

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARIES  
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2004 AND 2003

## **Report of Independent Auditor**

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

I have audited the accompanying consolidated balance sheets of Delta Electronics (Thailand) Public Company Limited and its subsidiaries as at 31 December 2004 and 2003, the related consolidated statements of earnings, changes in shareholders' equity and cash flows for the years then ended, 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 express an opinion on these financial statements based on my audits.

The consolidated financial statements of an overseas subsidiary and an overseas group of subsidiary companies as at 31 December 2004 and 2003 and for the years then ended were audited by the subsidiary's auditors, whose reports have been furnished to me. My opinions on the consolidated and the Company's financial statements, insofar as they relate to the amounts included for this subsidiary and group of subsidiary companies, is based solely on the reports of those other auditors. These financial statements reflect total assets as at 31 December 2004 and 2003 of approximately Baht 9,229 million and Baht 9,749 million respectively, total revenues for the years ended 31 December 2004 and 2003 of approximately Baht 18,902 million and Baht 14,703 million respectively, net loss for the year ended 31 December 2004 of approximately Baht 1,519 million and net earnings for the year ended 31 December 2003 of approximately Baht 634 million. In addition, the Company's financial statements include investments in this subsidiary and group of subsidiary companies stated under the equity method amounting to Baht 1,446 million and Baht 2,488 million as at 31 December 2004 and 2003, respectively, share of loss for the year ended 31 December 2004 amounting to Baht 1,519 million and share of profit for the year ended 31 December 2003 amounting to Baht 634 million.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audits and the reports of the other auditors referred to in the second paragraph provide a reasonable basis for my opinion.

In my opinion, based on my audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Delta Electronics (Thailand) Public Company Limited and its subsidiaries and of Delta Electronics (Thailand) Public Company Limited as at 31 December 2004 and 2003, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok : 11 February 2005

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2004 AND 2003

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2004	2003	2004	2003
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	4	3,833,527,262	5,437,360,125	2,417,913,321	3,305,274,882
Current investments	5				
Investments in available-for-sale securities		53,246,592	68,185,929	-	-
Fixed deposit		-	198,191,000	-	-
Accounts receivable - trade					
Related parties	24	488,165,238	468,057,894	3,570,078,030	2,632,751,293
Unrelated parties		10,489,698,143	9,633,978,853	6,657,116,350	6,727,192,723
Less : Allowance for doubtful accounts		(353,986,547)	(381,708,011)	(265,581,428)	(296,723,937)
Accounts receivable - trade, net	6	10,623,876,834	9,720,328,736	9,961,612,952	9,063,220,079
Short-term loan to and amounts due from related parties	24	-	22,103,553	-	17,526,791
Inventories - net	7	5,234,128,306	4,513,920,426	2,118,711,879	2,048,121,165
Other current assets					
Input tax refundable		109,215,463	332,680,449	14,817,593	32,456,636
Advance payments		43,085,813	118,226,376	29,533,045	97,073,618
Forward contracts receivable	13	-	2,059,824	-	-
Other accounts receivable		58,482,367	19,744,420	-	-
Others		189,289,890	121,882,439	22,766,870	17,701,845
<b>TOTAL CURRENT ASSETS</b>		<b>20,144,852,527</b>	<b>20,554,683,277</b>	<b>14,565,355,660</b>	<b>14,581,375,016</b>
NON - CURRENT ASSETS					
Investments accounted for under equity method	8	539,136,452	569,882,078	3,565,545,372	3,999,852,422
Other long-term investments					
Investments in other parties	9	284,164,862	255,845,373	-	-
Investments in unit trusts	10	-	120,000,000	-	120,000,000
Long-term loans to related parties	24	-	61,955,025	-	-
Property, plant and equipment - net	11	4,606,947,731	4,790,136,340	3,860,743,128	3,794,625,615
Intangible assets					
Consolidation goodwill		1,187,733,817	2,752,569,192	-	-
Other intangible assets		1,281,007,176	154,632,676	-	-
Other non-current assets		137,216,492	92,380,996	1,904,762	1,869,762
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,036,206,530</b>	<b>8,797,401,680</b>	<b>7,428,193,262</b>	<b>7,916,347,799</b>
<b>TOTAL ASSETS</b>		<b>28,181,059,057</b>	<b>29,352,084,957</b>	<b>21,993,548,922</b>	<b>22,497,722,815</b>

The accompanying notes are an integral part of the financial statements.

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2004 AND 2003

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2004	2003	2004	2003
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short-term loans from financial institutions		154,365,243	894,569	-	-
Accounts payable - trade					
Related parties	24	465,226,525	53,604,350	151,326,933	59,580,914
Unrelated parties		6,186,850,182	6,850,018,560	5,500,694,457	6,129,676,573
Total accounts payable - trade		6,652,076,707	6,903,622,910	5,652,021,390	6,189,257,487
Short-term loan from and amounts due to related parties	24	242,180,483	424,165,376	242,213,445	437,025,695
Other current liabilities					
Accrued expenses	12	1,312,283,882	1,159,864,468	534,360,813	509,413,341
Advance received		178,383,160	137,221,754	144,630,007	111,183,400
Other accounts payable		279,624,461	391,943,639	195,871,232	226,224,695
Others		86,860,416	249,332,283	23,147,100	15,716,225
TOTAL CURRENT LIABILITIES		8,905,774,352	9,267,044,999	6,792,243,987	7,488,820,843
NON-CURRENT LIABILITIES					
Long-term loan from related party	24	-	-	1,848,741,408	1,767,203,360
Long-term loan from financial institutions	14	3,715,317,000	4,360,202,000	-	-
Provisions	15	2,102,213,502	2,362,657,614	-	-
Other non-current liabilities		43,921,837	42,364,241	-	-
TOTAL NON-CURRENT LIABILITIES		5,861,452,339	6,765,223,855	1,848,741,408	1,767,203,360
TOTAL LIABILITIES		14,767,226,691	16,032,268,854	8,640,985,395	9,256,024,203

The accompanying notes are an integral part of the financial statements.

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2004 AND 2003

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2004	2003	2004	2003
SHAREHOLDERS' EQUITY					
Share capital					
Registered					
1,200 million ordinary shares of Baht 1 each		1,200,000,000	1,200,000,000	1,200,000,000	1,200,000,000
Issued and fully paid					
1,188.10 million ordinary shares of Baht 1 each		1,188,102,115	1,188,102,115	1,188,102,115	1,188,102,115
Additional paid-in capital					
Premium on share capital		1,491,912,500	1,491,912,500	1,491,912,500	1,491,912,500
Unrealised loss on investments in available-for-sale securities		(41,001,868)	(21,219,555)	(41,001,868)	(21,219,555)
Translation adjustments		(150,241,673)	(3,170,331)	(150,241,673)	(3,170,331)
Retained earnings					
Appropriated - Statutory reserve	17	120,000,000	120,000,000	120,000,000	120,000,000
Unappropriated		10,743,792,453	10,466,073,883	10,743,792,453	10,466,073,883
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		13,352,563,527	13,241,698,612	13,352,563,527	13,241,698,612
MINORITY INTEREST - equity attributable to minority shareholders of subsidiaries		61,268,839	78,117,491	-	-
TOTAL SHAREHOLDERS' EQUITY		13,413,832,366	13,319,816,103	13,352,563,527	13,241,698,612
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		28,181,059,057	29,352,084,957	21,993,548,922	22,497,722,815
		0	0	0	0

The accompanying notes are an integral part of the financial statements.

DIRECTORS

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

EARNINGS STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2004	2003	2004	2003
<b>REVENUES</b>					
Sales		48,198,828,864	40,960,997,914	37,716,572,039	33,821,168,553
Other income					
Interest income		116,005,800	130,894,477	51,813,719	63,151,010
Gain on exchange rate	19	147,406,244	550,178,576	-	-
Gain on sales of investments in available-for-sale securities		213,051	9,766,119	-	-
Others		356,658,874	255,381,723	31,686,281	116,961,730
<b>TOTAL REVENUES</b>		<b>48,819,112,833</b>	<b>41,907,218,809</b>	<b>37,800,072,039</b>	<b>34,001,281,293</b>
<b>EXPENSES</b>					
Cost of sales		40,783,638,183	34,440,446,649	31,586,069,815	28,504,622,379
Selling and administrative expenses		5,989,118,519	4,208,586,454	3,893,165,184	2,880,052,281
Directors' remuneration	20	4,511,960	2,160,000	4,511,960	2,160,000
Loss on exchange rate	19	-	-	214,232,587	472,027,969
Amortisation of intangible assets		162,501,147	92,676,710	-	-
Restructuring expenses		437,851,345	1,005,512,658	-	-
Loss on diminution in value of investment in other parties		-	112,061,206	-	-
Share of loss from investments accounted for under equity method		23,670,645	21,215,232	862,673,789	242,115,758
<b>TOTAL EXPENSES</b>		<b>47,401,291,799</b>	<b>39,882,658,909</b>	<b>36,560,653,335</b>	<b>32,100,978,387</b>
<b>EARNINGS BEFORE INTEREST EXPENSES AND CORPORATE INCOME TAX</b>		<b>1,417,821,034</b>	<b>2,024,559,900</b>	<b>1,239,418,704</b>	<b>1,900,302,906</b>
INTEREST EXPENSES		(126,438,057)	(57,362,768)	-	(3,893,164)
CORPORATE INCOME TAX	21	(57,426,855)	(89,120,210)	(11,310,162)	-
<b>EARNINGS AFTER CORPORATE INCOME TAX</b>		<b>1,233,956,122</b>	<b>1,878,076,922</b>	<b>1,228,108,542</b>	<b>1,896,409,742</b>
MINORITY INTEREST IN NET (EARNINGS) LOSS OF SUBSIDIARIES		(5,847,580)	18,332,820	-	-
<b>NET EARNINGS FOR THE YEAR</b>		<b>1,228,108,542</b>	<b>1,896,409,742</b>	<b>1,228,108,542</b>	<b>1,896,409,742</b>
<b>EARNINGS PER SHARE</b>					
Basic earnings per share					
Net earnings		1.03	1.60	1.03	1.60
Weighted average number of ordinary shares (shares)		1,188,102,115	1,188,102,115	1,188,102,115	1,188,102,115
Diluted earnings per share					
Net earnings	22	1.03	1.60	1.03	1.60
Weighted average number of ordinary shares (shares)		1,188,116,133	1,188,116,115	1,188,116,133	1,188,116,115

The accompanying notes are an integral part of the financial statements.

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Unit : Baht)

CONSOLIDATED

	Issued and paid-up share capital	Premium on share capital	Unrealised loss on investments in available-for-sale securities	Translation adjustments	Retained earnings		Minority interest-equity attributable to minority shareholders of subsidiaries	Total
					Appropriated	Unappropriated		
<b>Balance as at 31 December 2002</b>	1,188,102,115	1,491,912,500	(29,642,143)	116,025,994	120,000,000	11,890,757,925	582,945,051	15,360,101,442
Unrealised gain on investments in available-for-sale securities	-	-	8,422,588	-	-	-	-	8,422,588
Translation adjustments	-	-	-	(119,196,325)	-	-	-	(119,196,325)
Unrealised items in earnings statement	-	-	8,422,588	(119,196,325)	-	-	-	(110,773,737)
Net earnings for the year	-	-	-	-	-	1,896,409,742	-	1,896,409,742
Dividend paid (Note 27)	-	-	-	-	-	(3,326,685,922)	-	(3,326,685,922)
Dividend return	-	-	-	-	-	5,592,138	-	5,592,138
Minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	(504,827,560)	(504,827,560)
<b>Balance as at 31 December 2003</b>	1,188,102,115	1,491,912,500	(21,219,555)	(3,170,331)	120,000,000	10,466,073,883	78,117,491	13,319,816,103
Unrealised loss on investments in available-for-sale securities	-	-	(19,782,313)	-	-	-	-	(19,782,313)
Translation adjustments	-	-	-	(147,071,342)	-	-	-	(147,071,342)
Unrealised items in earnings statement	-	-	(19,782,313)	(147,071,342)	-	-	-	(166,853,655)
Net earnings for the year	-	-	-	-	-	1,228,108,542	-	1,228,108,542
Dividend paid (Note 27)	-	-	-	-	-	(950,481,692)	-	(950,481,692)
Dividend return	-	-	-	-	-	91,720	-	91,720
Minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	(16,848,652)	(16,848,652)
<b>Balance as at 31 December 2004</b>	1,188,102,115	1,491,912,500	(41,001,868)	(150,241,673)	120,000,000	10,743,792,453	61,268,839	13,413,832,366

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The accompanying notes are an integral part of the financial statements



DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Unit : Baht)

THE COMPANY ONLY

	Issued and paid-up share capital	Premium on share capital	Unrealised loss on investments in available-for-sale securities	Translation adjustments	Retained earnings		Total
					Appropriated	Unappropriated	
<b>Balance as at 31 December 2002</b>	1,188,102,115	1,491,912,500	(29,642,143)	116,025,994	120,000,000	11,890,757,925	14,777,156,391
Unrealised gain on investments in available-for-sale securities	-	-	8,422,588	-	-	-	8,422,588
Translation adjustments	-	-	-	(119,196,325)	-	-	(119,196,325)
Unrealised items in earnings statement	-	-	8,422,588	(119,196,325)	-	-	(110,773,737)
Net earnings for the year	-	-	-	-	-	1,896,409,742	1,896,409,742
Dividend paid (Note 27)	-	-	-	-	-	(3,326,685,922)	(3,326,685,922)
Dividend return	-	-	-	-	-	5,592,138	5,592,138
<b>Balance as at 31 December 2003</b>	1,188,102,115	1,491,912,500	(21,219,555)	(3,170,331)	120,000,000	10,466,073,883	13,241,698,612
Unrealised loss on investments in available-for-sale securities	-	-	(19,782,313)	-	-	-	(19,782,313)
Translation adjustments	-	-	-	(147,071,342)	-	-	(147,071,342)
Unrealised items in earnings statement	-	-	(19,782,313)	(147,071,342)	-	-	(166,853,655)
Net earnings for the year	-	-	-	-	-	1,228,108,542	1,228,108,542
Dividend paid (Note 27)	-	-	-	-	-	(950,481,692)	(950,481,692)
Dividend return	-	-	-	-	-	91,720	91,720
<b>Balance as at 31 December 2004</b>	1,188,102,115	1,491,912,500	(41,001,868)	(150,241,673)	120,000,000	10,743,792,453	13,352,563,527

The accompanying notes are an integral part of the financial statements

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
<b>Cash flows from (used in) operating activities :-</b>				
Net earnings	1,228,108,542	1,896,409,742	1,228,108,542	1,896,409,742
Adjustments to reconcile net earnings to net cash from (used in) operating activities :-				
Depreciation and amortisation	1,241,784,265	930,822,987	823,043,997	734,811,767
Amortisation in premium/discount of forward contracts	-	4,874,760	-	-
Amortisation of goodwill	350,880,862	85,068,590	-	-
Amortisation of other intangible assets	158,646,912	-	-	-
Allowance for doubtful accounts (reversal)	(27,721,464)	(112,980,857)	(31,142,509)	(44,820,604)
Provision for obsolete inventories (reversal)	133,232,307	(216,305,561)	191,692,911	26,220,273
Accrual of provisions	112,273,986	-	-	-
Provision for diminution in value of investment in other parties	-	112,061,206	-	-
(Gain) loss from sale of fixed assets	112,670,295	(14,632,247)	3,235,103	(14,654,427)
Gain from sale of investments in available-for-sale securities	(213,051)	(9,766,119)	-	-
Loss from return loan to associated company	13,231,732	-	-	-
Share of loss from investments accounted for under equity method	23,670,645	21,088,429	862,673,789	242,115,758
Unrealised loss on exchange rate	90,158,869	113,135,344	285,756,893	152,896,925
Minority interest in net earnings (loss) of subsidiaries	5,847,580	(18,332,820)	-	-
Earnings from operating activities before changes in operating assets and liabilities	3,442,571,480	2,791,443,454	3,363,368,726	2,992,979,434
Decrease (increase) in operating assets :-				
Accounts receivable - trade	(1,155,387,525)	(336,856,945)	(1,146,811,255)	1,753,027,826
Short-term loan to and amounts due from related parties	17,526,791	(18,211,797)	17,526,791	(17,526,791)
Inventories	(853,440,187)	1,577,536,512	(262,283,625)	(778,066,468)
Input tax refundable	223,464,986	16,046,390	17,639,043	20,587,386
Advance payments	75,140,563	(82,080,397)	67,540,573	(90,515,988)
Other accounts receivable	(38,737,947)	167,212,438	-	-
Other current assets	(66,711,213)	(43,951,410)	(4,368,787)	(2,538,554)
Other intangible assets	-	10,692,874	-	-
Other non - current assets	(44,835,496)	6,003,938	(35,000)	(184,678)
Increase (decrease) in operating liabilities :-				
Accounts payable - trade	(185,347,079)	(788,708,593)	(471,036,973)	(556,548,174)
Amounts due to related parties	(181,693,301)	(542,312,007)	(194,520,658)	(823,054,829)
Accrued expenses	131,191,885	(24,014,251)	3,719,943	89,562,802
Advance receivable	42,032,245	(92,710,337)	34,317,446	(106,271,291)
Other accounts payable	(111,228,446)	171,948,006	(29,262,731)	6,229,062
Other current liabilities	(160,281,731)	(40,364,784)	7,561,187	(3,296,790)
Provisions	(463,879,295)	6,688,041	-	-
Other non-current liabilities	1,557,596	520,485,114	-	-
Net cash from operating activities	671,943,326	3,298,846,246	1,403,354,680	2,484,382,947

The accompanying notes are an integral part of the financial statements.

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
<b>Cash flows from (used in) investing activities :-</b>				
Decrease (increase) in fixed deposit	198,191,000	(198,191,000)	-	-
Increase in investments in available-for-sale securities	(4,162,369)	(5,251,219)	-	-
Proceeds from disposal of investments in available-for-sale securities	3,498,243	82,089,434	-	-
Net cash paid for acquisition of new subsidiary (Note 2.6)	-	(1,213,563,434)	-	-
Increase in investments in subsidiaries	-	-	(595,220,394)	(1,980,923,534)
Increase in investments in associated parties	-	(17,998,650)	-	-
Increase in investments in other parties	(40,777,778)	(71,157,175)	-	-
Proceeds from return fund of investment in oterh parties	7,286,215	-	-	-
Proceeds from redemption of investment in unit trusts	120,000,000	-	120,000,000	-
Proceeds from return loan to associated company	50,965,458	-	-	-
Proceeds from disposal of investments in other parties	-	6,474,132	-	-
Decrease (increase) in long-term loan to related parties	1,704,961	(1,704,961)	-	-
Acquisition of fixed assets	(1,122,153,597)	(907,415,503)	(893,844,235)	(718,797,454)
Proceeds from sales of fixed assets	1,447,622	116,061,269	1,447,622	55,166,665
Net cash used in investing activities	(784,000,245)	(2,210,657,107)	(1,367,617,007)	(2,644,554,323)
<b>Cash flows from (used in) financing activities :-</b>				
Increase (decrease) in bank overdrafts and short-term loan from financial institutions	153,470,674	(792,822,787)	-	(793,650,000)
Increase (decrease) in long-term loan from related party	-	-	(55,803,976)	1,719,086,040
Increase (decrease) in long-term loan from financial institutions	(586,629,000)	4,360,202,000	-	-
Decrease in long-term from other party	-	(2,710,715,150)	-	-
Dividend paid	(950,481,692)	(3,326,685,922)	(950,481,692)	(3,326,685,922)
Returned dividend	91,720	5,592,138	91,720	5,592,138
Decrease in minority interest from subsidiary's liquidation	-	(550,698,213)	-	-
Net cash used in financing activities	(1,383,548,298)	(3,015,127,934)	(1,006,193,948)	(2,395,657,744)
<b>Decrease in translation adjustments</b>	(191,322,360)	(312,469,304)	-	-
Net decrease in cash and cash equivalent	(1,686,927,577)	(2,239,408,099)	(970,456,275)	(2,555,829,120)
Cash and cash equivalents - beginning of year	5,437,360,125	7,857,503,429	3,305,274,882	6,044,425,240
Cash and cash equivalents - end of year (Note 26)	3,750,432,548	5,618,095,330	2,334,818,607	3,488,596,120
Supplemental cash flows information				
Cash paid during the year for :				
Interest	107,962,297	43,165,875	-	4,182,772
Income tax	125,150,986	62,461,206	11,538,135	629,454

The accompanying notes are an integral part of the financial statements.

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

**1. GENERAL INFORMATION**

Delta Electronics (Thailand) Public Company Limited was incorporated as a limited company under Thai laws. Its major shareholder is Deltron Holding Limited., a company existing under United Kingdom laws. The Company registered the change of its status to a public company under the Public Limited Company Act on 23 September 1994. The Company operates in Thailand and its principal activity is manufacture and export of electronic components. Its registered address is 714 Moo 4, Tambon Prakasa, Amphur Muangsamutprakarn, Samutprakarn.

**2. BASIS OF CONSOLIDATION**

2.1 The consolidated financial statements incorporate the financial statements for the years ended 31 December 2004 and 2003 of Delta Electronics (Thailand) Public Company Limited (hereinafter referred to as “the Company”) and its subsidiaries as follows :-

	Percentage directly and indirectly owned by the Company		Incorporated in	Nature of business	Percentage of total assets included in the consolidated total assets		Percentage of total revenues included in the consolidated total revenues	
	2004	2003			2004	2003	2004	2003
DET International Holding Limited	100	100	Cayman Island	Holding business	8.66	7.18	1.21	3.53
Delta Energy Systems (Switzerland) AG	100	100	Switzerland	Manufacturing, trading and research and developments for electronic products	5.54	11.43	1.32	0.64
<b><u>The subsidiary companies owned by DET International Holding Limited</u></b>								
Newton Power Limited	100	100	Hong Kong	Marketing, research and development for electronic components	0.15	0.16	-	0.03
DET Logistics (USA) Corporation	100	100	USA	Sales of electronic components	12.01	7.13	15.38	21.27
<b><u>The subsidiary companies owned by Delta Energy Systems (Switzerland) AG</u></b>								
Delta Energy Systems (Romania) S.R.L.	100	100	Romania	Research and development for electronic products	0.02	0.02	-	-
Delta Energy Systems (Czech republic) spol. s.r.o.	100	100	Czech Republic	Trading of electronic products	-	0.12	0.32	0.31
Delta Energy Systems (Bratislava) spol. s.r.o.	-	100	Slovak Republic	Trading of electronic products	-	0.24	0.09	0.13
Delta Energy Systems (Slovakia) s.r.o.	100	100	Slovak Republic	Manufacturing of electronic products	4.25	2.97	0.13	0.09
Delta Energy Systems (Germany) GmbH.	100	100	Germany	Trading of electronic products	4.57	4.53	9.97	6.35
Delta Energy Systems (Spain) S.L.	100	100	Spain	Trading of electronic products	0.24	0.03	0.23	-

	Percentage directly and indirectly owned by the Company		Incorporated in	Nature of business	Percentage of total assets included in the consolidated total assets		Percentage of total revenues included in the consolidated total revenues	
	2004	2003			2004	2003	2004	2003
	2004	2003			2004	2003	2004	2003
Delta Energy Systems (France) S.A.	100	100	France	Trading of electronic products	0.51	0.56	0.59	0.39
Delta Energy Systems (Italy) s.r.l.	100	100	Italy	Trading of electronic products	1.48	1.19	1.11	0.61
Delta Energy Systems (Sweden) AB.	100	100	Sweden	Trading of electronic products	0.50	0.41	0.72	0.32
Delta Energy Systems (Finland) Oy.	100	100	Finland	Trading of electronic products	0.38	0.57	1.22	0.81
Delta Energy Systems (Brazil) S.A.	100	80	Brazil	Trading of electronic products	0.17	0.01	1.11	0.53
Delta Systems Energia (Curitiba) Ltda. (owned by Delta Energy Systems (Brazil) S.A.)	100	100	Brazil	Engineering	-	-	-	-
Delta Energy Systems (Hong Kong) Ltd.	100	100	China	Trading of electronic products	0.46	0.95	-	0.02
Delta Energy Systems (Malaysia) Sdn Bhd.	100	100	Malaysia	Trading of electronic products	-	-	-	-
Delta Energy Systems (India) Private Ltd.	100	100	India	Trading of electronic products	2.22	0.61	1.56	0.36
Delta Energy Systems (Guangzhou) Ltd.	51	51	China	Trading of electronic products	0.13	0.28	0.62	0.17
Delta Energy Systems (USA) Inc.	100	100	USA	Trading of electronic products	-	2.18	3.66	3.08
Delta Energy Systems (Arizona) Inc.	100	100	USA	Research and development for electronic products	-	-	-	-
Delta Electronics Europe Ltd.	100	-	Scotland	Trading of electronic products	1.03	-	0.88	-
Delta Energy Systems (Poland) Sp z o o.	100	-	Poland	Trading of electronic products	0.02	-	-	-
Delta Energy Systems LLC.	100	-	Russia	Trading of electronic products	-	-	-	-

2.2 The assets, liabilities and results of operations of the subsidiaries are included in the consolidated financial statements from the date of acquisition to the date of disposition.

2.3 Outstanding balances between the Company and the subsidiaries, significant intercompany transactions, investments in subsidiaries in the Company's records and share capital of subsidiaries have been eliminated from the consolidated financial statements.

2.4 The excess of cost of investments over the net assets of the subsidiaries on the acquisition date is shown as "Consolidation goodwill" in the consolidated balance sheet and is amortised on the straight-line method over the period of 15 years and 20 years.

2.5 Financial statements of the subsidiaries and associated companies denominated in foreign currency have been translated into Baht at the exchange rates ruling on the balance sheet date or where appropriate, the average rate. The differences arising from such translation have been shown separately under the caption of "Translation adjustments" in the shareholders' equity.

2.6 During the year 2003, the Company acquired an overseas group of companies. Following the acquisition, Delta Energy Systems (Switzerland) AG became the parent of this group of companies. The Company hold 100 percent of the shares of Delta Energy Systems (Switzerland) AG.

During the second quarter of the current year, the purchase of the group of companies is completed as Settlement Agreement dated 15 May 2004. The Company recorded the cost of the investment based on the value stated in the agreement plus related professional fees and recorded goodwill based on the difference between the cost of the investments and the net asset values computed from the financial statements as at 30 June 2003 which audited by the other auditor.

2.7 In April 2004, a subsidiary company, Delta Energy Systems (Switzerland) AG, acquired the share capital held by the minority interest in another overseas subsidiary, Delta Energy Systems (Brazil) S.A. As a result of the acquisition, Delta Energy Systems (Switzerland) AG is the parent company of Delta Energy Systems (Brazil) S.A. with a holding of 100 percent.

2.8 In May 2004, a subsidiary company, Delta Energy Systems (Switzerland) AG, acquired a 100 percent holding in an overseas related party, Delta Electronics Europe Ltd.

2.9 In June 2004 a subsidiary company, Delta Energy Systems (Czech Republic) spol. s.r.o. sold its investment in its subsidiary company, Delta Energy Systems (Bratislava) spol. s.r.o. to another subsidiary of the Company, Delta Energy Systems (Slovakia) s.r.o. Following the acquisition, Delta Energy Systems (Slovakia) s.r.o. is the parent company of Delta Energy Systems (Bratislava) spol. s.r.o. with a holding of 100 percent. On 1 July 2004, Delta Energy Systems (Bratislava) spol. s.r.o. merged with Delta Energy Systems (Slovakia) s.r.o. and the effect of this transaction has already been reflected in the financial statement.

2.10 In June 2004, a subsidiary company, Delta Energy Systems (Switzerland) AG, established a wholly owned overseas subsidiary, Delta Energy Systems (Poland) Sp. z o o.

2.11 In June 2004, a subsidiary company, Delta Energy Systems (Switzerland) AG, increased its registered share capital from CHF 1 million to CHF 20 million and the meeting of the Board of Directors of the Company held on 25 May 2004 approved resolutions to acquire all of such additional share capital. As a result there is no impact on the composition of the Group.

2.12 In September 2004, a subsidiary company, Delta Energy Systems (Switzerland) AG established a wholly owned overseas subsidiary, Delta Energy Systems LLC.

2.13 A group of overseas subsidiary companies owns approximately 250 patents, valued at CHF 37 million. The overseas subsidiaries present such balance as consolidation goodwill. In December 2004, the group of overseas subsidiary companies transferred the patents to an overseas subsidiary and the Company consequently reclassified the balance in the consolidated financial statements to reflect this.

### **3. SIGNIFICANT ACCOUNTING**

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand which are effective under the Accounting Act B.E. 2543.

Significant accounting policies adopted by the Company and its subsidiaries are summarised below:-

#### **3.1 Sales**

Sales are the invoiced value of goods supplied after deducting discounts and allowances, and excluding value added tax.

#### **3.2 Accounts receivable - trade and allowance for doubtful accounts**

Accounts receivable - trade are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated collection losses that may be incurred in collection of receivables. The allowance is based on collection experience and current status of receivables outstanding at the balance sheet date.

#### **3.3 Inventories**

Inventories are valued at the lower of cost (average method) and net realisable value, with cost being the standard cost, which approximates the actual cost incurred.

Cost of work in process and finished goods includes direct material, labour costs and factory overheads.

### 3.4 Property, plant and equipment/depreciation

Plant and equipment are stated at cost less accumulated depreciation. Depreciation of plant and equipment is calculated by reference to their costs on the straight-line method over the estimated useful lives as follows :-

Building	20 - 50	years
Land improvement	10 -20	years
Machinery and equipment	5 - 20	years
Molds and toolings	2 - 5	years
Furniture and fixtures	5 - 20	years
Office equipment	3 - 10	years
Vehicle	5	years

No depreciation has been provided for land and construction in progress.

### 3.5 Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated by reference to their costs on a straight-line basis over the period of 20 years.

### 3.6 Investments

Current investments in marketable equity securities, which the Company intends to hold as investments available for sale are determined at fair value. Fair value is based on the latest bid price of the last working day quoted by the Stock Exchange. Changes in value of investments are shown as a separate item under the shareholders' equity in the balance sheet and is credited or charged against earnings when the investments have been disposed of.

Investments in subsidiaries (in the financial statements of the Company only) and associated companies are accounted for by the equity accounting method. The investments are initially carried at their acquisition cost. The investments are also adjusted to incorporate the Company's proportionate share of the operating results of the subsidiaries and associated companies after acquisition.

Investments in the ordinary and preference shares of other companies and in unit trusts which are non-listed securities are valued at cost. Allowance for impairment of securities may be set up after taking into consideration the net book value or net asset value and other factors.

For investments in ordinary and preference shares in other companies and investments in unit trusts which are non-listed securities, the Company recognises loss on impairment of securities (if any) in the earnings statement.



### **3.7 Foreign currencies**

Foreign currency transactions incurred during the year are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currency outstanding at the balance sheet dates are translated into Baht at the exchange rates ruling on the balance sheet dates, with the exception of those covered by forward exchange contracts, which are translated at the contracted exchange rates.

Exchange gains and losses are included in determining earnings.

### **3.8 Financial derivative instruments**

The Company and its subsidiary have occasionally entered into forward exchange contracts to reduce their exposure from exchange rate risk. Premiums or discounts (the difference between the spot exchange rate and the forward exchange rate at inception of the contracts) are deferred and amortised as revenues or expenses to the earnings statements over the contract lives using the straight-line method.

### **3.9 Earnings per share**

Basic earnings per share is calculated by dividing net earnings for the year by the weighted average number of ordinary shares in issue and paid up during the year.

Diluted earnings per share is calculated by dividing net earnings for the year by the total sum of the weighted average number of ordinary shares in issue and paid up during the year and the weighted average number of ordinary shares issuable to convert all dilutive potential ordinary shares (warrants) into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date that the potential ordinary shares were issued.

### **3.10 Use of accounting estimates**

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions, affecting amounts reported in the accompanying financial statements and notes related thereto. Subsequent actual may differ from these estimates.

### **3.11 Deferred income tax**

The Company and its subsidiaries provide for deferred income tax resulting from temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as at the balance sheet date, temporary differences in reporting income and expenses for financial reporting purposes compared to income tax reporting purposes. Accordingly, the income tax applicable to income which is not currently recognised, or to expenses which are not currently deductible for income tax purposes, is set up as “Deferred income taxes” in the balance sheets. This will be allocated to future periods when the income is realised, or when the expenses provided for are actually incurred and considered deductible for income tax purposes. However, the Company and its subsidiaries will recognise tax benefits as assets in its books of account if it is highly probable that the Company and its subsidiaries will generate sufficient profits from their future operations to utilise these benefits.

### **3.12 Provision**

Provision are recognised when the Company and its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **3.13 Pension plan**

Delta Energy Systems (Switzerland) AG and its subsidiary in Germany recognise pension plan benefits as liabilities in their financial statements in accordance with the bases and conditions stipulated in the regulations of these companies. (The Company and all other subsidiaries have not adopted a policy to account for employee pension plan benefits as this has not yet been addressed by any Accounting Standard).

## **4. CASH AND CASH EQUIVALENTS**

Most of the cash at banks of the Company comprises cash deposited with various banks in US Dollar accounts (most of balance is in 4 overseas banks and 1 local bank), the balance of which, as at 31 December 2004, amount to approximately USD 59 million (31 December 2003 : approximately USD 82 million).

## 5. CURRENT INVESTMENTS

### 5.1 Investments in available-for-sale securities

(Unit: Baht)

	31 December 2004		31 December 2003	
	Cost/		Cost/	
	Book value	Fair value	Book value	Fair value
<b>Available-for-sale securities</b>				
a) Cyntec Company Limited	81,759,622	44,572,082	77,624,875	62,142,430
b) Loyalty Founder Enterprise Company Limited	17,173,634	13,359,306	20,463,677	14,726,567
Total	98,933,256	57,931,388	98,088,552	76,868,997
Less: Unrealised loss on investments in available-for-sale securities	(41,001,868)		(21,219,555)	
Less: Translation adjustments	(4,684,796)		(8,683,068)	
Net investments in available-for-sale securities	53,246,592		68,185,929	

### 5.2 Fixed deposit

The balance as at 31 December 2003 represented the 6-month fixed deposit of a subsidiary with an overseas financial institution, for which the subsidiary entered into the interest rate swap transaction agreement. However, in the current year that subsidiary closed the account because the interest rate swap transaction agreement matured in August 2004.

## 6. ACCOUNTS RECEIVABLE - TRADE

The aging of outstanding balances as at 31 December 2004 and 2003 is as follows :-

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
<u>Accounts receivable - trade, related parties</u>				
Current	428,925,079	461,711,664	3,359,353,354	2,576,691,890
Past due 1 - 3 months	56,063,059	4,769,024	210,242,643	54,370,339
Past due 3 - 6 months	738,586	46,725	442,744	46,725
Past due 6 - 12 months	2,438,514	918,752	39,289	1,030,610
Past due over 12 months	-	611,729	-	611,729
Total	488,165,238	468,057,894	3,570,078,030	2,632,751,293

(Unit : Baht)

	Consolidated		The Company Only	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<u>Accounts receivable - trade, unrelated parties</u>				
Current	8,690,050,314	8,137,857,390	5,259,732,345	5,561,192,053
Past due 1 - 3 months	1,414,529,711	1,090,826,593	1,128,310,318	844,795,305
Past due 3 - 6 months	83,708,895	60,672,315	32,659,316	60,672,315
Past due 6 - 12 months	16,752,898	52,855,909	-	38,063,568
Past due over 12 months	284,656,325	291,766,646	236,414,371	222,469,482
Total	<u>10,489,698,143</u>	<u>9,633,978,853</u>	<u>6,657,116,350</u>	<u>6,727,192,723</u>
Total Accounts receivable - Trade	10,977,863,381	10,102,036,747	10,227,194,380	9,359,944,016
Less : Allowance for doubtful accounts	<u>(353,986,547)</u>	<u>(381,708,011)</u>	<u>(265,581,428)</u>	<u>(296,723,937)</u>
Accounts receivable - trade, net	<u><u>10,623,876,834</u></u>	<u><u>9,720,328,736</u></u>	<u><u>9,961,612,952</u></u>	<u><u>9,063,220,079</u></u>

As at 31 December 2004, an account receivable of a subsidiary of the Company with an outstanding balance of approximately USD 5.2 million has filed an application for reorganisation, and the Company does not expect to recover such debt (31 December 2003 : USD 5.2 million). In addition, an account receivable of the Company with an outstanding balance of approximately USD 0.7 million (31 December 2003 : USD 1.3 million) negotiated with the Company to make payment in installments and in the current year, the Company has received partial payment from such account receivable. The Company's management believes that the allowance for doubtful already set aside is adequate in the current circumstances.

## 7. INVENTORIES

(Unit : Baht)

	Consolidated		The Company Only	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Finished goods	1,918,504,524	1,892,910,546	219,316,310	214,236,333
Work in process	753,269,118	551,575,139	452,120,567	271,543,031
Raw materials	3,126,122,914	3,272,026,776	1,528,625,899	1,504,070,497
Goods in transit	1,028,053,774	255,997,682	211,167,378	159,096,668
Total	<u>6,825,950,330</u>	<u>5,972,510,143</u>	<u>2,411,230,154</u>	<u>2,148,946,529</u>
Less : Allowance for obsolete inventories	<u>(1,591,822,024)</u>	<u>(1,458,589,717)</u>	<u>(292,518,275)</u>	<u>(100,825,364)</u>
Inventories - net	<u><u>5,234,128,306</u></u>	<u><u>4,513,920,426</u></u>	<u><u>2,118,711,879</u></u>	<u><u>2,048,121,165</u></u>

The Company's management believes that allowance for obsolete inventories set aside is adequate in the present situation.

## 8. INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD

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

	Foreign currency	Issued and paid up capital		Percentage owned by the Company		Balances as at 31 December			
		2004	2003	2004	2003	Consolidated		The Company Only	
				%	%	2004 Baht	2003 Baht	2004 Baht	2003 Baht
<b>Subsidiary companies</b>									
DET International Holding Limited									
- Cost	USD	53,852,576	53,852,576	100	100	-	-	2,133,050,147	2,133,050,147
- Share of profit (loss) (accumulated to 31 December)								85,762,642	(588,703,350)
								2,218,812,789	1,544,346,797
Delta Energy Systems (Switzerland) AG									
- Cost	CHF	20,000,000	1,000,000	100	100	-	-	2,576,143,928	1,980,923,534
- Share of profit (loss) (accumulated to 31 December)								(1,038,167,804)	498,971,977
								1,537,976,124	2,479,895,511
Total investments in subsidiary companies								3,756,788,913	4,024,242,308
<b>Associated companies</b>									
(owned by DET International Holding Limited)									
Huada Holding Company Limited									
- Cost	USD	16,000,000	16,000,000	45	45	266,009,850	266,009,850	-	-
- Share of loss (accumulated to 31 December)						(147,571,235)	(113,980,330)		
						118,438,615	152,029,520		
Delta Green (Tianjin) Industries Company Limited									
- Cost	USD	20,000,000	20,000,000	50	50	394,383,470	394,383,470	-	-
- Share of profit (accumulated to 31 December)						24,935,653	13,948,849		
						419,319,123	408,332,319		
Deltron Trading (Cambodia) Limited									
- Cost	USD	-	8,000	-	47	168,523	168,523	-	-
- Share of loss (accumulated to 31 December)						(168,523)	(168,523)		
						-	-		
Unrealised loss on available-for-sale securities of a subsidiary									
						-	-	(41,001,868)	(21,219,555)
Translation adjustments									
						1,378,714	9,520,239	(150,241,673)	(3,170,331)
Total investments in associated companies						539,136,452	569,882,078		
<b>Total investments accounted for under equity method</b>						539,136,452	569,882,078	3,565,545,372	3,999,852,422

During the third quarter of the current year, an associated company, Deltron Trading (Cambodia) Limited, was dissolved. It registered its dissolution on 9 August 2004.

## 9. INVESTMENTS IN OTHER PARTIES

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

	The Company's interest		Balance as at 31 December	
	in equity capital		Consolidated	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	%	%		
IP Fund One, L.P.				
(owned by DET International Holding Limited)	3.84	3.80	365,613,456	332,121,893
Ezonics Corporation Company Limited				
(owned by DET International Holding Limited)	16.49	16.49	50,582,003	50,582,003
Total investment in other parties			416,195,459	382,703,896
Less : Provision for diminution in value of investment in other parties			(106,949,572)	(106,949,572)
Translation adjustments				
<b>Investments in other parties - net</b>			<u>(25,081,025)</u>	<u>(19,908,951)</u>
			<u>284,164,862</u>	<u>255,845,373</u>

## 10. INVESTMENTS IN UNIT TRUSTS

As at 31 December 2003, the outstanding balance represents investment in 12,000,000 units of Baht 10 each of the Preferred Shares-Subordinated Debentures of Bank of Ayudhya Public Company Limited Fund. These are non-listed securities and in March 2004, Baht 120 million of the Preferred Shares-Subordinated Debentures were redeemed by Bank of Ayudhya Public Company Limited prior to their maturity date.

## 11. PROPERTY, PLANT AND EQUIPMENT - NET

(Unit : Baht)

CONSOLIDATED									
As at 31 December 2004									
	Land	Building	Machinery and equipment	Mold	Installation	Construction in progress	Computer	Others	Total
<b>Cost :</b>									
1 January 2004	324,915,196	1,285,322,336	4,875,047,738	811,832,945	946,012,994	31,845,034	1,141,877,070	402,582,931	9,819,436,244
Entering the scope from acquisition (Note 2.8)	-	-	7,799,670	-	-	-	10,032,954	14,115,196	31,947,820
Purchase/transfer in	734,657	55,269,269	781,937,960	126,668,756	40,713,197	30,901,653	131,867,011	1,337,671,530	2,505,764,033
Leaving the scope from merger (Note 2.9)	(719,174)	(25,168,616)	(116,006)	-	-	-	(3,745,982)	(3,309,098)	(33,058,876)
Disposal/write-off/transfer out	-	(33,056,290)	(290,585,026)	(10,880,443)	(8,075,395)	(54,688,067)	(136,471,055)	(1,345,789,101)	(1,879,545,377)
31 December 2004	<u>324,930,679</u>	<u>1,282,366,699</u>	<u>5,374,084,336</u>	<u>927,621,258</u>	<u>978,650,796</u>	<u>8,058,620</u>	<u>1,143,559,998</u>	<u>405,271,458</u>	<u>10,444,543,844</u>
<b>Accumulated depreciation :</b>									
1 January 2004	-	170,454,624	2,863,697,513	659,351,948	340,896,020	-	700,717,390	294,182,409	5,029,299,904
Entering the scope from acquisition (Note 2.8)	-	-	5,807,810	-	-	-	7,198,088	3,939,337	16,945,235
Depreciation for the year	-	33,289,893	713,698,410	132,767,474	93,082,535	-	237,068,622	31,877,331	1,241,784,265
Leaving the scope from merger (Note 2.9)	-	(5,113,879)	(116,006)	-	-	-	(2,661,548)	(2,548,370)	(10,439,803)
Depreciation - disposal/write-off	-	(6,190,864)	(221,010,018)	(10,355,762)	(2,434,497)	-	(124,660,473)	(17,851,490)	(382,503,104)
31 December 2004	<u>-</u>	<u>192,439,774</u>	<u>3,362,077,709</u>	<u>781,763,660</u>	<u>431,544,058</u>	<u>-</u>	<u>817,662,079</u>	<u>309,599,217</u>	<u>5,895,086,497</u>
<b>Translation adjustments</b>	<u>(160,904)</u>	<u>2,588,618</u>	<u>28,494,839</u>	<u>-</u>	<u>6,209,562</u>	<u>2,323,777</u>	<u>16,418,589</u>	<u>1,615,903</u>	<u>57,490,384</u>
<b>Net book value :</b>									
As at 31 December 2004	<u>324,769,775</u>	<u>1,092,515,543</u>	<u>2,040,501,466</u>	<u>145,857,598</u>	<u>553,316,300</u>	<u>10,382,397</u>	<u>342,316,508</u>	<u>97,288,144</u>	<u>4,606,947,731</u>
As at 31 December 2003	<u>324,915,196</u>	<u>1,114,867,712</u>	<u>2,011,350,225</u>	<u>152,480,997</u>	<u>605,116,974</u>	<u>31,845,034</u>	<u>441,159,680</u>	<u>108,400,522</u>	<u>4,790,136,340</u>
<b>Depreciation charge (included in earnings statement) :</b>									
Year 2004									<u>1,241,784,265</u>
Year 2003									<u>930,822,987</u>

Depreciation for the year amounting to Baht 924,104,782 (2003 : Baht 790,344,790) has been charged to cost of production and the remaining part of Baht 317,679,483 (2003 : Baht 140,478,197) has been charged to selling and administrative expenses.

(Unit : Baht)

## THE COMPANY ONLY

As at 31 December 2004

	Land	Building	Machinery and equipment	Mold	Installation	Construction in progress	Computer	Others	Total
<b>Cost :</b>									
1 January 2004	312,646,818	1,173,085,850	3,178,446,377	811,832,945	802,115,149	1,078,243	205,547,877	121,025,743	6,605,779,002
Purchase/transfer in	-	29,044,772	665,111,756	126,668,756	35,464,415	21,674,980	37,634,387	1,319,405,911	2,235,004,977
Disposal/write-off/transfer out	-	-	(24,235,558)	(10,880,443)	(925,000)	(21,972,622)	(15,504,619)	(1,321,768,816)	(1,395,287,058)
31 December 2004	312,646,818	1,202,130,622	3,819,322,575	927,621,258	836,654,564	780,601	227,677,645	118,662,838	7,445,496,921
<b>Accumulated depreciation :</b>									
1 January 2004	-	150,230,969	1,551,025,571	659,351,948	271,311,316	-	119,897,523	59,336,060	2,811,153,387
Depreciation for the year	-	27,353,162	529,747,083	132,767,474	72,959,675	-	50,533,202	9,683,401	823,043,997
Depreciation - disposal/write-off	-	-	(21,279,639)	(10,355,762)	(383,290)	-	(14,848,669)	(2,576,231)	(49,443,591)
31 December 2004	-	177,584,131	2,059,493,015	781,763,660	343,887,701	-	155,582,056	66,443,230	3,584,753,793
<b>Net book value :</b>									
As at 31 December 2004	312,646,818	1,024,546,491	1,759,829,560	145,857,598	492,766,863	780,601	72,095,589	52,219,608	3,860,743,128
As at 31 December 2003	312,646,818	1,022,854,881	1,627,420,806	152,480,997	530,803,833	1,078,243	85,650,354	61,689,683	3,794,625,615
<b>Depreciation charge (included in earnings statement) :</b>									
Year 2004									823,043,997
Year 2003									734,811,767

Depreciation for the year amounting to Baht 707,644,583 (2003 : Baht 679,186,792) has been charged to cost of production and the remaining part of Baht 115,399,414 (2003 : Baht 55,624,975) has been charged to selling and administrative expenses.

## 12. ACCRUED EXPENSES

The balance mainly represented expenses and provisions related to employee costs and product sales of the Company and its subsidiaries, amounting to approximately Baht 656 million and Baht 345 million, respectively (the Company only : Baht 153 million and Baht 345 million, respectively). The management of the Company and its subsidiaries believes that actual expenditures will be close to the amount estimated and accrued in the Company's records.

## 13. FORWARD CONTRACTS

A subsidiary of the Company has entered into forward exchange contracts with local and overseas financial institutions. The outstanding balances under the contracts as at 31 December 2004 and 2003 are as follows :-

	Amount	
	(Unit : Million unit of currency)	
	<u>2004</u>	<u>2003</u>
Forward Contracts to "Sell"		
USD/THB	-	75



The subsidiary has recorded the foreign currency assets and liabilities arising from its entering into these contracts in the balance sheets, under the captions of “Forward contracts - receivable/payable”.

#### 14. LONG-TERM LOAN FROM FINANCIAL INSTITUTIONS

As at 31 December 2004, a subsidiary of the Company had a dollar loan from local and overseas banks amounting to approximately USD 95 million which is guaranteed by the Company. (31 December 2003 : USD 110 million).

The loan is repayable in four equal semi-annual installments beginning in February 2007, and matures in August 2008. It is subject to interest at a rate referenced to LIBOR.

Under the loan agreement the Company and the subsidiary must comply with normal financial covenants relating to various matters, such as the maintenance of certain ratios for consolidated total net liabilities to consolidated tangible net worth and interest bearing debt to consolidated EBITDA.

#### 15. PROVISIONS

The outstanding balances as at 31 December 2004 and 2003 is as follows :-

	(Unit : Million Baht)	
	Consolidated	
	2004	2003
Pension	1,020	965
Restructuring costs	688	1,008
Warranty	185	159
Other provisions	209	231
	<u>2,102</u>	<u>2,363</u>

##### **Pension**

The subsidiaries of the Company have provided retirement benefits for staff who are over 35 years old and have worked with that subsidiary companies for more than 10 years. The liability is calculated in accordance with the basis and conditions stipulated in the subsidiary’s regulations.

##### **Restructuring costs**

The subsidiaries of the Company have estimated provision for restructuring because it is reducing its production and laying off staff. The associated liability is calculated in accordance with the basis and conditions stipulated in contracts related to production and employment of the subsidiary.

## Warranty

The subsidiaries of the Company has estimated its liability under product warranties. The amount of its obligations depends on the type of product, and is calculated in accordance with the basis and conditions of warranty.

## 16. SHARE CAPITAL/WARRANTS

During the second quarter of 2000, the Company issued 4,032,000 warrants for offer to directors and employees of the Company. The warrants can be exercised subscribe to the new ordinary shares in a ratio of 1 warrant per 1 ordinary share, at an exercise price of Baht 10 each. The warrants are a one-time issue and their life is 5 years, with the exercise period running from 2 October 2000. They were listed on the Stock Exchange of Thailand on 6 July 2000.

The Meeting of the Board of Directors of the Company held on 23 February 2004 approved resolutions to pay a dividend to shareholders. As a result the Company adjusted the exercise ratio of the warrants in the manner stated in the prospectus, such that 1 warrant can be exercised to purchase 12.34934 ordinary shares at a price of Baht 1 per share, effective from 2 March 2004.

During the current year, no warrants were exercised to purchase new ordinary shares, leaving 1,188 warrants unexercised as at 31 December 2004.

### Subsequent event

During January 2005, 1,000 warrants were exercised to purchase new ordinary shares, as a result of which the Company's issued and paid-up share capital increased by Baht 12,349. The Company registered this capital increase with the Ministry of Commerce on 12 January 2005.

## 17. STATUTORY RESERVE

Under the Public Limited Company Act B.E. 2535, the Company is required to set aside as a statutory reserve at least 5 percent of its net profit, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of its registered share capital. The statutory reserve could not use for dividend payment.

## 18. EMPLOYEES AND RELATED COSTS

	Consolidated		The Company Only	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Number of employees at the end of year (persons)	16,329	16,441	15,180	15,260
Employee costs for the year (Million Baht)	5,195	3,411	2,071	1,855

## 19. GAIN (LOSS) ON EXCHANGE RATE

(Unit : Baht)

	For the year ended 31 December			
	Consolidated		The Company Only	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Realised gain (loss) on exchange rate	237,565,113	663,313,920	499,989,480	(319,131,044)
Unrealised loss on exchange rate	(90,158,869)	(113,135,344)	(285,756,893)	(152,896,925)
Gain (loss) on exchange rate	<u>147,406,244</u>	<u>550,178,576</u>	<u>(214,232,587)</u>	<u>(472,027,969)</u>

## 20. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company directors in accordance with Section 90 of the Public Limited Company Act exclusive of salaries and related benefits payable to executive directors.

## 21. CORPORATE INCOME TAX

Corporate income tax for the year was calculated based on the pre-tax earnings from the non-tax-exempted activities, after adding back expenses which are disallowed for tax computation purposes.

## 22. RECONCILIATION OF DILUTED EARNINGS PER SHARE

(Unit : Baht)

	For the year ended 31 December					
	Net earnings		Weighted average number of ordinary shares		Earnings per share	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Basic earnings per share</b>						
Net earnings	1,228,108,542	1,896,409,742	1,188,102,115	1,188,102,115	1.03	1.60
<b>Effect of dilutive potential ordinary shares</b>						
Warrants 1,188 units	-	-	14,018	14,000	-	-
<b>Diluted earnings per share</b>						
Net earnings of ordinary shareholders assuming the conversion of dilutive potential ordinary shares	<u>1,228,108,542</u>	<u>1,896,409,742</u>	<u>1,188,116,133</u>	<u>1,188,116,115</u>	<u>1.03</u>	<u>1.60</u>

### 23. PROMOTIONAL PRIVILEGES

The Company was granted the following tax privileges for certain specified category of products under the Investment Promotion Act B.E. 2520 by the Board of Investment :-

- 23.1 Exemption of corporate income tax on profit for the periods of 3 to 8 years commencing as from the date of earning operating income.
- 23.2 Dividends derived from a promoted activity granted an exemption of juristic person income tax shall be exempted from computation of taxable income throughout the period the promoted person receives the exemption of juristic person income tax.
- 23.3 Exemption of import duties on the raw and essential materials imported during the promotional period for use specifically in producing for export.
- 23.4 Exemption of import duties on items which the promoted person imports for re-export during the promotional period.
- 23.5 Exemption of import duties on machinery and equipment as approved by the Board or during the promotional period.

The Company's operating revenues are divided according to promoted and non-promoted activities, as shown below :-

	(Unit : Baht)					
	Promoted		Non-promoted		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b><u>THE COMPANY ONLY</u></b>						
Sales	37,597,429,490	33,821,168,553	259,501,138	84,512,699	37,856,930,628	33,905,681,252

Sales of raw materials are included in revenues from non-promoted activities.

## 24. RELATED PARTY TRANSACTIONS

During the year, the Company and its subsidiaries had business transactions with its local and overseas subsidiaries and related parties (related by way of common shareholders and/or common directors) in respect of raw materials and production equipment purchases, sales of manufactured finished goods, commission, technical fee, management fee and inspection fee. The transactions, which were 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 as follows :-

		(Unit : Baht)			
		Consolidated		The Company Only	
<u>Pricing policies</u>		<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b><u>Transactions with subsidiary companies</u></b>					
(eliminated from the consolidated financial statements)					
Sales of goods	Cost plus certain margin	-	-	8,174,935,600	7,764,236,859
Sales of raw materials	With reference to market prices	-	-	54,946,773	539,751
Purchase of raw materials	Cost plus certain margin	-	-	326,164,051	23,108,995
Commission paid	Contract prices	-	-	238,717,741	-
Inspection fee	Contract prices	-	-	115,717,810	143,474,473
Borrowing (Average balance of loans outstanding during year)	No interest charge	-	-	1,763,961,885	1,757,508,743
<b><u>Transactions with related parties</u></b>					
Sales of goods	With reference to market prices	1,700,194,706	2,060,513,167	1,650,096,798	2,060,513,167
Sales of raw materials	With reference to market prices	28,055,033	24,406,087	28,055,033	24,406,087
Purchase of raw materials	With reference to market prices	208,662,276	270,217,577	208,662,276	270,217,577
Purchase of fixed assets	Agreed upon basis	3,937,652	47,739,308	3,937,652	47,739,308
Commission paid	Contract prices	1,163,834,528	1,239,170,706	1,163,834,528	1,239,170,706
Commission received	Contract prices	99,597,307	-	-	-
Management fee	Contract prices	-	16,084,063	-	16,084,063
Lending (Average balance of loans outstanding during year)	Interest at a rate reference to LIBOR	15,652,995	63,985,048	-	-
Interest income	Contract prices	242,018	1,053,880	-	-

The outstanding balances of the above transactions have been separately shown in the balance sheets and are as follows :-

		(Unit : Baht)			
		Consolidated		The Company Only	
<u>Relationship</u>		<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b><u>Accounts receivable - trade, related parties</u></b>					
<b><u>Subsidiary companies</u></b>					
DET Logistics (USA) Corporation	Subsidiary Company	-	-	3,038,387,162	2,045,161,684
DET International Holding Ltd.	Subsidiary Company	-	-	2,131,033	52,638,833
Delta Energy Systems (Switzerland) AG.	Subsidiary Company	-	-	35,598,148	49,621,866
Delta Energy Systems (Germany) GmbH.	Subsidiary Company	-	-	37,445,557	11,789,777
Delta Energy Systems (Hong Kong) Ltd.	Subsidiary Company	-	-	-	608,758
Delta Energy Systems (India) Private Ltd.	Subsidiary Company	-	-	3,315,163	-
Delta Energy Systems (Brazil) S.A.	Subsidiary Company	-	-	6,048,443	-
Delta Electronics Europe Ltd.	Subsidiary Company	-	-	6,808,522	-
Others		-	-	793,840	5,907,843
		-	-	3,130,527,868	2,165,728,761

(Unit : Baht)

	Relationship	Consolidated		The Company Only	
		2004	2003	2004	2003
<b><u>Other related parties</u></b>					
Delta Electronics Inc.	Shareholder	152,979,381	217,396,886	141,884,959	217,396,886
Delta Electronics (Japan) Ltd.	Common shareholder	57,098,637	26,180,902	57,098,637	26,180,902
Delta Products Corporation Ltd.	Common shareholder	130,234,744	88,848,539	129,377,253	88,848,539
Delta Electronics International Ltd.	Common shareholder	58,188,061	75,629,273	58,188,061	74,920,653
Delta Network International Ltd.	Common shareholder	23,689,464	31,728,172	23,689,464	31,728,172
Delta Electronics Europe Ltd.	Common shareholder	-	18,331,727	-	18,076,136
Delta Network Inc.	Common shareholder	2,040,192	5,312,093	2,040,192	5,312,093
Delta Electronics (Jiangsu) Limited	Common shareholder	10,822,290	4,049,145	3,289,703	4,049,145
Addtron Technology (Japan) Limited	Common shareholder	15,084,643	-	15,084,643	-
Deltronics (Netherlands) BV	Common shareholder	23,132,927	-	-	-
Delta Electronics Component (Wujiang)	Common shareholder	5,762,042	581,157	5,762,042	510,006
Others		9,132,857	-	3,135,208	-
		<u>488,165,238</u>	<u>468,057,894</u>	<u>439,550,162</u>	<u>467,022,532</u>
Total accounts receivable - trade, related parties		<u>488,165,238</u>	<u>468,057,894</u>	<u>3,570,078,030</u>	<u>2,632,751,293</u>
<b><u>Short-term loan to and amounts due from related parties</u></b>					
Deltron Trading (Cambodia) Ltd.	Associated company	-	4,576,762	-	-
Delta Products Corporation Ltd.	Common shareholder	-	17,526,791	-	17,526,791
Total short-term loan to and amounts due from related parties		<u>-</u>	<u>22,103,553</u>	<u>-</u>	<u>17,526,791</u>
<b><u>Long-term loans to related parties</u></b>					
Deltron Trading (Cambodia) Ltd.	Associated company	-	60,250,064	-	-
Delta Electronics Europe Ltd.	Common shareholder	-	1,704,961	-	-
Total long-term loans to related parties		<u>-</u>	<u>61,955,025</u>	<u>-</u>	<u>-</u>
<b><u>Accounts payable - trade, related parties</u></b>					
<b><u>Subsidiary companies</u></b>					
Delta Energy Systems (Germany) GmbH.	Subsidiary company	-	-	10,211,065	1,776,196
Delta Energy Systems (USA) Inc.	Subsidiary company	-	-	7,342,862	314,746
Delta Energy Systems (Switzerland) AG	Subsidiary company	-	-	55,156,256	180,393
Others		-	-	920,951	3,740,259
		<u>-</u>	<u>-</u>	<u>73,631,134</u>	<u>6,011,594</u>
<b><u>Other related parties</u></b>					
Delta Electronics Inc.	Shareholder	448,503,872	33,208,197	65,958,277	33,208,197
Delta Electronics (Japan) Ltd.	Common shareholder	5,086,709	6,626,226	5,086,709	6,626,226
Delta Products Corporation Ltd.	Common shareholder	5,867,733	3,230,837	4,986,429	3,230,837
Delta Network Inc.	Common shareholder	5,479	10,089,618	5,479	10,089,618
Others		5,762,732	449,472	1,658,905	414,442
		<u>465,226,525</u>	<u>53,604,350</u>	<u>77,695,799</u>	<u>53,569,320</u>
Total accounts payable - trade, related parties		<u>465,226,525</u>	<u>53,604,350</u>	<u>151,326,933</u>	<u>59,580,914</u>

(Unit : Baht)

	Relationship	Consolidated		The Company Only	
		2004	2003	2004	2003
<b>Short-term loan from and amounts due to related parties</b>					
<u>Subsidiary companies</u>					
Newton Power Limited	Subsidiary Company	-	-	15,931,896	5,890,731
DET Logistics (USA) Corporation	Subsidiary Company	-	-	11,129,602	5,292,734
Delta Energy Systems (Switzerland) AG.	Subsidiary Company	-	-	36,458,828	5,263,612
Others		-	-	885,784	1,958,771
		-	-	64,406,110	18,405,848
<u>Other related parties</u>					
Delta Electronics Inc.	Shareholder	173,375,085	408,860,473	173,375,085	403,314,944
Delta Electronics Scotland	Common shareholder	64,373,148	-	-	-
Delta Products Corporation Ltd.	Common shareholder	3,962,799	12,683,153	3,962,799	12,683,153
Delta Electronics Europe Ltd.	Common shareholder	-	2,185,658	-	2,185,658
Others		469,451	436,092	469,451	436,092
		242,180,483	424,165,376	177,807,335	418,619,847
Total short-term loan from ad amounts due to related parties		242,180,483	424,165,376	242,213,445	437,025,695
<b>Long-term loan from related party</b>					
DET International Holding Ltd.	Subsidiary Company	-	-	1,848,741,408	1,767,203,360
Total long-term loan from related party		-	-	1,848,741,408	1,767,203,360

The Company has entered into agreements with the subsidiaries and with the related parties whereby the subsidiaries and the related parties will provide sales services, marketing services, management services, after-sales services, technical information services, and raw material purchasing, and also sell the Company's products. The agreements are not for an identified period and are cancellable. Under the agreements, the Company is obliged to pay commission to its subsidiaries and related companies at rates ranging from 0.25 to 15 percent of sales, and maximum rate not over than 3 percent of the purchasing price for the raw material purchasing services.

As at 31 December 2003, most of the long-term loans to related parties balance represents a long-term loan of USD 1.52 million which a subsidiary of the Company has provided to an overseas related party, bearing interest at a rate of LIBOR plus 0.5 percent per annum and the related party repaid the loan to the subsidiary on April 2004.

The balance of long-term loan from related party as at 31 December 2004, represents a loan of CHF 53 million which provided by a subsidiary of the Company. Full repayment of the loan is due by July 2008. There is no interest charge.

## **25. COMMITMENT AND CONTINGENT LIABILITIES**

### **25.1 Financial derivatives**

1) Sell “Special-condition option” agreements

A subsidiary of the Company has entered into various sell “put special-condition option” agreements approximately USD 62 million against CHF (31 December 2003 : sell “put special - condition option” agreements approximately USD 105 million against CHF and sell “call special - condition option” agreements approximately USD 26.25 million against Baht and EUR 13.5 million against USD).

As at the balance sheet date, the subsidiary have recorded no contingent losses under “Special-condition option” agreements as they are unable to estimate the amount of such contingent losses for the current year.

2) Special - condition forward contracts

A subsidiary of the Company has entered into Special - condition forward contracts to buy approximately USD 40 million against CHF, USD 75 million against Baht and USD 25 million against SKK (31 December 2003 : USD 150 million against CHF) and has entered into Special - condition forward contracts to sell approximately USD 40 million against Baht (31 December 2003 : USD 30 million against Baht).

3) Interest Rate Swap Transaction agreements

A subsidiary of the Company has entered into the following interest rate swap transaction agreements with overseas financial institutions:

1. An agreement with an overseas financial institution to swap interest on a principal balance of USD 30 million, maturing in August 2006. Every 6 months, the subsidiary is required to pay interest to the financial institution at fixed rates of 1.80 percent per annum in the first year and 2.15 percent per annum in the second year. The financial institution is in turn required to pay interest to the subsidiary at the 6-month LIBOR, pro-rate for the number of days on which the daily interest rate lies within a range stipulated in the agreement.
2. An agreement with an overseas financial institution to swap interest on a principal balance of USD 50 million, maturing in December 2006. Every 3 months, the subsidiary is required to pay interest to the financial institution at a rate referenced to 3-month LIBOR plus 1 percent per annum. The financial institution is in turn required to pay interest to the subsidiary at a rate referenced to in-arrear 3-month LIBOR plus 1 percent per annum, pro-rate for the number of days on which the daily interest rate lies within a range stipulated in the agreement.

### **25.2 Commitments and contingent liabilities**



- As at 31 December 2004, the Company and its subsidiaries had capital commitments amounting to Baht 230 million for the purchase of machinery and equipments (31 December 2003: Baht 125 million) and had operating lease commitments amounting to CHF 5.7 million for equipments (31 December 2003 : CHF 9.2 million).
- In present, an overseas subsidiary of the Company is being subjected to a tax inspection. Although the results of this inspection are not yet known, for conservative purposes the subsidiary has recorded provision for tax liabilities of approximately EURO 1.6 million. The Company's management believes that losses will not materiality differ from the recorded amount.

### 25.3 Letter of guarantees

As at 31 December 2004, there were outstanding bank guarantees of approximately Baht 37 million (31 December 2003 : Baht 39 million and USD 5 million) issued by the banks on behalf of the Company as required in the ordinary course of business of the Company and there were outstanding bank guarantees of approximately SKK 30 million (31 December 2003 : Nil) issued by the Company for an overseas subsidiary as required in the ordinary course of business.

### 25.4 Assets/Liabilities-foreign currency not hedged against foreign exchange risk

A summary of significant foreign currency assets and liabilities that were unhedged as at 31 December 2004 is set out below :-

	<u>Amount</u>
<b>Assets</b>	
Assets denominated in US Dollar	USD 140 million
Assets denominated in YEN	YEN 287 million
Assets denominated in EURO	EUR 3 million
<b>Liabilities</b>	
Liabilities denominated in US Dollar	USD 93 million
Liabilities denominated in YEN	YEN 199 million
Liabilities denominated in EURO	EUR 1 million

## 26. CASH FLOWS STATEMENTS

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 :-

(Unit : Baht)

	Consolidated		The Company Only	
	2004	2003	2004	2003
Cash and cash equivalents	3,833,527,262	5,437,360,125	2,417,913,321	3,305,274,882
Unrealised (gain) loss on exchange rate	(83,094,714)	180,735,205	(83,094,714)	183,321,238
Cash and cash equivalents in the statements of cash flows	<u>3,750,432,548</u>	<u>5,618,095,330</u>	<u>2,334,818,607</u>	<u>3,488,596,120</u>

## 27. THE RESOLUTION OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS / DIVIDENDS

At the Annual General Meeting of shareholders held on 29 March 2004, its was resolved that the company pay a dividend of Baht 0.8 per share for the year 2003, a total of Baht 950 million, The dividend reflected in the first quarter of the year 2004.

At the Annual General Meeting of shareholders held on 17 March 2003, its was resolved that the Company pay a dividend of Baht 2.80 per share for the year 2002, a total of Baht 3,327 million. The dividend was reflected in the first quarter of the year 2003. In addition, it was resolved that the Company would obtain a loan or issue bonds to raise funds amounting to approximately Baht 7,000 million or the equivalent amount in foreign currency.

## 28. FINANCIAL INFORMATION BY SEGMENT

The businesses of the Company and its subsidiaries mainly involve the single industry segment of the manufacture and distribution of electronic products and are mainly carried on both in Thailand and overseas. Financial information of the Company and its subsidiaries by geographical segment, as at 31 December 2004 and 2003, and for the years then ended, is as follows :-

	Consolidated for the years ended 31 December												(Unit : Million Baht)	
	Thailand		Asia		USA		Europe		Total		Eliminated		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Sales - external	27,907	24,325	1,066	229	9,835	10,424	7,691	3,922	46,499	38,900	-	-	46,499	38,900
Sales - related parties	9,825	9,825	1,296	770	750	425	7,148	3,395	19,019	14,415	(17,319)	(12,354)	1,700	2,061
	<u>37,732</u>	<u>34,150</u>	<u>2,362</u>	<u>999</u>	<u>10,585</u>	<u>10,849</u>	<u>14,839</u>	<u>7,317</u>	<u>65,518</u>	<u>53,315</u>	<u>(17,319)</u>	<u>(12,354)</u>	<u>48,199</u>	<u>40,961</u>
Gross profit	6,131	5,317	144	5	483	390	653	675	7,411	6,387			7,415	6,521
Gain on exchange rate													147	550
Other income													473	396
Share of loss from investments														
accounted for under equity method													(24)	(21)
Selling and administrative expenses													(6,594)	(5,422)
Interest expenses													(126)	(57)
Corporate income tax													(57)	(89)
Minority interest in net (earnings) loss of subsidiaries													(6)	18
Net earnings													<u>1,228</u>	<u>1,896</u>

	Consolidated for the years ended 31 December												(Unit : Million Baht)	
	Thailand		Asia		USA		Europe		Total		Eliminated		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Property, plant and equipment - net	3,861	3,800	31	13	70	148	645	829	4,607	4,790	-	-	4,607	4,790
Other assets	18,133	18,775	1,019	936	4,266	3,194	13,910	14,287	37,328	37,192	(13,754)	(12,630)	23,574	24,562
Total assets	<u>21,994</u>	<u>22,575</u>	<u>1,050</u>	<u>949</u>	<u>4,336</u>	<u>3,342</u>	<u>14,555</u>	<u>15,116</u>	<u>41,935</u>	<u>41,982</u>	<u>(13,754)</u>	<u>(12,630)</u>	<u>28,181</u>	<u>29,352</u>

## **29. FINANCIAL INSTRUMENTS**

### **29.1 Financial risk management and policies**

The Company and its subsidiaries are exposed to risks from changes in market interest rates and in currency exchange rates and from nonperformance of contractual obligations by counter parties. The Company and its subsidiaries use derivative instruments, as and when it considers appropriate, to manage such risks.

### **29.2 Interest rate risk**

The interest rate risk is the risk that future movements in market interest rates will affect the results of operations of the Company and its subsidiaries and their cash flows. The Company's and its subsidiaries' exposure to interest rate risk related primarily to their cash and cash equivalents, fixed deposits, bank overdrafts and short-term loan from financial institutions and long-term loan from financial institutions. The majority of these financial assets and liabilities carry interest rates which vary in line with market rates. However, a subsidiary of the Company has entered into interest rate swap agreements to hedge such interest rate risk, as discussed in note 25.1 to the financial statements.

### **29.3 Foreign currency risk**

The Company and its subsidiaries' exposure to foreign currency risks relates primarily to its cash and cash equivalents, receivable, payable, bank overdrafts and short-term loan from financial institutions and long-term loan from financial institutions which are denominated in foreign currencies. A subsidiary of the Company primarily utilise forward exchange contracts, special - condition option agreements and special - condition forward exchange contracts with maturities of less than one year to hedge such financial assets and liabilities (as presented in note 13 and 25.1 to the financial statements). In addition to those transactional exposures, the Company and the subsidiary are also exposed to the effect of foreign exchange movements on their investments in foreign subsidiary and associated companies, which currently are not hedged by any derivative financial instruments.

#### **29.4 Credit risk**

It is the Company's and its subsidiaries' policy to enter into financial instruments with creditworthy counterparties. Therefore the Company and its subsidiaries do not expect any material losses which may arise from the counterparties' failure to perform their obligations under the financial instruments. The Company's and its subsidiaries' revenues are generated in the technology industry, which is characterised by short product life cycles and rapid advances in manufacturing technologies. The maximum exposure to credit risk is the carrying amount of the financial assets less provision for losses as stated in the balance sheets.

With respect to off-balance sheet derivative financial instruments, it is the Company's and its subsidiaries' policy to enter into financial instruments with creditworthy counterparties. Therefore, the Company and its subsidiaries do not expect any material losses to arise from the counterparties' failure to perform their obligations under the financial instruments.

#### **29.5 Fair value**

Since the majority of financial assets are short-term and that the loans carry interest at rates close to current market rates, the management believes that fair value of their financial assets and liabilities does not materially differ from their carrying value.

### **30. PRESENTATION**

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, as issued under the Accounting Act B.E. 2543.

Certain amounts in the financial statements for the year ended 31 December 2003 have been reclassified to conform to the current year's classifications, with no effect on previously reported net earnings or shareholders' equity.

### **31. APPROVAL OF FINANCIAL STATEMENTS**

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