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DELTA NETWORKS, INC.
達 創 科 技 股 份 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 722)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The board of directors (the "Board") of Delta Networks, Inc. (the "Company" or "DNI" or "Delta Networks") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2009 together with comparative figures for the corresponding period in 2008 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended		Six months ended	
		30 June 2009	**30 June 2008**	**30 June 2009**	**30 June 2008**
		(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue	4	80,452	108,010	146,393	205,047
Cost of sales		(65,203)	(92,084)	(120,597)	(172,878)
Gross profit		15,249	15,926	25,796	32,169
Other gains - net	5	1,064	2,156	3,439	4,620
Selling expenses		(2,580)	(3,765)	(5,219)	(7,529)
General and administrative expenses		(2,878)	(3,713)	(5,473)	(6,835)
Research and development expenses		(4,155)	(5,301)	(8,810)	(10,441)
Operating profit		6,700	5,303	9,733	11,984

	Notes	Three months ended 30 June 2009 (unaudited) US$'000	Three months ended 30 June 2008 (unaudited) US$'000	Six months ended 30 June 2009 (unaudited) US$'000	Six months ended 30 June 2008 (unaudited) US$'000
Finance income-net	6	613	1,661	1,131	3,516
Profit before income tax		7,313	6,964	10,864	15,500
Income tax (expense)/credit	7	(655)	324	(816)	(808)
Profit for the period		6,658	7,288	10,048	14,692
Other comprehensive income		—	—	—	—
Total comprehensive income for the periods		6,658	7,288	10,048	14,692
Profit (total comprehensive income) attributable to:					
Equity holders of the Company		6,672	7,291	10,075	14,720
Minority interests		(14)	(3)	(27)	(28)
		6,658	7,288	10,048	14,692
Earnings per share for profit attributable to the equity holders of the Company during the period (in US cents per share)					
- Basic	8(a)	0.60	0.65	0.91	1.34
- Diluted	8(b)	0.57	0.63	0.87	1.29

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2009 *(unaudited)* *US$'000*	As at 31 December 2008 *(audited)* *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		16,337	18,047
Land use rights		275	278
Deferred income tax assets		3,947	4,169
		20,559	22,494
Current assets			
Inventories		22,859	28,248
Trade receivables	9	55,374	71,905
Prepayments and other assets		3,733	4,112
Available-for-sale financial assets		5,181	—
Derivative financial instruments		2,377	909
Cash and cash equivalents		275,983	257,920
		365,507	363,094
Total assets		386,066	385,588
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		59,844	59,149
Share premium		126,651	118,026
Other reserves		41,195	43,394
Retained earnings			
Proposed final dividend		—	9,846
Others		76,083	66,458
		303,773	296,873
Minority interests		288	315
Total equity		304,061	297,188

	Note	As at 30 June 2009 (unaudited) US$'000	As at 31 December 2008 (audited) US$'000
LIABILITIES			
Non-current liabilities			
Provisions and other liabilities		—	3,663
Retirement benefit obligations		4,287	4,123
Deferred income tax liabilities		812	829
		5,099	8,615
Current liabilities			
Trade and other payables	10	69,971	73,615
Derivative financial instruments		814	1,723
Provisions and other liabilities		4,355	2,203
Income tax payable		1,766	2,244
		76,906	79,785
Total liabilities		82,005	88,400
Total equity and liabilities		386,066	385,588
Net current assets		288,601	283,309
Total assets less current liabilities		309,160	305,803

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Share capital	Share premium	Other reserves	Retained earnings	Subtotal	Minority interests	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the six months ended 30 June 2009							
Balance at 1 January 2009	59,149	118,026	43,394	76,304	296,873	315	297,188
Profit for the period	—	—	—	10,075	10,075	(27)	10,048
Management share subscription scheme reward	—	—	533	—	533	—	533
Employee incentive scheme reward	—	—	4,544	—	4,544	—	4,544
Management share subscription scheme reward settled by Company's shares	695	2,588	(1,601)	—	1,682	—	1,682
Employee incentive scheme reward settled by Company's shares	—	6,037	(6,037)	—	—	—	—
Transfer to statutory reserves	—	—	362	(362)	—	—	—
Dividend related to 2008 paid in 2009	—	—	—	(9,934)	(9,934)	—	(9,934)
Balance at 30 June 2009	59,844	126,651	41,195	76,083	303,773	288	304,061
For the six months ended 30 June 2008							
Balance at 1 January 2008	59,840	117,024	43,565	66,158	286,587	287	286,874
Profit for the period	—	—	—	14,720	14,720	(28)	14,692
Management share subscription scheme reward	—	—	933	—	933	—	933
Employee incentive scheme reward	—	—	4,582	—	4,582	—	4,582
Reversal of Employee incentive scheme reward	—	—	(2,288)	—	(2,288)	—	(2,288)
Management share subscription scheme reward settled by Company's shares	699	2,683	(1,691)	—	1,691	—	1,691
Employee incentive scheme reward settled by Company's shares	—	5,535	(5,535)	—	—	—	—
Repurchase and cancellation of shares	(1,055)	(5,518)	—	—	(6,573)	—	(6,573)
Transfer to statutory reserves	—	—	1,317	(1,317)	—	—	—
Dividend related to 2007 paid in 2008	—	—	—	(12,440)	(12,440)	—	(12,440)
Balance at 30 June 2008	59,484	119,724	40,883	67,121	287,212	259	287,471

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2009 *(unaudited)* *US$'000*	Six months ended 30 June 2008 *(unaudited)* *US$'000*
Net cash generated from operating activities	34,902	10,875
Net cash used in investing activities	(4,882)	(531)
Net cash used in financing activities	(10,004)	(19,079)
Foreign exchange adjustment	(1,953)	(407)
Net increase/(decrease) in cash and cash equivalents	18,063	(9,142)
Cash and cash equivalents at the beginning of the period	257,920	251,969
Cash and cash equivalents at the end of the period	275,983	242,827

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

Delta Networks, Inc. ("the Company" or "DNI") was incorporated in the Cayman Islands on 25 November 2002 as an exempted company with limited liability under the Company Law, Cap 22, (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company and its subsidiaries (collectively "the Group") is engaged in the manufacturing and selling of networking system and peripherals. Its production bases are primarily located in Mainland China and Taiwan.

The address of its registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands. Its immediate holding company is Delta Networks Holding Ltd. ("DNHL") which is incorporated in the Cayman Islands, and its ultimate holding company is Delta Electronics, Inc. ("DEI"), which is incorporated in Taiwan and listed on Taiwan Stock Exchange Corporation.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited since 6 July 2007.

This unaudited condensed consolidated interim financial information has been approved for issuance by the Board on 13 August 2009.

2. Basis of presentation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with International Accounting Standard ("IAS") 34, 'Interim financial reporting'.

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. Principal accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2009:

- IAS 1 (Revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present one performance statement: the statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- IAS 23 (Amendment), 'Borrowing costs'. This amendment requires an entity to capitalise borrowing costs directly attributable to acquisition, construction or production of qualifyiing asset (one that takes a substantial period of time to get ready for use or sale). The option of immediately expensing those borrowing costs will be removed.

- IAS 32 (Amendment), 'Financial Instruments: Presentation', and IAS 1 (Amendment), 'Presentation of Financial Statements' – 'Puttable Financial Instruments and Obligations Arising on Liquidation'. The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions.

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

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

- IFRIC 16, 'Hedges of a net investment in a foreign operation'. IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, 'The Effects of Changes in Foreign Exchange Rates', apply to the hedged item.

- Amendment to IFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk.

  The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk.

  The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it does not have any hedged items.

- IFRIC 13, 'Customer loyalty programmes'.

- IFRIC 15, 'Agreements for the construction of real estate'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- IAS 27 (Revised), 'Consolidated and Separate Financial Statements' (effective from 1 July 2009).

  The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost.

  Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) for annual periods beginning on or after 1 January 2010.

- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it does not have any hedged items. The Group will apply IAS 39 (Amendment) for annual periods beginning on or after 1 January 2010 but it is not expected to have an impact on the Group's financial statements.

- IFRS 3 (Revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or

after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.

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

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

- Amendment to IFRS 2 'Share-based payments', effective for periods beginning on or after 1 July 2009. This clarification confirms that IFRS 3 (Revised) does not change the scope of IFRS 2. This is not currently relevant for the Group as it has not issued equity instruments for business combination under common control or for the formation of a joint venture.

- Amendment to IFRS 5 'Non-current Assets held for sale and discontinued operations', effective for periods beginning on or after 1 January 2010. Disclosures in standards other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs specifically require disclosures for them. Additional disclosures about these assets or discontinued operations may be necessary to comply with the general requirements of IAS 1 'Presentation of financial statements'. The Group will apply IFRS 5 (Amendment) from 1 January 2010.

- Amendment to IFRS 8 'Operating segments', effective for periods beginning on or after 1 January 2010. Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The Group will apply IFRS 8 (Amendment) from 1 January 2010.

- Amendment to IAS 1 'Presentation of financial statements', effective for periods beginning on or after 1 January 2010. Current/non-current classification of the liability component of convertible instruments is not affected by the holder's option which will result in the settlement by the issuance of equity instruments. The Group will apply IAS 1 (Amendment) from 1 January 2010.

- Amendment to IAS 7 'Statement of cash flows', effective for periods beginning on or after 1 January 2010. Only expenditures that result in a recognised asset are eligible for classification as investing activities. The Group will apply IAS 7 (Amendment) from 1 January 2010.

- Amendment to IAS 17 'Leases', effective for periods beginning on or after 1 January 2010. The amendment removes the specific guidance on the classification of long-term leases of land as operating leases. When classifying land leases, the general principles applicable to the

classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The Group will apply IAS 17 (Amendment) from 1 January 2010.

- Amendment to IAS 36 'Impairment of assets', effective for periods beginning on or after 1 January 2010. This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in IFRS 8. The amendment does not have any impact on the Group's financial statements.

- Amendment to IAS 38 'Intangible assets', effective for periods beginning on or after 1 July 2009. This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. The Group will apply IAS 36 (Amendment) from 1 January 2010.

- Amendment to IAS 39 'Financial instruments: recognition and measurement', effective for periods beginning on or after 1 January 2010. Loan prepayment penalties are treated as closely related embedded derivatives, only if the penalties are payments that compensate the lender for loss of interest by reducing the economic loss from reinvestment risk. In addition, the scope exemption to business combination contracts only applies to forward contracts that are firmly committed to be completed between the acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date. Therefore option contracts are not in this scope exemption. This amendment also clarifies that in a cash flow hedge of a forecast transaction that a reclassification of the gains or losses on the hedged item from equity to profit or loss is made during the period the hedged forecast cash flows affect profit or loss. The Group will apply IAS 39 (Amendment) from 1 January 2010.

- Amendment to IFRIC 9 'Reassessment of embedded derivatives', effective for periods beginning on or after 1 July 2009. This amendment aligns the scope of IFRIC 9 to the scope of IFRS 3 (Revised): the interpretation does not apply to embedded derivatives in contracts acquired in a business combination, a common control combination or the formation of a joint venture.

  The Group will apply IFRIC 9 (Amendment) from 1 January 2010.

- Amendment to IFRIC 16 'Hedges of a net investment in a foreign operation', effective for periods beginning on or after 1 July 2009. This amendment removes the restriction on the entity that can hold hedging instruments in a net investment hedge. The hedging instruments can be held by the foreign operation that itself is being hedged. This is not currently relevant for the Group as it does not have such hedge.

4. Segment information

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

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

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

(a) Primary reporting format - geographical segments

(1) The geographic information based on location of production is as follows:

	Six months ended 30 June 2009				
	Mainland China	**Taiwan**	**Elimination**	**Unallocated**	**Consolidated**
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External sales and service:					
Sales revenue	133,488	10,745	—	—	144,233
Service revenue	318	1,842	—	—	2,160
	133,806	12,587	—	—	146,393
Inter-segment sales and services:					
Sales revenue	17,365	1,135	(18,500)	—	—
Service revenue	874	5,886	(6,760)	—	—
	18,239	7,021	(25,260)	—	—
Total operating revenue	152,045	19,608	(25,260)	—	146,393
Segment result/profit from operations	14,496	(2,474)	(370)	(1,919)	9,733
Finance income					1,179
Finance cost					(48)
					1,131
Profit before income tax					10,864
Income tax expense					(816)
Profit for the period					10,048
Attributable to:					
Equity holders of the Company					10,075
Minority interests					(27)
					10,048
Other information					
Depreciation	2,729	857	—	1	3,587
Amortisation	3	—	—	—	3
Inventory write-down	—	167	—	—	167
Segment assets	189,134	49,839	—	147,092	386,065
Segment liabilities	62,058	14,798	—	5,148	82,004
Capital expenditure	1,091	830	—	—	1,921

	Six months ended 30 June 2008				
	Mainland China	**Taiwan**	**Elimination**	**Unallocated**	**Consolidated**
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External sales and service:					
Sales revenue	173,840	28,804	—	—	202,644
Service revenue	83	2,320	—	—	2,403
	173,923	31,124	—	—	205,047
Inter-segment sales and services:					
Sales revenue	23,183	570	(23,753)	—	—
Service revenue	752	7,511	(8,263)	—	—
	23,935	8,081	(32,016)	—	—
Total operating revenue	197,858	39,205	(32,016)	—	205,047
Segment result/profit from operations	14,417	(1,307)	(1,200)	74	11,984
Finance income					3,681
Finance cost					(165)
					3,516
Profit before income tax					15,500
Income tax expense					(808)
Profit for the period					14,692
Attributable to:					
Equity holders of the Company					14,720
Minority interests					(28)
					14,692
Other information					
Depreciation	2,414	741	—	—	3,155
Amortisation	3	—	—	—	3
Inventory write-down	605	152	—	—	757
Segment assets	186,889	59,284	—	148,920	395,093
Segment liabilities	79,574	21,819	—	6,229	107,622
Capital expenditure	2,996	1,466	—	2	4,464

Segment assets comprise operating assets. Unallocated assets comprise assets of non-production sites and deferred tax assets. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise income tax payables. Capital expenditure comprises additions to property, plant and equipment.

(2) The revenue from sales and services to external customers for each segment based on location of customers whose revenue from sales and services to external customers is 10% or more of total revenue are as follows:

	Six months ended 30 June			
	2009		**2008**	
	(unaudited)		*(unaudited)*	
	US$'000	*%*	*US$'000*	*%*
Asia	41,833	29	49,129	24
Americas	62,935	43	66,211	32
Europe	41,625	28	89,707	44
	146,393	100	205,047	100

(b) Secondary reporting format-businesses segment

The Group manufactures and sells two main different categories of networking system related products, switches for separate connection within a network ("Ethernet switch") and devices for networking through broadband or wireless network ("Broadband and wireless").

The segment information for the sales and services of the two categories of products and for the others for the six months ended 30 June 2009 and 2008 are as follows:

	Six months ended 30 June 2009					
	Ethernet switch					
	Carrier	**Enterprise**	**SOHO**	**Broadband and wireless**	**Others**	**Total**
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External sales and services	18,699	46,129	27,366	49,374	4,825	146,393

	Six months ended 30 June 2008					
	Ethernet switch					
	Carrier	**Enterprise**	**SOHO**	**Broadband and wireless**	**Others**	**Total**
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
External sales and services	26,039	87,989	34,788	47,303	8,928	205,047

5. Other gains-net

	Six months ended 30 June	
	2009	**2008**
	US$'000	*US$'000*
	(unaudited)	*(unaudited)*
Other income		
Commission income	1,207	412
Claims from suppliers and customers	231	332
Tax refund in respect of reinvestment	—	166
Others	66	632
	1,504	1,542
Derivative instruments- forward contract	1,871	374
Gains on disposal of property, plant and equipment	24	—
Losses on disposal of available-for-sale investments	(75)	(23)
Net foreign exchange gain	115	2,727
	3,439	4,620

6. Finance income – net

	Six months ended 30 June	
	2009	**2008**
	US$'000	*US$'000*
	(unaudited)	*(unaudited)*
Interest expense:		
– interest on bank borrowing and overdrafts wholly repayable within five years	(48)	(165)
Bank interest income	1,179	3,681
Finance income	1,131	3,516

7. Income tax

The amounts of taxation charged/(credited) to the consolidated income statements represent:

	Six months ended 30 June	
	2009	**2008**
	US$'000	*US$'000*
	(unaudited)	*(unaudited)*
Current taxation		
Hong Kong	—	354
Taiwan	75	508
Mainland China	577	562
United States of America	19	19
Other countries	—	9
	671	1,452
Under-provision of prior years-net	8	243
Deferred taxation	137	(887)
	816	808

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The weight average applicable tax rate for six months ended 30 June 2009 was 7% (six months ended 30 June 2008: 11%).

The Company is an exempted company incorporated in the Cayman Islands and, as such, is not liable for taxation in the Cayman Islands on its non-Cayman Islands income.

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

達創科技股份有限公司("DNI Taiwan") was incorporated in Taiwan and is subject to a corporate income tax rate of 25%. However, it is entitled to certain tax incentives under the Statute for Upgrading Industries in Taiwan. Pursuant to such regulation, 30% of the expenditure incurred for research and development and training activities can be credited against the corporate income tax in Taiwan in each year within a period of five years from the year for which such expenditure is incurred. If such expenditure of that year exceeds the average expenditure of the previous two years, 50% of the excess amount can be credited against the corporate income tax payable. In addition, subject to certain conditions, DNI Taiwan may credit 5% to 7% of the cost spent on qualifying machinery and equipment against the corporate income tax payable in each year within a period of five years from the year for which such cost is incurred. The utilisation of the available tax credits in each year is limited to 50% of the corporate income tax payable in that year, except that any not fully utilised tax credit which is due to expire at the end of the five-year period can be offset against 90% of the corporate income tax of the last year of the five-year period.

Delta Networks International Limited ("DNI Labuan") carries on offshore trading activities in Labaun, Malaysia with other group companies which are non-residents of Malaysia, in currencies other than Malaysia Ringgit. As such, it is qualified as an offshore trading company in Labuan and is taxed at a fixed annual sum rate of Malaysian RM20,000.

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

8. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2009	**2008**
	US$'000	*US$'000*
	(unaudited)	*(unaudited)*
Profit attributable to equity holders of the Company (US$'000)	10,075	14,720
Weighted average number of ordinary shares in issue (thousands)	1,105,000	1,095,200
Basic earnings per share (US cents per share)	0.91	1.34

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The weighted average number of ordinary shares for the purpose of calculating diluted earning per share is adjusted for outstanding shares of share-based payments under Employee Incentive Scheme ("EIS") of 30,791,000 shares (six months ended 30 June 2008: 23,996,000 shares) and Management Share Subscription Scheme ("MSSS") of 19,478,000 shares (six months ended 30 June 2008: 23,899,000 shares). A calculation is made for MSSS and EIS in order to determine the number of shares that could have been acquired at fair value based on the subscription price attached to outstanding share. The number of shares calculated above is based on the estimated number of shares that would have been issued assuming vesting of all outstanding shares.

	Six months ended 30 June	
	2009	**2008**
	US$'000	*US$'000*
	(unaudited)	*(unaudited)*
Profit attributable to equity holders of the Company	10,075	14,720
Weighted average number of ordinary shares in issue (thousands)	1,105,000	1,095,200
Adjustments for		
– MSSS and EIS (thousands)	50,269	47,895
Weighted average number of ordinary shares for diluted earnings per share(thousands)	1,155,269	1,143,095
Diluted earnings per share (US cents per share)	0.87	1.29

9. Trade receivables

	As at 30 June 2009 *US$'000* *(unaudited)*	As at 31 December 2008 *US$'000* *(audited)*
Trade receivables	57,072	73,544
Trade receivables from related parties	62	223
	57,134	73,767
Less: Provision for impairment of trade receivables	(1,760)	(1,862)
Trade receivables – net	55,374	71,905

The carrying amounts of trade receivables approximate their fair values.

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

	As at 30 June 2009 *US$'000* *(unaudited)*	As at 31 December 2008 *US$'000* *(audited)*
Days outstanding		
0-30 days	27,730	26,936
31-60 days	17,643	25,505
61-90 days	9,889	20,138
91-180 days	112	1,188
Over 180 days	1,760	—
Total	57,134	73,767

10. Trade and other payables

	As at 30 June 2009 US$'000 (unaudited)	As at 31 December 2008 US$'000 (audited)
Trade payables	48,448	49,101
Trade payables due to related parties	5,085	6,496
	53,533	55,597
Accruals and other payables:		
Accrued payrolls and bonuses	3,621	5,521
Accrued customs duties and value added tax	701	522
Other accrued expenses and payables	12,106	11,880
Other payables due to related parties	10	95
	16,438	18,018
	69,971	73,615

The carrying amounts of trade and other payables approximate their fair values.

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

	As at 30 June 2009 US$'000 (unaudited)	As at 31 December 2008 US$'000 (audited)
0 - 30 days	17,659	15,933
31 - 60 days	14,928	16,335
61 - 90 days	12,233	13,009
Over 90 days	8,713	10,320
	53,533	55,597

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the reporting period, the financial crisis and global economic downturn caused DNI to experience the worst decline in five years. For the six months ended 30 June 2009, one of the switch customers went through restructuring, the order slow down significantly, therefore the product mix underwent significant changes, with revenue contributed by Broadband & Wireless products reached approximately US$49,374,000, accounted for 33.7% of the total revenue. This represented 4.4% increase compared to US$47,303,000 for the same segment in same period of 2008. The increase was mainly due to the 802.11n MIMO technology replacement cycle in wireless technology, and new applications in consumer electronics. For the LAN-Enterprise segment, dramatic decline of 47.6% was recorded, comparing US$46,129,000 for the six months ended 30 June 2009 to US$87,989,000 for the same period in 2008. The decline was due to business slow down which caused reduction or postponement of capital expenditure by enterprises. In LAN-Carrier and LAN-SOHO categories, the percentage of decline in revenue for the six months ended 30 June 2008 to 30 June 2009 was 28.2% and 21.3% respectively. According to Infonetics Research, the Ethernet Switch market dropped more than US$1 billion in the first quarter of 2009, and the only positive aspect is that port shipment for the high-end switch[1]. With limited budget, there is a shift to lower price products. However, demand for switch is still strong, we do see faster recovery rate in LAN-Carrier and LAN-Enterprise, and higher percentage of revenue contributed by LAN-SOHO products for the 6 months ended 30 June 2009 compared to that of same period in 2008.

OUTLOOK

The development in communications has evolved very dramatically recently. The desires to stay connected, communicate and access information any time, anywhere spur innovation on all fronts. The real time update and availability of quadruple play (video, voice, data, and wireless) services have become common place with devices such as net-book, smart-phone and mobile internet device (MID) with internet connectivity. According to broadbandtrends, the Compound Annual Growth Rate (CAGR) of global fixed broadband subscription from 2008 to 2014 will grow at 8%[2]. In-Stat believed that

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1 Machowinski, Matthias. 22 June 2009. Ethernet and Application Switches. 26 June 2009, from http://www.infonetics.com/

2 Mastrangelo, Teresa. 17 April 2009. Global Fixed Broadband Subscribers to reach 636 million by 2014. 14 July 2009, from http://www.broadbandtrends.com/Report_Summary/BBT_GlobalBBOutlook_091140_Summary.htm

30% of the worldwide wireless subscription will be 3G and 4G by 2013[3], and over half of the Cellular backhaul capacity will use Ethernet by the end of 2011[4]. For example, China's 3G license and government sponsored economic stimulus program to trigger the demand for the new CPE (customer premise equipment, smart cell phone in particular) and base station, especially with internet data network traffic on the rise, the upgrade of Ethernet switch will continue, virtualization will drive up the need for infrastructure upgrade, and Infonetics Research indicated that a majority of service providers around the world will invest in 10G/40G[5]. With myriad of applications and hardware exploding onto the market, mobile interactive communication will need to be scalable and affordable. As the CPE developed at fast pace, the backhaul and backbone infrastructure are still far from catching up, which could lead to inaccessibility of the front end application. As demand for quadruple play delivery increased, the bandwidth became insufficient to deliver such services. Overall we believe that the fundamental drivers such as installation of IP infrastructure, increase in network user and customer devices and virtualization are still strong, and continue to be the impetus for future growth.

Amid uncertainties, DNI will continue to invest in research and development of networking products, such as the 3G router, femtocell base station with 802.11n and DSL backend connection, 40G switch for the data centre application, in order to improve our competitiveness and lay the foundation for future growth.

FINANCIAL REVIEW

Operating results

For the three months ended 30 June 2009, the revenue of the Group decreased by approximately 25.5% to US$80,452,000 from US$108,010,000 of the same period last year. This was mainly due to the unfavorable macroeconomic condition and key components shortage resulted from conservative business sentiment. On the positive side, gross profit ratio significantly improved to 19% as compared to 14.7% for the three months ended 30 June 2008. This reflected the Group's effective control of manufacturing cost, improvement in production efficiency, change in product mix and close supervision of the material cost. The operating profit increased by 26.3% to approximately US$6,700,000, with operating margin improved by 3.4% to 8.3% for the three months ended 30 June 2009 as compared to that of the three months ended 30 June 2008. The substantial increase was contributed by the lower operating expenses through

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[3] Sherer, Scott. 18 March 2009. 4Q08 3G/4G Deployment & Subscriptions Database. 17 July 2009, from http://www.instat.com/index.asp

[4] Schoolar, Daryl. 27 May 2009. Over Half of Cellular Backhaul Capacity will be Ethernet by the End of 2011. 17 July 2009, from http://www.instat.com/index.asp

[5] Howard, Michael. 20 March 2009. 10G/40G/100G Market Size and Forecast. 26 June 2009, from http://www.infonetics.com/

lower delivery expenses and strict cost control measures such as restriction on business expense and lower employee bonuses. For the three months ended 30 June 2009, the Group's earnings before taxation (EBT) improved by 5% to approximately US$ 7,313,000, with EBT margin significantly increased by 2.7% to 9.1% as compared to that of the three months ended 30 June 2008. The net profit margin improved by 1.6% to 8.3% as compared to that of the three months ended 30 June 2008.

For the six months ended 30 June 2009, the Group's total revenue recorded a decline compared to the corresponding period last year. The Group recorded a turnover of approximately US$146,393,000 representing a decline of 28.6% as compared to that of the six months ended 30 June 2008. The reasons for decline were global economic slump, and insufficient supply of key components caused by low business confidence. Gross profit ratio for the six months ended 30 June 2009 significantly higher at 17.6% which is 1.9% higher than the 15.7% for the six months ended 30 June 2008. This was mainly due to the Group's solid cost control, change in product mix and close supervision of the material cost.

In the first quarter of 2009, one of the Group's customers filed for bankruptcy protection, and the Group has already made impairment provision in 2008, therefore there will be no further impact for 2009. The Group resumed shipment in small quantity to the aforementioned customer in the first quarter of 2009, and the revenue contribution from this client is dramatically lower for 2009 compared to 2008. The shipments were made under strict payment terms and we will continue to be vigilant on this client, at the same time we will co-operate with this client through transition.

The operating profit margin for six months ended 30 June 2009 was 6.6%, which is 0.8% higher than the 5.8% for the six month ended 30 June 2008. This was due to the higher gross margin and lower operating expenses through decline in delivery expense and Group's strict control of the operating expenses such as lower employee bonuses and lower business expenses.

During the six months ended 30 June 2009, the Group's earnings before taxation (EBT) declined by 29.9% to approximately US$10,864,000, with EBT margin dropped by 0.2% to 7.4% as compared to that of the six months ended 30 June 2008. This was mainly due to lower financial income resulted from lower interest rate for the six months ended 30 June 2009 compared to that of same period in 2008.

The consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2009 declined by 31.6% to approximately US$10,048,000. The net profit margin dropped slightly by 0.3% to 6.9% as compared to that of the six months ended 30 June 2008. The decline was attributed to higher income tax expenses, arising from higher deferred tax liabilities.

Basic earnings per share for the period ended 30 June 2009 was US 0.91 cents (six months ended 30 June 2008: US 1.34 cents).

Working capital and financial resources

As at 30 June 2009, working capital, calculated by current assets minus current liabilities, was US$288,601,000 (31 December 2008: US$283,309,000). The increase in working capital was mainly as a result of cash inflow from operation activities and less capital expenditures.

Gearing and liquidity ratio

Total equity of the Group amounted to US$304,061,000 (31 December 2008: US$297,188,000) as at 30 June 2009 and the gearing ratio was zero as there was no borrowings as at 30 June 2009 (31 December 2008: zero), calculated by dividing borrowings to total equity.

Capital structure

As at 30 June 2009, total equity was US$304,061,000 increased by US$6,873,000 (31 December 2008: US$297,188,000). Debt ratio, calculated by total liabilities divided by total assets, was 21.24% as at 30 June 2009 (31 December 2008: 22.93%).

Capital commitments and contingent liabilities

The Group has no material capital commitments and contingent liabilities as at 30 June 2009 and 31 December 2008.

Pledge of assets

No assets had been pledged as at 30 June 2009.

Capital Expenditure

During the six months ended 30 June 2009, the Group incurred capital expenditure amounting to approximately US$1,921,000 which was for purchase of additional of equipment as well as enhancing and upgrading its production capacity. Such capital expenditures were primarily financed by the internal funding generated from operations.

INDEPENDENCE OF INFORMATION TECHNOLOGY SYSTEMS FROM DELTA ELECTRONICS, INC.

The Company had successfully separated its client server with Delta Electronics, Inc. at the end of 2008, and has been upgrading its ERP system since then for its subsidiaries.

PAYMENT OF 2008 FINAL DIVIDENDS

At a meeting held on 26 February 2009, the Board recommended a final dividend in respect of the year ended 31 December 2008 of 0.83 US cents per share (year ended 31 December 2007: 1.03 US cents), amounting to US$9,934,000. This dividend was approved by the shareholders in the annual general meeting of the Company held on 24 April 2009 and was paid on 25 May 2009.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

CORPORATE GOVERNANCE

Since the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 July 2007 and during the past six months ended 30 June 2009, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), except for code provision A.2.1 of the Code.

Mr. Liang Ker Uon, Sam, plays the dual role of Chairman of the Board and the chief executive officer of the Company, which constitutes a deviation from A.2.1 of the Code since it states the necessity of separating the roles of chairman and chief executive officer and the two roles should be performed by different persons to clearly divide the responsibilities between the roles.

According to the articles of association of the Company, the Chairman provides leadership to the Group and is responsible for the effective functioning of the Board in accordance with good corporate governance practices and ensures the effectiveness of the Board. On the other hand, the role of chief executive officer, according to the Company's Compliance Manual, focuses on managing the Company and its subsidiaries, developing and implementing objectives, policies and strategies approved and delegated by the Board. Chief executive officer is in charge of the Group's day-to-day management and operations and is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

The Board is of the view that the Company has sufficient internal controls to maintain checks and balances on the functions of the Chairman and chief executive officer. Mr. Liang Ker Uon, Sam, as both the Chairman and chief executive officer of the Company, is responsible for ensuring that all directors of the Company act in the interests of the shareholders of the Company. Besides, Mr. Liang is also fully accountable to the shareholders of the Company and he contributes to the Board and the Group on all top-level and strategic decisions. This structure will therefore not impair balance of power and authority between the Board and the management of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. The Company has made specific enquiries to all the directors and all the directors have confirmed that they have complied with the required standard set out in the said Model Code for the six months ended 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the six months ended 30 June 2009.

AUDIT COMMITTEE

Pursuant to the requirements of the Code and Rule 3.21 of the Listing Rules, the Company has established an audit committee (the "Audit Committee") comprising all three existing independent non-executive directors, namely Mr. Shen Bing (Chairman), Mr. Zue Wai To, Victor and Mr. Liu Chung Laung. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information and the interim report of the Company for the six months ended 30 June 2009.

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

The interim report of the Company, containing information required by the Listing Rules, will be dispatched to shareholders of the Company and made available on the websites of the Stock Exchange and the Company at http://www.hkexnews.hk and http://www.dninetworks.com, respectively in due course.

By the Order of the Board
Liang Ker Uon, Sam
Chairman

Taipei, Taiwan
13 August 2009

As at the date of this announcement, the executive directors of the Company are Mr. Liang Ker Uon, Sam and Mr. Cheng An, Victor; the non-executive directors of the Company are Mr. Cheng Chung Hua, Bruce and Mr. Hai Ing-Jiunn, Yancey; and the independent non-executive directors of the Company are Mr. Zue Wai To, Victor, Mr. Liu Chung Laung and Mr. Shen Bing.

* *For identification purposes only*