED)

NOTE 6 - INVESTMENTS IN OTHER COMPANIES

These represent investments in ordinary shares of the following companies :-

	Company's interest in equity capital		<u>Consolidated</u>		<u>The Company Only</u>	
	<u>2000</u>	<u>1999</u>	As at 30th <u>June, 2000</u>	As at 31st <u>December, 1999</u>	As at 30th <u>June, 2000</u>	As at 31st <u>December, 1999</u>
	%	%	BAHT	(Audited) BAHT	BAHT	(Audited) BAHT
Dafa Components Company Limited	19	19	-	760,000	-	760,000
Cyntec Company Limited (owned by DET International Holding Limited)	0.83	0.83	29,060,545	28,114,145	-	-
Palo Alto Products International Pte. Ltd. (owned by DET International Holding Limited)*	-	5	-	234,026,455	-	-
Delta Electronics Components (Thailand) Company Limited (owned by DET International Holding Limited)	10	10	2,491,654	2,491,387	-	-
IP Fund One, L.P. (owned by DET International Holding Limited)	3.8	-	58,756,200	-	-	-
Translation adjustments			<u>1,990,014</u>	<u>5,532,163</u>	<u>-</u>	<u>-</u>
Total investments in other companies			<u>92,298,413</u>	<u>270,924,150</u>	<u>-</u>	<u>760,000</u>

*The Company swap shares of investment with shares of Flextronics International Limited to hold as investment in marketable securities-available for sale.

(UNAUDITED/BUT REVIEWED)

On 9th May, 2000, a meeting of the Board of Directors approved a subsidiary's USD 1.5 million investment in IP Fund One, L.P. giving it a 3.8 percent holding. IP Fund One, L.P. invests in internet technology and service companies owning significant intellectual property (IP), which are located in the North American or the Asia Pacific regions.

NOTE 7 - SHARE CAPITAL

On 5th April, 2000, the Annual General Meeting of shareholders' resolved to :-

1. Increase the Company's issued share capital to Baht 1,039,500,000 (103,950,000 ordinary shares of Baht 10 each). The 9,450,000 newly-issued shares were allocated to current shareholders in a ratio of 10 old shares for 1 new share at the price of Baht 10 per share. The shares have already been paid up, with the 73,946 shares originally unsubscribed allocated to Deltron Holding Co., Ltd. The share capital increase was registered with the Ministry of Commerce on 15th June, 2000.

2. Issue 4,032,000 warrants, for offer to the directors who are the employees of the Company and/or employees of the Company, and allocate 4,032,000 new shares to support the share subscription on the warrants. The warrant holders have the right to purchase ordinary shares at a ratio of one warrant per one ordinary share, at an exercise price of Baht 10 each. The warrants is one time and their life is 5 years. The warrants have been listed on the Stock Exchange of Thailand on 6th July, 2000.

(UNAUDITED/BUT REVIEWED)

NOTE 8 - BASIC EARNINGS PER SHARE

During the current quarter, the rights of purchasing ordinary shares as referred to in Note 7 was exercised, therefore, basic earnings per share for the three-month and six-month periods ended 30th June, 1999 have been recalculated by dividing net earnings for the periods by the weighted average number of ordinary shares in issue during the periods multiplied by the factor which is calculated from fair value of ordinary shares before and after share subscription rights were exercised.

NOTE 9- RELATED PARTY TRANSACTIONS

9.1 During the period, the Company had business transactions with its overseas subsidiary and related companies (related by way of common shareholders and/or common directors) in respect of raw materials and production equipment purchases and sales of its manufactured finished goods. The transactions, which have been concluded on the terms and basis as specified in the agreements between the Company and those companies and in the ordinary course of business, are summarised below :-

	CONSOLIDATED		THE COMPANY ONLY		<u>Pricing policies</u>
	For the three-month period ended 30th June,		For the three-month period ended 30th June,		
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	
	BAHT	BAHT	BAHT	BAHT	
<u>Transactions with subsidiary companies</u> (eliminated from the consolidated financial statements)					
Sales of goods	-	-	1,333,973,176	-	Market prices
Commission	-	-	20,038,535	39,800,583	Contract prices
<u>Transactions with related companies</u>					
Sales of goods	415,032,135	75,725,616	415,032,135	75,725,616	Market prices
Purchase of raw material	125,573,770	108,875,279	125,573,770	108,797,944	Invoices
Purchase of fixed assets	13,590,063	288,275	13,590,063	288,275	Invoices
Commission	74,265,046	53,667,473	50,752,004	53,667,473	Contract prices
Technical fee	29,513,985	66,951,881	29,513,985	66,951,881	Contract prices

(UNAUDITED/BUT REVIEWED)

	CONSOLIDATED		THE COMPANY ONLY		<u>Pricing policies</u>
	For the six-month period ended 30th June,		For the six-month period ended 30th June,		
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	
	BAHT	BAHT	BAHT	BAHT	
<u>Transactions with subsidiary companies</u> (eliminated from the consolidated financial statements)					
Sales of goods	-	-	2,607,475,452	-	Market prices
Commission	-	-	33,806,823	88,408,618	Contract prices
<u>Transactions with related companies</u>					
Sales of goods	772,426,199	588,990,609	772,426,199	588,990,609	Market prices
Purchase of raw material	166,645,984	226,035,770	166,645,984	225,958,435	Invoices
Purchase of fixed assets	24,907,936	846,883	24,907,936	846,883	Invoices
Commission	150,114,239	92,080,989	103,695,124	92,080,989	Contract prices
Technical fee	59,499,776	88,821,975	59,499,776	88,821,975	Contract prices

The outstanding balances of the above transactions have been separately shown in the balance sheets.

- 9.2 The Company has entered into agreements with a subsidiary and related companies whereby the subsidiary and the related companies will provide sales service, marketing service, management service, after-sales service, technology information, purchase of raw material service and also sales of the Company's products. The agreements do not have an identified period but cancellable. Under the agreements, the Company is entitled to pay remuneration to its related companies at the rates ranging from 0.25 to 10 percent of sales.

(UNAUDITED/BUT REVIEWED)

NOTE 10- COMMITMENT AND CONTINGENT LIABILITIES

10.1 Financial derivatives

The Company also entered into various sell an option agreements. As at 30th June, 2000, the Company had outstanding sell an option agreements to sell USD 18 million at Baht 39.26 to Baht 40.00 per 1 USD (31st December, 1999 : USD 23.6 million at Baht 39.06 to Baht 40.07 per 1 USD).

10.2 Capital commitments

As at 30th June, 2000, the Company had capital commitments for purchases of fixed assets and equipment amounting to Baht 122 million (31st December, 1999 : Baht 50 million).

10.3 Bank guarantees

As at 30th June, 2000, there were outstanding bank guarantees of approximately Baht 24.6 million and USD 0.5 million (31st December, 1999 : Baht 16 million and USD 0.5 million) issued by the banks on behalf of the Company as required in the ordinary course of business of the Company.

10.4 Net assets/liabilities - foreign currency not hedged against foreign exchange risk

As at 30th June, 2000, the Company have net liabilities (assets) denominated in foreign currencies which have not yet been hedged against foreign exchange risk as follows :-

(UNAUDITED/BUT REVIEWED)

Currency	The Company Only
USD	(132,143,538)
TWD	(16,383,530)
SGD	99,526
HKD	36,960
JPY	56,196,087
EUR	15,419
CHF	10,776

NOTE 11 - STATEMENTS OF CASH FLOWS

For the purpose of the statements of cash flows, cash and cash equivalents include cash in hand and at banks with an original maturity of 3 months or less and without commitment.

Cash and cash equivalents as reflected in the statements of cash flows consist of the following :-

	Consolidated		The Company Only	
	As at 30th June		As at 30th June	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	BAHT	BAHT	BAHT	BAHT
Cash in hand and at banks	3,746,247,803	2,681,302,664	3,516,832,698	2,401,872,066
Unrealised gain on exchange rate	(171,272,212)	(34,864,575)	(171,272,212)	(34,864,575)
	<u>3,574,975,591</u>	<u>2,646,438,089</u>	<u>3,345,560,486</u>	<u>2,367,007,491</u>
Less : Deposit - placed as collateral	(78,341,500)	-	(78,341,500)	-
Cash and cash equivalents	<u><u>3,496,634,091</u></u>	<u><u>2,646,438,089</u></u>	<u><u>3,267,218,986</u></u>	<u><u>2,367,007,491</u></u>

(UNAUDITED/BUT REVIEWED)

NOTE 12 - DIVIDENDS

At the Annual General Meeting of the shareholders held on 5th April, 2000, the meeting resolved that the Company pays a dividend of Baht 10 per share totaling Baht 945 million. The dividends have been recorded in this quarter.

NOTE 13 - FINANCIAL INFORMATION BY SEGMENT

The Company and its subsidiaries mainly involve a single industry segment in manufacturing and distributing electronic component and mainly carried on in the geographic area in Thailand and USA. Geographical segment information of the Company and its subsidiaries as of and for the three-month and six-month periods ended 30th June, 2000 and 1999 are as follows :-

	Consolidated for the three-month period ended 30th June (Million Baht)				
	<u>Domestic</u>	<u>Foreign</u>	<u>Eliminate</u>	<u>Total</u>	
				<u>2000</u>	<u>1999</u>
Sales - external	4,162	1,673	-	5,835	4,833
Sales - related parties	1,748	-	(1,333)	415	76
	<u>5,910</u>	<u>1,673</u>	<u>(1,333)</u>	<u>6,250</u>	<u>4,909</u>
Gross profit	866	28	-	908	741
Other income				469	128
Share loss from subsidiary and associated companies				(12)	(56)
Selling and administrative expenses				(452)	(369)
Interest expense				(1)	(6)
Minority interest				-	1
Net profit				<u>912</u>	<u>439</u>

(UNAUDITED/BUT REVIEWED)

Consolidated for the six-month period ended 30th June (Million Baht)

	<u>Domestic</u>	<u>Foreign</u>	<u>Eliminate</u>	<u>Total</u>	
				<u>2000</u>	<u>1999</u>
Sales - external	8,424	2,076	-	10,500	8,944
Sales - related parties	<u>3,379</u>	<u>-</u>	<u>(2,607)</u>	<u>772</u>	<u>589</u>
	<u>11,803</u>	<u>2,076</u>	<u>(2,607)</u>	<u>11,272</u>	<u>9,533</u>
Gross profit	1,682	35	-	1,634	1,473
Other income				761	371
Share loss from subsidiary and associated companies				(40)	(76)
Selling and administrative expenses				(885)	(609)
Interest expense				<u>(1)</u>	<u>(11)</u>
Net profit				<u>1,469</u>	<u>1,148</u>

Consolidated (Million Baht)

	<u>Domestic</u>	<u>Foreign</u>	<u>Eliminate</u>	<u>Total</u>	
				As at 30th June, <u>2000</u>	As at 31st December, <u>1999</u>
Property, plant and equipment - 1	2,426	21	-	2,447	2,381
Other assets	<u>14,133</u>	<u>3,023</u>	<u>(2,921)</u>	<u>14,235</u>	<u>13,840</u>
Total assets	<u>16,559</u>	<u>3,044</u>	<u>(2,921)</u>	<u>16,682</u>	<u>16,221</u>

NOTE 14 - RECLASSIFICATION

Certain amounts in the financial statements for the year ended 31st December, 1999 and for the three-month and six-month periods ended 30th June, 1999 have been reclassified to conform to the current period classifications, with no effect on previously report net earnings or equity attributable to Company's shareholders.

NOTE 15 - APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Company's director.