Delta Networks, Inc.

達創科技股份有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 722)

ANNOUNCEMENT OF UNAUDITED QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2008

The board of directors (the "Board") of Delta Networks, Inc. (the "Company") is pleased to announce the unaudited quarterly results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2008 together with comparative figures for the corresponding period of last year, as follows:

Unaudited condensed consolidated balance sheet

	As at 31 March 2008 (Unaudited) *US$'000*	**As at 31 December 2007 (audited)** *US$'000*
ASSETS		
Non-current Assets		
Property, plant and equipment	18,316	17,655
Deferred income tax assets	3,612	3,322
Land use right	283	285
	22,211	21,262
Current Assets		
Inventories	39,599	32,229
Trade and other receivables	80,408	88,893
Prepayments and other assets	3,896	3,812
Derivative financial instruments	6,220	5,202
Cash and cash equivalents	254,062	251,969
	384,185	382,105
Total Assets	406,396	403,367

	As at 31 March 2008 (Unaudited) *US$'000*	As at 31 December 2007 (audited) *US$'000*
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Shares Capital	59,840	59,840
Share premium	117,024	117,024
Other reserves	44,035	43,565
Retained earnings	73,587	66,158
	294,486	286,587
Minority interest	262	287
Total equity	294,748	286,874
LIABILITIES		
Non-current Liabilities		
Provisions and other liability	3,663	3,663
Retirement benefit obligation	4,216	3,913
Deferred income tax liabilities	1,555	1,301
	9,434	8,877
Current Liabilities		
Provisions and other liability	3,982	3,943
Trade and other payables	92,147	99,436
Derivative financial instruments	3,972	2,483
Income tax payables	2,113	1,754
	102,214	107,616
Total Liabilities	111,648	116,493
Total Equity and Liabilities	406,396	403,367

Unaudited condensed consolidated income statement

	3 months ended 31 March 2008 (Unaudited) *US$'000*	3 months ended 31 March 2007 (Unaudited) *US$'000*
Revenue	97,037	101,440
Cost of sales	(80,794)	(84,740)
Gross profit	16,243	16,700
Other gains - net	1,919	459
Other income	575	602
Other expense	(30)	(48)
General and administration expense	(3,122)	(3,463)
Selling expenses	(3,764)	(3,479)
Research and development expense	(5,140)	(6,828)
Profit from operations	6,681	3,943
Finance cost	—	(7)
Finance income	1,855	853
Profit before income tax	8,536	4,789
Income tax (expense)/benefit	(1,132)	253
Profit for the period	7,404	5,042
Attributable to:		
Equity holders of the Company	7,429	5,005
Minority interest	(25)	37
	7,404	5,042
Earnings per share for profit attributable to the equity holders of the Company during the year		
- Basic(US Cents)	0.69	0.60
- Diluted(US Cents)	0.66	0.59

Unaudited condensed consolidated statement of changes in equity

	Attributable to equity holders of the Company								*US$'000*
	Share Capital	Retained Earnings	Contributed Reserves	Statutory Reserves	Share-based Payment Reserves	Share Premium	Subtotal	Minority	Total
Balance at 1 January 2007	41,880	36,754	17,274	3,907	5,174	—	104,989	190	105,179
Profit for the period	—	5,005	—	—	—	—	5,005	37	5,042
MSSS scheme reward	—	—	—	—	867	—	867	—	867
EIS reward	—	—	—	—	2,301	—	6,789	—	6,789
Share-based payment settled in Parent shares without recharge	—	—	4,062	—	(4,062)	—	—	—	—
Replacement of employee incentive scheme award with ultimate holding company's shares			4,488						
Balance at 31 March 2007	41,880	41,759	25,824	3,907	4,280	—	117,650	227	117,877
Balance at 1 January 2008	59,840	66,158	30,697	5,859	7,009	117,024	286,587	287	286,874
Profit for the period	—	7,429	—	—	—	—	7,429	(25)	7,404
MSSS scheme reward	—	—	—	—	467	—	467	—	467
EIS reward	—	—	—	—	2,290	—	3	—	3
EIS payment	—	—	—	—	(2,287)	—	—	—	—
Balance at 31 March 2008	59,840	73,587	30,697	5,859	7,479	117,024	294,486	262	294,748

Unaudited condensed consolidated cash flow statement

	3 months ended 31 March 2008 (Unaudited) *US$000*	3 months ended 31 March 2007 (Unaudited) *US$000*
Net cash generated from operating activities	2,718	8,531
Net cash generated from investing activities	40	366
Net cash used in financing activities	(65)	(6,000)
Net increase in cash and cash equivalents	2,693	2,897
Cash and cash equivalents at the beginning of the period	251,969	82,707
Foreign exchange adjustment	(600)	113
Cash and cash equivalents at the end of the period	254,062	85,717

Segment information-by product

	3 months ended 31 March 2008 (Unaudited)		3 months ended 31 March 2007 (Unaudited)	
	US$000	*%*	*US$000*	*%*
Broadband Wireless	22,958	23.6%	12,374	12.2%
LAN-Carrier	12,938	13.3%	14,552	14.3%
LAN-Enterprise	43,639	45.0%	50,100	49.4%
LAN-SOHO	14,615	15.1%	19,076	18.8%
Others	2,887	3%	5,338	5.3%
Total Revenue	97,037	100%	101,440	100%

Financial Review

For the three months ended 31 March 2008, the revenue of the Group decreased by approximately US$4.4 million, or approximately 4.3%, to US$97.0 million from US$101.4 million of the same period last year. This was mainly due to the decrease in shipments due to the slowdown in the US economy and key components shortage.

Gross margin for the three-month period ended 31 March 2008 improved slightly by 0.2% to approximately 16.7% from approximately 16.5% of the same period last year. The improvement was mainly due to the return of share-based payment to employees to normal level this year. External factors such as the rise in raw material prices and higher labor cost caused by new China labor regulations exerted pressure on gross margin during the reporting period.

Net profit for the three-month period ended 31 March 2008 was approximately US$7.4 million, representing an approximately 46.8% increase when compared to approximately US$5 million of the same period last year. The surge was mainly due to the increase in interest income and the return of shared-based expenses to normal level.

From 3 April 2008 to 14 April 2008, the Company purchased 2,961,000 shares of the Company on The Stock Exchange of Hong Kong Limited in order to enhance the underlying value of the Company's shares.

Critical Accounting Estimates and Judgments

Financial impact of share-based compensation

As shown in the following table, without taking into account the share-based compensations, the gross profit margin and EBIT* margin would drop from 17.6% and 11.4% for the three months ended 31 March 2007 to 17.2% and 10.1% for the three months ended 31 March 2008, respectively.

	For the three months ended 31 March			
	2008		2007	
	With share-based compensation	Without share-based compensation	With share-based compensation	Without share-based compensation
Gross profit margin	16.7%	17.2%	16.5%	17.6%
EBIT margin	6.9%	10.1%	3.9%	11.4%
% of operating expenses to revenue	12.4%	9.6%	13.5%	7.1%

* EBIT: Earnings before interest and tax

Details of our share-based compensations are set out in the prospectus of the Company dated 22 June 2007 and the 2007 interim report and annual report of the Company.

Business Outlook

Ethernet has become widely used in global communications industry and in Metro Area Networks, and is available to users over fiber, copper, cable, passive optical networks and wireless networks. As the popularity of mobile triple play application is on the rise, WiFi IAD products are developed to cater for the needs of consumers. We consider that the infrastructure for Ethernet including the Ethernet switch has to be improved in order to support those products and applications. With the advancement in technology, data center will not be the only user for 10 Gigabit Ethernet (10GbE) switch. Enterprises will start migrate from Gigabit to 10 Gigabit, due to cost efficiency, greater storage capacity and higher bandwidth. According to a study conducted by IDC Research, the revenue for Gigabit Ethernet switch and 10GbE switch will reach US$17 billion and US$3 billion respectively in 2001. As a long-time design and manufacturing provider of networking products, we collaborated with Solarflare Communications, developer of leading standards-compliant 10GbE silicon, to develop 10GbE switch. The robust 10GbE products will drive the proliferation of next-generation applications such as server virtualization and streaming rich-media on demand to millions.

Due to the high awareness of cost, efficiency, and reliability, the consolidation between Ethernet based technology and former technologies becomes a necessary step in delivering new affordable services. Apart from mergers and acquisitions, we are also looking for possible joint venture opportunities that would help drive company growth. At same time, the Wujiang factory is under construction, with production scheduled to begin by middle of 2009.

We have to prepare ourselves for new challenges although we consider the future ahead of us to be promising. Global and local economic issues can become more complicated. Global warming, inflation and rise of raw material prices are a few examples of global issues that are different from what we experienced in the past. Slow economic growth, lower capital expenditure, and a general economic slow-down are major challenges faced by us and we need to continue to work closely with our customers in order to maintain our competitiveness. Local issues arising from new economic laws and the new China labor regulations are also important matters that we will need to manage properly in order to sustain our competitive advantages.

Payment of Dividend

A dividend of 1.03 US cents per share in respect of the financial year ended 31 December 2007 was approved by shareholders at the annual general meeting on Thursday, 24 April 2008. The dividend will be payable on or about 23 May 2008 to the shareholders whose names appear on the register of members of the Company at the close of business on 18 April 2008.

General

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By the Order of the Board
Liang Ker Uon, Sam
Chairman

Taipei, Taiwan
21 May 2008

As at the date of this announcement, the executive directors of the Company are Mr. Liang Ker Uon, Sam and Mr. Cheng An, Victor; the non-executive directors are Mr. Cheng Chung Hua, Bruce and Mr. Hai Ing-Jiunn, Yancey; the independent non-executive directors are Mr. Zue Wai To, Victor, Mr. Liu Chung Laung and Mr. Shen Bing.

** For identification purposes only*