



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 NINE MONTHS ENDED 30 SEPTEMBER 2008**

The board of directors (the “Board”) of Delta Networks, Inc. (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 30 September 2008 together with comparative figures for the corresponding period of last year as follows:

Unaudited condensed consolidated balance sheet

	As at 30 September 2008 (Unaudited) US\$'000	As at 31 December 2007 (audited) US\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	18,995	17,655
Land use right	280	285
Deferred income tax assets	<u>3,853</u>	<u>3,322</u>
	<u>23,128</u>	<u>21,262</u>
Current assets		
Inventories	32,076	32,229
Trade receivables	89,184	88,893
Prepayments and other assets	3,366	3,812
Derivative financial instruments	—	5,202
Cash and cash equivalents	<u>246,903</u>	<u>251,969</u>
	<u>371,529</u>	<u>382,105</u>
Total assets	<u><u>394,657</u></u>	<u><u>403,367</u></u>

Unaudited condensed consolidated balance sheet (continued)

	As at 30 September 2008 (Unaudited) <i>US\$'000</i>	As at 31 December 2007 (audited) <i>US\$'000</i>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Shares capital	59,149	59,840
Share premium	118,026	117,024
Other reserves	43,572	43,565
Retained earnings		
Proposed final dividend	—	12,581
Others	<u>72,649</u>	<u>53,577</u>
	293,396	286,587
Minority interest	<u>281</u>	<u>287</u>
Total equity	<u><u>293,677</u></u>	<u><u>286,874</u></u>
LIABILITIES		
Non-current liabilities		
Provisions and other liabilities	3,663	3,663
Retirement benefit obligations	4,121	3,913
Deferred income tax liabilities	<u>33</u>	<u>1,301</u>
	<u>7,817</u>	<u>8,877</u>
Current liabilities		
Trade and other payables	88,008	99,436
Income tax payables	2,691	1,754
Derivative financial instruments	243	2,483
Provisions and other liabilities	<u>2,221</u>	<u>3,943</u>
	<u>93,163</u>	<u>107,616</u>
Total liabilities	<u><u>100,980</u></u>	<u><u>116,493</u></u>
Total equity and liabilities	<u><u>394,657</u></u>	<u><u>403,367</u></u>
Net current assets	<u><u>278,366</u></u>	<u><u>274,489</u></u>
Total assets less current liabilities	<u><u>301,494</u></u>	<u><u>295,751</u></u>

Unaudited condensed consolidated income statement

	For the nine months ended 30 September		For the three months ended 30 September	
	2008 (Unaudited) US\$'000	2007 (Unaudited) US\$'000	2008 (Unaudited) US\$'000	2007 (Unaudited) US\$'000
Revenue	318,095	304,821	113,047	94,735
Cost of sales	<u>(270,035)</u>	<u>(252,354)</u>	<u>(97,156)</u>	<u>(78,127)</u>
Gross profit	<u>48,060</u>	<u>52,467</u>	<u>15,891</u>	<u>16,608</u>
Other gains/(losses) - net	4,482	4,366	(139)	(294)
General and administration expense	(9,905)	(9,247)	(3,070)	(2,839)
Selling expenses	(11,142)	(10,958)	(3,613)	(3,212)
Research and development expense	<u>(15,500)</u>	<u>(20,547)</u>	<u>(5,057)</u>	<u>(5,310)</u>
Operating profit	15,995	16,081	4,012	4,953
Finance income, net	<u>5,030</u>	<u>4,449</u>	<u>1,514</u>	<u>2,500</u>
Profit before income tax	21,025	20,530	5,526	7,453
Income tax expense	<u>(1,784)</u>	<u>(940)</u>	<u>(977)</u>	<u>(329)</u>
Profit for the period	<u>19,241</u>	<u>19,590</u>	<u>4,549</u>	<u>7,124</u>
Attributable to:				
Equity holders of the Company	19,247	19,523	4,527	7,108
Minority interests	<u>(6)</u>	<u>67</u>	<u>22</u>	<u>16</u>
	<u>19,241</u>	<u>19,590</u>	<u>4,549</u>	<u>7,124</u>
Earnings per share for profit attributable to the equity holders of the Company during the period (US cents per share)				
- Basic	<u>1.76</u>	<u>2.15</u>	<u>0.42</u>	<u>0.80</u>
- Diluted	<u>1.69</u>	<u>2.03</u>	<u>0.40</u>	<u>0.76</u>

Unaudited condensed consolidated statement of changes in equity

US\$'000

	Attributable to equity holders of the Company				Subtotal	Minority Interest	Total equity
	Share Capital	Share premium	Other reserves	Retained earnings			
For the nine months ended							
30 September 2008							
Balance at 1 January 2008	59,840	117,024	43,565	66,158	286,587	287	286,874
Profit for the period	—	—	—	19,247	19,247	(6)	19,241
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)	—	—	—	—
Employee incentive scheme reward	—	—	6,872	—	6,872	—	6,872
Management share subscription scheme reward settled by Company's shares	699	2,684	(1,692)	—	1,691	—	1,691
Management share subscription scheme reward	—	—	1,333	—	1,333	—	1,333
Repurchase and cancellation of shares	(1,390)	(7,217)	—	—	(8,607)	—	(8,607)
Transfer to statutory reserves	—	—	1,317	(1,317)	—	—	—
Dividend related to 2007	—	—	—	(11,439)	(11,439)	—	(11,439)
Balance at 30 September 2008	<u>59,149</u>	<u>118,026</u>	<u>43,572</u>	<u>72,649</u>	<u>293,396</u>	<u>281</u>	<u>293,677</u>

US\$'000

	Attributable to equity holders of the Company				Subtotal	Minority Interest	Total equity
	Share Capital	Share Premium	Other reserves	Retained earnings			
For the nine months ended							
30 September 2007							
Balance at 1 January 2007	41,880	—	26,355	36,754	104,989	190	105,179
Shares issued at premium	11,760	123,630	—	—	135,390	—	135,390
Share issuance costs	—	(7,464)	—	—	(7,464)	—	(7,464)
Issue of shares to employee incentive scheme trust	6,200	—	(6,200)	—	—	—	—
Share-based payment settled by ultimate holding company's shares without recharge	—	—	9,361	—	9,361	—	9,361
Employee bonus	—	—	—	(1)	(1)	—	(1)
Profit for the period	—	—	—	19,523	19,523	67	19,590
Management share subscription scheme reward	—	—	2,467	—	2,467	—	2,467
Employee incentive scheme reward	—	—	<u>7,146</u>	—	<u>7,146</u>	—	<u>7,146</u>
Balance at 30 September 2007	<u>59,840</u>	<u>116,166</u>	<u>39,129</u>	<u>56,276</u>	<u>271,411</u>	<u>257</u>	<u>271,668</u>

Unaudited condensed consolidated cash flow statement

	For the nine months ended 30 September	
	2008	2007
	(Unaudited) <i>US\$000</i>	(Unaudited) <i>US\$000</i>
Net cash generated from operating activities	16,423	32,230
Net cash used in investing activities	(133)	(2,356)
Net cash (used in) generated from financing activities	<u>(20,112)</u>	<u>125,261</u>
Net (decrease)/increase in cash and cash equivalents	(3,822)	155,135
Cash and cash equivalents at the beginning of the period	251,969	82,707
Foreign exchange difference	<u>(1,244)</u>	<u>652</u>
Cash and cash equivalents at the end of the period	<u>246,903</u>	<u>238,494</u>

Segment information-by product

	Nine months ended 30 September 2008		Nine months ended 30 September 2007	
	(Unaudited) <i>US\$000</i>	%	(Unaudited) <i>US\$000</i>	%
LAN-Carrier	43,025	13.5%	47,231	15.5%
LAN-Enterprise	131,763	41.4%	123,513	40.5%
LAN-SOHO	55,622	17.5%	72,772	23.9%
Broadband Wireless	75,449	23.7%	45,918	15.1%
Others	<u>12,236</u>	<u>3.9%</u>	<u>15,387</u>	<u>5%</u>
Total Revenue	<u>318,095</u>	<u>100%</u>	<u>304,821</u>	<u>100%</u>

Business Review and Outlook

Due to the global economic slowdown and lowered capital expenditure, we have to be well prepared for the challenges facing us by continuing to work closely with our customers in order to maintain our competitiveness. Looking forward, our business might be further affected by the US and European financial issues that may hurt business sentiment and constrain spending on IT infrastructure of end users. However, our strong financial position attracted customers that are looking for healthy and stable partners to provide high-quality products and services. In view of current global financial issues, we will continue to adopt a very conservative investing strategy - maintaining a high cash position in the time deposits.

Ethernet has become more and more widely used in the global communications sectors and in Metro Area Networks. It is becoming available to a much wider class of users over fiber, copper, cable, passive optical networks (PON) and wireless networks. As an Original Design Manufacturer of the networking products, we believe it is of vital importance to invest in new and advanced technology in networking sector. As the demand for speed and application for networking products by our customers is increasing constantly, we invested in development of higher speed 10 Gigabit switches which represent the physical layer technology that supports 10GbE operation over the existing and new network cabling infrastructures. With our extensive background in developing products to support the networking and data communications technology market, we understand that quick time-to-market for delivering the next level of product is the key to success. We will deliver advanced solutions based on proven technology that utilizes existing infrastructure to deliver 10 Gigabit Ethernet products. The popularity of mobile “triple play” application is on the rise. New 11n WiFi router for Enterprise and SOHO market are developed to cater for the needs of consumers, and we expect the aforementioned products to be the driver of potential future revenue growth.

In addition to pursuing organic growth, we will continue to explore external opportunities with a view to expanding our business at a faster pace. We are also currently identifying and negotiating with suitable targets for strategic mergers, acquisitions and joint venture cooperation. At the same time, the Wujiang factory is under construction. The third floor of the factory had been completed and the construction is on schedule.

Financial Review

For the three months ended 30 September 2008, revenue increased by approximately US\$18.3 million, representing a 19.3% growth, to approximately US\$113.05 million from approximately US\$94.74 million of the same period last year. The growth in revenue is due to shipment of new products to existing clients and shipments to new clients. For the nine months ended 30 September 2008, total revenue amounted to approximately US\$318.09 million, representing a 4.4% growth from approximately US\$304.82 million of the same period last year. The directors of the Company believe that the single-digit percentage growth in revenue for the nine months ended 30 September 2008 represents a moderate performance amid the global economic slowdown in the second half of 2008.

Gross margin declined from 17.5% for the three months ended 30 September 2007 to 14.1% for the same period in 2008, representing a 3.4% decline. Gross margin for the nine months ended 30 September 2008 declined to 15.1% from 17.2% of the same period last year. The fall in gross margin was mainly due to the higher price of raw material cost from one-off increase in prices of raw materials in second and third quarter of 2008 and also higher labor cost as a result of the implementation of new labor regulations of the People's Republic of China. Another factor contributing to the lower gross margin was the change in product mix shipped to customers.

Net profit for the nine months ended 30 September 2008 was approximately US\$19.24 million, compare to the net profit for the period in 2007 of approximately US\$19.59 million, representing a decline of 1.8% on a year on year basis. Net profit decreased by 36.1% to approximately \$4.55 million for the three months ended 30 September 2008 from approximately US\$7.12 million for the same period last year. The decline resulted from lower gross profit and financial income contribution and higher estimated the People's Republic of China income tax rate. However, the directors of the Company consider that the Group's operating expenses are well under control, the operating expenses as percentage of revenue for the nine months ended 30 September 2008 was 11.5% compare to the 13.4% for the nine months ended 30 September 2007, representing a decline of 1.9% on a year on year basis.

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
24 October 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*