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DELTA NETWORKS HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

**DELTA NETWORKS, INC.
達創科技股份有限公司***

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 722)

JOINT ANNOUNCEMENT

PROPOSED PRIVATISATION

BY

DELTA NETWORKS HOLDING LIMITED

OF

DELTA NETWORKS, INC.

BY WAY OF A SCHEME OF ARRANGEMENT

AND

RESUMPTION OF TRADING IN SHARES

Financial Adviser to the Offeror



THE PROPOSAL

Scheme of Arrangement

On 12 March 2009, the Offeror requested the Board to put forward the Scheme to the Independent Shareholders which, if approved and implemented, would result in the cancellation of the Scheme Shares, the Company becoming wholly-owned by the Offeror and the withdrawal of the listing of the Shares on the Stock Exchange.

The Scheme will be implemented by way of a scheme of arrangement under Section 86 of the Companies Law. If the Scheme becomes effective, the Scheme Shares will be cancelled. Further, the New Shares will be issued as fully paid to the Offeror and the listing of the Shares on the Stock Exchange will be withdrawn in accordance with Rule 6.15 of the Listing Rules.

Having reviewed the Proposal, the Board has agreed to put forward the Scheme for consideration by the Independent Shareholders.

If the Scheme becomes effective, the Scheme Shareholders will receive from the Offeror the Cancellation Consideration as consideration for the cancellation of the Scheme Shares:

HK\$1.83 in cash for every Scheme Share cancelled

As at the date of this announcement, the Company has three types of employee incentive plans (namely, the MSSS, the EIS and the SOS).

MSSS and MS Offer

The MSSS was a one-off plan and is close-ended. Under the MSSS, the Company granted 56,744,000 MS Awards to the MS Participants for the right to subscribe for 56,744,000 new Shares at the MS Subscription Price.

The MS Participants have already fully paid the MS Subscription Price for their MS Awards, and are scheduled to receive the Shares under the MSSS in four equal annual instalments. The instalment dates are: (i) 1 April 2008; (ii) 1 April 2009; (iii) 1 April 2010; and (iv) 1 April 2011.

As at the date of this announcement, a total of 41,493,000 Shares remain to be vested under the MSSS. The Company is expected to issue 13,901,000 new Shares to the MS Participants pursuant to the second instalment of the MSSS on 1 April 2009.

If the Scheme becomes effective, under the MS Offer, the MS Participants will be offered the following payments as consideration for their agreement to cancel their unvested MS Awards:

1. the Refund Amount from the Company; and
2. the MS Amount from the Offeror,

which in aggregate represent the same amount of cash per Share as the Cancellation Consideration.

Employee Incentive Scheme

An initial pool of 124,000,000 Shares has been allotted and issued to HSBC Trustee, which are held in trust for the purpose of the EIS. Under the EIS, the Board is entitled to instruct HSBC Trustee to transfer Shares to eligible employees of the Group as incentive for their employment with the Group.

As at the date of this announcement, a total of 26,794,800 Shares have been transferred by HSBC Trustee to the relevant employees of the Group and 97,205,200 Shares are being held in trust under the EIS. Consistent with its usual practice, the Board expects to instruct HSBC Trustee to transfer certain Shares under the EIS to eligible employees in March 2009.

The Shares held by HSBC Trustee for the purpose of the EIS will be cancelled pursuant to the Scheme.

Share Option Scheme

No option has been granted under the SOS since its adoption. As a result, the Offeror is not required to make any offer with respect to the SOS pursuant to Rule 13 of the Takeovers Code.

Other Securities

Other than the Shares to be issued under the MSSS, the Company does not have any outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

CONDITIONS OF THE PROPOSAL

The Proposal is conditional upon the fulfillment or waiver, as applicable, of the Conditions described in the section headed “Conditions of the Proposal” below (which include, among others, the approval of the Scheme by the Independent Shareholders at the Court Meeting and the sanction of the Scheme by the Grand Court).

If the Conditions are not fulfilled or, if applicable, not waived on or before the Long Stop Date, the Proposal will lapse.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, there are 1,182,985,000 Shares in issue. The Offeror holds an aggregate of 712,160,000 Shares (representing approximately 60.20% of the Shares in issue). The Shares owned by the Offeror will not form part of the Scheme Shares and the Offeror will not vote at the Court Meeting.

The Scheme Shareholders hold an aggregate of 470,825,000 Shares (representing approximately 39.80% of the Shares in issue) as at the date of this announcement, of which 463,825,000 Shares are held by the Independent Shareholders (representing approximately 39.21% of the Shares in issue) and 7,000,000 Shares (representing approximately 0.59% of the Shares in issue) are held by the Concert Parties.

All the Independent Shareholders will be entitled to vote at the Court Meeting. All the Shareholders will be entitled to vote at the EGM.

In respect of the Shares which HSBC Trustee holds in trust under the EIS, HSBC Trustee is required to abstain from exercising the voting rights attaching to those Shares at any general meeting of the Company in accordance with the rules of the EIS, and accordingly HSBC Trustee will not vote those Shares at the Court Meeting and the EGM.

FINANCIAL RESOURCES

Polaris Capital has been appointed as the financial adviser to the Offeror in respect of the Proposal. Polaris Capital is satisfied that sufficient financial resources are available to the Offeror for the payment in cash of: (i) the aggregate Cancellation Consideration payable by the Offeror under the Scheme; and (ii) the aggregate MS Amount payable by the Offeror under the MS Offer.

The Offeror will finance the aggregate Cancellation Consideration and the aggregate MS Amount payable under the Proposal by using its internal cash resources and funds to be drawn down under the Facility.

The Company will finance the aggregate Refund Amount payable under the MS Offer from its internal resources.

INDEPENDENT BOARD COMMITTEE

The IBC (comprising two independent non-executive Directors) has been formed to advise the Independent Shareholders and the MS Participants as to what action they should take in respect of the Proposal.

SCHEME DOCUMENT

The Scheme Document will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code.

WITHDRAWAL OF LISTING

The Company will apply for the withdrawal of listing of the Shares on the Stock Exchange, in accordance with Rule 6.15 of the Listing Rules, with effect from the date on which the Scheme becomes effective.

If the Scheme is withdrawn, not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 am on 23 February 2009 pending the issue of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 am on 13 March 2009.

WARNING

Shareholders and potential investors should note that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable. Therefore, the Proposal may or may not become effective. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

On 12 March 2009, the Offeror requested the Board to put forward the Scheme to the Independent Shareholders which, if approved and implemented, would result in the cancellation of the Scheme Shares, the Company becoming wholly-owned by the Offeror and the withdrawal of the listing of the Shares on the Stock Exchange.

The Scheme will be implemented by way of a scheme of arrangement under Section 86 of the Companies Law. If the Scheme becomes effective, the Scheme Shares will be cancelled. Further, the New Shares will be issued as fully paid to the Offeror and the listing of the Shares on the Stock Exchange will be withdrawn in accordance with Rule 6.15 of the Listing Rules.

Having reviewed the Proposal, the Board has agreed to put forward the Scheme for consideration by the Independent Shareholders.

TERMS OF THE PROPOSAL

Under the Scheme, the Scheme Shareholders will receive from the Offeror the Cancellation Consideration as consideration for the cancellation of the Scheme Shares:

HK\$1.83 in cash for every Scheme Share cancelled

Comparison of Value

The Cancellation Consideration for each Scheme Share under the Proposal represents:

- a premium of approximately 19.6% over the closing price of HK\$1.53 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a premium of approximately 50.0% over the average closing price of approximately HK\$1.22 per Share as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;
- a premium of approximately 67.9% over the average closing price of approximately HK\$1.09 per Share as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Date;
- a premium of approximately 63.4% over the average closing price of approximately HK\$1.12 per Share as quoted on the Stock Exchange over the 90 trading days up to and including the Last Trading Date;

- a premium of approximately 10.2% over the average closing price of approximately HK\$1.66 per Share as quoted on the Stock Exchange over the 180 trading days up to and including the Last Trading Date;
- an implied price to earnings multiple of approximately 10.4 times, based on the audited basic earnings per Share of approximately US\$0.0225 (equivalent to approximately HK\$0.1755) for the year ended 31 December 2008 and a weighted average number of 1,092,265,000 Shares in issue for the year; and
- an amount equivalent to the Adjusted NTA per Share of approximately HK\$1.83 (based on the Adjusted NTA per Share of approximately US\$0.2343).

Highest and Lowest Prices

During the six month period immediately preceding the Last Trading Date, the highest closing price and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$2.20 per Share on 20 August 2008 and HK\$0.69 per Share on 8 December 2008 respectively.

EMPLOYEE INCENTIVE PLANS

As at the date of this announcement, the Company has three types of employee incentive plans (namely, the MSSS, the EIS and the SOS).

Management Share Subscription Scheme

The MSSS was a one-off plan and is close-ended. Under the MSSS, the Company granted 56,744,000 MS Awards to the MS Participants for the right to subscribe for 56,744,000 Shares at the MS Subscription Price.

The MS Participants have already fully paid the MS Subscription Price for their MS Awards, and are scheduled to receive the Shares under the MSSS in four equal annual instalments. The instalment dates are: (i) 1 April 2008; (ii) 1 April 2009; (iii) 1 April 2010; and (iv) 1 April 2011.

As at the date of this announcement, a total of 41,493,000 Shares remain to be vested under the MSSS. The Company is expected to issue 13,901,000 Shares to the MS Participants pursuant to the second instalment of the MSSS on 1 April 2009. Once issued, such Shares will become Scheme Shares and those MS Participants will become Scheme Shareholders, who will then be entitled to receive the Cancellation Consideration as consideration for the cancellation of such Scheme Shares (and such Shares will not be subject to the MS Offer).

In light of the expected timetable of the Scheme, the Shares under the last two instalments of the MSSS (being 27,592,000 Shares in total) are not expected to vest in the MS Participants. As those Shares have yet to be issued to the MS Participants, the MS Participants are not entitled to vote with respect to those Shares. Pursuant to Rule 13 of the Takeovers Code, the Offeror and the Company will offer to cancel the remaining 27,592,000 MS Awards by the MS Offer.

Employee Incentive Scheme

An initial pool of 124,000,000 Shares has been allotted and issued to HSBC Trustee, which are held in trust for the purpose of the EIS. Under the EIS, the Board is entitled to instruct HSBC Trustee to transfer Shares to eligible employees of the Group as incentive for their employment with the Group.

As at the date of this announcement, a total of 26,794,800 Shares have been transferred by HSBC Trustee to the relevant employees of the Group and 97,205,200 Shares are being held in trust under the EIS.

The Shares held by HSBC Trustee for the purpose of the EIS will be cancelled pursuant to the Scheme.

According to the rules of the EIS, for as long as HSBC Trustee holds any of the Shares in trust for the purpose of the EIS, HSBC Trustee is required to abstain from exercising the voting rights attaching to such Shares. As a result, HSBC Trustee will not vote at the Court Meeting and the EGM.

The Shares held by HSBC Trustee under the EIS are Scheme Shares. If the Scheme becomes effective, the Board will terminate the operation of the EIS. Upon notice of such termination, the proceeds received by HSBC Trustee pursuant to the Scheme will be remitted to the Company.

Consistent with its usual practice, the Board expects to instruct HSBC Trustee to transfer certain Shares under the EIS to eligible employees in March 2009.

Share Option Scheme

No option has been granted under the SOS since its adoption. As a result, the Offeror is not required to make any offer with respect to the SOS pursuant to Rule 13 of the Takeovers Code.

Other Securities

Other than the Shares to be issued under the MSSS, the Company does not have any outstanding convertible securities, warrants, options or derivatives in respect of any Shares.

MS OFFER

If the Scheme becomes effective, under the MS Offer, the MS Participants will be offered the following payments as consideration for their agreement to cancel their unvested MS Awards:

1. the Refund Amount from the Company; and
2. the MS Amount from the Offeror,

which in aggregate represent the same amount of cash per Share as the Cancellation Consideration.

The MS Offer is calculated on a “see-through” basis, so that the MS Participants will be entitled to receive a price for each of the remaining MS Awards being an amount equal to the Cancellation Consideration.

CONDITIONS OF THE PROPOSAL

The Proposal will become effective and binding on the Company, the Offeror and all the other Shareholders subject to the fulfillment or waiver, as applicable, of the following Conditions:

- (a) the approval of the Scheme (by way of a poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting at the Court Meeting either in person by proxy, provided that:
 - (i) the Scheme is approved (by way of a poll) by Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of a poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to the Scheme Shares held by all the Independent Shareholders;
- (b) the passing of a special resolution to approve and give effect to the Reduction by a majority of at least three-fourths of the votes cast by the Shareholders present and voting either in person or by proxy at the EGM and, immediately thereafter, to apply the credit arising in its books of account as a result of the Reduction to pay up in full and issue to the Offeror such number of New Shares as is equal to the number of Scheme Shares cancelled;

- (c) the sanction of the Scheme (with or without modifications) by the Grand Court and, to the extent necessary, the Grand Court's confirmation of the Reduction and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (d) compliance, to the extent necessary, with the procedural requirements of Section 15 of the Companies Law and compliance with any conditions imposed under Section 16 of the Companies Law, in each case in relation to the Reduction;
- (e) all Authorisations having been obtained from the relevant Authorities in Cayman Islands, Hong Kong, Taiwan and/or any other relevant jurisdictions on terms reasonably satisfactory to the Offeror (including the approval from the Investment Commission of the Ministry of Economic Affairs in Taiwan);
- (f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any of the relevant Authorities which is not expressly provided for (or is in addition to requirements expressly provided for) in the relevant laws, rules, regulations or codes in connection with the Proposal (or any matters, documents or things relating to the Proposal), in each case up to the date immediately preceding the Effective Date;
- (g) all Authorisations having been obtained from the relevant third parties (other than, for the avoidance of doubt, any that may be required from any member of the Offeror Group) under any existing contractual obligations of any member of the Group on terms reasonably satisfactory to the Offeror and remaining in full force and effect without modification;
- (h) save as publicly announced prior to the date of this announcement (and except in so far as such event forms part of the Proposal), since 31 December 2008 (being the date to which the latest published audited accounts of the Company were made up):
 - (i) there having been no material adverse change in the business, financial or trading position or prospects of any member of the Group; or
 - (ii) there not having been instituted or remaining outstanding any material litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff or defendant or otherwise) and no such proceedings having been threatened in writing against any such member and no investigation by any Authority against or in respect of any member of the Group (or the business carried on by any

such member) having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member,

in each case which is material and adverse in the context of the Group taken as a whole; and

- (i) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets or undertakings of any member of the Group up to the date immediately preceding the Effective Date, in each case which is material and adverse in the context of the Group taken as a whole.

The Offeror reserves the right to waive any of Conditions (e), (f), (g), (h) and (i), either in whole or in respect of any particular matter. When the Conditions are fulfilled or waived, as applicable, the Proposal will become effective and binding on the Offeror, the Company and all Scheme Shareholders.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, otherwise the Proposal will lapse.

Assuming that the Conditions are fulfilled (or, as applicable, waived), it is expected that the Proposal will become effective on or before 30 June 2009. A detailed expected timetable will be included in the Scheme Document. Further announcements will also be made in the event of a change of the expected effective date of the Proposal.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company as at the date of this announcement and, assuming there will be no other shareholding changes in the meantime, immediately upon completion of the Proposal:

Shareholders	Number of Shares as at the date of this announcement	Approximate percentage of Shares in issue	Number of Shares upon completion of the Proposal	Approximate percentage of Shares in issue
Offeror	712,160,000	60.200%	1,182,985,000	100%
Concert Parties				
Cheng Chung Hua, Bruce ^(Note 1)	1,000,000	0.085%	0	0%
Cheng An, Victor ^(Note 2)	2,000,000	0.170%	0	0%
Liang Ker Uon, Sam ^(Note 3)	3,000,000	0.252%	0	0%
Hai Ing-Jiunn, Yancey ^(Note 4)	1,000,000	0.085%	0	0%
(a) Subtotal	7,000,000	0.592%	0	0%
Independent non-executive Directors				
Zue Wai To, Victor ^(Note 5)	1,000,000	0.085%	0	0%
Liu Chung Laung ^(Note 5)	1,000,000	0.085%	0	0%
(b) Subtotal	2,000,000	0.170%	0	0%
Other Shareholders				
HSBC trustee ^(Note 6)	97,205,200	8.217%	0	0%
Others	364,619,800	30.821%	0	0%
(c) Subtotal	461,825,000	39.038%	0	0%
Total Shares in issue	1,182,985,000	100%	1,182,985,000	100%

Notes:

1. Mr. Cheng Chung Hua, Bruce is a non-executive Director. He holds Scheme Shares and is presumed to be a person acting in concert with the Offeror in accordance with class (2) of the definition of “acting in concert” in the Takeovers Code (because he is a director of both the Offeror and the Parent). Accordingly, he will not be entitled to vote at the Court Meeting, but will be entitled to vote at the EGM. In addition, he still owns 3,000,000 MS Awards, and is expected to receive 1,000,000 Shares to be issued under the second instalment of the MSSS on 1 April 2009.
2. Mr. Cheng An, Victor is an executive Director. He holds Scheme Shares and is presumed to be a person acting in concert with the Offeror in accordance with class (2) of the definition of “acting in concert” in the Takeovers Code (because he is a director of the Offeror and also a son of Mr. Cheng Chung Hua, Bruce). Accordingly, he will not be entitled to vote at the Court Meeting, but will be entitled to vote at the EGM. In addition, he still owns 6,000,000 MS Awards, and is expected to receive 2,000,000 Shares to be issued under the second instalment of the MSSS on 1 April 2009.

3. Mr. Liang Ker Uon, Sam is an executive Director. He holds Scheme Shares and is presumed to be a person acting in concert with the Offeror in accordance with class (2) of the definition of “acting in concert” in the Takeovers Code (because he is a director of the Offeror). Accordingly, he will not be entitled to vote at the Court Meeting, but will be entitled to vote at the EGM. In addition, he still owns 9,000,000 MS Awards, and is expected to receive 3,000,000 Shares to be issued under the second instalment of the MSSS on 1 April 2009.
4. Mr. Hai Ing-Jiunn, Yancey is a non-executive Director. He holds Scheme Shares and is presumed to be a person acting in concert with the Offeror in accordance with class (2) of the definition of “acting in concert” in the Takeovers Code (because he is a director of the Parent). Accordingly, he will not be entitled to vote at the Court Meeting, but will be entitled to vote at the EGM. In addition, he still owns 3,000,000 MS Awards, and is expected to receive 1,000,000 Shares to be issued under the second instalment of the MSSS on 1 April 2009.
5. Mr. Zue Wai To, Victor and Mr. Liu Cheng Laung are independent non-executive Directors and are Independent Shareholders. Accordingly, they will be entitled to vote at the Court Meeting and the EGM. In addition, each of Mr. Zue Wai To, Victor and Mr. Liu Cheng Laung still owns 3,000,000 MS Awards, and each of them is expected to receive 1,000,000 Shares to be issued under the second instalment of the MSSS on 1 April 2009.
6. HSBC Trustee is holding those Shares as the trustee of the trust under the EIS.

As at the date of this announcement, there are 1,182,985,000 Shares in issue. The Offeror holds an aggregate of 712,160,000 Shares (representing approximately 60.20% of the Shares in issue). The Shares owned by the Offeror will not form part of the Scheme Shares and the Offeror will not vote at the Court Meeting.

The Scheme Shareholders hold an aggregate of 470,825,000 Shares (representing approximately 39.80% of the Shares in issue) as at the date of this announcement, of which 463,825,000 Shares are held by the Independent Shareholders (representing approximately 39.21% of the Shares in issue) and 7,000,000 Shares (representing approximately 0.59% of the Shares in issue) are held by the Concert Parties.

All the Independent Shareholders will be entitled to vote at the Court Meeting. All the Shareholders will be entitled to vote at the EGM.

In respect of the Shares which HSBC Trustee holds in trust under the EIS, HSBC Trustee is required to abstain from exercising the voting rights attaching to those Shares at any general meeting of the Company in accordance with the rules of the EIS, and accordingly HSBC Trustee will not vote those Shares at the Court Meeting and the EGM.

As at the date of this announcement, Polaris Capital and its affiliate hold 6,635,000 Shares for and on behalf of independent third parties, which (to the best knowledge and belief of Polaris Capital having made all reasonable enquires) are not persons acting in concert with the Offeror.

REASONS FOR THE PROPOSAL

The Directors (other than members of the IBC who will express their view after receiving advice from the IFA) are of the view that the terms of the Proposal are attractive to the Independent Shareholders and that the proposed privatisation of the Company will be beneficial to the Independent Shareholders in a number of ways.

The Directors (other than members of the IBC) consider that the Scheme provides an opportunity for the Independent Shareholders to realise their Shares (which have a relatively low degree of market liquidity) in return for cash. In this regard, the Board noted that the trading volume of the Shares on the Stock Exchange has been generally low. The average daily trading volume of the Shares between commencement of their listing on 6 July 2007 to the Last Trading Day was less than 2.3 million Shares (representing approximately 0.19% of the Shares in issue as at the date of this announcement). Given this low liquidity of the Shares traded on the Stock Exchange, the directors of the Offeror believe that there is currently limited opportunity for the Independent Shareholders to divest their investment in the Company.

The Directors (other than members of the IBC) believe that, in view of the relatively thin trading liquidity and persistently weak performance of the Shares since their listing on 6 July 2007, access to the equity capital markets does not provide the Company with an attractive fund raising avenue, and that the costs and management resources associated with the maintenance of the Company's listing status are not warranted.

Over the 180 trading days up to and including the Last Trading Date, the price of the Shares fell by approximately 34.3% and the market, as represented by the Hang Seng Index, fell by approximately 47.9%. During the period from the peak of the Hang Seng Index at 31,638 on 30 October 2007 to the Last Trading Date, the Hang Seng Index fell by approximately 59.9% to 12,699 and the price of the Shares fell by approximately 53.6% to HK\$1.53 per Share. Since then, the Hang Seng Index retreated further to 12,002 on 12 March 2009 on the back of persistently weak market sentiment.

The Proposal provides the Independent Shareholders with an opportunity to divest their holding of Shares in exchange for cash during the current global economic downturn and reduced consumer demand, at an attractive premium to the market price prevailing during the three months period preceding the Last Trading Date.

In addition, the Proposal allows the Independent Shareholders a chance to redeploy capital from accepting the Proposal into other investment opportunities that they may consider more attractive in the current market environment.

FINANCIAL RESOURCES

Assuming 13,901,000 Shares will be issued to the MS Participants under the second instalment of the MSSS on 1 April 2009:

1. The aggregate Cancellation Consideration and the aggregate MS Amount payable by the Offeror in cash under the Proposal will be approximately HK\$887.05 million and HK\$24.45 million respectively.
2. The aggregate Refund Amount payable by the Company in cash under the MS Offer will be approximately HK\$26.04 million.

Polaris Capital has been appointed as the financial adviser to the Offeror in respect of the Proposal. Polaris Capital is satisfied that sufficient financial resources are available to the Offeror for the payment in cash of the aggregate Cancellation Consideration and the aggregate MS Amount payable under the Proposal.

The Offeror will finance the aggregate Cancellation Consideration and the aggregate MS Amount payable under the Proposal by using its internal cash resources and funds to be drawn down under the Facility.

The Company will finance the aggregate Refund Amount payable under the MS Offer by its internal resources.

INFORMATION ON THE COMPANY

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

A summary of the audited consolidated results of the Company for each of the two financial years ended 31 December 2007 and 31 December 2008 is set out below:

	Year ended 31 December	
	2007	2008
	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	418,621	409,612
Profit before income tax	34,402	27,119
Profit for the period	31,453	24,614
Profit attributable to Shareholders	31,356	24,586
Earnings per Share:	<i>US cents</i>	<i>US cents</i>
- Basic	3.29	2.25
- Diluted	3.12	2.17
Dividend per Share	1.03	0.83

The audited consolidated net tangible assets of the Company attributable to Shareholders as at 31 December 2007 and 2008 were approximately US\$286.6 million and US\$296.9 million respectively (equivalent to approximately HK\$2,235 million and HK\$2,316 million respectively).

The Fully Diluted Capital is calculated as follows:

	Number of Shares
Shares in issue as at 31 December 2008	1,182,985,000
Shares to be issued under the second instalment of the MSSS <i>(Note 1)</i>	13,901,000
Shares to be issued under the other instalments of the MSSS <i>(Note 2)</i>	<u>27,592,000</u>
Fully Diluted Capital <i>(Note 3)</i>	<u><u>1,224,478,000</u></u>

Notes:

- 1 The Company is expected to issue 13,901,000 Shares to the MS Participants pursuant to the second instalment of the MSSS on 1 April 2009.
- 2 In light of the expected timetable of the Scheme, the Shares under the last two instalments of the MSSS (being 27,592,000 Shares in total) are not expected to vest in the MS Participants, but which will be made the subject of the MS Offer.
- 3 The Fully Diluted Capital represents the total number of Shares which will be in issue if all outstanding subscription rights for Shares have been exercised.

The Adjusted NTA per Share is calculated as follows:

	As at 31 December 2008	
	<i>US\$'000</i>	<i>HK\$'000</i>
Audited consolidated net tangible assets	296,873	2,315,609
Less: 2008 Final Dividend <i>(Note 4)</i>	(9,934)	(77,485)
Adjusted consolidated net tangible assets	286,939	2,238,124
	<i>US\$</i>	<i>HK\$</i>
Adjusted NTA per Share <i>(Note 5)</i>	0.2343	1.8278

Notes:

- 4 Assuming the 2008 Final Dividend is approved by the Shareholders at the forthcoming annual general meeting of the Company and 13,901,000 Shares are issued to the MS Participants pursuant to the second instalment of the MSSS before the record date for the 2008 Final Dividend.
- 5 The Adjusted NTA per Share represents the value per Share based on the Fully Diluted Capital.

FINAL DIVIDEND

As stated in the Company's final results announcement dated 26 February 2009, the Board had recommended the 2008 Final Dividend. Subject to the approval of the Shareholders at the forthcoming annual general meeting (which is expected to be held on 24 April 2009), the 2008 Final Dividend is expected to be paid on or about 25 May 2009. If so approved, the Company expects that the Scheme Shareholders will be entitled to the 2008 Final Dividend and, for that purpose, the Company will take all reasonable actions to accommodate the timetable of the Scheme and the record date for the 2008 Final Dividend. Further details in that respect will be set out in the Scheme Document.

INFORMATION ON THE OFFEROR GROUP

The Offeror is an investment holding company incorporated in the Cayman Islands and a wholly-owned subsidiary of the Parent. It is the immediate holding company of the Company.

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

FUTURE PLANS FOR THE GROUP

It is the intention of the Offeror to continue the existing businesses of the Group in all material respects upon the successful privatisation of the Company. The Offeror has no plan for any material changes to the existing businesses of the Group (including any material redeployment of the fixed assets of the Group), nor does it have any plan for any material changes to the continued employment of the employees of the Group, as a result of the Proposal.

On the other hand, the Offeror will continue to assess any business opportunity that may arise from time to time involving the business and/or assets of the Group and formulate strategic corporate planning as and when appropriate (including the possible listing of all or part of the business or assets of the Group in an appropriate securities exchange at an appropriate time).

OVERSEAS SHAREHOLDERS

The making of the Proposal to those Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves and observe any applicable legal and regulatory requirements of their own jurisdictions.

It is the responsibility of any overseas Scheme Shareholders wishing to accept the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection with their status (including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in any such jurisdiction).

INDEPENDENT BOARD COMMITTEE

The Directors (other than members of the IBC) believe that the terms of the Proposal are fair and reasonable and in the interest of the Shareholders as a whole.

The IBC (comprising Mr. Zue Wai To, Victor and Mr. Liu Chung Laung, being two of the three independent non-executive Directors) has been formed to advise the Independent Shareholders and the MS Participants as to what action they should take in respect of the Proposal.

Mr. Shen Bing (being the other independent non-executive Director) is interested in certain shares in the Parent. In order to avoid any perceived conflict of interest, it was decided that Mr. Shen Bing should not become a member of the IBC.

As Mr. Cheng Chung Hua, Bruce and Mr. Hai Ing-Jiunn, Yancey (being the non-executive Directors) are presumed to be persons acting in concert with the Offeror (as they are directors of the Parent), they are not considered to be independent in respect of the Proposal and are therefore not eligible to be members of the IBC.

The recommendations of the IBC (as to whether the Proposal is or is not fair and reasonable, as to voting by the Independent Shareholders at the Court Meeting and the EGM, and as to acceptance or rejection of the MS Offer by the MS Participants) will be set out in the Scheme Document.

The Company, with the approval of the IBC, will appoint an IFA to advise the IBC on such matters. A further announcement will be made by the Company upon the appointment of the IFA.

SCHEME DOCUMENT

The Scheme Document (including, among other things, further details of the Proposal, an explanatory statement for the Scheme, the expected timetable relating to the Scheme, the Record Date, the recommendations of the IBC, the letter of advice from the IFA and notices of the Court Meeting and the EGM) will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code.

WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as document or evidence of title.

The Company will apply for the withdrawal of listing of the Shares on the Stock Exchange, in accordance with Rule 6.15 of the Listing Rules, with effect from the date on which the Scheme becomes effective.

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is withdrawn, not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

The holders of the Scheme Shares will be notified by way of an announcement of the dates of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme will be included in the Scheme Document.

GENERAL

Save for the Proposal, there are no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Company or the Offeror which might be material to the Proposal and which the Offeror is party.

There is no agreement or arrangement to which the Offeror is party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal.

There are no relevant securities in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

WARNING

Shareholders and potential investors should note that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable. Therefore, the Proposal may or may not become effective. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DISCLOSURE OF DEALINGS

All Associates of the Company and the Offeror are reminded to disclose their dealings in any relevant securities of the Company.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 am on 23 February 2009 pending the issue of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 am on 13 March 2009.

Trading of the Shares on the Stock Exchange is expected to be suspended on the day of the Court Meeting and the EGM. Trading of the Shares on the Stock Exchange is also expected to be suspended on the day of the hearing of the Grand Court to sanction the Scheme and, if the Scheme is sanctioned by the Grand Court, will continue to be suspended until listing on the Stock Exchange is withdrawn. Further suspension of trading of Shares on the Stock Exchange as may be required will be further announced.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

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|-----------------------|--|
| “2008 Final Dividend” | the amount of US\$0.0083 (equivalent to approximately HK\$0.0647) per Share, being the final dividend for the year ended 31 December 2008 which was recommended by the Board for approval by the Shareholders at the forthcoming annual general meeting of the Company |
| “acting in concert” | has the meaning given to it in the Takeovers Code, and “persons acting in concert” and “concert parties” shall be construed accordingly |

“Adjusted NTA per Share”	the value per Share as derived from dividing the audited consolidated net tangible asset value of the Company as at 31 December 2008 (adjusted to take into account the 2008 Final Dividend) by the Fully Diluted Capital (details of which are set out in the section headed “Information on the Company” above)
“Associate”	has the meaning given to it in the Takeovers Code
“Authorisations”	all necessary approvals, licenses, consents, registrations, filing, rulings, permits and authorisations which may be required in connection with the Proposal
“Authority”	any relevant government, quasi-governmental, supranational, regulatory, administrative or investigative body, court, tribunal, arbitrator, agency, authority or department in any jurisdiction
“Board”	the board of Directors
“Cancellation Consideration”	the consideration of HK\$1.83 in cash for every Scheme Share cancelled
“Companies Law”	the Companies Law (2007 Revision) of the Cayman Islands
“Company”	Delta Networks, Inc., an exempted company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Stock Exchange
“Concert Parties”	Mr. Cheng Chung Hua, Bruce (a non-executive Director, a director of the Offeror and a director of the Parent), Mr. Cheng An, Victor (an executive Director, a director of the Offeror and the son of Mr. Cheng Chung Hua, Bruce), Liang Ker Uon, Sam (an executive Director and a director of the Offeror) and Mr. Hai Ing-Jiunn, Yancey (a non-executive Director and a director of the Parent), being persons presumed to be acting in concert with the Offeror
“Conditions”	the conditions of the Scheme

“Court Meeting”	a meeting of the Independent Shareholders to be convened at the direction of the Grand Court for the purpose of approving the Scheme
“Directors”	directors of the Company
“Effective Date”	the date on which the Scheme becomes effective
“EGM”	an extraordinary general meeting of the Company to be convened immediately following the close of the Court Meeting for the purpose of approving the Reduction
“EIS”	the employee incentive scheme of the Company adopted on 21 August 2006 (and modified and approved by the Board on 13 June 2007), pursuant to which HSBC Trustee holds Shares in trust for satisfying grants of awards by the Company to eligible participants over the period from 6 March 2008 to and including 31 December 2011
“Executive”	the Executive Director of the Corporate Finance Division of the SFC (or any delegate of the Executive Director)
“Facility”	the bank facility which the Offeror has obtained for the purpose of financing the Proposal
“Fully Diluted Capital”	1,224,478,000 Shares, being the fully diluted share capital of the Company (assuming the remaining 41,493,000 Shares are all vested and issued under the MSSS)
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSBC Trustee”	HSBC International Trustee Limited, a limited liability company established in Delaware, being the trustee of the trust under the EIS

“IBC”	the independent committee of the Board formed for the purpose of advising the Independent Shareholders and the MS Participants as to what action they should take in relation to the Proposal
“IFA”	the independent financial adviser to be appointed to advise the IBC on the Proposal
“Independent Shareholders”	the Shareholders (other than the Offeror, the Concert Parties and any other persons acting in concert with the Offeror or the Parent)
“Last Trading Date”	20 February 2009, being the last full trading day prior to the suspension of trading in the Shares pending the issue of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	18 August 2009 (or such later date as the Offeror and the Company may agree in writing)
“MS Amount”	HK\$0.8862 in respect of each MS Award, being the amount by which the Cancellation Consideration exceeds the Refund Amount in respect of such MS Award
“MS Awards”	the rights to subscribe for Shares under the MSSS
“MS Offer”	an offer to be made by the Offeror and the Company for the cancellation of the outstanding MS Awards, subject to the Scheme becoming unconditional
“MS Participants”	certain employees of the Company who were granted MS Awards to subscribe for Shares under the MSSS
“MS Subscription Price”	US\$0.121 per Share (equivalent to approximately HK\$0.9438 per Share), being the subscription money per Share which has been paid to the Company by each holder of MS Awards pursuant to the terms of the MSSS
“MSSS”	the management share subscription scheme adopted by the Board on 21 August 2006, pursuant to which MS Awards were granted to the MS Participants

“New Shares”	the new Shares to be issued to the Offeror pursuant to the Scheme, the number of which is equal to the number of Scheme Shares to be cancelled
“Offeror”	Delta Networks Holding Limited, a company incorporated in the Cayman Islands, being a wholly-owned subsidiary of the Parent and the immediate holding company of the Company
“Offeror Board”	the board of directors of the Offeror
“Offeror Group”	the Offeror, the Parent and the subsidiaries of the Parent (other than the Group)
“Parent”	台達電子工業股份有限公司 (Delta Electronics, Inc.), a company incorporated in Taiwan and whose shares are listed on the Taiwan Stock Exchange Corporation
“Polaris Capital”	Polaris Capital (Asia) Limited, a corporation licensed under the SFO for carrying out type 1 (dealings in securities) and type 6 (advising on corporate finance) regulated activities, being the financial adviser to the Offeror in connection with the Proposal
“PRC”	the People’s Republic of China
“Proposal”	the proposed privatisation of the Company by the Offeror by way of the Scheme and the MS Offer
“Record Date”	the record date for determining entitlements under the Scheme
“Reduction”	the proposed reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares
“Refund Amount”	HK\$0.9438 in respect of each MS Award, being the amount of MS Subscription Price which was received by the Company in respect of such MS Award
“Registrar of Companies”	the registrar of companies appointed under the Companies Law
“Scheme”	a scheme of arrangement under Section 86 of the Companies Law for the implementation of the Proposal

“Scheme Document”	the scheme document to be issued by the Company to the Shareholders in relation to the Scheme
“Scheme Shareholders”	Shareholders other than the Offeror
“Scheme Shares”	Shares held by the Scheme Shareholders
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholders”	registered holders of Shares
“Shares”	ordinary shares of US\$0.05 each in the capital of the Company
“SOS”	the share option scheme adopted by the Board on 13 June 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US”	the United States of America
“US\$”	United States dollars, the lawful currency of the US

Unless other specified in this announcement, translations of US\$ into HK\$ are made in this announcement, for illustration only, at the rate of US\$1.00 to HK\$7.80. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at that rate or at any other rate.

By order of the board of
Delta Networks Holding Limited
CHENG An, Victor
Director

By order of the board of
Delta Networks, Inc.
LIANG Ker-Uon, Sam
Chairman

Taipei, Taiwan, 12 March 2009

As at the date of this announcement, the directors of the Offeror are Mr. Cheng Chung Hua, Bruce, Mr. Cheng An, Victor and Mr. Liang Ker Uon, Sam.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. LIANG Ker Uon, Sam and Mr. CHENG An, Victor; two non-executive Directors, namely Mr. CHENG Chung Hua, Bruce and Mr. HAI Ing-Jiunn, Yancey; and three independent non-executive Directors, namely Mr. ZUE Wai To, Victor, Mr. LIU Chung Laung and Mr. SHEN Bing.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Offeror Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Offeror Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

** For identification purposes only*