

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES  
REPORT AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD OF THREE MONTHS ENDED 31st MARCH, 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 subsidiary companies and the balance sheet of Delta Electronics (Thailand) Public Company Limited as at 31st March, 2000, and the related statements of earnings, retained earnings, changes in shareholders' equity, and cash flows for the periods of three months ended 31st March, 2000 and 1999. These financial statements are the responsibility of the management of the Company and its subsidiary companies 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 review 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 previously audited the consolidated financial statements of Delta Electronics (Thailand) Public Company Limited and its subsidiary companies and the 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 a part of the financial statements which I audited and on which I previously reported. 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 April, 2000

(UNAUDITED/BUT REVIEWED)

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARY COMPANIES  
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 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 subsidiary companies, 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 period of three months ended		Net earnings (loss) of subsidiaries included in consolidated earnings statements for the period of three months ended	
	31st March,	31st December,	31st March,	31st December,	31st March		31st March	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	%	%	%	%	%	%	%	%
<u>Increase of subsidiary held by the Company</u>								
DET Logistic (USA) Corporation Limited (owned by DET International Holding Limited)	100	-	8.28	-	7.58	-	0.83	-
<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.

An extraordinary general meeting of the shareholders of a subsidiary company, 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.

(UNAUDITED/BUT REVIEWED)

NOTE 2 - ACCOUNTS RECEIVABLE - TRADE

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

	CONSOLIDATED		THE COMPANY ONLY	
	<u>31st March, 2000</u>	<u>31st December, 1999</u>	<u>31st March, 2000</u>	<u>31st December, 1999</u>
	BAHT	BAHT (Audited)	BAHT	BAHT (Audited)
Current	3,190,408,510	5,138,095,180	4,041,934,194	5,137,972,266
Past due 1 - 3 months	2,264,350,094	1,984,455,708	2,248,064,179	1,983,842,335
Past due 3 - 6 months	278,967,914	147,876,487	278,318,404	147,828,491
Past due 6 - 12 months	52,762,804	40,180,180	52,762,804	40,180,180
Past due over 12 months	7,177,670	2,286,370	7,177,670	2,286,370
Total	<u>5,793,666,992</u>	<u>7,312,893,925</u>	<u>6,628,257,251</u>	<u>7,312,109,642</u>
Less : Allowance for doubtful accounts	<u>(87,248,350)</u>	<u>(60,047,996)</u>	<u>(87,200,000)</u>	<u>(60,000,000)</u>
Accounts receivable - net	<u><u>5,706,418,642</u></u>	<u><u>7,252,845,929</u></u>	<u><u>6,541,057,251</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 3 - INVESTMENTS IN RELATED COMPANIES

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

	Issued and paid up capital		Percentage owned by the Company		Consolidated		The Company Only	
	2000	1999	2000	1999	As at 31st March 2000	As at 31st December 1999	As at 31st March 2000	As at 31st December 1999
	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	1,395,442,258	1,376,371,207	100	100	-	-	1,395,442,258	1,376,371,208
- Share of loss (accumulated to 31st March and 31st December)							(237,683,437)	(138,683,608)
							<u>1,157,758,821</u>	<u>1,237,687,600</u>
Total investments in subsidiary companies							<u>1,157,758,821</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	49	49	270,056,640	270,056,640	-	-
- Share of loss (accumulated to 31st March and 31st December)					(115,624,791)	(115,169,049)		
					154,431,849	154,887,591		
Delta Green (Tianjin) Industries Company Limited (owned by DET International Holding Limited)								
- Cost	421,875,240	421,875,240	50	50	210,937,620	210,937,620	-	-
- Share of loss (accumulated to 31st March and 31st December)					(17,472,214)	(14,124,759)		
					193,465,406	196,812,861		
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 31st March and 31st December)					(4,093,191)	(4,414,609)		
					14,743,209	14,421,791		

## (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 31st <u>March, 2000</u>	As at 31st <u>December, 1999</u>	As at 31st <u>March, 2000</u>	As at 31st <u>December, 1999</u>
	BAHT	BAHT	%	%	BAHT	BAHT (Audited)	BAHT	BAHT (Audited)
Palo Alto Manufacturing (Thailand) Limited (owned by DET International Holding Limited)								
- Cost	320,000,000	320,000,000	20	20	63,679,223	63,679,223	-	-
- Share of loss (accumulated to 31st March and 31st December)					(17,876,009)	(7,566,191)		
					45,803,214	56,113,032		
Palo Alto Plastics (Thailand) Limited (owned by DET International Holding Limited)								
- Cost	450,000,000	450,000,000	27	27	122,785,545	122,785,545	-	-
- Share of loss (accumulated to 31st March and 31st December)					(18,996,009)	(6,124,405)		
					103,789,536	116,661,140		
Translation adjustments					8,376,219	4,543,239	-	-
Total investments in associated companies					520,609,433	543,439,654	-	-
<b>Total investments in related companies</b>					<u>520,609,433</u>	<u>543,439,654</u>	<u>1,157,758,821</u>	<u>1,250,965,686</u>

- 3.1 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.
- 3.2 A subsidiary company, Delcom Electronics Co., Ltd. (owned by DET International Holding Limited) ceased its operations during 1999.
- 3.3 The subsidiary companies held by DET International Holding Limited are Newton Power Limited, Delcom Electronics Company Limited and DET Logistic (USA) Corporation Limited.

(UNAUDITED/BUT REVIEWED)

NOTE 4 - 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 31st <u>March, 2000</u>	As at 31st <u>December, 1999</u>	As at 31st <u>March, 2000</u>	As at 31st <u>December, 1999</u>
	%	%	BAHT	BAHT	BAHT	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	5	234,026,455	234,026,455	-	-
Delta Electronics Components (Thailand) Company Limited (owned by DET International Holding Limited)	10	10	2,491,654	2,491,387	-	-
Translation adjustments			<u>7,957,088</u>	<u>5,532,163</u>	<u>-</u>	<u>-</u>
Total investments in other companies			<u>273,535,742</u>	<u>270,924,150</u>	<u>-</u>	<u>760,000</u>

As at 31st March, 2000, the proportional net asset value of the Company's holding in Palo Alto Products International Pte Ltd. is approximately Baht 131 million. The Company's management believes there is no need to set aside a provision for impairment in the value of the investment in the present situation.

(UNAUDITED/BUT REVIEWED)

NOTE 5 - 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). Such 9,450,000 newly-issued shares were subscribed at the ratio of 10 old shares for 1 new share at the price of Baht 10 per share. The closing date for registration of shares to determine the right to subscribe the new shares was on 19th April, 2000 and subscriptions are to be paid between 11th and 19th May, 2000. Any remaining shares will be provided to Deltron Holding Co., Ltd.

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 allocation period of the warrants is one time and their life is 5 years. The warrants are to be listed on the Stock Exchange of Thailand.

NOTE 6- RELATED PARTY TRANSACTIONS

6.1 During the period of three months ended 31st March, 2000 and 1999, the Company had business transactions with its overseas subsidiary company 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 :-

(UNAUDITED/BUT REVIEWED)

	CONSOLIDATED		THE COMPANY ONLY		<u>Pricing policies</u>
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	
	BAHT	BAHT	BAHT	BAHT	
<u>Transactions with subsidiary company</u>					
Sales of goods	-	-	1,273,502,276	-	Market prices
Commission	-	-	13,768,288	48,608,035	Contract prices
<u>Transactions with related companies</u>					
Sales of goods	357,394,064	513,264,993	357,394,064	513,264,993	Market prices
Purchase of raw material	41,072,214	117,160,491	41,072,214	117,160,491	Invoices
Purchase of fixed assets	11,317,873	558,608	11,317,873	558,608	Invoices
Commission	52,943,120	38,413,516	52,943,120	38,413,516	Contract prices
Technical fee	29,985,791	21,870,094	29,985,791	21,870,094	Contract prices

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

- 6.2 The Company has entered into agreements with a subsidiary company and related companies whereby the subsidiary company 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.

NOTE 7- COMMITMENT AND CONTINGENT LIABILITIES

7.1 Financial derivatives

The Company also entered into various sell an option agreements. As at 31st March, 2000, the Company had outstanding sell an option agreements to sell US\$ 13.6 million at Baht 40.0 to Baht 40.07 per 1 US\$ (31st December, 1999 : US\$ 23.6 million at Baht 39.06 to Baht 40.07 per 1 US\$).

(UNAUDITED/BUT REVIEWED)

7.2 Capital commitments

As at 31st March, 2000, the Company had capital commitments for purchases of fixed assets and equipment amounting to Baht 108 million (31st December, 1999 : Baht 50 million).

7.3 Bank guarantees

As at 31st March, 2000, there were outstanding bank guarantees of approximately Baht 13.5 million and US\$ 0.5 million (31st December, 1999 : Baht 16 million and US\$ 0.5 million) issued by the banks on behalf of the Company as required in the ordinary course of business of the Company.

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

As at 31st March, 2000 the Company had net assets of approximately USD 121 million and liabilities of approximately Japanese Yen 38 million which were not hedged against foreign exchange risk (31st December, 1999 : net assets of approximately USD 108 million and liabilities of approximately Japanese Yen 79 million).

(UNAUDITED/BUT REVIEWED)

NOTE 8 - 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 <u>31st March, 2000</u> BAHT	As at <u>31st March, 1999</u> BAHT	As at <u>31st March, 2000</u> BAHT	As at <u>31st March, 1999</u> BAHT
Cash in hand and at banks	3,398,866,370	3,072,311,703	3,252,943,485	2,650,792,744
Unrealised gain on exchange rate	<u>(55,142,378)</u>	<u>(66,297,951)</u>	<u>(55,142,378)</u>	<u>(66,297,951)</u>
Cash and cash equivalents	<u>3,343,723,992</u>	<u>3,006,013,752</u>	<u>3,197,801,107</u>	<u>2,584,494,793</u>

NOTE 9 - 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) to its shareholders, in respect of the 1999 earnings. Such dividends will be reflected in the next quarter's financial statements.

(UNAUDITED/BUT REVIEWED)

NOTE 10 - FINANCIAL INFORMATION BY SEGMENT

The Company and its subsidiary companies' operations involve a single major business segment in manufacturing and distributing electronic component and are carried on in the single major geographic area in domestic. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned business segment and geographic area.

NOTE 11 - PRESENTATION

Certain amounts in the financial statements for the year ended 31st December, 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 12 - APPROVAL OF INTERIM FINANCIAL STATEMENTS

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