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DELTA NETWORKS, INC.

達創科技股份有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 722)

Advised by

ANGLO CHINESE 英
CORPORATE FINANCE, LIMITED 高

**REVISION OF 2008 ANNUAL CAP IN RESPECT OF CERTAIN
CONTINUING CONNECTED TRANSACTIONS WITH DEI**

As disclosed in the Prospectus, prior to the listing of the Company on the Stock Exchange on 6 July 2007, the Company entered into lease agreements with DEI in relation to the Taipei Headquarters, Taoyuan Facility and the Taoyuan Dormitory which constitute non-exempt continuing connected transactions of the Company and are subject to reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Stock Exchange had on 12 June 2007 granted to the Company a waiver from strict compliance with the announcement requirement under the Listing Rules in relation to the Lease Transactions.

As the original annual cap for the Lease Transactions for 2008 is expected to be exceeded by the end of December, 2008, the Company proposes to revise the original annual cap for 2008 from US\$1,127,505 to US\$1,200,000 in respect of the Lease Transactions. As each of the relevant percentage ratio of the Lease Transactions is on an annual basis less than 2.5%, the Lease Transactions are exempt from independent shareholders' approval requirement but subject to reporting and announcement requirements under Rule 14A.34(1) of the Listing Rules. Pursuant to Rule 14A.36, the Company is also required to re-comply with the applicable requirements under Rules 14A.35(3) of the Listing Rules.

Reference is made to the Prospectus in relation to, among other things, certain continuing connected transactions between the Company and DEI.

BACKGROUND

As disclosed in the Prospectus, prior to the listing of the Company on the Stock Exchange on 6 July 2007, the Company entered into agreements with DEI to lease: (i) certain floors of the property located at 186 Ruey Kuang Road, Neihu District, Taipei 11491, Taiwan, with an aggregate gross floor area of approximately 4,784.79 square meters, as the Company's corporate headquarters ("**Taipei Headquarters**"); (ii) certain floors of the property located at No.252, Shanying Road, Gueishan Township, Taoyuan County, Taiwan, with an aggregate gross floor area of approximately 12,813.75 square meters, as the Company's manufacturing facility in Taoyuan ("**Taoyuan Facility**"); and (iii) certain floors of the property located at No.252, Shanying Road, Gueishan Township, Taoyuan County, Taiwan, with an aggregate gross floor area of approximately 8,240.14 square meters, as the dormitory for the Company's employees at the Taoyuan Facility ("**Taoyuan Dormitory**"). The Lease Transactions constitute continuing connected transactions of the Company which are subject to reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Stock Exchange had on 12 June 2007 granted to the Company a waiver from strict compliance with the announcement requirement under the Listing Rules in relation to these transactions.

REVISION OF 2008 ANNUAL CAP

In relation to the Lease Transactions, due to an increase of space of 491 square meters in Taoyuan Facility leased from DEI since 1 February 2008, which is approximately 3.83% of the original space, and larger exchange differences of the aggregate rental in respect of the Lease Transactions in 2008 as a result of a stronger NT\$ against US\$ (the reporting currency of the continuing connected transactions of the Company) in the first nine months of 2008, based on the unaudited management accounts of the Company for the period from 1 January 2008 to 31 October 2008, the fee paid to DEI by the Company in respect of the Lease Transactions amounted to approximately US\$976,797 (equivalent to approximately HK\$7,619,015) and the original annual cap of US\$1,127,505 (equivalent to approximately HK\$8,783,272) in respect of the Lease Transactions for 2008 is expected to be exceeded by the end of 2008.

In view of the above, the board of directors of the Company wishes to revise the original annual cap for Lease Transactions for the year ending 31 December 2008 as follows:

Category	Transactions	Original annual cap for 2008	Revised annual cap for 2008
Lease Transactions	The Company' lease of Taipei Headquarters, Taoyuan Facility and the Taoyuan Dormitory from DEI	US\$1,127,505 (equivalent to approximately HK\$8,806,942)	US\$1,200,000 (equivalent to approximately HK\$9,348,000)

The revised annual cap of the Lease Transactions for the year ending 31 December 2008 is estimated by the directors of the Company with reference to the actual amounts of the transactions for the ten months ended 31 October 2008 and the estimated amounts for the two months ending 31 December 2008 on a pro-rata basis. Accordingly, the directors (including the independent non-executive directors) of the Company consider (i) the Lease Transactions to be on normal commercial terms and in the ordinary and usual course of business of the Company and (ii) the terms (including the revised 2008 annual cap) of the Lease Transactions to be fair and reasonable and in the interest of the shareholders of the Company as a whole.

The fees payable by Company to DEI pursuant to the Lease Transactions are settled by cash on a monthly basis.

REASONS FOR, AND BENEFITS, OF ENTERING INTO THE LEASE TRANSACTIONS

The Company considers that it has been occupying the Taipei Headquarters, Taoyuan Facility and the Taoyuan Dormitory since January 1, 2007. Accordingly, it is not considered cost effective to incur additional costs by relocating such facilities to other premises.

IMPLICATIONS UNDER THE LISTING RULES

As mentioned above, the Lease Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. DEI owns the entire share capital of DNHL, which in turn owns 60.2% of the Company's share capital as at date of this announcement. DNHL is the substantial shareholder and connected person of the Company and DEI, as the holding company of DNHL, is its associate and therefore also a connected person of the Company.

As the original annual cap for the Lease Transactions for 2008 is expected to be exceeded by the end of 2008, the Company proposes to revise the original 2008 annual cap to the revised 2008 annual cap referred to above. As each of the relevant percentage ratios of the Lease Transactions is on an annual basis less than 2.5%, the Lease Transactions are exempt from independent shareholders' approval requirements but subject to reporting and announcement requirements under Rule 14A.34(1) of the Listing Rules. Pursuant to Rule 14A.36, the Company is also required to re-comply with the applicable requirements under Rules 14A.35(3) of the Listing Rules.

In respect of the original annual cap for Lease Transactions for 2009, the Company will continue to monitor, amongst other things, the movement of the exchange rate between NT\$ and the US\$ and comply with the relevant requirements under Chapter 14A of the Listing Rules in 2009.

INFORMATION ABOUT THE COMPANY AND DEI

The Company is principally engaged in design and manufacture of a wide range of networking products, including Ethernet switches, broadband access products, wireless adaptors and routers.

DEI is principally engaged in design and manufacture of a wide range of power management products, visual displays products, component and automotive products, including switching power supplies, DC/DC converters, AC/DC adapters, digital projectors, telecom and networking components. Its shares are listed on the Taiwan Stock Exchange.

DEFINITIONS

In this announcement the following words have the following meanings unless the context requires otherwise:

“Company”	Delta Networks, Inc. (達創科技股份有限公司*), an exempted company incorporated in the Cayman Islands with limited liability
“DEI”	Delta Electronics, Inc. (台達電子工業股份有限公司), a company incorporated in Taiwan whose shares are listed on the Taiwan Stock Exchange
“DNHL”	Delta Networks Holding Limited, a company incorporated in the Cayman Islands and a subsidiary of DEI

“Lease Transactions”	the transactions entered into between the Company and DEI for Company to lease Taipei Headquarters, Taoyuan Facility and the Taoyuan Dormitory from DEI
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“NT\$”	New Taiwan dollars, the lawful currency of Taiwan
“Prospectus”	the prospectus of the Company dated 22 June 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	the lawful currency of the United States of America

By order of the Board
DELTA NETWORKS, INC.
Cheng An, Victor
Executive Director

Taipei, Taiwan
5 December 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 only*