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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

OF

DELTA NETWORKS, INC.

BY

DELTA NETWORKS HOLDING LIMITED

BY WAY OF A SCHEME OF ARRANGEMENT

**PROPOSED INCREASE IN CANCELLATION CONSIDERATION FROM
HK\$1.83 TO HK\$2.20**

Financial Adviser to Delta Networks Holding Limited



PROPOSED INCREASE IN CANCELLATION CONSIDERATION

The Offeror has proposed to increase the Cancellation Consideration from HK\$1.83 to HK\$2.20 per Scheme Share (representing an increase of approximately 20.2%) and has requested the Board to put forward the Revised Scheme to the Independent Shareholders. The Offeror and the Company have also proposed to make the Revised MS Offer to the MS Participants for their agreement to cancel their outstanding MS Awards.

Other than the changes mentioned in the paragraph immediately above, no other changes are being proposed to the Proposal.

The Offeror has stated that it will not further increase the Revised Cancellation Consideration. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Revised Cancellation Consideration (save in wholly exceptional circumstances) as a result of Rule 18.3 of the Takeovers Code.

REVISED MS OFFER

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

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

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

ADJOURNMENT OF THE COURT MEETING AND THE EGM

The Court Meeting and the EGM will continue to be held on 11 June 2009.

In light of the Improved Proposal, the Chairman of the Court Meeting and of the EGM to be held on 11 June 2009 will propose, with the consent of the Shareholders eligible to vote at the relevant meetings, to adjourn the Court Meeting and the EGM to the date of the Reconvened Court Meeting, being a date at least 21 clear days after the notices of such meetings have been provided to the Shareholders. The Supplemental Scheme Document will be sent to the Shareholders for consideration together with the notices of the Reconvened Court Meeting and the Reconvened EGM.

Only Independent Shareholders may vote on the proposal to adjourn the Court Meeting. All the Shareholders may vote on the proposal to adjourn the EGM.

Shareholders eligible to vote at the Court Meeting and the EGM to be held on 11 June 2009 may vote for or against the proposals to adjourn the Court Meeting and the EGM, respectively, as they see fit.

If the Shareholders eligible to vote at the relevant meetings vote against the proposals to adjourn the Court Meeting and the EGM respectively by way of a simple majority, the Court Meeting and the EGM will not be adjourned. If the Court Meeting and the EGM are not adjourned, the Court Meeting and the EGM will proceed to consider and approve the Scheme as originally intended in accordance with the Scheme Document at the Cancellation Consideration of HK\$1.83.

If the Shareholders eligible to vote at the relevant meetings vote in favour of the proposals to adjourn the Court Meeting and the EGM respectively by way of a simple majority, the Court Meeting and the EGM will be adjourned. If the Court Meeting and the EGM are adjourned, the Supplemental Scheme Document will be despatched as soon as practicable following the adjournment of the Court Meeting and the EGM (and subject to the approval of the Grand Court as to the date of the Reconvened Court Meeting).

Forms of proxy completed and returned in respect of the Court Meeting and the EGM convened to be held on 11 June 2009 are still valid in accordance with the provisions of those forms. The appointed proxies may vote at their discretion on the proposals to adjourn the Court Meeting and the EGM respectively.

A further announcement will be made of the results of the Court Meeting and the EGM.

SUPPLEMENTAL SCHEME DOCUMENT

If the Court Meeting and the EGM are adjourned, as contemplated above, the Supplemental Scheme Document will be despatched as soon as practicable following the adjournment of the Court Meeting and the EGM, subject to the approval of the Grand Court as to the date of the Reconvened Court Meeting and in compliance with the requirements of the Takeovers Code.

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 22 May 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 3 June 2009.

WARNING

Shareholders, MS Participants and investors should be aware that the implementation of the Improved Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus may or may not become effective. Shareholders, MS Participants and investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

Reference is made to the scheme document dated 15 May 2009 which was issued by Delta Networks, Inc. (the “**Company**”) and Delta Networks Holding Limited (the “**Offeror**”) regarding the proposed privatisation of the Company by the Offeror (the “**Scheme Document**”).

Unless the context otherwise requires, terms defined in the Scheme Document have the same meanings when used in this announcement.

IMPROVED PROPOSAL

Proposed Increase in Cancellation Consideration

The Offeror has notified the Board that, in light of the current market conditions, the Offeror has proposed to increase the Cancellation Consideration from HK\$1.83 to HK\$2.20 per Scheme Share (the “**Revised Cancellation Consideration**”) (representing an increase of approximately 20.2%) in order to revise the Scheme and make the revised Scheme (the “**Revised Scheme**”) more attractive to the Independent Shareholders. The Offeror has requested the Board to put forward the Revised Scheme to the Independent Shareholders.

The Offeror and the Company have also proposed to revise the MS Offer (the “**Revised MS Offer**”, and together with the Revised Scheme, the “**Improved Proposal**”) to the MS Participants for their agreement to cancel their outstanding MS Awards.

Other than the changes mentioned in the paragraphs immediately above, no other changes are being proposed to the Proposal.

In order for the Revised Scheme to be put forward to the Independent Shareholders in accordance with the Takeovers Code, it will be necessary to adjourn the Court Meeting and the EGM be held on 11 June 2009 until such later date as the new Court Meeting may be convened at the direction of the Grand Court (the “**Reconvened Court Meeting**”). A reconvened EGM will be held as soon as the Reconvened Court Meeting has been concluded or adjourned (the “**Reconvened EGM**”).

The Offeror has stated that it will not further increase the Revised Cancellation Consideration. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Revised Cancellation Consideration (save in wholly exceptional circumstances) as a result of Rule 18.3 of the Takeovers Code.

Comparisons of value

The Revised Cancellation Consideration represents:

- a premium of approximately 43.8% 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 80.3% over the average closing price of about 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 101.8% over the average closing price of about 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 96.4% over the average closing price of about HK\$1.12 per Share as quoted on the Stock Exchange over the 90 trading days up to and including the Last Trading Date;
- an implied price to earnings multiple of approximately 12.5 times, based on the audited basic earnings per Share of approximately US\$0.0225 (equivalent to approximately HK\$0.1755) for the year ended the Last Accounting Date and a weighted average number of 1,092,265,000 Shares in issue for the year 2008;

- a premium of approximately 20.2% over the Adjusted NAV per Share of approximately HK\$1.83 (based on the Adjusted NAV per Share of approximately US\$0.2344);
- a premium of approximately 30.2% over the closing price of HK\$1.69 per Share as quoted on the Stock Exchange on 21 May 2009, being the last full trading day prior to the issue of this announcement (the “**Pre-Adjustment Date**”);
- a premium of approximately 28.7% over the average closing price of about HK\$1.71 per Share as quoted on the Stock Exchange over the 30 trading days up to and including the Pre-Adjustment Date;
- a premium of approximately 34.1% over the average closing price of about HK\$1.64 per Share as quoted on the Stock Exchange over the 60 trading days up to and including the Pre-Adjustment Date; and
- a premium of approximately 50.7% to the average closing price of about HK\$1.46 per Share as quoted on the Stock Exchange over the 90 trading days up to and including the Pre-Adjustment Date.

REVISED MS OFFER

In light of the Revised Scheme being put forward to the Independent Shareholders for consideration, the Offeror and the Company have also proposed to make the Revised MS Offer to the MS Participants for their agreement to cancel their outstanding MS Awards. If the Revised Scheme becomes effective, under the Revised MS Offer, the MS Participants will receive the following payments as consideration for their agreement to cancel their unvested MS Awards:

1. the Refund Amount from the Company; and
2. HK\$1.2562 in respect of each MS Award (the “**Revised MS Amount**”), being the amount by which the Revised Cancellation Consideration exceeds the Refund Amount in respect of each MS Award, from the Offeror,

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

The Revised 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 outstanding MS Awards being an amount equal to the Revised Cancellation Consideration.

SHAREHOLDING STRUCTURE

At the Pre-Adjustment Date, there were 1,196,886,000 Shares in issue and the Offeror held an aggregate of 712,160,000 Shares (representing approximately 59.50% of the Shares in issue).

The Scheme Shareholders held an aggregate of 484,726,000 Shares (representing approximately 40.50% of the Shares in issue) as at the Pre-Adjustment Date, of which 467,569,000 Shares were held by the Independent Shareholders (representing approximately 39.07% of the Shares in issue) and 17,157,000 Shares (representing approximately 1.43% of the Shares in issue) were held by the Concert Parties.

As at the Pre-Adjustment Date, the Offeror and the Concert Parties held an aggregate of 729,317,000 Shares (representing approximately 60.93% of the Shares in issue) and the Concert Parties held an aggregate of 14,000,000 MS Awards (representing approximately 51.0% of the outstanding MS Awards). As at the date of this announcement, the number of unvested MS Awards has been reduced to 27,452,000 from 27,512,000 (as at 13 May 2009, the Latest Practicable Date).

The Revised Scheme values the entire issued share capital of the Company at approximately HK\$2,633 million.

FINANCIAL RESOURCES

Total consideration

Based on the shareholding structure of the Company as at the Pre-Adjustment Date and assuming there will be no further changes to the shareholding structure of the Company, the amount of cash consideration required to effect the Improved Proposal would be as follows:

1. The aggregate Revised Cancellation Consideration and the aggregate Revised MS Amount payable by the Offeror in cash under the Improved Proposal will be approximately HK\$1,066.40 million and HK\$34.49 million respectively.
2. The aggregate Refund Amount payable by the Company in cash under the Revised MS Offer will be approximately HK\$25.91 million.

Confirmation of financial resources

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

The Offeror will finance the aggregate Revised Cancellation Consideration and the aggregate Revised MS Amount payable under the Improved Proposal by using its internal cash resources and funds to be drawn down under the revised bank facility which the Offeror has obtained for the purpose of financing the Improved Proposal.

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

ADJOURNMENT OF THE COURT MEETING AND THE EGM

The Court Meeting and the EGM will continue to be held on 11 June 2009.

In order for the Revised Scheme to be put forward to the Independent Shareholders in accordance with the Takeovers Code, it will be necessary to adjourn the Court Meeting and the EGM to be held on 11 June 2009 to the date of the Reconvened Court Meeting, being a date which is not less than 21 clear days after the notices of such meetings have been provided to the Shareholders. The Supplemental Scheme Document will be sent to the Shareholders for consideration together with the notices of the Reconvened Court Meeting and the Reconvened EGM.

Accordingly, the Chairman of the Court Meeting and of the EGM to be held on 11 June 2009 will propose, with the consent of the Shareholders eligible to vote at the relevant meetings, to adjourn the Court Meeting and the EGM to the date of the Reconvened Court Meeting.

Only Independent Shareholders may vote on the proposal to adjourn the Court Meeting. All the Shareholders may vote on the proposal to adjourn the EGM.

Shareholders eligible to vote at the Court Meeting and the EGM to be held on 11 June 2009 may vote for or against the proposals to adjourn the Court Meeting and the EGM, respectively, as they see fit.

If the Shareholders eligible to vote at the relevant meetings vote against the proposals to adjourn the Court Meeting and the EGM respectively by way of a simple majority (ie, more than 50% of the votes on a show of hands or, if applicable, by way of a poll), the Court Meeting and the EGM will not be adjourned. If the Court Meeting and the EGM are not adjourned, the Court Meeting and the EGM will proceed to consider and approve the Scheme as originally intended in accordance with the Scheme Document at the Cancellation Consideration of HK\$1.83.

If the Shareholders eligible to vote at the relevant meetings vote in favour of the proposals to adjourn the Court Meeting and the EGM respectively by way of a simple majority, the Court Meeting and the EGM will be adjourned. If the Court Meeting and the EGM are adjourned, the Supplemental Scheme Document will be despatched as soon as practicable following the adjournment of the Court Meeting and the EGM (and subject to the approval of the Grand Court as to the date of the Reconvened Court Meeting).

Pursuant to Rule 13.39 of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll and the relevant listed company must announce the results of the poll in accordance with the Listing Rules.

Accordingly, the resolutions for adjournment to be proposed at the Court Meeting and the EGM will both be taken by way of a poll.

The Offeror, the Concert Parties and any other persons acting in concert with the Offeror will not vote on the proposals to adjourn the Court Meeting as they are not Independent Shareholders. The Offeror and the Concert Parties intend to vote in favour of the proposal to adjourn the EGM.

Forms of proxy completed and returned in respect of the Court Meeting and the EGM to be held on 11 June 2009 are still valid in accordance with the provisions of those forms. The appointed proxies may vote at their discretion on the proposals to adjourn the Court Meeting and the EGM respectively.

A further announcement will be made of the results of the Court Meeting and the EGM.

EXPECTED TIMETABLE

The expected timetable of the Scheme as set out in the Scheme Document remains valid up until the holding of the Court Meeting and the EGM on 11 June 2009, including the closure of the Company's register of members from 9 June 2009 to 11 June 2009 (both days inclusive). However, if the Court Meeting and the EGM are adjourned as proposed, the remainder of the expected timetable as set out in the Scheme Document will no longer be valid.

A new timetable will be set out in the announcement to be made as soon as practicable after the Court Meeting and the EGM have been adjourned and in the Supplemental Scheme Document.

SUPPLEMENTAL SCHEME DOCUMENT

If the Court Meeting and the EGM are adjourned, as contemplated above, a supplemental scheme document containing details of the Improved Proposal and other relevant information (the “**Supplemental Scheme Document**”) will be despatched as soon as practicable following the adjournment of the Court Meeting and the EGM, subject to the approval of the Grand Court as to the date of the Reconvened Court Meeting and in compliance with the requirements of the Takeovers Code.

The Supplemental Scheme Document will contain, among other things, a new timetable, the views and recommendations of the IBC and the IFA in relation to the Improved Proposal, notices of the Reconvened Court Meeting and Reconvened EGM, detailed information in relation to the action to be taken by the Independent Shareholders in relation to the Revised Scheme, the Reconvened Court Meeting, the Reconvened EGM (including information in respect of the status of previously submitted forms of proxy and the procedures for submission of new forms of proxy if Shareholders who have previously submitted forms of proxy wish to change their voting instructions or to revoke or revise any proxy appointment) and any other material changes to the information published in the Scheme Document. Similarly, the Supplemental Scheme Document will also contain detailed information in relation to the action to be taken by the MS Participants in relation to the Revised MS Offer.

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 22 May 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 3 June 2009.

WARNING

Shareholders, MS Participants and investors should be aware that the implementation of the Improved Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus may or may not become effective. Shareholders, MS Participants and investors are advised to exercise caution when dealing in the Shares.

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, 2 June 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 purpose only*