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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

GROUP FINANCIAL HIGHLIGHTS

- Turnover in 2008 decreased by 2.2% to US$409.6 million compared with US$418.6 million in 2007.
- Gross profit in 2008 decreased by 18.3% to US$59.4 million compared with US$72.7 million in 2007.
- Profit attributable to equity holders of the Company in 2008 decreased by 21.6% to US$24.6 million compared with US$31.4 million in 2007.
- Basic earnings per share decreased by 31.6% to 2.25 US cents in 2008 from 3.29 US cents in 2007.

RESULTS

The board (the "Board") of directors (the "Directors") of Delta Networks, Inc. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008 with comparative figures for 2007, as follows (the unaudited consolidated income statements for the three months ended 31 December 2008 and 2007 are shown for information purposes only):

CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 31 December		Year ended 31 December	
		2008	**2007**	**2008**	**2007**
		(unaudited)	**(unaudited)**	**(audited)**	**(audited)**
		US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue	2	91,517	113,800	409,612	418,621
Cost of sales		(80,202)	(93,601)	(350,237)	(345,955)
Gross profit		11,315	20,199	59,375	72,666
Other gains, net		2,918	4,444	7,400	8,810
Selling expenses		(4,882)	(3,478)	(16,024)	(14,436)
General and administration expenses		(1,267)	(4,069)	(11,171)	(13,316)
Research and development expenses		(3,832)	(5,607)	(19,333)	(26,154)
Profit from operations		4,252	11,489	20,247	27,570
Finance income		1,942	2,699	7,138	7,156
Finance cost		(100)	(316)	(266)	(324)
		1,842	2,383	6,872	6,832
Profit before income tax		6,094	13,872	27,119	34,402
Income tax expense	3	(721)	(2,009)	(2,505)	(2,949)
Profit for the year/period		5,373	11,863	24,614	31,453
Attributable to:					
Equity holders of the Company		5,339	11,833	24,586	31,356
Minority interest		34	30	28	97
		5,373	11,863	24,614	31,453
Earnings per share for profit attributable to the equity holders of the Company (in US cents per share)	4				
— Basic		0.49	1.14	2.25	3.29
— Diluted		0.48	1.09	2.17	3.12
Dividend (in US cents per share)				0.83	1.03

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	**2008 (audited)** *US$'000*	**2007 (audited)** *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		18,047	17,655
Land use rights		278	285
Deferred income tax assets		4,169	3,322
		22,494	21,262
Current assets			
Inventories		28,248	32,229
Trade receivables	5	71,905	88,893
Prepayments and other assets		4,112	3,812
Derivative financial instruments		909	5,202
Cash and cash equivalents		257,920	251,969
		363,094	382,105
Total assets		385,588	403,367
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		59,149	59,840
Share premium		118,026	117,024
Other reserves		43,394	43,565
Retained earnings			
Proposed final dividend		9,846	12,581
Others		66,458	53,577
		296,873	286,587
Minority interest		315	287
Total equity		297,188	286,874

	Note	2008 (audited) US$'000	2007 (audited) US$'000
LIABILITIES			
Non-current liabilities			
Provisions and other liabilities		3,663	3,663
Retirement benefit obligations		4,123	3,913
Deferred income tax liabilities		829	1,301
		8,615	8,877
Current liabilities			
Trade and other payables	6	73,615	99,436
Income tax liabilities		2,244	1,754
Derivative financial instruments		1,723	2,483
Provisions and other liabilities		2,203	3,943
		79,785	107,616
Total liabilities		88,400	116,493
Total equity and liabilities		385,588	403,367
Net current assets		283,309	274,489
Total assets less current liabilities		305,803	295,751

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	Attributable to equity holders of the Company						
	Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Subtotal**	**Minority interest**	**Total equity**
	(audited)	*(audited)*	*(audited)*	*(audited)*	*(audited)*	*(audited)*	*(audited)*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1 January 2008	59,840	117,024	43,565	66,158	286,587	287	286,874
Profit for the year	—	—	—	24,586	24,586	28	24,614
Employee incentive scheme reward settled by means of Company's shares	—	5,535	(5,535)	—	—	—	—
Employee incentive scheme reward settled in cash	—	—	(2,288)	—	(2,288)	—	(2,288)
Accrual of employee incentive scheme reward	—	—	4,744	—	4,744	—	4,744
Issue of shares for management share subscription scheme reward	699	2,684	(1,692)	—	1,691	—	1,691
Recognition of management share subscription scheme reward	—	—	1,599	—	1,599	—	1,599
Repurchase and cancellation of shares	(1,390)	(7,217)	—	—	(8,607)	—	(8,607)
Transfer to statutory reserves	—	—	3,001	(3,001)	—	—	—
Dividend related to 2007	—	—	—	(11,439)	(11,439)	—	(11,439)
Balance at 31 December 2008	59,149	118,026	43,394	76,304	296,873	315	297,188
Balance at 1 January 2007	41,880	—	26,355	36,754	104,989	190	105,179
Profit for the year	—	—	—	31,356	31,356	97	31,453
Shares issued at premium	11,760	123,630	—	—	135,390	—	135,390
Share issuance costs	—	(6,606)	—	—	(6,606)	—	(6,606)
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
Recognition of management share subscription scheme reward	—	—	2,934	—	2,934	—	2,934
Accrual of employee incentive scheme reward	—	—	9,163	—	9,163	—	9,163
Transfer to statutory reserves	—	—	1,952	(1,952)	—	—	—
Balance at 31 December 2007	59,840	117,024	43,565	66,158	286,587	287	286,874

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 (audited) *US$'000*	2007 (audited) *US$'000*
Cash flows from operating activities		
Cash generated from operations	32,484	49,903
Interest paid	(266)	(8)
Income tax paid	(2,733)	(959)
Employee incentive scheme reward paid in cash	(2,288)	—
Net cash generated from operating activities	27,197	48,936
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7,579)	(9,496)
Interest received	7,001	6,669
Net cash used in investing activities	(578)	(2,827)
Cash flows from financing activities		
Payment of dividend	(11,439)	—
Repurchase of shares	(8,607)	—
Repayment of bank borrowings	—	(6,000)
Receipt pursuant to management share subscription scheme	—	513
Refund in relation to withdrawal from management share subscription scheme	(65)	(87)
Proceeds from issue of shares	—	128,784
Net cash (used in)/generated from financing activities	(20,111)	123,210
Foreign exchange difference	(557)	(57)
Net increase in cash and cash equivalents	5,951	169,262
Cash and cash equivalents at beginning of year	251,969	82,707
Cash and cash equivalents at end of year	257,920	251,969

NOTES TO THE FINANCIAL STATEMENTS

1. **Basis of preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

During the year, the Group has adopted the following new standards, amendments and interpretations.

(a) **Amendments and interpretations effective in 2008**

- International Accounting Standard ("IAS") 39, 'Financial Instruments: Recognition and Measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to IFRS 7, 'Financial Instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any significant impact on the Group's financial statements, as the Group has not reclassified any financial assets.

- International Financial Reporting Interpretations Committee ("IFRIC") 11, 'IFRS 2 — Group and Treasury Share Transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statements of the parent and group companies. This interpretation does not have any significant impact on the Group's financial statements as it is consistent with the existing accounting policies adopted by the Group.

- IFRIC 14, 'IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', 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 requirement. This interpretation does not have any impact on the Group's financial statements.

(b) **Interpretations effective in 2008 but not relevant**

- IFRIC 12, 'Service Concession Arrangements' is mandatory for accounting periods beginning on or after 1 January 2008 but it is not relevant to the Group's operations.

(c) **Standards, amendments and interpretations that are effective from the Group's annual periods beginning on or after 1 January 2009 or later periods, and have not been early adopted by the Group**

The following standards and amendments to existing standards have been published and are mandatory for the Group's annual periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- IAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

- IAS 23 (Revised), 'Borrowing Costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Revised) from 1 January 2009 but it is not expected to have an impact to the Group as there are currently no qualifying assets.

- IAS 27 (Revised), 'Consolidated and Separate Financial Statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) for annual periods beginning on or after 1 January 2010.

- IAS 32 (Amendment), 'Financial Instruments: Presentation', and IAS 1 (Amendment), 'Presentation of Financial Statements' - 'Puttable Financial Instruments and Obligations Arising on Liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply IAS 32 (Amendment) and IAS 1 (Amendment) from 1 January 2009, but it is not expected to have any significant impact on the Group's financial statements.

- IAS 39 (Amendment) 'Financial Instruments: Recognition and Measurement' — 'Eligible Hedged Items' (effective from 1 July 2009). This amendment is to clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation shall be applied in particular situations. The Group will apply IAS 39 (Amendment) for annual periods beginning on or after 1 January 2010 but it is not expected to have any significant impact on the Group's financial statements.

- IFRS 2 (Amendment), 'Share-based Payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009, but it is not expected to have any significant impact on the Group's financial statements.

- IFRS 3 (Revised), 'Business Combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively for annual periods beginning on or after 1 January 2010.

- IFRS 8, 'Operating Segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14, 'Segment Reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about Segments of an Enterprise and Related Information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed by management.

- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, 'The Effects of Changes in Foreign Exchange Rates', apply to the hedged item. The Group will apply IFRIC 16 for annual periods beginning on or after 1 January 2009. It is not expected to have any significant impact on the Group's financial statements.

- International Accounting Standards Board's ("IASB") annual improvements project published in May 2008

  — IAS 1 (Amendment), 'Presentation of Financial Statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement' are examples of current assets and liabilities respectively. The Group will apply the IAS 1 (Amendment) from 1 January 2009. It is not expected to have any significant impact on the Group's financial statements.

  — IAS 19 (Amendment), 'Employee Benefits' (effective from 1 January 2009).

    — The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

    — The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

    — The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

    — IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

    The Group will apply IAS 19 (Amendment) from 1 January 2009. It is not expected to have any significant impact on the Group's financial statements.

  — IAS 23 (Amendment), 'Borrowing Costs' (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial Instruments: Recognition and Measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Group will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.

  — IAS 27 (Amendment), 'Consolidated and Separate Financial Statements' (effective from 1 January 2009). Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial Instruments: Recognition and Measurement', is classified as held for sale under IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', IAS 39 would continue to be applied. The amendment will not have any significant impact on the Group's financial statements because it is the Group's policy for an investment in subsidiary to be recorded at cost in the standalone financial statements of each entity.

- IAS 36 (Amendment), 'Impairment of Assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

- IAS 38 (Amendment), 'Intangible Assets' (effective from 1 January 2009). The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. The amendment will not currently have an impact on the Group's operations as all intangible assets are amortised using the straight line method.

- IAS 38 (Amendment), 'Intangible Assets' (effective from 1 January 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply IAS 38 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' (effective from 1 January 2009).

  - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

  - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

  - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that IAS 39 is consistent with IFRS 8, 'Operating Segments', which requires disclosure for segments to be based on information reported to the chief operating decision maker.

  - When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used.

  The Group will apply IAS 39 (Amendment) from 1 January 2009. It is not expected to have any significant impact on the Group's financial statements.

— IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations' (and consequential amendment to IFRS 1, 'First-time Adoption of International Financial Reporting Standards') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively for annual periods beginning on or after 1 January 2010.

— There are a number of minor amendments to IFRS 7, 'Financial Instruments: Disclosures', IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', IAS 10, 'Events After the Balance Sheet Date', IAS 18, 'Revenue' and IAS 34, 'Interim Financial Reporting' which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in detail.

(d) **Standards, amendments and interpretations that are effective from the Group's annual periods beginning on or after 1 January 2009 or later periods, and not relevant to the Group's operations**

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's annual periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group's operations:

- IFRS 1 (Amendment), 'First time adoption of International Financial Reporting Standards' and IAS 27, 'Consolidated and Separate Financial Statements' (effective from 1 January 2009)

- IFRIC 13, 'Customer Loyalty Programmes' (effective from 1 July 2008)

- IFRIC 15, 'Agreements for Construction of Real Estates' (effective from 1 January 2009)

- IFRIC 17, 'Distributions of Non-cash Assets to Owners' (effective from 1 July 2009)

- IASB's annual improvements project published in May 2008

  — IAS 16 (Amendment), 'Property, Plant and Equipment' (and consequential amendment to IAS 7, 'Statement of Cash Flows') (effective from 1 January 2009)

  — IAS 20 (Amendment), 'Accounting for Government Grants and Disclosure of Government Assistance' (effective from 1 January 2009)

  — IAS 28 (Amendment), 'Investments in Associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial Instruments: Disclosures') (effective from 1 January 2009)

— IAS 28 (Amendment), 'Investments in Associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial Instruments: Disclosures') (effective from 1 January 2009)

— IAS 29 (Amendment), 'Financial Reporting in Hyperinflationary Economies' (effective from 1 January 2009)

— IAS 31 (Amendment), 'Interests in Joint Ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009)

— IAS 40 (Amendment), 'Investment Property' (and consequential amendments to IAS 16) (effective from 1 January 2009)

— IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009)

2. **Segment financial information**

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

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

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

(a) **Primary reporting format - geographical segments**

(i) The Group operates in two main geographical areas:

The geographic information based on location of production was as follows:

	Year ended 31 December 2008				
	Mainland China	**Taiwan**	**Elimination**	**Unallocated**	**Consolidated**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External sales and service:					
Sales revenue	348,787	54,375	—	—	403,162
Service revenue	623	5,827	—	—	6,450
	349,410	60,202	—	—	409,612
Inter-segment sales and services:					
Sales revenue	44,449	1,760	(46,209)	—	—
Service revenue	1,678	17,703	(19,381)	—	—
	46,127	19,463	(65,590)	—	—
Total operating revenue	395,537	79,665	(65,590)	—	409,612
Segment result/profit from operations	19,250	3,893	(387)	(2,509)	20,247
Finance income					7,138
Finance cost					(266)
					6,872
Profit before income tax					27,119
Income tax expense					(2,505)
Profit for the year					24,614

	Year ended 31 December 2008				
	Mainland China	**Taiwan**	**Elimination**	**Unallocated**	**Consolidated**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External sales and service:					
Attributable to:					
Equity holders of the Company					24,586
Minority interest					28
					24,614
Other information					
Depreciation	5,245	1,835	—	1	7,081
Amortisation	7	—	—	—	7
Inventory write-down	4,474	500	—	—	4,974
Segment assets	180,291	55,852	—	149,445	385,588
Segment liabilities	62,196	19,891	—	6,313	88,400
Capital expenditure	5,585	1,991	—	3	7,579
Research and development expenses	2,119	17,214	—	—	19,333

	Year ended 31 December 2007				
	Mainland China	**Taiwan**	**Elimination**	**Unallocated**	**Consolidated**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External sales and service:					
Sales revenue	350,614	64,741	—	—	415,355
Service revenue	1,591	1,675	—	—	3,266
	352,205	66,416	—	—	418,621
Inter-segment sales and services:					
Sales revenue	40,617	4,421	(45,038)	—	—
Service revenue	140	15,948	(16,088)	—	—
	40,757	20,369	(61,126)	—	—
Total operating revenue	392,962	86,785	(61,126)	—	418,621
Segment result/profit from operations	40,593	(12,501)	(154)	(368)	27,570
Finance income					7,156
Finance cost					(324)
					6,832
Profit before income tax					34,402
Income tax expense					(2,949)
Profit for the year					31,453
Attributable to:					
Equity holders of the Company					31,356
Minority interest					97
					31,453

	Year ended 31 December 2007				
	Mainland China	**Taiwan**	**Elimination**	**Unallocated**	**Consolidated**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External sales and service:					
Other information					
Depreciation	3,286	1,434	—	—	4,720
Amortisation	7	—	—	—	7
Inventory write-down	597	248	—	—	845
Segment assets	170,619	62,473	—	170,275	403,367
Segment liabilities	81,814	24,842	—	9,837	116,493
Capital expenditure	7,479	2,017	—	—	9,496
Research and development expenses	1,999	24,155	—	—	26,154

(ii) The amounts of revenue from sales to external customers for each customer-based geographical segment whose revenue from sales to external customers is 10% or more of total revenue are as follows:

	2008		2007	
	Amounts	**%**	**Amounts**	**%**
	US$'000		*US$'000*	
Asia	108,409	26	87,601	21
Americas	176,993	43	168,817	40
Europe	123,042	30	161,485	39
Others	1,168	1	718	—
	409,612	100	418,621	100

(b) **Secondary reporting format - business segment**

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 is as follows:

	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	55,841	175,176	71,314	91,853	15,428	409,612

	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	64,486	176,296	99,696	57,718	20,425	418,621

3. **Income tax expense**

The amounts of taxation charged to the consolidated income statement represent:

	2008	**2007**
	US$'000	*US$'000*
Current taxation		
Taiwan	495	1,199
Mainland China	3,213	1,475
Other countries	74	41
	3,782	2,715
Under/(over) provision in prior years — net	42	(336)
Deferred taxation	(1,319)	570
	2,505	2,949

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profits of the group entities as follows:

	2008 *US$'000*	2007 *US$'000*
Profit before income tax	27,119	34,402
Tax calculated at domestic tax rates	3,742	4,947
Income not subject to tax	(9)	(360)
Expenses not deductible for tax purposes	288	418
Increase in deferred tax liabilities resulting from increase in tax rate	—	780
Decrease in deferred tax liabilities resulted from decrease in tax rate	(520)	—
Under/(over) provision of income tax in prior years	42	(336)
	3,543	5,449
Utilisation of investment tax credits	(1,038)	(2,500)
Income tax expense	2,505	2,949

The weighted average applicable tax rate was 14% (2007: 14%).

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.

達創科技（東莞）有限公司 (Delta Networks (Dongguan) Ltd.) ("DNI Dongguan") is a foreign investment enterprise in Mainland China. In 2007, DNI Dongguan was subject to a corporate income tax rate of 10%. Pursuant to the new Corporate Income Tax Law of the People's Republic of China which has been in effect since 1 January 2008, DNI Dongguan is qualified as a High/New Tech Enterprise and is subject to a corporate income tax rate of 15% from 2008 onwards.

達創科技股份有限公司 ("DNI Taiwan") was 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 Labaun, Malaysia 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 at a fixed annual sum rate of Malaysian RM20,000.

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

4. **Earnings per share**

Basic

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 year after taking into account the effect of share repurchase during the year. The weighted average number of ordinary shares in issue is adjusted for the share sub-division of 1 to 20 in 2007.

	2008	**2007**
Profit attributable to equity holders of the Company (US$'000)	24,586	31,356
Weighted average number of ordinary shares in issue after share sub-division of 1 to 20 (in thousands)	1,092,265	952,300
Basic earnings per share (in US cents per share)	2.25	3.29

Diluted

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 earnings per share is adjusted for outstanding shares of share-based payments under the employee incentive scheme of the Company ("EIS") of 32,804,000 shares (2007: 27,586,000 shares) and the management share subscription scheme ("MSSS") of 7,122,000 shares (2007: 25,972,000). 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.

	2008	**2007**
Profit attributable to equity holders of the Company (US$'000)	*24,586*	*31,356*
Weighted average number of ordinary shares in issue after share sub-division of 1 to 20 (in thousands)	1,092,265	952,300
Adjustments for		
- MSSS and EIS after share sub-division of 1 to 20 (in thousands)	39,926	53,558
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	1,132,191	1,005,858
Diluted earnings per share (in US cents per share)	2.17	3.12

5. **Trade receivables**

	2008	**2007**
	US$'000	*US$'000*
Trade receivables	73,544	88,865
Trade receivables from related parties	223	50
	73,767	88,915
Less: Provision for impairment of trade receivables	(1,862)	(22)
Trade receivables - net	71,905	88,893

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

	2008	2007
	US$'000	*US$'000*
Days outstanding		
0 - 30 days	26,936	40,174
31 - 60 days	25,505	34,318
61 - 90 days	20,138	14,050
91 - 180 days	1,188	373
Total	73,767	88,915

6. **Trade and other payables**

	2008	2007
	US$'000	*US$'000*
Trade payables	49,101	64,880
Trade payables due to related parties	6,496	9,520
	55,597	74,400
Accruals and other payables:		
Accrued payrolls and bonuses	3,408	6,348
Accrued customs duties and value added tax	522	4,022
Other accrued expenses and payables	13,993	12,363
Other payables due to related parties	95	2,303
	18,018	25,036
	73,615	99,436

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

	2008	2007
	US$'000	*US$'000*
0 - 30 days	15,933	26,413
31 - 60 days	16,335	23,089
61 - 90 days	13,009	15,485
Over 90 days	10,320	9,413
	55,597	74,400

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

In 2008, the Group was confronted by a challenging business environment, triggered by the US sub-prime mortgage crisis which led to the meltdown of certain financial institutions and the decline of global economy. Adverse effect began to surface in the fourth quarter of 2008 as the demand for the Group's products decreased. At the same time, natural disasters such as the snowstorm in Mainland China caused labour shortage at the beginning of 2008, and the introduction of the new labour law in Mainland China led to an increase in labour cost. For the first time in five years, the Group recorded a slight decline in turnover, which serves as a note of caution to the Group to strengthen its efforts in overcoming adversities.

New applications and media in communications continue to come on to the market and end-users have a multitude of products and services at their disposal. Due to the increasing concerns of consumers with cost, effectiveness and reliability, the consolidation of Ethernet-based technology has become a necessity in the delivery of new affordable services. With Ethernet-based technology we see more integrated devices, which will improve efficiency and reliability and reduce costs. We believe that with the ODM (Original Design Manufacturer) model, such enhancements will continue for the foreseeable future.

There has been a strong move recently towards the development of a new communication medium offered by the merger between "Datacom" and "Telecom". If every party, whether individual or corporate, could access or provide services and products through centralization, this will totally change the way people communicate, work and play. This will also mean business opportunities for a new breed of services providers, and will totally revolutionize the way organizations collaborate and provide new products and services. At the same time, we expect to see upgrades of facilities or development of infrastructures for these new applications to take off. The current economic situation might slow down this trend; however with the expectation that government will provide stimulus, this trend should sustain.

We consider the future ahead of us to be challenging. We are confident, however, that with our strong financial position, we will be able to weather this economic downturn and at the same time prepare ourselves for the future boom. We will continue to increase the number of products offered and expand our customer base. The future potential business for 2009 onward will be in 10G (Gigabytes) Ethernet Switches applications towards Datacenter and Server ISP (Internet Service Provider).

Currently, we are engaged in 10G projects focus on Fiber Channel over Ethernet, Switch blade, TOR, and Fiber & Copper Storage Switch such as SCSI-Ethernet with a number of customers. With the increasing international attention to global warming, product design and substances used, DNI is fully committed to design and product products that are eco-friendly. Our factories in Taiwan and Dongguan have all received ISO14001 environmental management system certificates, and we implement Green Ethernet Technology comply with EEE standard on all products. In Broadband and Wireless segment, we will continue with cost down design for WiFi 802.11n router and gateway. At same time, we are working on new project focus on IP-Set-Top-Box video application, VDSL IAD, and VDSL switch with GPON uplink.

The Group will continue to look for strategic alliances to promote its business, engineering expertise and overall competency. With a strong cash position, the Group is well armed to ride out this bleak time. With the unfavourable outlook in the economy, the networking ODMs in the existing market that have cash flow problems might go under, which could provide opportunities for the Group to increase its market share and new customers. We expect that as other ODMs come under the threat of the economic downturn, they will be more willing to negotiate on mergers and acquisitions. We will continue to search for strategic mergers and acquisitions with suitable partners.

OPERATIONAL REVIEW

During the year ended 31 December 2008, the Group achieved consolidated revenue of US$409.6 million, representing a 2.2% decrease from the year ended 31 December 2007. This was the result of the slowdown in the global economy in the fourth quarter of 2008. The Group recorded steady growth in the Broadband & wireless products segments, with turnover improving by 59.1%. The LAN-Carrier and LAN-SOHO recorded decline of 13.4% and 28.5%, respectively. The growth in shipment of Broadband & wireless products was resulted from new product replacement cycle. Besides, the change in product mix shipped to customers together with the increase in price of raw material and labour cost contribute to the decline in gross margin for 2008.

FINANCIAL REVIEW

Turnover

During the year ended 31 December 2008, the Group achieved a total turnover of US$409.6 million, a decrease of 2.2% as compared to the last financial year. This was mainly attributable to the global economy slowdown which affected the demand for our products.

Margins and profitability

Gross profit for the year was US$59.4 million, a decrease of 18.3% as compared to US$72.7 million of 2007. The gross margin for the year ended 31 December 2008 was 14.5%, declined by 2.9% from 17.4% of same period of 2007. This was the result of the change in product mix shipped to customers, and the increase in price of raw material as well as labour cost. On 14 January 2009, one of the Group's customers filed for bankruptcy protection. In connection with this incident, management made impairment loss provision in respect of inventories of US$2.7 million. The provision was charged to the consolidated income statement for the year ended 31 December 2008, and the impact on gross margin was -0.7%, which will be reverted once shipment resumes under new agreement reached with this customer. The operating expenses for the year ended 31 December 2008 was US$46.5 million, a decline of US$7.4 million from US$53.9 million of 2007. This was mainly due to the cost saving efforts of the Group. Earnings before interest and taxation (EBIT) for the year were US$20.2 million, a decrease of 26.6% as compared to last financial year. EBIT margin was 4.9%, a 1.7% decline from a year ago. Decline in EBIT and EBIT margin was mainly caused by change in product mix shipped to customers and increase in costs of raw materials and labor partially offset by the lower operating expenses. In respect of the aforesaid customer who filed for bankruptcy protection, management made impairment loss provision in respect of trade receivables of US$1.8 million related to this customer. The provision was charged to the consolidated income statement for the year ended 31 December 2008, and this resulted in a negative impact of 0.4% to the EBIT margin.

Net profit for the year ended 31 December 2008 was US$24.6 million, a decline of US$6.8 million from the previous financial year. The net profit margin decreased from 7.5% of 2007 to 6% of 2008. This was mainly due to the increase in sales of Broadband & wireless products with lower profit margin, as well as increase in costs of raw materials and labour.

Profit attributable to equity holders of the Company for the year ended 31 December 2008 was US$24.6 million, a decrease of 21.6% from the year ended 31 December 2007.

Earnings per share

The basic earnings per share for the year ended 31 December 2008 was US$0.0225, representing a decrease of 31.6% from 2007.

Capital expenditure

During the year 2008, the Group incurred capital expenditure amounting to approximately US$7.6 million, which was incurred mainly for enhancement and upgrade of its production capacities in DNI Taiwan and DNI Dongguan plants, compared to US$9.5 million in 2007.

Charges on assets

None of the assets of the Group were pledged as security for any banking facilities and borrowings as at 31 December 2008.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2008.

Capital commitments

The Group had no material capital commitments as at 31 December 2008.

Working capital and financial resources

As at 31 December 2008, working capital, calculated by current assets minus current liabilities, was US$283,309,000 (2007: US$274,489,000).

Gearing and liquidity ratio

The gearing ratio was zero as at 31 December 2008 (2007: zero) as the Group had no borrowings.

Capital structure

As at 31 December 2008, total equity was US$297,188,000 (2007: US$286,874,000). Debt ratio, calculated by total liabilities divided by total assets, was 22.9% as at 31 December 2008 (2007: 28.9%).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group had a total of 2,444 employees. Total staff costs incurred for the year ended 31 December 2008 amounted to approximately US$36.2 million (31 December 2007: approximately US$48.6 million). We offer a comprehensive remuneration policy, which is reviewed by the management and the remuneration committee on a regular basis.

FINAL DIVIDEND

At a meeting held on 26 February 2009, the board of directors recommended a final dividend in respect of the year ended 31 December 2008 of 0.83 US cents per share (2007: 1.03 US cents), totaling US$9,846,000 (2007: US$12,581,000). Subject to the approval of shareholders of the Company at the forthcoming annual general meeting ("AGM") to be held on 24 April 2009, this final dividend will be paid on or around 25 May 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 April 2009 to Friday, 24 April 2009, both days inclusive, during which period no transfers of shares of the Company will be registered. In order to be entitled to the payment of the aforementioned final dividend and eligible for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 April 2009.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to The Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2008, except for code provision 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. Currently, Mr. Liang Ker Uon, Sam, is both the chairman of the Board and the chief executive officer of the Company. He is responsible for ensuring that all Directors act in the interests of shareholders of the Company and he also contributes to the Board and the Group on all top-level and strategic decisions. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies. 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. The Board has regularly reviewed and will continue in the future to review the effectiveness of this structure to ensure that the dual role of chairman and chief executive officer is appropriate in view of the Group's prevailing conditions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct governing Directors' dealings in the Company's securities. The Company has made specific enquiry to all the Directors and all the Directors have confirmed that they have complied with the required standard set out in the said Model Code during the year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, the Company repurchased its own listed shares on the Stock Exchange as follows:

Month of repurchases	Number of shares repurchased	Repurchase price per share		Aggregate price paid (HK$)
		Highest (HK$)	Lowest (HK$)	
April 2008	2,961,000	2.31	2.03	6,390,560
May 2008	766,000	2.33	2.16	1,708,290
June 2008	17,371,000	2.55	2.35	42,986,160
July 2008	6,601,000	2.43	2.34	15,644,510
September 2008	92,000	2.00	1.92	183,090
	27,791,000			66,912,610

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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 consolidated financial statements of the Company for the year ended 31 December 2008.

INDEPENDENCE OF INFORMATION TECHNOLOGY SYSTEMS FROM DELTA ELECTRONICS INC.

Pursuant to the timetable of separation of the Company's information technology systems from Delta Electronics Inc. ("DEI"), the ultimate controlling shareholder of the Company, as set out on page 88 of the prospectus, the Company has carried through the separation of client server on 31 December 2008.

However, in view of the current global economic crisis and the difficult operating environment, we are still evaluating all possible options which are more cost-effective and practicable, with a view to migrating our information systems to a new one. We will continue to provide periodical updates to our shareholders, through our interim and final results announcements, of the progress of achieving full independence of our information technology systems from DEI.

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

The 2008 annual report of the Company containing information required by the Listing Rules will be dispatched to shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Liang Ker Uon, Sam
Chairman

Taipei, Taiwan

26 February 2009

As at the date of this announcement, the executive Directors 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 purpose only*