
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this document or as to the actions to be taken, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent, through whom the sale or transfer was effected, for transmission to the purchaser or the transferee.

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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)

**PROPOSED PRIVATISATION
OF
DELTA NETWORKS, INC.
BY
DELTA NETWORKS HOLDING LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
AT THE REVISED CANCELLATION CONSIDERATION
OF HK\$2.20 PER SCHEME SHARE**

SUPPLEMENTAL SCHEME DOCUMENT

Financial Adviser to Delta Networks Holding Limited



Independent Financial Adviser to the IBC



The Supplemental Board Letter is set out on pages 9 to 19 of this document. The Supplemental IBC Letter, containing the IBC's advice to the Independent Shareholders and the MS Participants with respect to the Improved Proposal, is set out on pages 20 to 21 of this document. The Supplemental IFA Letter, containing the IFA's advice to the IBC with respect to the Improved Proposal, is set out on pages 22 to 40 of this document.

The actions to be taken by the Independent Shareholders, Registered Owners, Beneficial Owners and MS Participants in respect of the Improved Proposal are set out in Appendix II headed "Actions to be Taken" on pages 42 to 47 of this document.

Notices convening the Reconvened Court Meeting and the Reconvened EGM to be held at Beijing Suite I, 3/F, Marco Polo Prince Hotel, Harbour City, 23 Canton Road, Kowloon, Hong Kong on Thursday, 20 August 2009 at respectively 9:00 am and 9:30 am (or, in the case of the Reconvened EGM, immediately after the conclusion or adjournment of the Reconvened Court Meeting) are set out on pages 54 to 58 of this document.

If you have not completed and returned the Proxy Forms, you are strongly urged to complete and return the enclosed Supplemental Proxy Forms with respect to the Reconvened Court Meeting and the Reconvened EGM in accordance with the instructions printed on them. The Supplemental Proxy Forms should be lodged with the Company's branch share registrar in Hong Kong (being Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) as soon as possible, but in any event not later than the respective times and dates as stated in Appendix II headed "Actions to be Taken" on pages 42 to 47 of this document. The red Supplemental Proxy Form with respect to the Reconvened Court Meeting may also be returned in the manner set out in Appendix II headed "Actions to be Taken" on pages 42 to 47 of this document.

* For identification purpose only

23 July 2009

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IMPORTANT NOTICE

EXERCISE YOUR RIGHT TO VOTE

If you are an Independent Shareholder, we strongly encourage you to exercise your right to vote or give instructions to the relevant Registered Owner to vote at the Reconvened Court Meeting and at the Reconvened EGM. If you keep or think you may have kept any Shares in a stock lending programme, we urge you to recall any outstanding Shares on loan to avoid market participants using borrowed stocks to vote for or against the Improved Proposal, which could potentially affect the outcome of the voting results of the Revised Scheme.

If you become a Shareholder prior to 4:30 pm on Monday, 17 August 2009, you may attend the Reconvened Court Meeting and the Reconvened EGM and/or complete and return the Supplemental Proxy Forms as described in Appendix II headed “Actions to be Taken” on pages 42 to 47 of this document.

If you are an Independent Shareholder and have completed and returned the Proxy Forms, the submitted Proxy Forms will remain effective for the Reconvened Court Meeting and/or the Reconvened EGM, respectively, unless Shareholders complete and return the Supplemental Proxy Forms (in which case the Supplemental Proxy Forms will supersede the Proxy Forms) or unless a person who has previously completed and returned the Proxy Forms has subsequently disposed of the Shares to which the Proxy Forms relates. Accordingly, any Shareholders who have previously submitted the Proxy Forms but wish to change their voting instructions for the relevant meetings, or to revoke or revise any proxy appointment, must complete and return the Supplemental Proxy Forms (the red Supplemental Proxy Form for the Reconvened Court Meeting and the yellow Supplemental Proxy Form for the Reconvened EGM). Shareholders who wish their existing Proxy Forms to remain effective are not required to take any further action.

If you are a Registered Owner, you should inform the Beneficial Owner about the importance of exercising their vote.

If you are a Beneficial Owner and you wish to attend and vote at the Reconvened Court Meeting and/or the Reconvened EGM personally, please refer to the instructions set out in Appendix II headed “Actions to be Taken” on pages 42 to 47 of this document.

If you are a MS Participant (and irrespective of whether you have completed and returned the MS Acceptance Form), you are required to complete and return the Revised MS Acceptance Form, as your previously submitted MS Acceptance Form in respect of the MS Offer is void and the submission of such MS Acceptance Form will not be treated as valid acceptance of the Revised MS Offer.

If you are in any doubt as to the actions to be taken, you are encouraged to consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

IMPORTANT NOTICE

FOR DETAILS OF THE ACTIONS TO BE TAKEN BY INDEPENDENT SHAREHOLDERS, REGISTERED OWNERS, BENEFICIAL OWNERS AND MS PARTICIPANTS IN RESPECT OF THE IMPROVED PROPOSAL, YOUR ATTENTION IS DRAWN TO APPENDIX II HEADED “ACTIONS TO BE TAKEN” ON PAGES 42 TO 47 OF THIS DOCUMENT.

NOTICE TO US SHAREHOLDERS

The Improved Proposal relates to the Shares in the ordinary share capital of the Company (being an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange), and is proposed to be implemented by way of a scheme of arrangement under the Companies Law and applicable rules and regulations in Hong Kong. Accordingly, the Revised Scheme is subject to disclosure requirements, rules and practices applicable in the Cayman Islands and Hong Kong, and the information disclosed in this document may not be the same as that which would have been disclosed if this document had been prepared for the purpose of complying with the requirements of the US federal securities laws or in accordance with the laws or regulations of any other jurisdiction. The financial information included in this document may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. In addition, the settlement procedure with respect to the Improved Proposal will comply with the rules of the Takeovers Code and the Companies Law, which differ from US domestic settlement procedures in certain material respects, particularly with regard to the date of payment of consideration.

It may be difficult for US Shareholders to enforce their rights and any claim arising out of US securities law, since the Offeror and the Company are incorporated outside the US, some or all of their respective officers and directors are resident outside the US and a substantial portion of their respective assets are located outside the US. US Shareholders may not be able to sue a non-US incorporated company or its officers or directors in a non-US court for violations of US securities laws, or enforce against them a judgement rendered by a US court. Further, it may be difficult to compel a non-US incorporated company and its affiliates to subject themselves to a US court’s jurisdiction.

Neither the US Securities and Exchange Commission nor any other US federal or state securities commission or regulatory authority has approved or disapproved or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the US.

Shareholders may obtain free copies of this document at the Stock Exchange’s website at www.hkexnews.hk or the Company’s website at www.dninetworks.com.

DEFINITIONS

In this document, unless the context otherwise requires or unless the relevant terms are re-defined below, terms defined in the Scheme Document have the same meanings and the following expressions have the meanings respectively set opposite them:

“Company”	Delta Networks, Inc., an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Improved Proposal”	the proposed privatisation of the Company by the Offeror by way of the Revised Scheme and the Revised MS Offer
“Improved Proposal Announcement”	the announcement dated 2 June 2009 issued jointly by the Offeror and the Company in relation to the Improved Proposal
“Long Stop Date”	31 October 2009 (or such later date as the Offeror and the Company may agree in writing or as the Grand Court on application of the Offeror or the Company may allow)
“LPD”	20 July 2009, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
“Notice of the Reconvened Court Meeting”	the notice of the Reconvened Court Meeting as set out on pages 54 to 55 of this document
“Notice of the Reconvened EGM”	the notice of the Reconvened EGM as set out on pages 56 to 58 of this document
“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
“Pre-Adjustment Date”	21 May 2009, being the last full trading day prior to the issue of the Improved Proposal Announcement
“Reconvened Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court for the purpose of approving the Revised Scheme (which will be held at Beijing Suite I, 3/F, Marco Polo Prince Hotel, Harbour City, 23 Canton Road, Kowloon, Hong Kong at 9:00 am on 20 August 2009), or any adjournment of such meeting
“Reconvened EGM”	an extraordinary general meeting of the Company to be convened immediately following the close of the Reconvened Court Meeting for the purpose of approving the Reduction (which will be held at Beijing Suite I, 3/F, Marco Polo Prince Hotel, Harbour City, 23 Canton Road, Kowloon, Hong Kong at 9:30 am on 20 August 2009, or as soon as the Reconvened Court Meeting has been concluded or adjourned), or any adjournment of such meeting

DEFINITIONS

“Record Date”	25 September 2009 (or such later date as the Offeror and the Company may agree), being the record date for determining entitlements under the Revised Scheme
“Relevant Period”	the period commenced on the date six months before the commencement date of the Offer Period and ended on the LPD
“Revised Cancellation Consideration”	the consideration of HK\$2.20 in cash for every Scheme Share cancelled
“Revised MS Acceptance Form”	the purple form to be completed and returned by the MS Participants for acceptance of the Revised MS Offer, which is enclosed with this document for the MS Participants
“Revised MS Amount”	HK\$1.2562 in respect of each MS Award, being the amount by which the Revised Cancellation Consideration exceeds the Refund Amount in respect of each MS Award
“Revised MS Cut-Off Time”	4:00 pm on Friday, 9 October 2009 (or such later date and time as may be notified to the MS Participants by the Offeror and the Company), being the latest time to accept the Revised MS Offer
“Revised MS Notice”	the notice from the Offeror and the Company addressed to the MS Participants informing them of the Revised MS Offer and their respective positions in relation to the Revised MS Offer, which is enclosed with this document for the MS Participants
“Revised MS Offer”	the offer made by the Offeror and the Company pursuant to the Revised MS Notice for the cancellation of the outstanding MS Awards, subject to the Revised Scheme becoming unconditional
“Revised Scheme”	a scheme of arrangement under Section 86 of the Companies Law for the implementation of the Improved Proposal
“Scheme Document”	the scheme document dated 15 May 2009 issued by the Offeror and the Company to the Scheme Shareholders and the MS Participants in relation to the Scheme and the MS Offer
“Supplemental Board Letter”	the letter from the Board to the Shareholders and the MS Participants, as set out in the section headed “Supplemental Board Letter” on pages 9 to 19 of this document
“Supplemental IBC Letter”	the letter from the IBC to the Independent Shareholders and the MS Participants, as set out in the section headed “Supplemental IBC Letter” on pages 20 to 21 of this document

DEFINITIONS

“Supplemental IFA Letter”	the letter from the IFA to the IBC, as set out in the section headed “Supplemental IFA Letter” on pages 22 to 40 of this document
“Supplemental Proxy Forms”	the red form of proxy in respect of the Reconvened Court Meeting and the yellow form of proxy in respect of the Reconvened EGM, which are enclosed with this document for the Independent Shareholders

Unless otherwise specified in this document, translations of US\$ into HK\$ are made in this document, 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.

Furthermore, unless the context otherwise requires, references in the Scheme Document to “Proposal”, “Scheme” and “MS Offer” shall with effect from the date of this document be construed as references to “Improved Proposal”, “Revised Scheme” and “Revised MS Offer” respectively.

REVISED EXPECTED TIMETABLE

Hong Kong time
(unless otherwise stated)

Latest time for lodging transfers of the Shares
in order to qualify for attending and voting at
the Reconvened Court Meeting and
the Reconvened EGM4:30 pm on Monday, 17 August 2009

Register of members of the Company closed for
determination of entitlements of the relevant
Shareholders to attend and vote at the Reconvened
Court Meeting and at the Reconvened EGM ^(Note 1)Tuesday, 18 August 2009 to
Thursday, 20 August 2009
(both days inclusive)

Latest time for lodging Supplemental Proxy Forms
with the Share Registrar in respect of the:
Reconvened Court Meeting ^(Note 2)9:00 am on Tuesday, 18 August 2009

Reconvened EGM ^(Note 2)9:30 am on Tuesday, 18 August 2009

Suspension of dealing in the Shares9:30 am on Thursday, 20 August 2009

Reconvened Court Meeting ^(Note 3)9:00 am on Thursday, 20 August 2009

Reconvened EGM ^(Note 3)9:30 am on Thursday, 20 August 2009
(or immediately after the conclusion or
adjournment of the Reconvened Court Meeting)

Announcement of the results of the Reconvened
Court Meeting and the Reconvened EGM published
on the website of the Stock Exchange and
the website of the Companyno later than 7:00 pm on
Thursday, 20 August 2009

Resumption of dealing in the Shares9:30 am on Friday, 21 August 2009

Grand Court's hearing of the Company's summons
for directions in respect of the Reduction ^(Note 4)Wednesday, 26 August 2009

Latest time for dealing in the Shares4:00 pm on Friday, 18 September 2009

Grand Court Hearing ^(Note 4)Friday, 18 September 2009

Suspension of dealing in the Shares pending
withdrawal of listing on the Stock Exchange9:30 am on Monday, 21 September 2009

REVISED EXPECTED TIMETABLE

Announcement of: (1) the results of the Grand Court Hearing; (2) the Effective Date; and (3) the withdrawal of listing of the Company from the Stock Exchangeno later than 7:00 pm on Monday, 21 September 2009

Latest time for lodging transfers of the Shares to qualify for entitlements under the Revised Scheme4:30 pm on Wednesday, 23 September 2009

Register of members of the Company closed for determination of the Scheme Shareholders who are qualified for entitlements under the Revised SchemeThursday, 24 September 2009 to Friday, 25 September 2009 (both days inclusive)

Record Time4:00 pm on Friday, 25 September 2009

Effective Date ^(Notes 4 & 5)Friday, 25 September 2009

Withdrawal of the listing of the Shares on the Stock Exchange9:30 am on Monday, 28 September 2009

Cheques for the Revised Cancellation Consideration under the Revised Scheme to be despatched on or before ^(Note 6)Monday, 5 October 2009

Latest time to complete and return the Revised MS Acceptance Form by the MS Participants ^(Note 7)4:00 pm on Friday, 9 October 2009

Cheques for the Revised MS Amount and the Refund Amount under the Revised MS Offer to be despatched on or before ^(Note 8)Monday, 19 October 2009

Shareholders, MS Participants and investors should note that the timetable is subject to change. A further announcement will be made in the event that there is any material change to the expected timetable.

Notes:

- (1) The closure of the register of members of the Company during this period is not for the purpose of determining entitlements under the Revised Scheme. Instead, it is for the purpose of determining entitlements of the relevant Shareholders to attend and vote at the Reconvened Court Meeting and the Reconvened EGM.
- (2) The Supplemental Proxy Forms are to be completed and returned in accordance with the instructions printed on them and the terms set out in Appendix II headed "Actions to be Taken" on pages 42 to 47 of this document.

REVISED EXPECTED TIMETABLE

Proxy Forms which have already been completed and returned by the Shareholders will remain effective for the Reconvened Court Meeting and/or the Reconvened EGM, respectively, unless Shareholders complete and return the Supplemental Proxy Forms (in which case the Supplemental Proxy Forms will supersede the Proxy Forms) or unless a person who has previously completed and returned the Proxy Forms has subsequently disposed of the Shares to which the Proxy Forms relates. Accordingly, any Shareholders who have previously submitted the Proxy Forms but wish to change their voting instructions for the relevant meetings, or to revoke or revise any proxy appointment, must complete and return the Supplemental Proxy Forms (the red Supplemental Proxy Form for the Reconvened Court Meeting and the yellow Supplemental Proxy Form for the Reconvened EGM). Shareholders who wish their existing Proxy Forms to remain effective are not required to take any further action.

The actions to be taken by Independent Shareholders, Registered Owners, Beneficial Owners and MS Participants are set out in Appendix II headed “Actions to be Taken” on pages 42 to 47 of this document.

- (3) The Reconvened Court Meeting and the Reconvened EGM will be held at Beijing Suite I, 3/F, Marco Polo Prince Hotel, Harbour City, 23 Canton Road, Kowloon, Hong Kong at the times and dates specified above, details of which are set out in the Notice of the Reconvened Court Meeting and the Notice of the Reconvened EGM.
- (4) All references in this document to times and dates are references to Hong Kong times and dates, other than references to the expected dates of: (a) the Grand Court’s hearing of the Company’s summons for directions in respect of the Reduction; (b) the Grand Court Hearing; and (c) the Effective Date, which are the relevant dates in the Cayman Islands. Cayman Islands time is 13 hours behind Hong Kong time.
- (5) The Revised Scheme will become effective upon all the Conditions having been satisfied or waived, as applicable. An announcement will be made in the event that there is any change to the expected Effective Date. Further, an announcement will be made by the Offeror and the Company if the Revised Scheme lapses and announcements regarding the Improved Proposal will be made as and when appropriate.
- (6) The cheques to the Scheme Shareholders for the Revised Cancellation Consideration will be despatched by post within 10 days of the Effective Date. For further details, please refer to paragraph 17 headed “Registration and Payment” on pages 67 to 68 of the Scheme Document, and paragraph 12 headed “Registration of Shares and Payment” in the Supplemental Board Letter.
- (7) The MS Participants who wish to accept the Revised MS Offer must return the signed Revised MS Acceptance Form to the Company in accordance with the terms set out in Appendix II headed “Actions to be Taken” on pages 42 to 47 of this document.

MS Participants who have already completed and returned the MS Acceptance Forms are required to complete and return the Revised MS Acceptance Form, as the previously submitted MS Acceptance Forms in respect of the MS Offer are void and the submission of such MS Acceptance Forms will not be treated as valid acceptances of the Revised MS Offer.

The actions to be taken by the MS Participants are set out in Appendix II headed “Actions to be Taken” on pages 42 to 47 of this document.

- (8) The cheques to the MS Participants for the Revised MS Amount and the Refund Amount will be despatched by post within 10 days of the Effective Date (in respect of acceptances received on or before the Effective Date) or within 10 days of the date of receipt of a duly completed Revised MS Acceptance Form (in respect of acceptances received after the Effective Date, provided that such Revised MS Acceptance Form must be completed and returned before the Revised MS Cut-Off Time). For further details, please refer to paragraph 17 headed “Registration and Payment” on pages 67 to 68 of the Scheme Document, and paragraph 12 headed “Registration of Shares and Payment” in the Supplemental Board Letter.

SUPPLEMENTAL BOARD LETTER



Executive Directors:

Mr. Liang Ker-Uon, Sam
Mr. Cheng An, Victor

Non-executive Directors:

Mr. Cheng Chung Hua, Bruce
Mr. Hai Ing-Jiunn, Yancey

Independent non-executive Directors:

Mr. Zue Wai To, Victor
Mr. Liu Chung Laung
Mr. Shen Bing

Registered office:

Scotia Centre
4th Floor
PO Box 2804
George Town
Grand Cayman
Cayman Islands

*Principal place of business
in Hong Kong:*

Level 28
Three Pacific Place
1 Queen's Road East
Hong Kong

23 July 2009

To the Shareholders and the MS Participants

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF
DELTA NETWORKS, INC.
BY
DELTA NETWORKS HOLDING LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
AT THE REVISED CANCELLATION CONSIDERATION
OF HK\$2.20 PER SCHEME SHARE**

1. EVENTS TO DATE

The Proposal

On 12 March 2009, the Offeror requested the Board to put forward the Proposal to the Independent Shareholders and the MS Participants regarding a proposed privatisation of the Company by way of the Scheme and the MS Offer.

SUPPLEMENTAL BOARD LETTER

The Scheme Document

The Scheme Document in relation to the Proposal was despatched to the Independent Shareholders and the MS Participants on 15 May 2009 and includes, among other things:

- (a) the Board Letter;
- (b) the IBC Letter;
- (c) the IFA Letter;
- (d) the Explanatory Statement explaining the terms and effect of the Scheme and the MS Offer and providing the Scheme Shareholders and the MS Participants with other relevant information in relation to the Scheme and the MS Offer;
- (e) the Notice of Court Meeting, originally convened to be held at 11:00 am on Thursday, 11 June 2009 and the Notice of EGM, originally convened to be held at 11:30 am (or as soon as the Court Meeting has been concluded or adjourned) on the same date; and
- (f) the Proxy Forms in relation to the Court Meeting and the EGM.

In addition to the Scheme Document, the MS Participants also received the MS Notice and the MS Acceptance Form in relation to the MS Offer.

The Improved Proposal

As stated in the Improved Proposal Announcement, the Offeror proposed to increase the Cancellation Consideration from HK\$1.83 to HK\$2.20 per Scheme Share and requested the Board to put forward the Revised Scheme to the Independent Shareholders. The Offeror and the Company 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 made to the Proposal.

Adjournment of the Court Meeting and the EGM

The Improved Proposal Announcement explained that, in order for the Improved Proposal to be put forward to the Independent Shareholders in accordance with the Takeovers Code, it was necessary to adjourn the Court Meeting and the EGM to the date of the Reconvened Court Meeting, being a date which is not less than 21 clear days after the Notice of the Reconvened Court Meeting and the Notice of the Reconvened EGM (which are enclosed with this document) have been provided to the Shareholders.

Accordingly, such resolutions were duly passed at the Court Meeting and the EGM, adjourning each meeting to the date of the Reconvened Court Meeting.

SUPPLEMENTAL BOARD LETTER

No Increase Statement

The Offeror has also stated in the Improved Proposal Announcement that they would not further increase the Revised Cancellation Price. Shareholders and investors should be aware that, following the making of that 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.

2. THE IMPROVED PROPOSAL

Revised Cancellation Consideration

Under the terms of the Improved Proposal, subject to the satisfaction or waiver (as applicable) of the Conditions, the Revised Scheme will be implemented and the Scheme Shares will be cancelled and, as consideration, all of the Scheme Shareholders whose names appear on the register of members of the Company at the Record Time will be entitled to receive from the Offeror the Revised Cancellation Consideration:

HK\$2.20 in cashfor every Scheme Share cancelled

Revised MS Offer

The Offeror and the Company have, by the Revised MS Notice, made the Revised MS Offer to the MS Participants for their agreement to cancel their outstanding MS Awards. The Revised MS Offer is conditional upon the Revised Scheme becoming effective. 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:

- (i) the Refund Amount from the Company; and
- (ii) the Revised MS Amount from the Offeror,

which in aggregate represents 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 equivalent to the Revised Cancellation Consideration.

Revised Expected Timetable

The revised expected timetable for the implementation of the Improved Proposal is set out on pages 6 to 8 of this document.

SUPPLEMENTAL BOARD LETTER

No other changes

Except as stated above in relation to the Revised Cancellation Consideration, the consequential changes in relation to the Revised MS Offer and the revised expected timetable, all other terms of the Proposal as set out in the Scheme Document remain unchanged and constitute the terms of the Improved Proposal.

3. COMPARISON 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;
- a premium of approximately 30.2% over the closing price of HK\$1.69 per Share as quoted on the Stock Exchange on 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;
- 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;
- a premium of approximately 8.4% over the closing price of about HK\$2.03 per Share as quoted on the Stock Exchange on the LPD;
- a premium of approximately 8.9% over the average closing price of about HK\$2.02 per Share as quoted on the Stock Exchange over the 10 trading days up to and including the LPD;

SUPPLEMENTAL BOARD LETTER

- a premium of approximately 9.5% over the average closing price of about HK\$2.01 per Share as quoted on the Stock Exchange over the 20 trading days up to and including the LPD;
- 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); and
- 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.

Highest and Lowest Prices

During the Relevant Period, the highest closing price and the lowest closing price of the Shares as quoted on the Stock Exchange were HK\$2.20 per Share on 20 August 2008 and HK\$0.69 per Share on 8 December 2008 respectively.

A summary of the closing prices of the Shares as quoted on the Stock Exchange: (i) on the last Business Day of each of the calendar months since August 2008 up to the date of this document; (ii) on the Last Trading Date; (iii) on the Pre-Adjustment Date; and (iv) on the LPD, is set out in Appendix III headed “Updated General Information” on pages 48 to 53 of this document.

4. NUMBER OF SHARES IN ISSUE AND MS AWARDS OUTSTANDING

Scheme Shares Subject to the Revised Scheme

As at the LPD, there were 1,196,886,000 Shares in issue and the Offeror held 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 LPD, 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 LPD, 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 51.00% of the outstanding MS Awards). Save as disclosed in this paragraph, as at the LPD, the Offeror and the Concert Parties did not own or control any Shares or any convertible securities, warrants, options or derivatives in respect of Shares.

The Shares owned by the Offeror will not form part of the Scheme Shares and the Offeror will not vote at the Reconvened Court Meeting. All the Independent Shareholders will be entitled to vote at the Reconvened Court Meeting and all the Shareholders will be entitled to vote at the Reconvened EGM. The Concert Parties will, in compliance with the Takeovers Code, abstain from voting in the Reconvened Court Meeting.

SUPPLEMENTAL BOARD LETTER

MS Awards Subject to the Revised MS Offer

Between the Latest Practicable Date and the LPD, the number of unvested MS Awards has been reduced to 27,452,000 from 27,512,000.

Total Cash Consideration

If the Improved Proposal is implemented, 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. 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 Facility.

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

5. ADVICE OF THE IFA

The Supplemental IFA Letter contains KGI Capital's advice and recommendations in relation to the Improved Proposal. That letter supplements their recommendations to the IBC in relation to the Proposal as set out in the IFA Letter contained in the Scheme Document. Independent Shareholders and MS Participants are advised to carefully consider and read, in conjunction with the IFA Letter contained in the Scheme Document, the advice and recommendations contained in the Supplemental IFA Letter.

6. RECOMMENDATIONS OF THE IBC

The Supplemental IBC Letter contains the IBC's recommendations in relation to the Improved Proposal. Independent Shareholders and MS Participants are advised to carefully consider and read, in conjunction with the IBC Letter contained in the Scheme Document, the recommendations contained in the Supplemental IBC Letter.

7. MODIFICATIONS TO THE SCHEME

The Offeror and the Company have jointly consented, subject to the approval of the Grand Court, to increase the Cancellation Consideration from HK\$1.83 to HK\$2.20 per Scheme Share, in order to

SUPPLEMENTAL BOARD LETTER

make the Revised Scheme more attractive to the Independent Shareholders. In that regard, it is proposed that certain conformatory modifications be made to the Scheme. The formal proposed modifications to the Scheme are set out in Appendix I headed “Modifications to the Scheme” on page 41 of this document. Other than this, no other changes are being proposed to the Scheme, which in all other respects remain as set out in the Scheme Document.

8. NOTICE OF THE RECONVENED COURT MEETING AND THE RECONVENED EGM

The Reconvened Court Meeting has been convened for the purpose of considering and, if thought fit, passing a resolution to approve the Revised Scheme, modified as described in this document and with or without any further modifications. The Revised Scheme will be subject to the approval of the Independent Shareholders at the Reconvened Court Meeting in the manner referred to in paragraph 4 headed “Conditions of the Proposal” on page 56 of the Scheme Document.

The Court Meeting originally convened to be held on Thursday, 11 June 2009 was adjourned. The Reconvened Court Meeting will be held at 9:00 am on Thursday, 20 August 2009 at Beijing Suite I, 3/F, Marco Polo Prince Hotel, Harbour City, 23 Canton Road, Kowloon, Hong Kong. The Notice of the Reconvened Court Meeting is set out on pages 54 to 55 of this document. A red Supplemental Proxy Form for the Reconvened Court Meeting is enclosed with this document for the Independent Shareholders.

The Reconvened EGM has been convened for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the Reduction 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 the New Shares to the Offeror. The special resolution will be passed provided that it is approved by not less than three-fourths of the votes cast by the Shareholders present and voting, either in person or by proxy, at the Reconvened EGM. All the Shareholders will be entitled to attend and vote on the special resolution at the Reconvened EGM.

The EGM originally convened to be held on Thursday, 11 June 2009 was adjourned. The Reconvened EGM will be held at 9:30 am (or as soon as the Reconvened Court Meeting has been concluded or adjourned) on Thursday, 20 August 2009 at Beijing Suite I, 3/F, Marco Polo Prince Hotel, Harbour City, 23 Canton Road, Kowloon, Hong Kong. The Notice of the Reconvened EGM is set out on pages 56 to 58 of this document. A yellow Supplemental Proxy Form for the Reconvened EGM is enclosed with this document for the Shareholders.

Your attention is drawn to Appendix II headed “Actions to be Taken” on pages 42 to 47 of this document which explains the actions which the Independent Shareholders, Registered Owners, Beneficial Owners and MS Participants should take in respect of the Reconvened Court Meeting, the Reconvened EGM and the Improved Proposal.

9. CONDITIONS OF THE IMPROVED PROPOSAL

The Improved Proposal remains conditional upon the fulfilment or waiver, as applicable, of all the Conditions described in paragraph 4 headed “Conditions of the Proposal” on pages 56 to 58 of the Scheme Document. All Conditions must be fulfilled or waived (as applicable) on or before the Long Stop Date, otherwise the Improved Proposal will lapse.

SUPPLEMENTAL BOARD LETTER

Assuming that the Conditions are fulfilled (or, as applicable, waived), it is expected that the Revised Scheme will become effective on or before 25 September 2009 and the listing of the Shares on the Stock Exchange will be withdrawn on or about the Effective Date pursuant to Rule 6.15 of the Listing Rules. An announcement will be made in the event that there is any change to the expected Effective Date. Further, an announcement will be made by the Offeror and the Company if the Revised Scheme lapses and announcements regarding the Improved Proposal will be made as and when appropriate.

As at the LPD, none of the Conditions have been fulfilled or waived.

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

Further, speculation or rumour appearing in newspapers or elsewhere may not be reliable and, accordingly, Shareholders and investors should rely only on the announcements by the Company and/or the Offeror from time to time on this matter.

10. EFFECTS OF THE REVISED SCHEME

Shareholding Structure of the Company Upon Completion of the Improved Proposal

As at the LPD, details of the shareholding structure of the Company upon completion of the Improved Proposal is the same as that disclosed in paragraph 8 headed “Effects of the Scheme” on pages 60 to 61 of the Scheme Document.

Material Interests of Directors and Effects of the Revised Scheme on Such Interests

As at the LPD, details of the shareholding of the Offeror Directors, the Concert Parties and the Directors in the Company is the same as that disclosed in paragraph 8 headed “Effects of the Scheme” on pages 60 to 61 of the Scheme Document.

11. SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Revised Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished (with an equivalent number of New Shares being issued to the Offeror) and the share certificates for Scheme Shares will thereafter cease to have effect as evidence of title, and the register of members of the Company will be updated to reflect the same.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange with effect from Monday, 28 September 2009.

Dealings in the Shares on the Stock Exchange are expected to cease after 4:00 pm on Friday, 18 September 2009, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 9:30 am on Monday, 28 September 2009 pursuant to Rule 6.15 of the Listing Rules. The Shareholders will be notified by way of an announcement of the exact date on which the Revised Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective.

SUPPLEMENTAL BOARD LETTER

The Revised Scheme will lapse if any of the Conditions has not been fulfilled or waived (as applicable) on or before the Long Stop Date. The Shareholders will be notified by way of an announcement accordingly. If the Revised Scheme is withdrawn, not approved or lapses, the Shares will remain listed on the Stock Exchange.

12. REGISTRATION OF SHARES AND PAYMENT

In order to determine entitlements of the Scheme Shareholders to attend (and the Independent Shareholders to vote at) the Reconvened Court Meeting and the Shareholders to attend and vote at the Reconvened EGM, it is proposed that the register of members of the Company will be closed from Tuesday, 18 August 2009 to Thursday, 20 August 2009 (both days inclusive), or such other dates as may be notified to the Shareholders by announcement. The Shareholders, the transferees of Shares or their successors in title should ensure that their Shares are registered or lodged for registration in their names or in the name(s) of their nominees with the Share Registrar before 4:30 pm on Monday, 17 August 2009.

In the event that the Revised Scheme becomes effective, payment of the consideration for the Scheme Shares will be made to the Scheme Shareholders in accordance with the timetable and the terms of the Revised Scheme. All existing certificates representing the Scheme Shares will cease to have effect as evidence of title as from the Effective Date. In order to determine entitlements under the Revised Scheme, it is further proposed that the register of members of the Company will be closed from Thursday, 24 September 2009 to Friday, 25 September 2009 (both days inclusive), or such other dates as may be notified to the Shareholders by announcement. The Shareholders, the transferees of Shares or their successors in title should ensure that their Shares are registered or lodged for registration in their names or in the name(s) of their nominees with the Share Registrar before 4:30 pm on Wednesday, 23 September 2009.

Assuming that the Revised Scheme becomes effective on Friday, 25 September 2009: (i) cheques for the Revised Cancellation Consideration will be despatched to the Scheme Shareholders on or before Monday, 5 October 2009; and (ii) cheques for the Revised MS Amount and the Refund Amount will be despatched to the MS Participants on or before Monday, 19 October 2009.

In the absence of any specific instructions to the contrary received in writing by the Share Registrar or the Company (as the case may be) before the relevant cut-off time, cheques will be sent to the Scheme Shareholders at their respective registered addresses (or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of the Company in respect of the joint holding as it appears in the register of members of the Company at the Record Time) and to the MS Participants at their respective registered addresses.

For further details, please refer to paragraph 17 headed "Registration and Payment" on pages 67 to 68 of the Scheme Document.

13. ACTIONS TO BE TAKEN

Your attention is drawn to Appendix II headed "Actions to be Taken" on pages 42 to 47 of this document which explains the action you should take in relation to the Improved Proposal.

SUPPLEMENTAL BOARD LETTER

14. STATEMENT OF INDEBTEDNESS

At the close of business on 31 May 2009 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document), the Group did not have any outstanding bank overdrafts or loans or other similar indebtedness, mortgages, charges, guarantees or other material contingent liabilities.

The Directors have confirmed that, as at the LPD, there has been no material change to the Group's indebtedness and contingent liability position since 31 May 2009.

15. MATERIAL CHANGES OF THE GROUP

As at the LPD, there were no material changes in the financial or trading position or outlook of the Group since the Last Accounting Date.

16. MATERIAL CHANGES OF INFORMATION

Except as described in this document, there are no material changes to the information previously published in the Scheme Document.

17. RECOMMENDATIONS

Your attention is drawn to the recommendations of the IBC and the advice of the IFA in respect of the Improved Proposal, as set out in the Supplemental IBC Letter and the Supplemental IFA Letter respectively.

The Board also endorses the recommendations of the IBC. Accordingly, we recommend that:

- (i) the Independent Shareholders vote in favour of the resolution to approve the Revised Scheme at the Reconvened Court Meeting;
- (ii) the Shareholders vote in favour of the special resolution to approve and give effect to the Revised Scheme and the Reduction at the Reconvened EGM; and
- (iii) the MS Participants accept the Revised MS Offer.

18. FURTHER INFORMATION

Further information is set out in the following sections of this document: (i) the Supplemental IBC Letter; (ii) the Supplemental IFA Letter; (iii) the modifications to the Scheme set out in Appendix I to this document; (iv) the actions to be taken set out in Appendix II to this document; (v) the updated general information set out in Appendix III to this document; (vi) the Notice of the Reconvened Court Meeting; (vii) the Notice of the Reconvened EGM; and (viii) the Supplemental Proxy Forms.

Particular attention of the MS Participants is also drawn to the Revised MS Notice and the Revised MS Acceptance Form.

SUPPLEMENTAL BOARD LETTER

You are reminded that this document should be read in conjunction with the Scheme Document and you should not rely purely on the information contained in this document.

Yours faithfully
for and on behalf of the Board of
Delta Networks, Inc.
Cheng An, Victor
Executive Director

SUPPLEMENTAL IBC LETTER



23 July 2009

To the Independent Shareholders and the MS Participants

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF
DELTA NETWORKS, INC.
BY
DELTA NETWORKS HOLDING LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
AT THE REVISED CANCELLATION CONSIDERATION
OF HK\$2.20 PER SCHEME SHARE**

We refer to the Scheme Document and the supplemental scheme document dated 23 July 2009 jointly issued by the Offeror and the Company in relation to the Improved Proposal (the “**Supplemental Scheme Document**”) of which this letter forms a part. Unless the context otherwise requires, terms defined in the Supplemental Scheme Document have the same meanings when used in this letter.

We refer to our appointment as members of the IBC to give recommendations with respect to the Improved Proposal, details of which are described in the Supplemental Scheme Document.

KGI Capital has been engaged as the IFA to advise the IBC with respect to the Improved Proposal. Details of the advice from KGI Capital and the principal factors which KGI Capital has taken into consideration in arriving at its recommendations are set out in the “IFA Letter” on pages 23 to 51 of the Scheme Document and in the Supplemental IFA Letter.

We also wish to draw the attention of the Independent Shareholders and the MS Participants to the information set out in the Scheme Document and the Supplemental Scheme Document.

Recommendations

Having reviewed the terms of the Improved Proposal, the IFA Letter and the Supplemental IFA Letter, we consider that the terms of the Revised Scheme are fair and reasonable so far as the Independent

SUPPLEMENTAL IBC LETTER

Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution to approve the Revised Scheme at the Reconvened Court Meeting and the Shareholders vote in favour of the special resolution to approve and give effect to the Revised Scheme and the Reduction at the Reconvened EGM.

In respect of the Revised MS Offer, having considered the terms of the Revised MS Offer, the IFA Letter and the Supplemental IFA Letter, we consider that the terms of the Revised MS Offer are also fair and reasonable so far as the MS Participants are concerned, as 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 equivalent to the Revised Cancellation Consideration. Accordingly, we recommend the MS Participants to accept the Revised MS Offer.

In our personal capacity as both Independent Shareholders and MS Participants, we intend to vote in favour of the resolution to approve the Revised Scheme at the Reconvened Court Meeting, to vote in favour of the special resolution to approve and give effect to the Revised Scheme and the Reduction at the Reconvened EGM, and to accept the Revised MS Offer.

Yours faithfully,

Independent Committee of the Board

Mr. Zue Wai To, Victor
Independent non-executive Director

Mr. Liu Chung Laung
Independent non-executive Director

SUPPLEMENTAL IFA LETTER

Set out below is the text of the letter of advice from KGI Capital Asia Limited, the independent financial adviser to the IBC of Delta Networks, Inc., prepared for inclusion in this supplemental scheme document.



KGI Capital Asia Limited

27/F, ICBC Tower
Citibank Plaza
3 Garden Road
Central, Hong Kong

Tel: 2878 6888
Fax: 2970 0080

23 July 2009

To the IBC of Delta Networks, Inc.

Dear Sirs,

**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**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the IBC in respect of the Improved Proposal, details of which are contained in this supplemental scheme document dated 23 July 2009 (the “Supplemental Scheme Document”), of which this letter forms a part. This letter should be read in conjunction with the “Letter from the IFA” in the Scheme Document (the “First IFA Letter”). Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Scheme Document and the Supplemental Scheme Document. In addition, the expression of “NT\$” used in this letter shall mean New Taiwan dollars. For the purpose of illustration only, conversion of US dollars into Hong Kong dollars in this letter is based on the exchange rate of US\$1 = HK\$7.8 and conversion of New Taiwan dollars into Hong Kong dollars in this letter is based on the exchange rate of NT\$4.24 = HK\$1.

SUPPLEMENTAL IFA LETTER

Reference is made to the Announcement, the Scheme Document and the Improved Proposal Announcement. As stated in the Improved Proposal Announcement, the Offeror proposed to increase the Cancellation Consideration from HK\$1.83 to HK\$2.20 per Scheme Share and requested the Board to put forward the Revised Scheme to the Independent Shareholders. The Offeror and the Company also proposed to make the Revised MS Offer to the MS Participants for their agreement to cancel their outstanding MS Awards. The Revised MS Offer is conditional upon the Revised Scheme becoming effective.

THE IBC

The IBC (comprising Mr. Zue Wai To, Victor and Mr. Liu Chung Laung, being two of the three independent non-executive Directors) has been established to advise the Independent Shareholders and the MS Participants in respect of the Improved 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 would 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 Improved Proposal and are therefore not eligible to be members of the IBC.

We, KGI Capital, have been appointed to advise the IBC in respect of the Improved Proposal. The IBC has approved the appointment of KGI Capital as the independent financial adviser to the IBC in this respect. KGI Capital is not associated or connected with the Company, the Offeror, the Parent or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Improved Proposal. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, the Parent or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, financial information and facts supplied, and the opinions and representations expressed to us by the Company, the Directors and the management of the Company. We have also assumed that all such information, financial information, facts, statements of belief, opinion and intention and representation made to us by the Directors or referred to in the Scheme Document and the Supplemental Scheme Document were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Scheme Document, the Supplemental Scheme Document and provided to us by the Company, the Directors and the management of the Company. We have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Scheme Document and the Supplemental Scheme Document. We have also assumed that all statement of intention of the Company, the Directors, management of the Company, the Offeror and the Parent as set out in the Scheme Document and the Supplemental Scheme Document will be implemented. We have assumed that all information and representations made or referred to in the Scheme Document,

SUPPLEMENTAL IFA LETTER

the Supplemental Scheme Document and provided to us by the Company, the Directors and the management of the Company, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and shall continue to be true, complete and accurate at the date of the Reconvened Court Meeting and the Reconvened EGM.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Company, the Directors and the management of the Company in connection with the Improved Proposal and discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the Improved Proposal. Relevant information and documents included, among other things, the prospectus of the Company dated 22 June 2007, the annual report of the Company for the year ended 31 December 2007, the annual report of the Company for the year ended 31 December 2008, the Scheme Document and the various sections contained in the Supplemental Scheme Document. We believe that we have reviewed sufficient information to enable us to reach an informed view, to justify our reliance on the accuracy of the information contained in the Scheme Document and the Supplemental Scheme Document and to provide a reasonable basis for our opinion regarding the terms of the Improved Proposal. We have not, however, carried out any independent verification of the information and representations provided to us by the management of the Company and the Directors nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company, the Offeror, the Parent or their respective subsidiaries or associated companies.

We have not considered the tax, regulatory and other legal implications on the Independent Shareholders and the MS Participants of their acceptances or non-acceptance of the Revised Scheme and the Revised MS Offer respectively since these are particular to their individual circumstances. In particular, the Independent Shareholders and the MS Participants who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Revised Scheme and the Revised MS Offer in respect of their Scheme Shares and the outstanding MS Awards (where applicable) and, if in any doubt, should consult their own professional advisers.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of, the LPD. Our opinion does not in any manner address the Company's or the Offeror's own decision to proceed with the Improved Proposal. Except for its inclusion in the Supplemental Scheme Document, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

SUPPLEMENTAL IFA LETTER

PRINCIPAL TERMS OF THE IMPROVED PROPOSAL

In summary, the Improved Proposal involves the following:

The Revised Cancellation Consideration

Under the terms of the Improved Proposal, subject to the satisfaction or waiver (as applicable) of the Conditions, the Revised Scheme will be implemented and the Scheme Shares will be cancelled and, as consideration, all of the Scheme Shareholders whose names appear on the register of members of the Company at the Record Time will be entitled to receive from the Offeror the Revised Cancellation Consideration:

HK\$2.20 in cash for every Scheme Share cancelled

As stated in the Improved Proposal Announcement, the Offeror will not further increase the Revised Cancellation Consideration. Shareholders and investors should be aware that, following the making of that 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.

The Revised MS Offer

The Offeror and the Company have, by the Revised MS Notice, made the Revised MS Offer to the MS Participants for their agreement to cancel their outstanding MS Awards. The Revised MS Offer is conditional upon the Revised Scheme becoming effective. 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:

- (a) the Refund Amount for the Company; and
- (b) the Revised MS Amount from the Offeror,

which in aggregate represents 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 each of the MS Participants will be entitled to receive a price for each of the outstanding MS Awards being an amount equivalent to the Revised Cancellation Consideration.

Particular attention of the MS Participants is drawn to the Revised MS Notice and the Revised MS Acceptance Form. The MS Participants who wish to accept the Revised MS Offer need to return the completed and signed Revised MS Acceptance Form to the Company before the Revised MS Cut-Off Time.

SUPPLEMENTAL IFA LETTER

No other changes

Except in relation to the Revised Cancellation Consideration, the consequential changes in relation to the Revised MS Offer and the revised expected timetable as set out in the Supplemental Scheme Document, all other terms of the Proposal as set out in the Scheme Document remain unchanged and constitute the terms of the Improved Proposal.

The Scheme Shares subject to the Revised Scheme

As stated in the Supplemental Board Letter contained in the Supplemental Scheme Document, as at the LPD, there were 1,196,886,000 Shares in issue and the Offeror held 712,160,000 Shares (representing approximately 59.5% of the total Shares in issue). The Scheme Shareholders held an aggregate of 484,726,000 Shares (representing approximately 40.5% of the total Shares in issue) as at the LPD, of which 467,569,000 Shares were held by the Independent Shareholders (representing approximately 39.1% of the total Shares in issue) and 17,157,000 Shares (representing approximately 1.4% of the total Shares in issue) were held by the Concert Parties.

As at the LPD, the Offeror and the Concert Parties held an aggregate of 729,317,000 Shares (representing approximately 60.9% of the total 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 stated in the Supplemental Board Letter in the Supplemental Scheme Document, save as disclosed in this paragraph, as at the LPD, the Offeror and the Concert Parties did not own or control any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares. Between the Latest Practicable Date and the LPD, the number of unvested MS Awards has been reduced to 27,452,000 from 27,512,000.

The Shares owned by the Offeror will not form part of the Scheme Shares and the Offeror will not vote at the Reconvened Court Meeting. All the Independent Shareholders will be entitled to vote at the Reconvened Court Meeting and all the Shareholders will be entitled to vote at the Reconvened EGM. The Concert Parties will, in compliance with the Takeovers Code, abstain from voting at the Reconvened Court Meeting.

As at the LPD, 61,837,600 Shares (representing approximately 5.2% of the total Shares in issue) were held by HSBC Trustee in trust under the EIS. 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 at the Reconvened Court Meeting and the Reconvened EGM.

Conditions of the Improved Proposal

The Improved Proposal remains conditional upon the fulfilment or waiver as applicable, of all the Conditions described in the paragraph headed “Conditions of the Proposal” contained in the Scheme Document. All Conditions must be fulfilled or waived (as applicable) on or before the Long Stop Date,

SUPPLEMENTAL IFA LETTER

otherwise the Improved Proposal will lapse. As at the LPD, none of the Conditions have been fulfilled or waived. If the Revised Scheme is withdrawn, not approved or lapses, the Shares will remain listed on the Stock Exchange. The Independent Shareholders and the MS Participants are recommended to read the terms and conditions of the Improved Proposal and the Revised MS Offer carefully.

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

RECENT PRIVATISATION TRANSACTIONS IN HONG KONG

For information only, we set out in the table below the privatisation transactions involving companies listed on the Stock Exchange announced since 1 January 2008 and up to the LPD (i) by way of scheme of arrangement; or (ii) by way of voluntary general offer with acceptance condition of at least 90% and intention to exercise compulsory acquisition if such offer becomes unconditional:

Date of initial announcement of privatisation	Company	Stock Code	Offer or cancellation price (HK\$)	Premium/(Discount) of offer or cancellation price over/(to) the average closing prices of the shares of the relevant companies for different periods up to and including the last trading date prior to initial announcement of privatisation and the closing prices of the shares on the last trading date prior to initial announcement of privatisation				Result
				1 month	3 months	6 months	the last trading date	
13 February 2008	Pacific Century Premium Developments Limited	432	2.85	20.8%	15.9%	15.4%	26.1%	Failed
28 February 2008	Mirabell International Holdings Limited	1179	6.00	15.6%	18.3%	19.5%	15.2%	Successful
2 June 2008	China Netcom Group Corporation (Hong Kong) Limited (Note 2)	906	27.87	14.1%	19.5%	18.1%	3.0%	Successful
10 June 2008	CITIC International Financial Holdings Limited (Notes 1 and 2)	183	7.5	41.8%	63.0%	65.2%	31.6%	Successful
4 November 2008	PCCW Limited (Note 1)	8	4.5	35.5%	1.4%	(3.2%)	63.6%	Failed
25 November 2008	Natural Beauty Bio-Technology Limited	157	1.2	(7.7%)	(20.5%)	(26.4%)	(15.5%)	Failed
3 December 2008	GST Holdings Limited	416	3.38	107.4%	65.7%	48.2%	77.9%	Pending
22 December 2008	Shaw Brothers (Hong Kong) Limited	80	13.35	73.4%	54.0%	(4.5%)	64.2%	Successful

SUPPLEMENTAL IFA LETTER

Date of initial announcement of privatisation	Company	Stock Code	Offer or cancellation price (HK\$)	Premium/(Discount) of offer or cancellation price over/(to) the average closing prices of the shares of the relevant companies for different periods up to and including the last trading date prior to initial announcement of privatisation and the closing prices of the shares on the last trading date prior to initial announcement of privatisation				Result
				the last trading date				
				1 month	3 months	6 months	the last trading date	
17 February 2009	Crocodile Garments Limited (Note 1)	122	0.42	104.9%	103.9%	85.0%	101.9%	Failed
23 February 2009	China Resources Microelectronics Limited	597	0.30	125.6%	163.2%	154.2%	80.7%	Failed
24 February 2009	Nam Tai Electronic & Electrical Products Limited	2633	1.5	134.4%	134.4%	105.5%	163.2%	Failed
19 May 2009	Nam Tai Electronic & Electrical Products Limited	2633	1.52	5.6%	46.2%	83.1%	2.0%	Pending
22 May 2009	The Ming An (Holdings) Company Limited (Note 2)	1389	1.3	49.4%	60.5%	71.1%	44.4%	Pending
25 May 2009	Stone Group Holdings Limited	409	0.48	44.6%	68.4%	68.4%	39.1%	Pending
1 June 2009	Oriental Press Group Limited	18	0.95	21.8%	30.1%	31.9%	15.9%	Pending
Median				41.8%	54.0%	48.2%	39.1%	
Maximum				134.4%	163.2%	154.2%	163.2%	
Minimum				(7.7%)	(20.5%)	(26.4%)	(15.5%)	
12 March 2009	The Improved Proposal (Note 3)	722	2.20	77.4%	101.8%	64.2%	43.8%	

Notes:

1. The offer price of the privatisation proposal of the respective company was revised upwards after the initial announcement of privatisation. The computation was based on the revised offer price.
2. The offer in the privatisation proposal of the respective company consisted of share exchange offer or cash plus share exchange offer. The computation above was based on, among other things, the closing price of the respective shares to be exchanged (if they were publicly listed) before the initial announcement of the privatisation proposal.
3. The calculation of the respective premium of the offer price as represented by the Improved Proposal was based on (i) the Revised Cancellation Consideration of HK\$2.20 per Scheme Share; and (ii) the respective average closing prices of the Shares for different periods up to and including the Last Trading Date.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

The IBC, the Independent Shareholders and the MS Participants are strongly advised to read this letter in conjunction with the First IFA Letter.

In arriving at our recommendations to the IBC with regard to the Improved Proposal and the Revised MS Offer, we have added additional considerations to the principal factors and reasons as set out in the First IFA Letter in order to take into account the increase of the Cancellation Consideration from HK\$1.83 to HK\$2.20 for each Scheme Share under the Improved Proposal. As some of the principal factors and reasons considered as stated in the First IFA Letter, namely, information of the Company, reasons for the Proposal, financial information of the Group, information on the Offeror and the Parent and the Offeror's intention regarding the Group, trading volume of the Shares, comparison of trading volume of the Shares and the Comparable Companies, remain the same, we maintain our observations and views as set out in the First IFA Letter pertaining to these information and analysis and they have not been discussed again in this letter. As such, the IBC, the Independent Shareholders and the MS Participants are strongly advised to read this letter in conjunction with the First IFA Letter. We set out below our additional considerations to the following principal factors and reasons:

1. Future prospects of the Group

Subsequent to the First IFA Letter, we have noted several updates to the macroeconomic statistics mentioned in the First IFA Letter and set out below.

Following an approximately 6.3% decrease in the real Gross Domestic Product ("GDP") of the United States in the fourth quarter of 2008 (i.e. from the third quarter to the fourth quarter of 2008), the real GDP of the United States further decreased at an annual rate of approximately 5.5% in the first quarter of 2009 (i.e. from the fourth quarter of 2008 to the first quarter of 2009), according to the final estimates released by the Bureau of Economic Analysis of the Department of Commerce of the United States (the "BEA") which were based on more complete and current source data than were available for the advance estimates released earlier (also by BEA) as mentioned in the First IFA Letter. It was further mentioned by the BEA that the decrease in real GDP in the first quarter of 2009 was primarily due to negative contributions from export, equipment and software, private inventory investment, non-residential structures and residential fixed investment.

On the other hand, Eurostat (the Statistical Office of the European Communities) released that the Euro-zone's economy contracted by approximately 2.5% in the first quarter of 2009, further to an approximately 1.8% decrease in the fourth quarter of 2008.

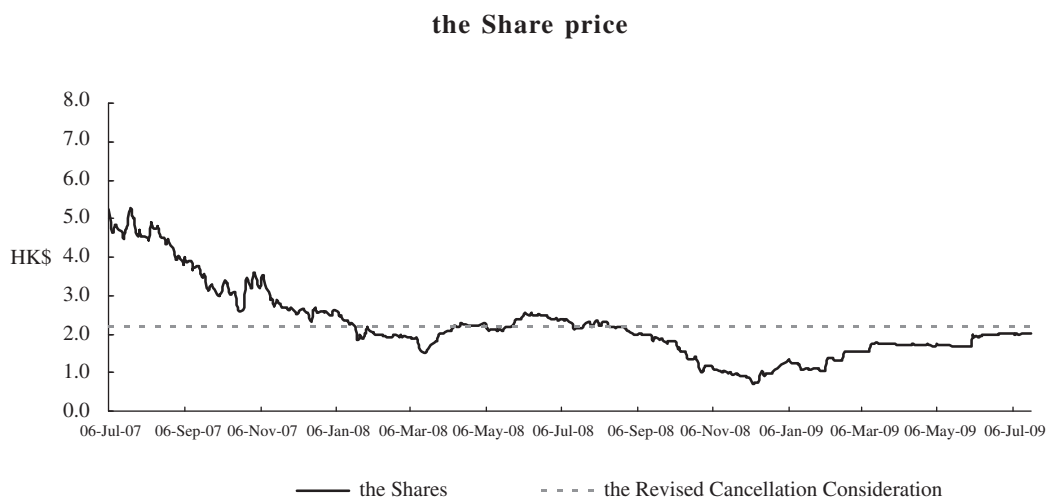
As we have not noticed any major improvement in the macroeconomic conditions, we maintain our view in the First IFA Letter that the Group will face an increasingly challenging and uncertain operating environment ahead.

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2. Historical price and trading performance of the Shares

(i) *Share price performance*

The chart below sets out the movement of the closing prices of the Shares as quoted on the Stock Exchange from 6 July 2007 (the first date of commencement of dealings in the Shares on the Stock Exchange) to the LPD (the “Revised Reviewed Period”):



Source: Bloomberg

Since the release of the Announcement and up to the Pre-Adjustment Date, the Shares have been traded within a range between HK\$1.66 and HK\$1.78 per Share. The closing price of the Shares was HK\$1.69 per Share on the Pre-Adjustment Date and increased to HK\$1.97 per Share on 3 June 2009 immediately after the release of the Improved Proposal Announcement. Since the release of the Improved Proposal Announcement, the Shares have been traded within a range between HK\$1.89 and HK\$2.04 per Share. As at the LPD, the Shares closed at HK\$2.03 per Share. We are of the opinion that the rise in Share price after the date of the Improved Proposal Announcement might have reflected the terms of the Improved Proposal.

In general, during the Revised Reviewed Period, the closing prices of the Shares were above the Revised Cancellation Consideration from July 2007 to late January 2008 and from late May 2008 to mid August 2008. However, the closing price of the Shares was below the Revised Cancellation Consideration from late January 2008 to mid April 2008 and from 21 August 2008 up to the LPD.

3. Revised Cancellation Consideration analysis

(i) *Comparable companies*

The Group is based in Taiwan and is principally engaged in the design and manufacture of a wide range of networking products (including Ethernet switches, broadband access products, wireless adaptors and routers). For comparison purpose, we have conducted our analysis based on the same pool of eleven comparable companies (the “Comparable Companies”) as set out in the First

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IFA Letter, namely, Comba Telecom Systems Holdings Ltd (“Comba”) and SIM Technology Group Ltd (“SIM Tech”), whereas Comba and SIM Tech are collectively defined as the “Hong Kong Comparable Companies”, D-LINK Corporation (“D-LINK”), Gemtek Technology Co., Ltd (“Gemtek”), CyberTAN Technology Inc. (“CyberTAN”), ZyXEL Communications Corporation (“ZyXEL”), Alpha Networks Inc. (“Alpha”), Arcadyan Technology Corporation (“Arcadyan”), Accton Technology Corp. (“Accton”), Cameo Communications, Inc. (“Cameo”) and Sercomm Corp. (“Sercomm”). D-LINK, Gemtek, CyberTAN, ZyXEL, Alpha, Arcadyan, Accton, Cameo and Sercomm are collectively defined as the “Taiwan Comparable Companies”.

(ii) *Comparison of share price performance*

As set out in the paragraph headed “Comparison of share price performance” in the First IFA Letter, the Cancellation Consideration represents significant premiums of approximately 35.4%, 50.3%, 62.8% and 10.4% respectively, as compared to the respective average closing prices of the Shares over the 10 trading days, 30 trading days, 90 trading days and 180 trading days up to and including the Last Trading Date and such premiums are larger than the medians of the premiums or discounts represented by the closing share prices of the Comparable Companies as at the Last Trading Date to the respective average closing prices over the same respective periods up to and including the Last Trading Date, being approximately -3.0%, -4.0%, 2.6% and -26.9% respectively.

We note that the premiums or discounts represented by the closing share prices of the Comparable Companies as at the Last Trading Date compared to the average closing prices of the shares of the Comparable Companies over the respective different periods up to and including the Last Trading Date did not change whilst the Cancellation Consideration was increased from HK\$1.83 to HK\$2.20 per Scheme Share. Therefore, the Revised Cancellation Consideration represents even larger premiums of approximately 62.7%, 80.7%, 95.8% and 32.7% respectively, as compared to the respective average closing prices of the Shares over the 10 trading days, 30 trading days, 90 trading days and 180 trading days up to and including the Last Trading Date. Such premiums are also significantly larger than the medians of the premiums or discounts represented by the closing share prices of the Comparable Companies as at the Last Trading Date compared to the respective average closing prices over the same respective periods up to and including the Last Trading Date.

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For illustration purpose only, we list out below the price performance of the Shares as compared to the Comparable Companies based on the closing prices of the shares of the Company and the Comparable Companies as at the LPD:

		Premium/(Discount) of the closing share prices as at the LPD relative to			
	Share price as at the LPD (HK\$/NT\$)	the average closing prices for 10 trading days up to and including the LPD	the average closing prices for 30 trading days up to and including the LPD	the average closing prices for 90 trading days up to and including the LPD	the average closing prices for 180 trading days up to and including the LPD
Comba	HK\$4.67	(1.0)%	9.8%	38.7%	96.9%
SIM Tech	HK\$0.94	3.5%	(3.1)%	20.9%	42.1%
D-LINK	NT\$29.00	4.2%	7.9%	12.6%	26.2%
Gemtek	NT\$60.40	5.6%	9.1%	13.6%	28.9%
CyberTAN	NT\$45.00	3.2%	6.5%	18.5%	52.3%
ZyXEL	NT\$20.15	1.9%	2.6%	4.9%	14.6%
Alpha	NT\$28.55	2.3%	4.9%	12.3%	35.7%
Arcadyan	NT\$75.60	4.1%	8.7%	7.0%	29.9%
Accton	NT\$10.95	0.6%	3.1%	3.5%	22.0%
Cameo	NT\$14.65	2.2%	6.8%	10.8%	27.3%
Sercomm	NT\$16.40	4.8%	3.5%	(0.5)%	15.6%
Median		3.2%	6.5%	12.3%	28.9%
Maximum		5.6%	9.8%	38.7%	96.9%
Minimum		(1.0)%	(3.1)%	(0.5)%	14.6%
The Company	HK\$2.03	0.6%	1.7%	14.4%	37.5%
The Improved Proposal	HK\$2.20	9.1%	10.2%	23.9%	49.1%
	<i>(Note)</i>				

Source: Bloomberg

Note: For the purpose of the Improved Proposal, the price performance refers to the Revised Cancellation Consideration of HK\$2.20 per Scheme Share relative to the respective average closing prices of the Shares for different trading days up to and including the LPD.

As shown in the table above, the Revised Cancellation Consideration of HK\$2.20 per Scheme Share offers higher premiums to the respective average closing prices of the Shares for the 10 trading days, 30 trading days, 90 trading days and 180 trading days up to and including the LPD as compared to the medians of the relevant premiums or discounts represented by the closing prices of the shares of the Comparable Companies as at the LPD relative to their respective average closing prices over the 10 trading days, 30 trading days, 90 trading days and 180 trading days up to and including the LPD.

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Based on the above, we consider that the Revised Cancellation Consideration provides premiums to the historical price performance of the Shares. Therefore, the Improved Proposal provides an opportunity for the Independent Shareholders to realise their holdings in the Shares at a premium to the historical performance of the Shares.

(iii) *Comparison of price to book value ratio (“PBR(s)”)*

Set out in the table below is a comparison of the PBR as implied by the Revised Cancellation Consideration and the PBRs of the Comparable Companies based on their respective average closing share prices from 13 March 2009, being the first trading day immediately after the release of the Announcement, to the LPD and the PBRs of the Comparable Companies based on their respective closing share prices as at the LPD:

Company	Average closing prices from 13 March 2009, being the first trading day immediately after the release of the Announcement, to the LPD <i>(HK\$/NT\$)</i>	PBRs (Based on the average closing prices from 13 March 2009 to the LPD) <i>(Note 1)</i>	Closing prices as at the LPD <i>(HK\$/NT\$)</i>	PBRs (Based on the closing prices as at the LPD) <i>(Note 2)</i>
Comba	HK\$3.57	1.71	HK\$4.67	2.24
SIM Tech	HK\$0.79	0.90	HK\$0.94	1.07
D-LINK	NT\$25.75	1.07	NT\$29.00	1.20
Gemtek	NT\$53.16	1.86	NT\$60.40	2.11
CyberTAN	NT\$37.96	2.70	NT\$45.00	3.21
ZyXEL	NT\$19.21	1.06	NT\$20.15	1.11
Alpha	NT\$25.41	1.43	NT\$28.55	1.60
Arcadyan	NT\$70.68	2.83	NT\$75.60	3.03
Accton	NT\$10.58	0.88	NT\$10.95	0.91
Cameo	NT\$13.22	0.91	NT\$14.65	1.01
Sercomm	NT\$16.48	1.12	NT\$16.40	1.12
Mean		1.50		1.69
Median		1.12		1.20
Maximum		2.83		3.21
Minimum		0.88		0.91
The Revised Cancellation Consideration		1.18 <i>(Note 3)</i>		1.18 <i>(Note 3)</i>

Source: Bloomberg, the Stock Exchange’s website, the Taiwan Stock Exchange Corporation’s website and latest annual results of the respective Comparable Companies

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Notes:

1. The PBRs are calculated based on (i) the consolidated net asset value attributable to the equity holders of the respective Comparable Companies as at the end of their respective latest financial year; and (ii) the respective market capitalisation of the Comparable Companies based on the average closing prices of the shares of the Comparable Companies from 13 March 2009, being the first trading day immediately after the release of the Announcement, to the LPD. The reason for using the average closing prices of the shares of the Comparable Companies during the aforesaid period is that the share prices of the Comparable Companies are volatile and therefore we are of the opinion that using the share prices on a particular date might not be appropriate for our analysis. However, for illustration purpose only, we also list out above the PBRs of the Comparable Companies based on their respective closing share prices as at the LPD.
2. The PBRs are calculated based on (i) the consolidated net asset value attributable to the equity holders of the respective Comparable Companies as at the end of their respective latest financial year; and (ii) the respective market capitalisation of the Comparable Companies based on the closing prices of the shares of the Comparable Companies as at the LPD.
3. The calculation is based on (i) the Revised Cancellation Consideration of HK\$2.20 per Scheme Share; and (ii) the adjusted consolidated net asset value per Share attributable to the Shareholders as at 31 December 2008 (adjusted to the 2008 Final Dividend and based on 1,196,886,000 Shares in issue as at the LPD) of approximately US\$0.2397 (equivalent to approximately HK\$1.87) per Share.

As illustrated in the table above, the PBRs of the Comparable Companies (based on the average closing prices of the shares of the Comparable Companies from 13 March 2009, being the first trading day immediately after the release of the Announcement, to the LPD) range from approximately 0.88 to approximately 2.83 with a mean of approximately 1.50 and a median of approximately 1.12. In addition, the PBRs of the Comparable Companies (based on the closing prices of the shares of the Comparable Companies as at the LPD) range from approximately 0.91 to approximately 3.21 with a mean of approximately 1.69 and a median of approximately 1.20. The implied PBR of the Company based on the Revised Cancellation Consideration is approximately 1.18 and we note that the implied PBR of the Company based on the Revised Cancellation Consideration is below the mean, but nevertheless around the medians and within the ranges of the PBRs of the Comparable Companies.

Based on the above, in particular that the implied PBR of the Company based on the Revised Cancellation Consideration is around the medians and within the ranges of the PBRs of the Comparable Companies, we are of the view that the Revised Cancellation Consideration represents an acceptable PBR for the Company, as compared to those of the Comparable Companies.

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(iv) *Comparison of price to earnings ratio (“PER(s)”*)

Set out in the table below is a comparison of the PER as implied by the Revised Cancellation Consideration and the PERs of the relevant Comparable Companies based on their respective average closing share prices from 13 March 2009, being the first trading day immediately after the release of the Announcement, to the LPD and the PERs of the relevant Comparable Companies based on their respective closing share prices as at the LPD:

Company <i>(Note 4)</i>	Average closing prices from 13 March 2009, being the first trading day immediately after the release of the Announcement, to the LPD <i>(HK\$/NT\$)</i>	PERs (Based on the average closing prices from 13 March 2009 to the LPD) <i>(Note 1)</i>	Closing prices as at the LPD <i>(HK\$/NT\$)</i>	PERs (Based on the closing prices as at the LPD) <i>(Note 2)</i>
Comba	HK\$3.57	14.84	HK\$4.67	19.42
SIM Tech	HK\$0.79	8.35	HK\$0.94	9.94
D-LINK	NT\$25.75	12.12	NT\$29.00	13.65
Gemtek	NT\$53.16	12.08	NT\$60.40	13.72
CyberTAN	NT\$37.96	33.80	NT\$45.00	40.07
Alpha	NT\$25.41	10.84	NT\$28.55	12.17
Arcadyan	NT\$70.68	10.80	NT\$75.60	11.55
Accton	NT\$10.58	14.09	NT\$10.95	14.59
Cameo	NT\$13.22	12.93	NT\$14.65	14.32
Sercomm	NT\$16.48	8.55	NT\$16.40	8.51
Mean		13.84		15.80
Median		12.10		13.69
Maximum		33.80		40.07
Minimum		8.35		8.51
The Revised Cancellation Consideration		13.73 <i>(Note 3)</i>		13.73 <i>(Note 3)</i>

Source: Bloomberg, the Stock Exchange’s website, the Taiwan Stock Exchange Corporation’s website and latest annual results of the respective relevant Comparable Companies

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Notes:

1. The PERs are calculated based on (i) the audited consolidated net profit attributable to the equity holders of the respective relevant Comparable Companies for their respective latest financial year; and (ii) the respective market capitalisation of the relevant Comparable Companies based on the respective average closing prices of the shares of the respective Comparable Companies from 13 March 2009, being the first trading day immediately after the release of the Announcement, to the LPD. The reason for using the average closing prices of the shares of the relevant Comparable Companies during the aforesaid period is that the share prices of the relevant Comparable Companies are volatile and therefore we are of the opinion that using the share prices on a particular date might not be appropriate for our analysis. However, for illustration purpose only, we also list out above the PERs of the relevant Comparable Companies based on their respective closing share prices as at the LPD.
2. The PERs are calculated based on (i) the audited consolidated net profit attributable to the equity holders of the respective relevant Comparable Companies for their respective latest financial year; and (ii) the respective market capitalisation of the relevant Comparable Companies based on the closing prices of the shares of the Comparable Companies as at the LPD.
3. The calculation is based on (i) the Revised Cancellation Consideration of HK\$2.20 per Scheme Share; and (ii) the audited consolidated net profit attributable to the equity holders of the Company for the year ended 31 December 2008 of approximately US\$24,586,000 (equivalent to approximately HK\$191,770,800).
4. In our analysis of the comparison of PER, ZyXEL was excluded in our analysis. Reasons for the exclusion and relevant detailed information can be referred to the section headed "Comparison of price to earnings ratio" contained in the First IFA Letter.

As illustrated in the table above, the PERs of the relevant Comparable Companies (based on the average closing prices of the shares of the Comparable Companies from 13 March 2009, being the first trading day immediately after the release of the Announcement, to the LPD) range from approximately 8.35 to approximately 33.80 with a mean of approximately 13.84 and a median of approximately 12.10 while the implied PER of the Company based on the Revised Cancellation Consideration is approximately 13.73. The Revised Cancellation Consideration implies a slightly lower PER of the Company as compared to the mean of those of the relevant Comparable Companies (based on the average closing prices of the shares of the Comparable Companies from 13 March 2009, being the first trading day immediately after the release of the Announcement, to the LPD). Nevertheless, the implied PER of the Company based on the Revised Cancellation Consideration is higher than the median and within the range of those of the relevant Comparable Companies.

Furthermore, the PERs of the relevant Comparable Companies (based on the closing prices of the shares of the Comparable Companies as at the LPD) range from approximately 8.51 to approximately 40.07 with a mean of approximately 15.80 and a median of approximately 13.69 while the implied PER of the Company based on the Revised Cancellation Consideration is approximately 13.73. The Revised Cancellation Consideration implies a moderately lower PER of the Company as compared to the mean of those of the relevant Comparable Companies (based on the closing prices of the shares of the Comparable Companies as at the LPD). Nevertheless, the implied PER of the Company based on the Revised Cancellation Consideration is higher than the median and within the range of those of the relevant Comparable Companies.

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Based on the above, in particular that the implied PER of the Company based on the Revised Cancellation Consideration is higher than the medians and within the ranges of the PERs of the relevant Comparable Companies, we are of the view that the Revised Cancellation Consideration represents an acceptable PER for the Company, as compared to those of the relevant Comparable Companies.

4. No increase statement

As stated in the Improved Proposal Announcement, the Offeror will not further increase the Revised Cancellation Consideration. Shareholders and investors should be aware that, following the making of that 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.

DISCUSSION AND ANALYSIS

Summary

The recent global financial and credit crisis and market downturn has seriously affected the global economy. As discussed in the section headed “Future prospects of the Group” above, both the United States and the Euro-zone, being the two major geographical markets of the Group’s products, have experienced a negative growth in GDP in the fourth quarter of 2008 and the first quarter of 2009. As we have not noticed any major improvement in the macroeconomic conditions, we maintain our view in the First IFA Letter that the Group will face an increasingly challenging and uncertain operating environment ahead.

As stated in the paragraph headed “Reasons for the Proposal and benefits to the Shareholders” in the “Explanatory Statement” contained in the Scheme Document, the Directors (other than members of the IBC) believe that, given the relatively low liquidity and weak performance of the Shares, access to the equity capital markets in Hong Kong 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. Having considered the analysis and the reasons behind the Proposal as set out in the First IFA Letter as well as the additional considerations to the principal factors and reasons as set out in this letter, we consider that the main benefit of the Improved Proposal to the Independent Shareholders is to provide them with an opportunity to divest their holding of the Shares in exchange for cash in the current market environment.

The Revised Cancellation Consideration

The Revised Cancellation Consideration of HK\$2.20 per Scheme Share represents a premium of approximately 43.8%, 77.4%, 101.8% and 64.2% respectively, over the closing price on the Last Trading Date, the 1-month average closing price, 3-month average closing price and the 6-month average closing price of the Shares during the respective periods up to and including the Last Trading Date. The Revised Cancellation Consideration also represents larger premiums over the respective

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average closing prices for the 10 trading days, 30 trading days, 90 trading days and 180 trading days up to and including the Last Trading Date as compared to the medians of those of the Comparable Companies based on their respective share prices as at the Last Trading Date relative to the average closing prices over the same respective periods.

The Revised Cancellation Consideration represents a PBR of approximately 1.18, which is lower than the mean of the PBRs of the Comparable Companies, being approximately 1.50, but nevertheless within the range of the PBRs of the Comparable Companies and higher than the median of the PBRs of the Comparable Companies of approximately 1.12 based on the respective average closing prices of the shares of the Comparable Companies from 13 March 2009, being the first trading day immediately after the release of the Announcement, to the LPD. In addition, the Revised Cancellation Consideration represents a PER of approximately 13.73, which is slightly lower than the mean of the PERs of the relevant Comparables Companies, being approximately 13.84, but nevertheless within the range of the PERs of the relevant Comparable Companies and higher than the median of the PERs of the relevant Comparable Companies of approximately 12.10, based on the respective average closing prices of the shares of the relevant Comparable Companies from 13 March 2009, being the first trading day immediately after the release of the Announcement, to the LPD.

The closing price of the Shares was HK\$1.69 per Share on the Pre-Adjustment Date and increased to HK\$1.97 per Share on 3 June 2009 immediately after the release of the Improved Proposal Announcement. Since the release of the Improved Proposal Announcement, the Shares have been traded within a range between HK\$1.89 and HK\$2.04 per Share. As at the LPD, the Shares closed at HK\$2.03 per Share. In our opinion, such increase in the Share price after the release of the Improved Proposal Announcement might have reflected the terms of the Improved Proposal and it is not likely that the market price of the Shares will remain at the current level in the short term if the Revised Scheme is withdrawn, not approved or lapses.

Having considered the various factors and reasons as set out in the First IFA Letter as well as the additional considerations to the principal factors and reasons as set out in this letter and also taken into account that the trading volume of the Shares was generally thin, we are of the view that, if the Independent Shareholders wish to realise their investments in the Company in the current market condition, the Improved Proposal provides a good opportunity to do so at a premium to its recent market prices and at a PBR which is within the range and around the median of the PBRs of the Comparable Companies and at a PER which is within the range and higher than the median of the PERs of the relevant Comparable Companies. Based on the above, we consider the Revised Cancellation Consideration to be fair and reasonable so far as the Independent Shareholders are concerned.

The Revised MS Offer

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 of the aggregate of the Refund Amount and the Revised MS Amount, which is equal to the Revised Cancellation Consideration. Such “see-through” principle is normally adopted in Hong Kong for privatisation

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proposals of a similar nature. On the basis that the Revised Cancellation Consideration of HK\$2.20 is considered to be fair and reasonable and given that the MS Participants will be entitled to receive an amount equal to the Revised Cancellation Consideration, we consider the terms of the Revised MS Offer to be fair and reasonable so far as the MS Participants are concerned.

We wish to draw the attention of the MS Participants to the Revised MS Notice and the Revised MS Acceptance Form. The MS Participants who wish to accept the Revised MS Offer need to return the completed and signed Revised MS Acceptance Form to the Company before the Revised MS Cut-Off Time.

OPINION AND RECOMMENDATION

Having considered the principal factors and reasons as set out in the First IFA Letter and the additional considerations to the principal factors and reasons as set out in this letter, in particular that:

- (i) as we have not noticed any major improvement in the macroeconomic conditions, we maintain our view in the First IFA Letter that the Group will face an increasingly challenging and uncertain operating environment ahead;
- (ii) the trading volume of the Shares on the Stock Exchange was generally thin;
- (iii) the Revised Cancellation Consideration provides significant premiums to the respective average closing prices of the Shares for the 10 trading days, 30 trading days, 90 trading days and 180 trading days up to and including the Last Trading Date and such premiums are larger than the respective medians of the premiums or discounts represented by the closing share prices of the Comparable Companies as at the Last Trading Date relative to the average closing prices over the same respective periods;
- (iv) we are of the view that the Revised Cancellation Consideration represents an acceptable PBR and PER for the Company, as compared to those of the relevant Comparable Companies;
- (v) the Improved Proposal provides a good opportunity to the Independent Shareholders to realise their investments in the Company in exchange for cash in the current market environment,

we, on an overall basis, consider that the terms of the Improved Proposal to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the IBC to advise the Independent Shareholders to vote in favour of the resolution to approve the Revised Scheme at the Reconvened Court Meeting and the Shareholders to vote in favour of the special resolution to approve and give effect to the Revised Scheme at the Reconvened EGM.

As discussed above, the terms of the Revised MS Offer are calculated on a “see-through” basis for the outstanding unvested MS Awards. As the MS Participants will be entitled to receive a price for each of the outstanding MS Awards being an amount of the aggregate of the Refund Amount and the Revised MS Amount, which is equal to the Revised Cancellation Consideration and such basis of

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calculation is normally adopted in Hong Kong for privatisation proposals of a similar nature, we consider the Revised MS Offer to be fair and reasonable so far as the MS Participants are concerned. We recommend the IBC to advise the MS Participants to accept the Revised MS Offer in respect of the outstanding unvested MS Awards.

Those Independent Shareholders who are concerned that the Improved Proposal may not become effective and that the Share price may fall back to lower levels existing prior to the Last Trading Date may consider disposing of their Shares in the open market before the Reconvened Court Meeting, particularly if the market price of the Shares trades close to or above the Revised Cancellation Consideration of HK\$2.20 per Scheme Share.

In making our recommendation above, we note that the Independent Shareholders are at liberty to vote and the MS Participants are at liberty to choose whether or not to accept the Revised MS Offer according to their own individual preferences and circumstances and they should consult their own professional advisers for professional advice. Independent Shareholders who are confident of the long term future prospects of the Group and/or wish to continue to retain an exposure in the Group or who are not attracted by the capital value of the Revised Cancellation Consideration as compared with the historical trading performance or their respective investment costs of the Shares may wish to vote against the resolution in relation to the Improved Proposal.

Yours faithfully,
For and on behalf of
KGI Capital Asia Limited

Laurent Leung
Director

Jimmy Chan
Senior Vice President

For and on behalf of all parties concerned in the Revised Scheme, the Offeror and the Company have jointly consented (subject to the approval of the Grand Court) to the following modifications to the Scheme:

- (a) The sum of “HK\$1.83” in the definition of “Consideration” in Recital (A) of the Scheme shall be deleted and replaced with the sum of “HK\$2.20”;
- (b) The date “16 July 2009” in the definition of “Effective Date” in Recital (A) of the Scheme shall be deleted and replaced with “25 September 2009”;
- (c) The date “3 May 2009” in the definition of “Latest Practicable Date” in Recital (A) of the Scheme shall be deleted and replaced with “20 July 2009”;
- (d) The date “16 July 2009” in the definition of “Record Date” in Recital (A) of the Scheme shall be deleted and replaced with “25 September 2009”;
- (e) The date “18 August 2009” in clause 8 of the Scheme shall be deleted and replaced with “31 October 2009”; and
- (f) The date “15 May 2009” at the end of the Scheme shall be deleted and replaced with “23 July 2009”.

ACTIONS TO BE TAKEN BY INDEPENDENT SHAREHOLDERS*Summary of background*

On 2 June 2009, the Offeror announced its proposal 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.

In order to put forward the Improved Proposal to the Independent Shareholders, the Court Meeting and the EGM have been adjourned to the date of the Reconvened Court Meeting.

The Reconvened Court Meeting is to be held at 9:00 am on Thursday, 20 August 2009, and the Reconvened EGM is to be held at 9:30 am on Thursday, 20 August 2009 (or as soon as the Reconvened Court Meeting has been concluded or adjourned). The Reconvened Court Meeting and the Reconvened EGM will be held at Beijing Suite I, 3/F, Marco Polo Prince Hotel, Harbour City, 23 Canton Road, Kowloon, Hong Kong.

The Improved Proposal remains conditional upon the fulfilment or waiver, as applicable, of all the Conditions described in paragraph 4 headed “Conditions of the Proposal” on pages 56 to 58 of the Scheme Document. All Conditions must be fulfilled or waived (as applicable) on or before the Long Stop Date, otherwise the Improved Proposal will lapse.

Eligibility to attend and vote

Only Independent Shareholders whose names are on the register of members of the Company on Thursday, 20 August 2009 will be eligible to attend and vote at the Reconvened Court Meeting.

Similarly, only Shareholders whose names are on the register of members of the Company on Thursday, 20 August 2009 will be eligible to attend and vote at the Reconvened EGM.

Supplemental Proxy Forms

Shareholders should have received, with the Scheme Document posted to Shareholders on 15 May 2009, a pink Proxy Form with respect to the Court Meeting and a white Proxy Form with respect to the EGM.

Shareholders will find enclosed with this document a red Supplemental Proxy Form for use at the Reconvened Court Meeting and a yellow Supplemental Proxy Form for use at the Reconvened EGM. These should be completed if you wish to make any proxy appointment (or to revoke or revise any proxy appointment which you have already made) in connection with the Reconvened Court Meeting and/or the Reconvened EGM.

Status of previously submitted Proxy Forms

If Shareholders whose names will be on the register of members of the Company on Thursday, 20 August 2009 have already completed and returned any of the Proxy Forms distributed with the Scheme Document, those Proxy Forms (including the voting instruction, if any, given in those Proxy Forms) will remain effective for the Reconvened Court Meeting and/or the Reconvened EGM respectively, unless you complete and return the Supplemental Proxy Forms (in which case the Supplemental Proxy Forms will supersede the Proxy Forms) or unless you have subsequently disposed of the Shares to which the Proxy Forms relates or unless you attend in person and vote at the Reconvened Court Meeting and/or the Reconvened EGM.

This means that, unless you complete and return the Supplemental Proxy Forms with new voting instructions or you attend in person and vote at the Reconvened Court Meeting and/or the Reconvened EGM, previously submitted Proxy Forms containing any votes “against” a resolution will be counted as votes “against” the relevant resolution when it is proposed at the Reconvened Court Meeting and/or the Reconvened EGM (notwithstanding the increase in the Cancellation Consideration) or, conversely, previously submitted Proxy Forms containing any votes “for” a resolution will be counted as votes “for” the relevant resolution when it is proposed at the Reconvened Court Meeting and/or the Reconvened EGM.

Shareholders who wish their existing Proxy Forms to remain effective

Shareholders whose names will be on the register of members of the Company on Thursday, 20 August 2009 and who wish any existing Proxy Forms to remain effective are not required to take any further action.

Shareholders who wish to change their voting instructions or proxy appointment

Shareholders whose names will be on the register of members of the Company on Thursday, 20 August 2009 and who wish to change their voting instructions for the Reconvened Court Meeting and/or the Reconvened EGM, or to revise any proxy appointment which has already been made, should complete and return the Supplemental Proxy Forms enclosed with this document. Any Supplemental Proxy Forms so returned will supersede any Proxy Forms which have previously been submitted by them in respect of the same Shares.

Alternatively, Shareholders can attend in person and vote at the relevant meetings. In such event, any previously completed and returned Proxy Forms will be deemed to have been revoked.

Shareholders who have not previously completed and returned any Proxy Forms

If Shareholders whose names will be on the register of members of the Company on Thursday, 20 August 2009 have not already completed and returned any Proxy Forms for the Court Meeting and/or the EGM, they should complete and return the Supplemental Proxy Forms enclosed with this document if they wish to appoint a proxy and/or give voting instructions for the Reconvened Court Meeting and/or the Reconvened EGM.

Proxy Forms submitted by persons who dispose of their Shares prior to Thursday, 20 August 2009

If a Shareholder has previously completed and returned the Proxy Forms in respect of his/her/its Shares, but is no longer the registered holder of those Shares on Thursday, 20 August 2009, the Proxy Forms submitted by the former Shareholder in respect of those Shares will not be valid for the Reconvened Court Meeting and/or the Reconvened EGM (as the case may be) and will be disregarded. Only Shareholders whose names are on the register of members of the Company on Thursday, 20 August 2009 will be eligible to attend and vote at the Reconvened Court Meeting and the Reconvened EGM respectively.

If a Shareholder whose name will be on the register of members of the Company on Thursday, 20 August 2009 has previously completed and returned the Proxy Forms for use at the Court Meeting and/or the EGM but has subsequently sold part of his shareholding since the date on which the Proxy Forms were returned, then, unless the Shareholder completes and returns the Supplemental Proxy Forms in respect of the Shareholder's remaining Shares, the previously returned Proxy Forms will remain effective for the Reconvened Court Meeting and/or the Reconvened EGM in respect of the Shareholder's remaining Shares registered in his name on Thursday, 20 August 2009.

Proxy Forms submitted by Shareholders who have subsequently acquired additional Shares

If a Shareholder has previously completed and returned the Proxy Forms for use at the Court Meeting and/or the EGM but has subsequently acquired additional Shares, such Shareholder should complete and return the Supplemental Proxy Forms enclosed with this document in respect of those additional Shares, if the Shareholder wishes to appoint a proxy and/or give voting instructions for the Reconvened Court Meeting and/or the Reconvened EGM in respect of those additional Shares. Those Supplemental Proxy Forms may be completed and returned in respect of all the Shares held by a Shareholder (in which case the Supplemental Proxy Forms will supersede the Proxy Forms previously completed and returned) or in respect of only the additional shares acquired (in which case the previously completed and returned Proxy Forms will remain effective in respect of the numbers of Shares in respect of which they were previously completed and returned).

Lodging the Supplemental Proxy Forms

If you have not completed and returned the Proxy Forms, you are strongly urged to complete and return the enclosed red Supplemental Proxy Form with respect to the Reconvened Court Meeting (and the enclosed yellow Proxy Form with respect to the Reconvened EGM) in accordance with the instructions printed on them and to lodge them with the Share Registrar as soon as possible, but in any event not later than the respective times and dates as stated below.

In order to be valid, the red Supplemental Proxy Form for use at the Reconvened Court Meeting and the yellow Supplemental Proxy Form for use at the Reconvened EGM should be lodged with the Company's branch share registrar in Hong Kong (being Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) as soon as possible, but in any event

not later than 9:00 am and 9:30 am on Tuesday, 18 August 2009, respectively. The red Supplemental Proxy Form with respect to the Reconvened Court Meeting may alternatively be handed to the chairman of the Reconvened Court Meeting at the Reconvened Court Meeting if it is not so lodged.

Shareholders not precluded from attending and voting in person

The completion and return of the Supplemental Proxy Forms (or, as applicable, the Proxy Forms) for the Reconvened Court Meeting and/or the Reconvened EGM will not preclude Shareholders from attending and voting in person at the Reconvened Court Meeting and/or the Reconvened EGM. In such event, the returned Supplemental Proxy Forms (or, as applicable, the Proxy Forms) will be deemed to have been revoked.

Closure of the register of members of the Company

For the purpose of determining the entitlements of the Scheme Shareholders to attend (and the Independent Shareholders to vote at) the Reconvened Court Meeting and the Shareholders to attend and vote at the Reconvened EGM, the register of members of the Company will be closed from Tuesday, 18 August 2009 to Thursday, 20 August 2009 (both days inclusive) and, during such period, no transfer of Shares will be effected. In order to qualify to vote at the Reconvened Court Meeting and the Reconvened EGM, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar before such closure.

Results of the Reconvened Court Meeting and the Reconvened EGM

The Independent Shareholders should note that, should they not appoint a proxy or not attend and vote at the Reconvened Court Meeting, they would still be bound by the outcome of the Reconvened Court Meeting.

An announcement will be made by the Company (no later than 7:00 pm on the day that the Reconvened Court Meeting and the Reconvened EGM are held) in relation to the results of the Reconvened Court Meeting and the Reconvened EGM. If the Revised Scheme and the Reduction are approved by the requisite majorities at the Reconvened Court Meeting and the Reconvened EGM respectively, the announcement will also include details of the last day of dealings in Shares on the Stock Exchange and the Record Time. In addition, as Cayman Islands time is 13 hours behind Hong Kong time, an announcement will be made no later than 7:00 pm on the next Business Day (Hong Kong time) after the date of the Grand Court Hearing (which will be held in the Cayman Islands) as to the results of the Grand Court Hearing (and, if the Revised Scheme is sanctioned, the Effective Date and the date of the withdrawal of the listing of the Shares on the Stock Exchange). Based on the current timetable, the latest time for dealings in Shares is expected to be 4:00 pm on Friday, 18 September 2009 and the Record Time is expected to be 4:00 pm on Friday, 25 September 2009.

ACTIONS TO BE TAKEN BY REGISTERED OWNERS AND BENEFICIAL OWNERS

If you are a Registered Owner, you should inform the Beneficial Owner about the importance of exercising his/her/its vote.

All Beneficial Owners whose Shares are held by a Registered Owner should contact the Registered Owner (or the appropriate intermediary) and check whether any voting instructions submitted before the date of this document remains valid or is void. A Beneficial Owner should provide the Registered Owner with instructions in relation to the manner in which the Shares beneficially owned by the Beneficial Owner should be voted at the Reconvened Court Meeting and/or the Reconvened EGM. Such instructions should be given before the latest time for the lodgement of the Supplemental Proxy Forms (or otherwise in accordance with the instructions of the Registered Owner, in order to provide the Registered Owner with sufficient time to accurately complete the Supplemental Proxy Forms and to submit them by the deadline stated above). To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date and time in advance of the latest time for the lodgement of the Supplemental Proxy Forms, any such Beneficial Owner should comply with the requirements of the Registered Owner.

All Beneficial Owners whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees should (unless such Beneficial Owner is an Investor Participant) contact their broker, custodian or nominee (or other relevant person who is or has in turn deposited such Shares with a CCASS participant) and check whether any voting instructions submitted before the date of this document remains valid or is void. Any Beneficial Owners should give instructions to such persons if they wish to: (i) give voting instructions or change the previous instructions given to such persons for such Shares in respect of the Revised Scheme; and (ii) have their names registered in the register of members of the Company for their shareholdings in the Company. The same timeframes for contacting their broker, custodian, nominee or other relevant person (as described in the immediately preceding paragraph) apply to such Beneficial Owners. The procedure for voting in respect of the Revised Scheme by the Investor Participants and other CCASS participants with respect to the Shares registered under the name of HKSCC Nominees will be in accordance with the “General Rules of CCASS”, the “CCASS Operational Procedures” and any other requirements of CCASS.

Any Beneficial Owner who wishes to vote at the Reconvened Court Meeting and be counted towards the number of Scheme Shareholders present and voting at the Reconvened Court Meeting for or against the Revised Scheme (as required under Section 86 of the Companies Law) must have his/her/its name entered in the register of members of the Company before the Reconvened Court Meeting.

ACTIONS TO BE TAKEN BY MS PARTICIPANTS

Status of previously submitted MS Acceptance Form

All previously submitted MS Acceptance Forms in respect of the MS Offer are void and the submission of such MS Acceptance Forms will not be treated as valid acceptances of the Revised MS Offer. Therefore, any MS Participants (whether the MS Participants have completed and returned the MS Acceptance Form or not) who wish to accept the Revised MS Offer are required to complete and return the Revised MS Acceptance Form which is enclosed with this document for the MS Participants.

Accepting the Revised MS Offer

The MS Participants who wish to accept the Revised MS Offer must complete and return the Revised MS Acceptance Form before the Revised MS Cut-Off Time. The completed and signed Revised MS

Acceptance Form must be delivered to the Company at its head office and principal place of business in Taiwan at 186 Ruey Kuang Road, Neihu, Taipei 11491, Taiwan (marked for the attention of “**Mr. Lee Yipin — Chief Financial Officer**”). No acknowledgement of receipt of the Revised MS Acceptance Form will be given.

Rejecting the Revised MS Offer

Any MS Participant who: (i) has not returned the Revised MS Acceptance Form before the Revised MS Cut-Off Time as described in the immediately preceding paragraph; or (ii) has returned the Revised MS Acceptance Form which is not duly completed and returned in accordance with the terms of the Revised MS Offer, will be taken to have forgone their right to participate in the Revised MS Offer, in which case their entitlements to the Revised MS Amount and the Refund Amount would automatically lapse, and the MS Awards will vest in accordance with the MSSS. In that event, such MS Participant will become a shareholder in an unlisted private company after the Effective Date.

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Improved Proposal, the Offeror and the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (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 document (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 document, the omission of which would make any statement in this document misleading.

The Offeror Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (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 document (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 document, the omission of which would make any statement in this document misleading.

2. UPDATE OF CERTAIN INFORMATION DISCLOSED IN APPENDIX II HEADED “GENERAL INFORMATION” OF THE SCHEME DOCUMENT

In accordance with Rule 8.5 of the Takeovers Code, the following matters dealt with in Appendix II headed “General Information” of the Scheme Document are updated as follows:

2.1 Share Capital of the Company

Between the Latest Practicable Date and the LPD, the number of unvested MS Awards has been reduced to 27,452,000 from 27,512,000. If all the unvested MS Awards were vested, a total of 27,452,000 new Shares would be issued.

Save as disclosed above, between the Latest Practicable Date and the LPD, there have been no material changes to the information in paragraph 2 of Appendix II headed “Share Capital of the Company” on page 135 of the Scheme Document.

2.2 Market Prices of the Shares

- (a) During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$2.20 per Share on 20 August 2008 and HK\$0.69 per Share on 8 December 2008 respectively.

- (b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange: (i) on the last Business Day of each of the calendar months since August 2008 up to the date of this document; (ii) on the Last Trading Date; (iii) on the Pre-Adjustment Date; and (iv) on the LPD:

Dates	Closing price (HK\$)
29 August 2008	2.08
30 September 2008	1.83
31 October 2008	1.18
28 November 2008	0.90
31 December 2008	1.21
30 January 2009	1.09
20 February 2009 <i>(Note 1)</i>	1.53
31 March 2009	1.75
30 April 2009	1.72
21 May 2009 <i>(Note 2)</i>	1.69
10 June 2009 <i>(Note 3)</i>	1.94
30 June 2009	2.02
LPD	2.03

Note 1: This is the closing price on the Last Trading Date, being the last Business Day in February 2009 on which the Shares were traded on the Stock Exchange. The Shares were suspended from trading on the Stock Exchange from 9:30 am on 23 February 2009 and resumed trading at 9:30 am on 13 March 2009, pending the release of the Announcement.

Note 2: This is the closing price on the Pre-Adjustment Date, being the last Business Day in May 2009 on which the Shares were traded on the Stock Exchange. The Shares were suspended from trading on the Stock Exchange from 9:30 am on 22 May 2009 and resumed trading at 9:30 am on 3 June 2009, pending the release of the Improved Proposal Announcement.

Note 3: This is the closing price on the last Business Day prior to the date of the Court Meeting and the EGM (ie, 11 June 2009). The Shares were suspended from trading on the Stock Exchange from 9:30 am on 11 June 2009 and resumed trading at 9:30 am on 12 June 2009.

2.3 Disclosure of Interests under the SFO

Between the Latest Practicable Date and the LPD, save as disclosed in the table below, there have been no material changes to the information in paragraph 4 of Appendix II headed “Disclosure of Interests under the SFO” on pages 136 to 139 of the Scheme Document.

Name of Director	Company or associated corporation	Capacity/ Nature of interest	Number of (underlying) Shares and class of securities ^(Note 1)	Approximate percentage of issued share capital of the Company/ associated corporation (%)
Mr. Hai Ing-Jiunn, Yancey	Parent	Beneficial owner	641,739 common stocks (L) ^(Note 2)	0.030

Note 1: The letter “L” represents the Director’s long position in the shares or underlying shares of the Company or its associated corporations.

Note 2: Mr. Hai Ing-Jiunn, Yancey’s shareholding in the Parent has decreased from 713,739 common stocks as at the Latest Practicable Date to 641,739 common stocks as at the LPD.

2.4 Disclosure of Interests under the Takeovers Code

Between the Latest Practicable Date and the LPD, there have been no material changes to the information in paragraph 5 of Appendix II headed “Disclosure of Interests under the Takeovers Code” on pages 139 to 140 of the Scheme Document.

2.5 Dealing in Shares

Between the Latest Practicable Date and the LPD, there have been no material changes to the information in paragraph 6 of Appendix II headed “Dealing in Shares” on pages 141 to 142 of the Scheme Document.

2.6 Litigation

Between the Latest Practicable Date and the LPD, there have been no material changes to the information in paragraph 7 of Appendix II headed “Litigation” on page 142 of the Scheme Document.

2.7 Material Contracts

Between the Latest Practicable Date and the LPD, there have been no material changes to the information in paragraph 8 of Appendix II headed “Material Contracts” on page 142 of the Scheme Document.

3. CONSENTS

Each of Polaris Capital and KGI Capital has given and has not withdrawn its written consent to the issue of this document, with the inclusion in this document of the text of its letter or opinion (as the case may be) and references to its name in the form and context in which they are included.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the documents listed in paragraph 11 of Appendix II headed “Documents Available for Inspection” on page 143 of the Scheme Document will continue to be available for inspection: (i) from 9:30 am to 5:30 pm, Monday to Friday (excluding any public holiday in Hong Kong), at the Hong Kong office of the Company (at Level 28, Three Pacific Place, 1 Queen’s Road East, Hong Kong); (ii) at the website of the Company at <http://www.dninetworks.com>; and (iii) at the website of the SFC at <http://www.sfc.hk>, from the date of this document until the Effective Date (or the date on which the Revised Scheme lapses, whichever is earliest). In addition, copies of the following documents will also be made available for inspection at the same locations from the date of this document until the Effective Date or the date on which the Revised Scheme lapses, whichever is earliest:

- (a) the Supplemental Board Letter;
- (b) the Supplemental IBC Letter;
- (c) the Supplemental IFA Letter; and
- (d) the written consents referred to under paragraph 3 headed “Consents” in this Appendix.

5. MISCELLANEOUS

- (a) None of the existing Directors will be given any benefit as compensation for loss of office or otherwise in connection with the Revised Scheme.
- (b) As at the LPD, there was no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Revised Scheme or otherwise connected with the Revised Scheme.
- (c) As at the LPD, there was no agreement or arrangement or understanding (including any compensation arrangement) between the Offeror or the Concert Parties (on the one part) and any of the Directors, recent Directors, Shareholders or recent Shareholders (on the other part) having any connection with or dependence upon the Revised Scheme.
- (d) As at the LPD, there was no material contract entered into by the Offeror in which any of the Directors had a material personal interest.
- (e) As at the LPD, there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between Offeror, the Concert Parties and any other person.

- (f) As at the LPD, none of the Directors has entered into any service contract with the Company or any of its subsidiaries or associated companies which: (i) have been entered into or amended within 6 months before the commencement of the Offer Period (including both continuous and fixed term contracts); (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.
- (g) As at the LPD, there were no arrangements or agreements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Improved Proposal.
- (h) On 21 May 2009, the Board resolved that, effective from 1 January 2009, the emoluments of each of the non-executive Directors be downwardly adjusted by 50% (ie, from US\$30,000 to US\$15,000 per year). Save as disclosed above, between the Latest Practicable Date and the LPD, there have been no material changes to the Directors' emoluments.
- (i) As at the LPD, there was no special arrangement which was required to be disclosed by Rule 8.5(d) of the Takeovers Code.
- (j) The Offeror does not have any intention to transfer, charge or pledge any of the Shares acquired pursuant to the Revised Scheme to any other person.
- (k) The registered office of the Offeror is at PO Box 2804, Scotia Centre, 4th Floor, George Town, Grand Cayman, Cayman Islands. As the Offeror does not have a place of business in Hong Kong, any correspondence in respect of the Improved Proposal which may need to be sent to the Offeror in Hong Kong during the Offer Period may be addressed to the Offeror (c/o Delta Electronics (HK) Ltd.) at 21/F, Prosperity Centre, 25 Chong Yip Street, Kwun Tong, Hong Kong.
- (l) The Offeror is ultimately owned by the Parent, a company incorporated in Taiwan and whose shares are listed on the Taiwan Stock Exchange Corporation. The directors of the Parent are:
- (i) Mr. Cheng Chung Hua, Bruce (Chairman);
 - (ii) Mr. Hai Ing-Jiunn, Yancey (Vice Chairman);
 - (iii) Mr. Ko Tzu Shing, Mark;
 - (iv) Mr. Cheng Ping;
 - (v) Mr. Hsu Rong Yuan, Raymond;
 - (vi) Mr. Lo Yi Chiang;
 - (vii) Mr. Chang Hsun Hai, Simon;
 - (viii) Mr. Lee Chai Yan, Fred; and

- (ix) Mr. Chang Min-Chung, Albert.

- (m) The principal place of business of Polaris Capital in Hong Kong is at Units 6503-05, The Center, 99 Queen's Road Central, Hong Kong.

- (n) The principal place of business of KGI Capital is at 27/F, ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

- (o) The company secretary of the Company is Ms. Soon Yuk Tai, *ACS, ACIS*, who is an Associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

- (p) The qualified accountant of the Company is Mr. Leung Sai Cheong, who is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

- (q) The registered office of the Company is at the offices of Offshore Incorporations (Cayman) Limited, PO Box 2804, Scotia Centre, 4th Floor, George Town, Grand Cayman, Cayman Islands.

- (r) The principal place of business of the Company in Hong Kong is at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong.

- (s) The principal share registrar and transfer agent of the Company is Butterfield Fulcrum Group (Cayman) Limited, at Butterfield House, 68 Fort Street, PO Box 705, Grand Cayman, KY1-1107, Cayman Islands.

- (t) The Share Registrar is Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- (u) The English language text of this document will prevail over the Chinese language text.

NOTICE OF THE RECONVENED COURT MEETING

IN THE GRAND COURT OF THE CAYMAN ISLANDS
CAUSE NO. 178 OF 2009

IN THE MATTER OF
DELTA NETWORKS, INC.
AND
IN THE MATTER OF
SECTION 86 OF THE COMPANIES LAW, CAP.22 (LAW 3 OF 1961)
AS CONSOLIDATED AND REVISED OF THE CAYMAN ISLANDS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 13 July 2009 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Reconvened Court Meeting**”) to be convened of the Scheme Shareholders (as defined in the Scheme of Arrangement mentioned below) for the purpose of considering and, if thought fit, approving (with or without modifications) a scheme of arrangement (the “**Revised Scheme of Arrangement**”) proposed to be made between Delta Networks, Inc. (the “**Company**”) and the Scheme Shareholders, and that the original court meeting, having been adjourned on 11 June 2009, will be reconvened at Beijing Suite I, 3/F, Marco Polo Prince Hotel, Harbour City, 23 Canton Road, Kowloon, Hong Kong on 20 August 2009 at 9:00 am (Hong Kong time) at which place and time all such Scheme Shareholders are requested to attend.

A copy of the original scheme of arrangement (the “**Scheme of Arrangement**”) and a copy of an explanatory memorandum explaining the effect of the Scheme of Arrangement are set out in the scheme document dated 15 May 2009 sent by the Company to its shareholders (the “**Scheme Document**”). A copy of the modifications to the Scheme of Arrangement proposed as at the date of this notice and further information in relation to the modified Revised Scheme of Arrangement are incorporated in the supplemental scheme document of which this notice forms a part (the “**Supplemental Scheme Document**”). A copy of the Scheme Document and the Supplemental Scheme Document can be obtained by the Scheme Shareholders from the Company’s branch share registrar in Hong Kong (being Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong).

The Scheme Shareholders may vote in person at the Reconvened Court Meeting or they may appoint one or more proxies, whether a member of the Company or not, to attend and vote in their stead. A red form of proxy for use at the Reconvened Court Meeting is enclosed with the Supplemental Scheme Document despatched to members of the Company on 23 July 2009.

NOTICE OF THE RECONVENED COURT MEETING

In the case of joint holders of a share, the vote of the senior who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which their names stand in the register of members of the Company in respect of the relevant joint holding.

It is requested that forms appointing proxies be lodged with the Company's branch share registrar in Hong Kong (being Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) as soon as possible, but in any event not later than 48 hours before the time appointed for the Reconvened Court Meeting. The red form of proxy may alternatively be handed to the chairman of the Reconvened Court Meeting at the Reconvened Court Meeting if it is not so lodged.

By the Order, the Court has appointed Mr. Liang Ker-Uon, Sam, a director of the Company (or failing him, Mr. Cheng An, Victor, also a director of the Company, or failing him, any other person who is a director of the Company as at the date of the Order), to act as the chairman of the Reconvened Court Meeting and has directed the chairman of the Reconvened Court Meeting to report the results of the Reconvened Court Meeting to the Court.

The Revised Scheme of Arrangement will be subject to a subsequent application seeking the sanction of the Court.

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

Dated 23 July 2009

Registered Office:

PO Box 2804
Scotia Centre
4th Floor
George Town
Grand Cayman
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:

Level 28
Three Pacific Place
1 Queen's Road East
Hong Kong

NOTICE OF THE RECONVENED EGM



Delta Networks, Inc.
達創科技股份有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 722)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**Reconvened EGM**”) of Delta Networks, Inc. (the “**Company**”), having been adjourned on 11 June 2009, will be reconvened at the Beijing Suite I, 3/F, Marco Polo Prince Hotel, Harbour City, 23 Canton Road, Kowloon, Hong Kong on 20 August 2009 at 9:30 am (Hong Kong time) (or so soon thereafter as the meeting of the Scheme Shareholders (as defined in the Revised Scheme of Arrangement mentioned below) reconvened by direction of the Grand Court of the Cayman Islands for the same place and day has been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following resolution as a special resolution:

SPECIAL RESOLUTION

“**THAT:**

- (A) the Revised Scheme of Arrangement dated 23 July 2009 (the “**Revised Scheme**”) between the Company and the Scheme Shareholders (as defined in the Revised Scheme) in the form of the print which has been produced to this Reconvened EGM and for the purposes of identification signed by the chairman of this Reconvened EGM (subject to such modifications, additions or conditions as may be approved or imposed by the Grand Court of the Cayman Islands) be approved;
- (B) for the purposes of giving effect to the Revised Scheme, on the Effective Date (as defined in the Revised Scheme):
 - (i) the cancellation and extinguishment of the Scheme Shares (as defined in the Revised Scheme) in consideration of which Scheme Shareholders will receive HK\$2.20 in cash for each Scheme Share;
 - (ii) subject to and forthwith upon such reduction of capital by the cancellation and extinguishment of the Scheme Shares taking effect, the share capital of the Company be increased to its former amount by allotting and issuing to the Offeror (as defined in the Revised Scheme), credited as fully paid, the same number of shares as the number of Scheme Shares cancelled and extinguished; and

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(iii) the credit arising in the books of account of the Company, as a result of the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in paragraph B(i) above, being applied in paying up in full at par the new shares issued to the Offeror (credited as fully paid) pursuant to paragraph B(ii) above,

(collectively, the “**Capital Reduction**”); and

(C) the directors of the Company be authorised to do all such acts and things as may be considered by them to be necessary or desirable in connection with the implementation of the Revised Scheme and the Capital Reduction (including, without limitation, giving consent to any modification of or addition to the Revised Scheme and the Capital Reduction, which the Grand Court of the Cayman Islands may see fit to impose).”

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

Dated 23 July 2009

Registered Office:

PO Box 2804
Scotia Centre
4th Floor
George Town
Grand Cayman
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:

Level 28
Three Pacific Place
1 Queen’s Road East
Hong Kong

Notes:

1. A member entitled to attend and vote at the Reconvened EGM is entitled to appoint one or more than one proxy to attend and to vote instead of him. A proxy need not be a member of the Company, but must attend the Reconvened EGM in person to represent him.
2. A yellow form of proxy for use at the Reconvened EGM is enclosed with the supplemental scheme document containing the Scheme which was despatched to members of the Company on 23 July 2009. The yellow form of proxy should be completed by Scheme Shareholders who wish to make any proxy appointment (or to revoke or revise any proxy appointment that was previously made) in connection with the Reconvened EGM. The lodgement of the yellow form of proxy will supersede any form of proxy that was previously lodged.

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3. In order to be valid, the yellow form of proxy (together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority) should be lodged with the Company's branch share registrar in Hong Kong (being Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) as soon as possible, but in any event not less than 48 hours before the time for holding the Reconvened EGM (or any adjournment of the Reconvened EGM). Completion and delivery of the form of proxy will not preclude a member from attending the Reconvened EGM (or any adjournment of the Reconvened EGM) and voting in person if he so wishes. In the event that a member attends and votes at the Reconvened EGM after having lodged his form of proxy, his form of proxy will be deemed to have been revoked.
4. In the case of joint holders of a share, the vote of the senior who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which their names stand in the register of members of the Company in respect of the relevant joint holding.
5. At the Reconvened EGM, the chairman of the Reconvened EGM will exercise his power under article 90 of the articles of association of the Company to put the above resolution to vote by way of a poll.
6. The register of members of the Company will be closed from 18 August 2009 to 20 August 2009 (both days inclusive) during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the Reconvened EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong (being Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) not later than 4:30 pm on 17 August 2009.

** For identification purpose only*