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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of directors (the "Board") of Delta Networks, Inc. (the "Company" or "DNI" or "Delta Networks") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2008 together with the comparative figures for the corresponding period in 2007 as follows:

* *For identification purposes only*

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June 2008 (unaudited) US$'000	Three months ended 30 June 2007 (unaudited) US$'000	Six months ended 30 June 2008 (unaudited) US$'000	Six months ended 30 June 2007 (audited) US$'000
Revenue	3	108,010	108,646	205,047	210,086
Cost of sales		(92,084)	(89,487)	(172,878)	(174,227)
Gross profit		15,926	19,159	32,169	35,859
Other gains-net	4	2,156	3,647	4,620	4,660
Selling expenses		(3,765)	(4,267)	(7,529)	(7,746)
General and administration expense		(3,713)	(2,945)	(6,835)	(6,408)
Research and development expense		(5,301)	(8,409)	(10,441)	(15,237)
Profit from operations		5,303	7,185	11,984	11,128
Financial income-net	5	1661	1,101	3,516	1,947
Profit before taxation		6,964	8,286	15,500	13,075
Income Tax	6	324	(864)	(808)	(611)
Profit for the period		7,288	7,422	14,692	12,464
Attributable to:					
Equity holders of the Company		7,291	7,409	14,720	12,414
Minority interest		(3)	13	(28)	50
		7,288	7,422	14,692	12,464
Earnings per share for profit attributable to the equity holders of the Company during the period (in US cents per share)					
- Basic	7(a)	0.65	0.88	1.34	1.48
- Diluted	7(b)	0.63	0.82	1.29	1.41

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2008 (unaudited) *US$'000*	As at 31 December 2007 (audited) *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		18,914	17,655
Land use rights		282	285
Deferred income tax assets		3,738	3,322
		22,934	21,262
Current assets			
Inventories		40,316	32,229
Trade receivables	8	80,134	88,893
Prepayments and other assets		5,571	3,812
Derivative financial instruments		3,311	5,202
Cash and cash equivalents		242,827	251,969
		372,159	382,105
Total assets		395,093	403,367
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		59,484	59,840
Share premium		119,724	117,024
Other reserves		40,883	43,565
Retained earnings			
Proposed final dividend		—	12,581
Others		67,121	53,577
		287,212	286,587
Minority interest		259	287
Total equity		287,471	286,874

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 30 June 2008 (unaudited) *US$'000*	As at 31 December 2007 (audited) *US$'000*
LIABILITIES			
Non-current liabilities			
Provisions and other liabilities		3,663	3,663
Retirement benefit obligations		4,275	3,913
Deferred income tax liabilities		828	1,301
		8,766	8,877
Current liabilities			
Trade and other payables	9	93,327	99,436
Income tax payable		1,240	1,754
Derivative financial instruments		1,929	2,483
Provisions and other liabilities		2,360	3,943
		98,856	107,616
Total liabilities		107,622	116,493
Total equity and liabilities		395,093	403,367
Net current assets		273,303	274,489
Total assets less current liabilities		296,237	295,751

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the Company						
	Share capital *US$'000*	**Share premium** *US$'000*	**Other reserves** *US$'000*	**Retained earnings** *US$'000*	**Sub-total** *US$'000*	**Minority interest** *US$'000*	**Total equity** *US$'000*
For the six months ended 30 June							
Balance at 1 January 2008	59,840	117,024	43,565	66,158	286,587	287	286,874
Profit for the period	—	—	—	14,720	14,720	(28)	14,692
Reversal of employee incentive scheme reward	—	—	(2,288)	—	(2,288)	—	(2,288)
Employee incentive scheme reward settled by Company's shares	—	5,535	(5,535)	—	—	—	—
Management share subscription scheme reward settled by Company's shares	699	2,683	(1,691)	—	1,691	—	1,691
Employee incentive scheme reward	—	—	4,582	—	4,582	—	4,582
Management share subscription scheme reward	—	—	933	—	933	—	933
Repurchase and cancellation of shares	(1,055)	(5,518)	—	—	(6,573)	—	(6,573)
Transfer to statutory reserves	—	—	1,317	(1,317)	—	—	—
Dividend declared in relation to year 2007	—	—	—	(12,440)	(12,440)	—	(12,440)
Balance at 30 June 2008	59,484	119,724	40,883	67,121	287,212	259	287,471
For the six months ended 30 June 2007							
Balance at 1 January 2007	41,880	—	26,355	36,754	104,989	190	105,179
Profit for the period	—	—	—	12,414	12,414	50	12,464
Share-based payment settled by ultimate holding company's shares without recharge	—	—	9,361	—	9,361	—	9,361
Employee incentive scheme reward	—	—	4,764	—	4,764	—	4,764
Management share subscription scheme reward	—	—	1,734	—	1,734	—	1,734
Transfer to statutory reserves	—	—	1,185	(1,185)	—	—	—
Share issuance cost	—	(3,160)	—	—	(3,160)	—	(3,160)
Balance at 30 June 2007	41,880	(3,160)	43,399	47,983	130,102	240	130,342

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2008 (unaudited) *US$'000*	Six months ended 30 June 2007 (audited) *US$'000*
Net cash generated from operating activities	10,875	21,831
Net cash used in investing activities	(531)	(3,526)
Net cash used in financing activities	(19,079)	(6,000)
Foreign exchange adjustment	(407)	355
Net (decrease)/increase in cash and cash equivalents	(9,142)	12,660
Cash and cash equivalents at beginning of the period	251,969	82,707
Cash and cash equivalents at end of the period	242,827	95,367

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

1 **Basis of presentation**

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting'.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards.

2 **Principal accounting policies**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008;

- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for instance, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions. The Group will apply IFRIC 11 from 1 January 2008. The adoption of this interpretation does not have any impact on the Group's existing accounting policies;

- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 sets out general principles on recognising and measuring the obligation and related rights in service concession arrangements. The Group has no service concession arrangements and management considers the interpretation is not relevant to the Group's operations;

- IFRIC 14, IAS19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding. The Group will apply IFRIC 14 from 1 January 2008. It currently has no impact on the Group's financial statements as there are no defined benefit assets;

2 **Principal accounting policies (continued)**

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and requires a management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail, but it appears likely that the number of reported segments may increase.

- IAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the group currently applies a policy of capitalising borrowing costs.

- IFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes to vesting conditions and cancellations on the Group's Share-based payment compensation schemes.

- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS/HKAS 27, 'Consolidated and separate financial statements', IAS/HKAS 28, 'Investments in associates' and IASHKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.

- IAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.

- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group as the Group, does not have any puttable instruments.

- IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. This is not relevant to the Group as the Group does not have any customer loyalty programmes.

- IFRS 1 and IAS 27 (amendment)1 'Cost of an investment in a subsidiary, jointly controlled entity or associate', and consequential amendments to IAS 18 'Revenue', IAS 21 'The Effects of Changes in Foreign Exchange Rates' and IAS 36 'Impairment of Assets', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group as the Group is not a first-time adopter of IFRS.

3 **Segment information**

Geographical segments results are based on the Group's management and internal reporting structure. Inter-segment pricing is based on results of negotiations between segments. The Group is organized, based on location of production, into two main geographical segments:

(1) Manufacturing and selling of newly-developed networking system and peripherals in Taiwan; and

(2) Manufacturing and selling of matured networking system and peripherals in Mainland China.

(a) **Geographical segments**

(1) The Group operates in two main geographical regions. The geographic information based on location of production assets was as follows:

	Six months ended 30 June 2008				
	Mainland China	**Taiwan**	**Elimination**	**Unallocated**	**Consolidated**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External sales and service:					
Sales revenue	173,840	28,804	—	—	202,644
Service revenue	83	2,320	—	—	2,403
	173,923	31,124	—	—	205,047
Inter-segment sales and services:					
Sales revenue	23,183	570	(23,753)	—	—
Service revenue	752	7,511	(8,263)	—	—
	23,935	8,081	(32,016)	—	—
Total operating revenue	197,858	39,205	(32,016)	—	205,047
Segment result/profit from operations	14,417	(1,307)	(1,200)	74	11,984
Finance income					3,681
Finance cost					(165)
					3,516
Profit before income tax					15,500
Income tax expense					(808)
Profit for the period					14,692

3 **Segment information (continued)**

(a) **Geographical segments** (continued)

(1) (continued)

	Six months ended 30 June 2008				
	Mainland China	**Taiwan**	**Elimination**	**Unallocated**	**Consolidated**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Attributable to:					
Equity holders of the Company					14,720
Minority interest					(28)
					14,692
Other information					
Depreciation	2,414	741	—	—	3,155
Amortisation	3	—	—	—	3
Inventory write-down	605	152	—	—	757
Segment assets	186,889	59,284	—	148,920	395,093
Segment liabilities	79,574	21,819	—	6,229	107,622
Capital expenditure	2,996	1,466	—	2	4,464

3 **Segment information (continued)**

(a) **Geographical segments** (continued)

(1) (continued)

	Six months ended 30 June 2007				
	Mainland China	**Taiwan**	**Elimination**	**Unallocated**	**Consolidated**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External sales and service:					
Sales revenue	176,004	33,587	—	—	209,591
Service revenue	310	185	—	—	495
	176,314	33,772	—	—	210,086
Inter-segment sales and services:					
Sales revenue	19,551	2,707	(22,258)	—	—
Service revenue	70	7,854	(7,924)	—	—
	19,621	10,561	(30,182)	—	—
Total operating revenue	195,935	44,333	(30,182)	—	210,086
Segment result/profit from operations	17,658	(8,323)	1,793	—	11,128
Finance income					1,954
Finance cost					(7)
					1,947
Profit before income tax					13,075
Income tax expense					(611)
Profit for the period					12,464
Attributable to:					
Equity holders of the Company					12,414
Minority interest					50
					12,464
Other information					
Depreciation	1,445	750	—	—	2,195
Amortisation	3	—	—	—	3
Inventory write-down	34	99	—	—	133
Segment assets	118,511	44,725	—	281,564	444,800
Segment liabilities	55,192	21,437	—	237,829	314,458
Capital expenditure	4,539	973	—	—	5,512

3 **Segment information (continued)**

(a) **Geographical segments** (continued)

(1) (continued)

Segment assets comprise operating assets. Unallocated assets comprise assets of non-production sites and deferred tax assets. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise income tax payables. Capital expenditure comprises additions to property, plan and equipment.

(2) The revenue from sales and services to external customers for each segment based on location of customers whose revenue from sales and services to external customers is 10% or more of total revenue are as follows:

	Six months ended 30 June			
	2008		**2007**	
	US$'000	*%*	*US$'000*	*%*
Asia	49,129	24	45,451	21
Americas	66,211	32	81,545	39
Europe	89,707	44	83,018	40
Others	0	—	72	—
	205,047	100	210,086	100

(b) **Business segments**

The Group manufactures and sells two main different categories of networking system related products, switches for separate connection within a network ("Ethernet switch") and devices for networking through broadband or wireless network ("Broadband and wireless").

The segment information for the sales and services of the two categories of products and for the others for the six months ended 30 June 2008 and 2007 are as follows:

	Six months ended 30 June 2008					
	Ethernet switch					
	Carrier	**Enterprise**	**SOHO**	**Broadband and wireless**	**Others**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External sales and services	26,039	87,989	34,788	47,303	8,928	205,047

	Six months ended 30 June 2007					
	Ethernet switch					
	Carrier	**Enterprise**	**SOHO**	**Broadband and wireless**	**Others**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External sales and services	34,162	85,262	47,980	32,623	10,059	210,086

4 **Other gains-net**

	Six months ended 30 June 2008 US$'000	2007 US$'000
Other income		
Commission income	412	588
Claims from suppliers and customers	332	503
Tax refund in respect of reinvestment	166	390
Others	632	96
	1,542	1,577
Derivative instruments-forward contract	374	2,683
Losses on disposal of property, plant and equipment	—	(118)
Losses on disposal of available-for-sale investments	(23)	—
Net foreign exchange gain	2,727	518
	4,620	4,660

5 **Finance income — net**

	Six months ended 30 June 2008 US$'000	2007 US$'000
Interest expense:		
- interest on bank borrowing and overdrafts wholly repayable within five years	(165)	(7)
Bank interest income	3,681	1,954
Finance income	3,516	1,947

6 **Income tax**

The amounts of taxation charged/(credited) to the consolidated income statements represent:

	Six months ended 30 June 2008 US$'000	2007 US$'000
Current taxation		
Hong Kong	354	—
Taiwan	508	926
Mainland China	562	581
United States of America	19	22
Other countries	9	6
	1,452	1,535
Under(over)-provision prior years-net	243	(366)
Deferred Taxation	(887)	(558)
	808	611

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The weight average applicable tax rate for six months ended 30 June 2008 was 11% (six months ended 30 June 2007: 17%). The decrease is caused by a change in the distribution of profit of the Group's subsidiaries in different countries.

The Company is an exempted company incorporated in the Cayman Islands and, as such, is not liable for taxation in the Cayman Islands on its non-Cayman Islands income.

Delta Networks (Dongguan) Ltd. is a foreign investment enterprise in Mainland China and is subject to the Mainland China enterprise income tax rate of 25% under the tax regulations of Mainland China.

達創科技股份有限公司 ("DNI Taiwan") is a company incorporated in Taiwan and is subject to a corporate income tax rate of 25%. However, it is entitled to certain tax incentives under the Statute for Upgrading Industries in Taiwan. Pursuant to such regulation, 30% of the expenditure incurred for research and development and training activities can be credited against the corporate income tax in Taiwan in each year within a period of five years from the year for which such expenditure is incurred. If such expenditure of that year exceeds the average expenditure of the previous two years, 50% of the excess amount can be credited against the corporate income tax payable. In addition, subject to certain conditions, DNI Taiwan may credit 5% to 7% of the cost spent on qualifying machinery and equipment against the corporate income tax payable in each year within a period of five years from the year for which such cost is incurred. The utilisation of the available tax credits in each year is limited to 50% of the corporate income tax payable in that year, except that any not fully utilised tax credit which is due to expire at the end of the five-year period can be offset against 90% of the corporate income tax of the last year of the five-year period.

Delta Networks International Limited ("DNI Labuan") carries on offshore trading activities in Labuan, with other group companies which are non-residents of Malaysia, in currencies other than Malaysia Ringgit. As such, it is qualified as an offshore trading company in Labuan and is taxed charged at a fixed annual sum rate of Malaysian RM20,000.

Macau branch of DNI Labuan is incorporated under Decree-Law no.58/99/M ("58/99/M Company") and is exempted from Macau complementary tax (Macau income tax) as long as the 58/99/M Company does not sell its products to a Macau resident it satisfies a number of conditions. These include: (i) all activities shall be conducted only in non-Macau currency (other than for the purpose of paying local expenses); (ii) the target customers cannot be Macau residents; and (iii) the target markets must be outside Macau. In addition, the Macau branch must have substance in Macao and must carry on its business in accordance with the investment plan previously submitted to the Macau authorities.

7 **Earnings per share**

(a) **Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June 2008	**2007**
Profit attributable to equity holders of the Company (US$'000)	14,720	12,414
Weighted average number of ordinary shares in issue after share sub-division of 1 to 20 (thousands)	1,095,200	837,600
Basic earnings per share (US cents per share)	1.34	1.48

(b) **Diluted earnings per share**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The weighted average number of ordinary shares for the purpose of calculating diluted earning per share is adjusted for outstanding shares of share-based payments under the Employee Incentive Scheme ("EIS") of 23,996,000 shares (six months ended 30 June 2007: 7,759,000 shares) and the Management Share Subscription Scheme ("MSSS") of 23,899,000 shares (six months ended 30 June 2007: 35,634,000 shares). A calculation is made for MSSS and EIS in order to determine the number of shares that could have been acquired at fair value based on the subscription price attached to outstanding share. The number of shares calculated above is based on the estimated number of shares that would have been issued assuming vesting of all outstanding shares.

Details of EIS and MSSS are set out in the prospectus dated 22 June 2007 and the 2007 annual report of the Company.

7 **Earnings per share (continued)**

(b) **Diluted earnings per share (continued)**

	Six months ended 30 June 2008	2007
Profit attributable to equity holders of the Company (US$'000)	14,720	12,414
Weighted average number of ordinary shares in issue (thousands)	1,095,200	837,600
Adjustments for		
- MSSS and EIS after share sub-division of 1 to 20 (thousands)	47,895	43,393
Weighted average number of ordinary shares for diluted earnings per share(thousands)	1,143,095	880,993
Diluted earnings per share (US cents per share)	1.29	1.41

8 **Trade receivables**

	As at 30 June 2008 *US$'000*	**As at 31 December 2007** *US$'000*
Trade receivables	80,124	88,865
Trade receivables from related parties	34	50
	80,158	88,915
Less: Provision for impairment of trade receivables	(24)	(22)
Trade receivables — net	80,134	88,893

The carrying amounts of trade receivables approximate their fair values.

Majority of the Group's sales are with credit terms of 30 to 60 days. The ageing analysis of trade receivables is as follows:

	As at 30 June 2008 *US$'000*	**As at 31 December 2007** *US$'000*
Days outstanding		
0-30 days	39,049	40,174
31-60 days	27,333	34,318
61-90 days	13,480	14,050
91-180 days	296	373
Total	80,158	88,915

9 Trade and other payables

	As at 30 June 2008 *US$'000*	As at 31 December 2007 *US$'000*
Trade payables	63,070	64,880
Trade payables due to related parties	7,868	9,520
	70,938	74,400
Accruals and other payables:		
Accrued payrolls and bonuses	1,642	6,348
Accrued customs duties and Value added tax	3,210	4,022
Other accrued expenses and payables	16,033	12,363
Other payables due to related parties	1,504	2,303
	22,389	25,036
	93,327	99,436

The carrying amounts of trade and other payables approximate their fair values.

The ageing analysis of the trade payables of the Group is as follows:

	As at 30 June 2008 *US$'000*	As at 31 December 2007 *US$'000*
0 - 30 days	20,987	26,413
31 - 60 days	19,498	23,089
61 - 90 days	16,543	15,485
Over 90 days	13,910	9,413
	70,938	74,400

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE ETHERNET MARKET

We have a strong commitment to developing the Ethernet networking business by providing new communication ideas and services with a view to meeting the demands of our customers. With the rise of new communication technology in the market, Ethernet, the network that is the platform for developing such services and technologies, has a growing significance in the telecommunication industry. Ethernet provides the scalability and affordability that are essential in today's networking industry and the high-speed feature that is required for networking applications. Ethernet also provides a unique application of delivering electrical power to devices through Power Over Ethernet (PoE) technology. In the Ethernet topology, wireless is also a fast growing segment. 802.11n (faster speed wireless) is becoming the next wave to replace the 802.11g and the 802.11 WiFi has been deployed worldwide. Another Ethernet topology for the next few years to come is the GPON/EPON Fiber based Ethernet. For reliable video delivery, higher bandwidth Ethernet is a must. GPON/EPON is the next generation technology to achieve this. We therefore believe the Ethernet market has tremendous potential and will continue to invest great efforts in new technology and application development.

BUSINESS REVIEW

During the reporting period, the US sub-prime issues and the new PRC labor law have started to impact our business growth momentum. DNI had achieved operating income of approximately US$11,984,000 on consolidated revenue of approximately US$205,047,000 for the six months ended 30 June 2008, compared to an operating income of approximately US$11,128,000 on consolidated revenue of approximately US$210,086,000 for the same period in 2007. The gross margin for the first half of 2008 decreased by 1.4%, compared to that of six months ended 30 June 2007. It was mainly due to (1) the new PRC labor law which led to an increase in the head count in factory and (2) the rising raw material costs including the costs of printed circuit boards, cables and metal cases. In this challenging operating environment, gross margin had been negatively affected. However, we believed that the gross margin could be improved by the increase in shipment of more high end products in the future. The net income for first half of 2008 improved by 17.9% to approximately US$14,692,000 due to the lower cost of employee stock compensation and better management of operating expenses. The operating expenses for six months ended 30 June 2008 decreased by approximately US$4,586,000 to approximately US$24,805,000. They were mainly related to the constant cost of share-based payment in 2008.

OUTLOOK

Recently, there is a closer relationship between the Small Office Home Office (SOHO) market and the Small-Medium Business (SMB) market due to the similarity of needs and products in the two markets. As a long-time designer and manufacturing provider of networking products to both markets, we believe the gradual integration of these two markets will give us a greater opportunity to provide more value added services to our customers/partners. We believe that we are able to offer quickly expanded levels of design services to meet the new demands of our customers and also provide the necessary production quality level that is expected by the new market.

There is a large growth potential in our industry driven by the convergence of the two communication frontiers of ‘Datacom’ and ‘Telecom’ and between voice, data, video, and wireless communication. Telecommunciation equipment suppliers are in the process of upgrading their technologies in order to achieve better cost-efficiency and streamlined operations. People from all walks of life now have access to the new applications through new methods of communicating with friends and families, combined carrier of household services for the internet, telephone, and TV, lower phone bills contributed by IP telephony services and phone cards and the like. Due to the high awareness of cost, efficiency, and reliability, the emergence of the Ethernet based technology becomes a necessary step in delivering new affordable services. With the advance in technology, the robust 10 Gigabit Ethernet (10GbE) products will drive the proliferation of the next generation applications by data center and enterprise users. Due to our expertise in designing and manufacturing networking products we were awarded 10GbE project by our customers for data center server application. 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, the first floor of the factory had been completed and the construction of the rest of the building continues.

We have to be well prepared for the challenges facing us although we also consider the future ahead of us to be promising. Global and local economic issues can become more complicated. Global warming, inflation, rise of raw material prices, the US sub-prime crisis in 2007 and 2008 are some of the examples of global issues that are different from what we experienced in the past. Slow economic growth, lowered capital expenditure and a general economic slow-down are major challenges to 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 to maintain our competitive advantages. Looking forward, our US business might be further affected by the US sub-prime issues that may hurt business sentiment and curb information technology consumption of our customers.

The popularity of mobile “triple play” application is on the rise. New 11n WiFi and ADSL IAD products are developed to cater for the needs of consumers. Some of those products had already been put into mass production in second quarter of 2008 and more new products will reach the stage of mass production in second half of 2008.

The World Business Council for Sustainable Development (WBCSD) calls for “the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large”. Delta Networks as part of the global economy has always felt strongly about corporate social responsibilities and believed we should do our best to contribute and return to the society that has made it possible for us to succeed. After the earthquake devastated the Sichuan province of the PRC in May 2008, we feel deeply that it is our duty to assist in the reconstruction of the earthquake affected area and help the earthquake victims to resume their normal lives. RMB1 million was donated by us to help with the reconstruction of the schools that were destroyed in the earthquake.

FINANCIAL REVIEW

Operating results

The Group's total revenue recorded a slight decline compared to the corresponding period in last year. During the six months ended 30 June 2008, the Group recorded turnover of approximately US$205,047,000, representing a decline of 2.39% as compared to that of the six months ended 30 June 2007. Gross profit ratio was slightly lower at 15.7% as compared to 17.1% for the six months ended 30 June 2007. This reflected the increase in raw material and labor costs in the PRC as well as the decrease in shipment of Ethernet Switch products. The raw material cost over the six months ended 30 June 2008 showed an increasing trend globally, and the new PRC labor regulation caused an increase in wages paid to employees and the number of staff recruited by our factories which in turn led to higher labor cost. During the six months ended 30 June 2008, the revenue from Ethernet Switch products amounted to approximately US$148,816,000, representing a decline of 11.1% as compared to that of six months ended 30 June 2007.

During the six months ended 30 June 2008, the Group's earnings before taxation (EBT) increased by 18.5% to approximately US$15,500,000, with EBT margin improved by 1.4% to 7.6% as compared to that of the six months ended 30 June 2007.

The consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2008 increased by 17.9% to approximately US$14,692,000. The net profit margin improved by 1.3% to 7.2% as compared to that of the six months ended 30 June 2007. This was mainly due to the Company's effective control of operating expenses and higher financial incomes for six months ended 30 June 2008.

Basic earnings per share for the period ended 30 June 2008 was US1.34 cents (six months ended 30 June 2007: US1.48 cents).

Working capital, liquidity and gearing

As at 30 June 2008, working capital, calculated by current assets minus current liabilities, was US$273,303,000. (As at 31 December 2007:US$274,489,000). The slight increase in working capital was mainly due to the net impact of cash inflow from operating activities and cash outflow from financing activities.

Total equity of the Group amounted to US$287,471,000 as at 30 June 2008 (As at 30 June 2007: US$286,874,000) and the gearing ratio calculated by dividing borrowings to total equity was zero as at 30 June 2008 (As at 31 December 2007: zero) as there was no borrowing as of 30 June 2008.

The significant balance of working capital and the zero gearing ratio as at 30 June 2008 showed the Comapany had healthy and satisfactory liquidity and gearing positions, respectively.

Capital structure

As at 30 June 2008, total equity was US$287,471,000 (As at 31 December 2007: US$286,874,000). Debt ratio, calculated by total liabilities divided by total assets, was 27.24% as at 30 June 2008 (As at 31 December 2007: 28.88%).

Capital commitments and contingent liabilities

The Group had no significant capital commitments and contingent liabilities as at 30 June 2008 (31 December 2007: Nil).

Pledge of assets

No assets had been pledged as at 30 June 2008 (31 December 2007: Nil).

Capital expenditure

During the six months ended 30 June 2008, the Group incurred capital expenditure amounting to approximately US$4,464,000 which was for the addition of equipment as well as enhancing and upgrading its production capacity. Such capital expenditure was primarily financed by the internal funding generated from our operations.

INDEPENDENCE OF INFORMATION TECHNOLOGY SYSTEMS FROM DEI

Since the listing of the Company on the Stock Exchange, the Company has been working on the enhancement of the control environment and the infrastructure of its information technology systems with a view to achieving independence of information technology systems from Delta Electronics Inc. ("DEI"), the ultimate controlling shareholder of the Company.

Due to the reasons that the Company was in the process of integrating the information technology systems of the two newly established PRC subsidiaries in Shanghai and Wujiang and DEI will upgrade its ERP system in early 2009, the schedule for separating client base has been further adjusted to the mid-2009 when we will implement the timetable in connection with the separation of information technology systems from DEI. We will continue to update our shareholders of the progress of achieving independence of our information technology systems from DEI.

PAYMENT OF 2007 FINAL DIVIDENDS

At a meeting held on 6 March 2008, the Board recommended a final dividend in respect of the year ended 31 December 2007 of 1.03 US cents per share (31 December 2006: Nil), amounting to US$12,440,494.50. This dividend was approved by the shareholders in the annual general meeting of the Company held on 24 April 2008 and had been paid on 23 May 2008.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2008 (30 June 2007: Nil).

CORPORATE GOVERNANCE

During the six months ended 30 June 2008, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") as stated in Appendix 14 of the Listing Rules except for A.2.1 of the Code which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Liang Ker Uon, Sam is the Chairman of the Board and the chief executive officer of the Company. Accordingly, such dual role constitutes a deviation from A.2.1 of the Code. However, the Board is of the view that the Company has sufficient internal controls to maintain checks and balances on the functions of the Chairman and chief executive officer. Mr. Liang Ker Uon, Sam, as both the Chairman and chief executive officer of the Company, is responsible for ensuring that all Directors act in the interests of the shareholders of the Company. Besides, Mr. Liang is also fully accountable to the shareholders of the Company and he contributes to the Board and the Group on all top-level and strategic decisions. This structure will therefore not impair balance of power and authority between the Board and the management of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company had made specific enquiry to all the Directors and all the Directors confirmed that they had complied with the Code of Conduct throughout the six months ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2008, the Company repurchased a total of 21,098,000 ordinary shares of US$0.05 each of the Company at an aggregate purchase price of approximately US$6,552,383 (equivalent to approximately HK$51,085,000) on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	**Number of ordinary shares repurchased**	**Price per ordinary share**		**Aggregate purchase price**
		Lowest	**Highest**	
		HK$	*HK$*	*approximately HK$'000*
April 2008	2,961,000	2.03	2.31	6,391
May 2008	766,000	2.16	2.33	1,708
June 2008	17,371,000	2.35	2.55	42,986
Total	**21,098,000**			**51,085**

As at the date of this announcement, all the 21,098,000 ordinary shares repurchased by us during the reporting period had been cancelled and the issued share capital of the Company was reduced by the par value thereof accordingly. The above repurchases were effected by the Directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the six months ended 30 June 2008.

AUDIT COMMITTEE

Pursuant to the requirements of the Code and rule 3.21 of the Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all three existing independent non-executive Directors, namely Mr. Shen Bing (Chairman), Mr. Zue Wai To, Victor and Mr. Liu Chung Laung. The Audit Committee has reviewed the unaudited consolidated financial information of the Group and the interim report of the Company for the six months ended 30 June 2008.

DISCLOSURE OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company at http://www.hkexnews.hk and http://www.dninetworks.com respectively in due course.

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

Taipei, Taiwan
15 August 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.