Delta Networks, Inc.

達創科技股份有限公司 *

(incorporated in the Cayman Islands with limited liability)

Stock Code: 722

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

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

COMPANY SECRETARY

Mr. Ngai Wai Fung *FCS, FCIS*

QUALIFIED ACCOUNTANT

Mr. Leung Sai Cheong *CPA, FCCA*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Liang Ker Uon, Sam (Chairman)
Mr. Shen Bing
Mr. Zue Wai To, Victor

NOMINATION COMMITTEE

Mr. Hai Ing-Jiunn, Yancey (Chairman)
Mr. Liu Chung Laung
Mr. Zue Wai To, Victor

AUTHORISED REPRESENTATIVES

Mr. Ngai Wai Fung
Mr. Cheng An, Victor

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LEGAL ADVISERS

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Hong Kong

INDEPENDENT AUDITOR

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PRINCIPAL BANKERS

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
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STOCK CODE

722

WEBSITE

http://www.dninetworks.com

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE ETHERNET MARKET

We have a strong commitment to developing the Ethernet networking business by providing new communication ideas and services with a view to meeting the demands of our customers. With the rise of new communication technology in the market, Ethernet, the network that is the platform for developing such services and technologies, has a growing significance in the telecommunication industry. Ethernet provides the scalability and affordability that are essential in today's networking industry and the high-speed feature that is required for networking applications. Ethernet also provides a unique application of delivering electrical power to devices through Power Over Ethernet (PoE) technology. In the Ethernet topology, wireless is also a fast growing segment. 802.11n (faster speed wireless) is becoming the next wave to replace the 802.11g and the 802.11 WiFi has been deployed worldwide. Another Ethernet topology for the next few years to come is the GPON/EPON Fiber based Ethernet. For reliable video delivery, higher bandwidth Ethernet is a must. GPON/EPON is the next generation technology to achieve this. We therefore believe the Ethernet market has tremendous potential and will continue to invest great efforts in new technology and application development.

BUSINESS REVIEW

During the reporting period, the US sub-prime issues and the new PRC labor law have started to impact our business growth momentum. The Company had achieved operating income of approximately US$11,984,000 on consolidated revenue of approximately US$205,047,000 for the six months ended 30 June 2008, compared to an operating income of approximately US$11,128,000 on consolidated revenue of approximately US$210,086,000 for the same period in 2007. The gross margin for the first half of 2008 decreased by 1.4%, compared to that of six months ended 30 June 2007. It was mainly due to (1) the new PRC labor law which led to an increase in the head count in factory and (2) the rising raw material costs including the costs of printed circuit boards, cables and metal cases. In this challenging operating environment, gross margin had been negatively affected. However, we believed that the gross margin could be improved by the increase in shipment of more high end products in the future. The net income for first half of 2008 improved by 17.9% to approximately US$14,692,000 due to the lower cost of employee stock compensation and better management of operating expenses. The operating expenses for six months ended 30 June 2008 decreased by approximately US$4,586,000 to approximately US$24,805,000. They were mainly related to the constant cost of share-based payment in 2008.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OUTLOOK

Recently, there is a closer relationship between the Small Office Home Office (SOHO) market and the Small-Medium Business (SMB) market due to the similarity of needs and products in the two markets. As a long-time designer and manufacturing provider of networking products to both markets, we believe the gradual integration of these two markets will give us a greater opportunity to provide more value added services to our customers/partners. We believe that we are able to offer quickly expanded levels of design services to meet the new demands of our customers and also provide the necessary production quality level that is expected by the new market.

There is a large growth potential in our industry driven by the convergence of the two communication frontiers of 'Datacom' and 'Telecom' and between voice, data, video, and wireless communication. Telecommunciation equipment suppliers are in the process of upgrading their technologies in order to achieve better cost-efficiency and streamlined operations. People from all walks of life now have access to the new applications through new methods of communicating with friends and families, combined carrier of household services for the internet, telephone, and TV, lower phone bills contributed by IP telephony services and phone cards and the like. Due to the high awareness of cost, efficiency, and reliability, the emergence of the Ethernet based technology becomes a necessary step in delivering new affordable services. With the advance in technology, the robust 10 Gigabit Ethernet (10GbE) products will drive the proliferation of the next generation applications by data center and enterprise users. Due to our expertise in designing and manufacturing networking products we were awarded 10GbE project by our customers for data center server application.

Apart from mergers and acquisitions, we are also looking for possible joint venture opportunities that would help drive company growth. At same time, the Wujiang factory is under construction. The first floor of the factory had been completed and the construction of the rest of the building continues.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OUTLOOK *(Continued)*

We have to be well prepared for the challenges facing us although we also consider the future ahead of us to be promising. Global and local economic issues can become more complicated. Global warming, inflation, rise of raw material prices, the US sub-prime crisis in 2007 and 2008 are some of the examples of global issues that are different from what we experienced in the past. Slow economic growth, lowered capital expenditure and a general economic slow-down are major challenges to us and we need to continue to work closely with our customers in order to maintain our competitiveness. Local issues arising from new economic laws and the new China labor regulations are also important matters that we will need to manage properly to maintain our competitive advantages. Looking forward, our US business might be further affected by the US sub-prime issues that may hurt business sentiment and curb information technology consumption of our customers.

The popularity of mobile "triple play" application is on the rise. New 11n WiFi and ADSL IAD products are developed to cater for the needs of consumers. Some of those products had already been put into mass production in the second quarter of 2008 and more new products will reach the stage of mass production in the second half of 2008.

The World Business Council for Sustainable Development (WBCSD) calls for "the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large". Delta Networks as part of the global economy has always felt strongly about corporate social responsibilities and believed we should do our best to contribute and return to the society that has made it possible for us to succeed. After the earthquake devastated the Sichuan province of the PRC in May 2008, we feel deeply that it is our duty to assist in the reconstruction of the earthquake affected area and help the earthquake victims to resume their normal lives. RMB1 million was donated by us to help with the reconstruction of the schools that were destroyed in the earthquake.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW

Operating results

The total revenue of the Company and its subsidiaries (collectively referred to as the "Group") recorded a slight decline compared to the corresponding period in last year. During the six months ended 30 June 2008, the Group recorded turnover of approximately US$205,047,000, representing a decline of 2.39% as compared to that of the six months ended 30 June 2007. During the six months ended 30 June 2008, the revenue from Ethernet Switch products amounted to approximately US$148,816,000, representing a decline of 11.1% as compared to that of six months ended 30 June 2007. Gross profit margin was slightly lower at 15.7% as compared to 17.1% for the six months ended 30 June 2007. This reflected the increase in raw material and labor costs in the PRC as well as the decrease in shipment of Ethernet Switch products. The raw material cost over the six months ended 30 June 2008 showed an increasing trend globally, and the new PRC labor regulation caused an increase in wages paid to employees and the number of staff recruited by our factories which in turn led to higher labor cost.

During the six months ended 30 June 2008, the Group's earnings before taxation (EBT) increased by 18.5% to approximately US$15,500,000, with EBT margin improved by 1.4% to 7.6% as compared to that of the six months ended 30 June 2007.

The consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2008 increased by 17.9% to approximately US$14,692,000. The net profit margin improved by 1.3% to 7.2% as compared to that of the six months ended 30 June 2007. This was mainly due to the Company's effective control of operating expenses and higher financial incomes for six months ended 30 June 2008.

Basic earnings per share for the period ended 30 June 2008 was US1.34 cents (six months ended 30 June 2007: US1.48 cents).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Working capital and financial resources

As at 30 June 2008, working capital, calculated by current assets minus current liabilities, was US$273,303,000. (As at 31 December 2007:US$274,489,000). The slight increase in working capital was mainly due to the net impact of cash inflow from operating activities and cash outflow from financing activities.

Total equity of the Group amounted to US$287,471,000 as at 30 June 2008 (As at 30 June 2007: US$286,874,000) and the gearing ratio calculated by dividing borrowings to total equity was zero as at 30 June 2008 (As at 31 December 2007: zero) as there was no borrowing as of 30 June 2008.

The significant balance of working capital and the zero gearing ratio as at 30 June 2008 showed the Comapany had healthy and satisfactory liquidity and gearing positions, respectively.

Capital structure

As at 30 June 2008, total equity was US$287,471,000 (As at 31 December 2007: US$286,874,000). Debt ratio, calculated by total liabilities divided by total assets, was 27.24% as at 30 June 2008 (As at 31 December 2007: 28.88%).

Capital commitments and contingent liabilities

The Group had no significant capital commitments and contingent liabilities as at 30 June 2008 (31 December 2007: Nil).

Pledge of assets

No assets had been pledged as at 30 June 2008 (31 December 2007: Nil).

Capital expenditure

During the six months ended 30 June 2008, the Group incurred capital expenditure amounting to approximately US$4,464,000 which was for the addition of equipment as well as enhancing and upgrading its production capacity. Such capital expenditure was primarily financed by the internal funding generated from our operations.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Foreign exchange risk management

Revenues of the Group are mainly denominated in US dollars while costs are principally in US dollars as well as New Taiwan dollars ("NTD") and Renminbi ("RMB"). The Group has adopted a dynamic hedging policy and foreign exchange risk is monitored by management on an ongoing basis.

Significant investments

During the six months ended 30 June 2008, the Group had not made in any significant investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group had a total of 2,969 employees. Total staff costs incurred during the period of six months ended 30 June 2008 amounted to approximately US$25,434,000 (six months ended 30 June 2007: US$26,235,000). We offer a comprehensive remuneration policy which is reviewed by the management on a regular basis.

The Company has adopted an employee incentive scheme ("Employee Incentive Scheme"), a share option scheme ("Share Option Scheme") and a management share subscription scheme ("MSSS") respectively. The purposes of these schemes are to incentivize eligible participants who contribute to the Group's operations. The Employee Incentive Scheme and the MSSS are not subject to the provisions of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Employee Incentive Scheme was first approved and adopted by our board of directors ("Board") on 21 August 2006. It was modified and approved by our board of directors on 13 June 2007. Under such scheme, the shares of the Company (the "Shares") have been allotted and issued to a trustee (the "Employee Incentive Scheme Trustee") to hold such shares on trust for satisfying award that may be made to eligible employees as part of their remuneration package for the services rendered by them in the previous year.

The MSSS was adopted by our board of directors on 21 August 2006. It is a one-off plan and is close-ended, and therefore, apart from the beneficiaries who have been awarded and have agreed to subscribe for the Company's shares, no further awards will be made and no one is entitled to subscribe for any shares under the scheme.

The Share Option Scheme was approved at a meeting of our board of directors on 13 June 2007. The options granted under the scheme do not give immediate ownership of the underlying shares as they require payment of subscription price based on then prevailing market price of the Company's shares. Such scheme is governed by Chapter 17 of the Listing Rules.

Further details of the Employee Incentive Scheme, the MSSS and the Share Option Scheme are set out in the sections headed "Other Information" and "Notes to the Unaudited Condensed Consolidated Interim Financial Information" of this report.

OTHER INFORMATION

INDEPENDENCE OF INFORMATION TECHNOLOGY SYSTEMS FROM DEI

Since the listing of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 July 2007 (the "Listing), the Company has been working on the enhancement of the control environment and the infrastructure of its information technology systems with a view to achieving independence of information technology systems from Delta Electronics Inc. ("DEI"), the ultimate controlling shareholder of the Company.

As the Company is in the process of integrating the information technology systems of the two newly established PRC subsidiaries in Shanghai and Wujiang and DEI will upgrade its ERP system in early 2009, the schedule for separating client base has been further adjusted to the mid-2009 when we will implement the timetable in connection with the separation of information technology systems from DEI. We will continue to update our shareholders (the "Shareholders") of the progress of achieving independence of our information technology systems from DEI.

PAYMENT OF 2007 FINAL DIVIDENDS

At a meeting held on 6 March 2008, the Board recommended a final dividend in respect of the year ended 31 December 2007 of 1.03 US cents per share (31 December 2006: Nil), amounting to US$12,440,494.50. This dividend was approved by the shareholders in the annual general meeting of the Company held on 24 April 2008 and had been paid on 23 May 2008.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2008 (30 June 2007: Nil).

OTHER INFORMATION *(Continued)*

CORPORATE GOVERNANCE

During the six months ended 30 June 2008, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") as stated in Appendix 14 of the Listing Rules except for A.2.1 of the Code which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Liang Ker Uon, Sam is the Chairman of the Board and the chief executive officer of the Company. Accordingly, such dual role constitutes a deviation from A.2.1 of the Code. However, 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 ("Directors") 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 a code of conduct regarding directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company had made specific enquiry to all the Directors and all of them confirmed that they had complied with the Code of Conduct throughout the six months ended 30 June 2008.

OTHER INFORMATION *(Continued)*

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2008, the Company repurchased a total of 21,098,000 ordinary shares of US$0.05 each of the Company at an aggregate purchase price of approximately US$6,552,383 (equivalent to approximately HK$51,085,000) on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Lowest	Price per ordinary share Highest	Aggregate purchase price
		HK$	*HK$*	*approximately HK$'000*
April 2008	2,961,000	2.03	2.31	6,391
May 2008	766,000	2.16	2.33	1,708
June 2008	17,371,000	2.35	2.55	42,986
Total	**21,098,000**			**51,085**

As at the date of this report, all the 21,098,000 ordinary shares repurchased by us during the reporting period had been cancelled and the issued share capital of the Company was reduced by the par value thereof accordingly. The above repurchases were effected by the directors of the Company, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, 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 2008.

OTHER INFORMATION *(Continued)*

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 consolidated financial information of the Group and the interim report of the Company for the six months ended 30 June 2008.

SHARE - BASED COMPENSATION SCHEMES

(a) Employee Incentive Scheme

The Employee Incentive Scheme was first approved and adopted by resolutions of our Board on 21 August, 2006. It was modified and approved by our Board on 13 June, 2007 and its implementation is conditional on the Listing.

Pursuant to the Employee Incentive Scheme, the Company alloted and issued 124,000,000 Shares (the "124,000,000 Shares"), representing the total number of Shares subject to the Employee Incentive Scheme, to the Employee Incentive Scheme Trustee prior to Listing to be held in trust for satisfying grants of awards by the Company to eligible participants. No further Shares will be issued by the Company to the Employee Incentive Scheme Trustee under the scheme.

As the Employee Incentive Scheme Trustee's shareholding in our Company is 10% or more of the total issued Shares immediately after completion of the global offering of initially 313,600,000 Shares of the Company (the "Global Offering"), it is regarded as a substantial Shareholder, and therefore, our connected person under the Listing Rules.

As the Shares in the Employee Incentive Scheme are funded by us, those Shares held by the Employee Incentive Trustee will not be counted towards the calculation of the amount of Shares in the public float. No grant of award or transfer of Shares will be made by the Employee Incentive Scheme Trustee unless the minimum public float is maintained.

OTHER INFORMATION *(Continued)*

SHARE - BASED COMPENSATION SCHEMES *(Continued)*

(a) Employee Incentive Scheme *(Continued)*

The 124,000,000 Shares will only be utilized over the period from 6 March 2008 to and including 31 December 2011 such that in any given financial year of our Company (which begins on January 1), the aggregate of (i) the total number of Shares to be awarded through the Employee Incentive Scheme Trustee pursuant to the Employee Incentive Scheme during such financial year and (ii) the total number of Shares covered by options granted during such financial year under the Share Option Scheme, shall not in aggregate exceed 3% of the total issued share capital of the Company as of the beginning of such financial year (after giving effect to any share consolidation, share split or other capital reorganization during such financial year).

As of 30 June 2008, a total of 26,794,800 ordinary shares have been issued to 521 eligible employees pursuant to the Employee Incentive Scheme.

Further details of the principal terms of the Employee Incentive Scheme are summarized in “Appendix VI — Statutory and General Information — Employee Incentive Scheme” to the prospectus of the Company dated 22 June 2007 (the “Prospectus”).

(b) Share Option Scheme

The Share Option Scheme was adopted by resolutions of our Board on 13 June, 2007 and its implementation is conditional on the Listing. The options granted under the Share Option Scheme do not give immediate ownership of the underlying Shares as they require payment of subscription price based on the then prevailing market price of the Shares after Listing. Accordingly, these options may only become meaningful to the grantees after their contributions have created value for our Company.

The purpose of the Share Option Scheme is to reward participants who have contributed to the Group and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and the Shareholders as a whole.

OTHER INFORMATION *(Continued)*

SHARE - BASED COMPENSATION SCHEMES *(Continued)*

(b) Share Option Scheme *(Continued)*

Participants under the Share Option Scheme include directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group whom the Board considers have contributed or will contribute to the Group.

On acceptance of options granted, a grantee shall pay to the Company US$1.00 per option granted as consideration for the grant of options.

The subscription price for Shares under the Share Option Scheme shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of the grant of options which must be any day (other than Saturday and Sunday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business ("a Business Day"); (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the date of the grant of options; and (iii) the nominal value of the Shares.

The maximum number of Shares issued and to be issued upon exercise of the options granted to each grantee under the Share Option Scheme in any 12-month period shall not (other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board to each grantee, at the time of making an offer of the grant of an option, which shall not expire later than 10 years from the date of the grant of the option.

The Share Option Scheme was adopted for a period of 10 years commencing from 13 June 2007, and shall expire on 12 June 2017.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% in nominal amount in the aggregate of Shares in issue on the date of 6 July 2007 (the "Scheme Mandate Limit"), representing 119,680,000 Shares. As at the date of this report, no option had been issued under the Share Option Scheme.

OTHER INFORMATION *(Continued)*

SHARE - BASED COMPENSATION SCHEMES *(Continued)*

(c) The MSSS

The MSSS was adopted by the Board on 21 August, 2006. The MSSS is a one-off plan and is close-ended, and therefore, apart from the beneficiaries who have been awarded and have agreed to subscribe for the Shares, no further awards will be made and no one is entitled to subscribe for any Shares under the scheme. As at the date of this report, we have granted 56,744,000 Shares to our directors, senior management and selected employees and the Company will allot and issue the subject Shares directly to the beneficiaries upon the vesting of the awards under the scheme. Under the scheme, we invited members of the Group's board of directors, senior management and other employees who contributed to the success of the Group and who we consider as valuable assets to our growth to acquire Shares representing an aggregate of 4.5% of the Reference Share Capital as defined under the annual report of the Company for the year ended 31 December 2007. In order to acquire Shares under the scheme, eligible participants have paid upon the acceptance of an award under the scheme, and the Company has received US$2.42 per Share (at the then par value of US$1.00), an amount equal to a 50% discount to the fair value of each Share (having par value of US$1.00) as of 31 July 2006, as determined by an independent valuer. In accordance with acceptances made by eligible participants under the MSSS, 36,000,000 Shares, 3,120,000 Shares and 17,624,000 Shares have been awarded under the scheme to our directors, seven senior management members and 109 other employees of our Group, respectively. Subject to the terms and conditions under the scheme rules, Shares to be acquired by the eligible participants under the MSSS will vest in four equal annual installments, namely on (i) 1 April 2008, (ii) 1 April 2009, (iii) 1 April 2010 and (iv) 1 April 2011.

For the six months ended 30 June 2008, total options that have been exercised pursuant to the MSSS were 13,976,000, of which 9,000,000 options have been converted into 9,000,000 ordinary shares and issued to directors (as detailed below), and the remaining 4,976,000 options have also been converted into 4,976,000 ordinary shares and issued to 113 eligible grantees.

OTHER INFORMATION *(Continued)*

SHARE - BASED COMPENSATION SCHEMES *(Continued)*

(c) The MSSS

Awards granted under the MSSS

The details of the Share awards made and subscribed under the MSSS are set out below:

Name	Address	Title/Position	Number of Shares awarded and subscribed as at 1 January 2008	Number of Shares allotted and issued as at 30 June 2008	Balancing number of Shares awarded and subscribed as at 30 June 2008
Directors					
Mr. LIANG Ker Uon, Sam	6/F, No. 59-3 Jin Long Road, 10 Lin, Jin Long Village, Nei Hu District, Taipei, Taiwan	Executive Director	12,000,000	3,000,000	9,000,000
Mr. CHENG An, Victor	8/F, No. 7, Section 3, Xin Yi Road, Taipei, Taiwan	Executive Director	8,000,000	2,000,000	6,000,000
Mr. CHENG Chung Hua, Bruce	5/F, No. 21, Lane 222, Dun Hua North Road, Taipei, Taiwan	Non-executive Director	4,000,000	1,000,000	3,000,000
Mr. HAI Ing-Jiunn, Yancey	13/F, No. 8, Lane 331, Desing East Road, Taipei, Taiwan	Non-executive Director	4,000,000	1,000,000	3,000,000
Mr. LIU Chung Laung	5/F, No. 464, Section 4, Ren Ai Road, Taipei, Taiwan	Independent non-executive Director	4,000,000	1,000,000	3,000,000
Mr. ZUE Wai To, Victor	15 Glengarry Road, Winchester, MA 01890, U.S.	Independent non-executive Director	4,000,000	1,000,000	3,000,000

OTHER INFORMATION *(Continued)*

DISCLOSURE OF INTEREST IN SECURITIES

Interests and short position of Directors or chief executive of the Company in the shares or underlying shares or debentures of the Company and its associated corporations

As at 30 June 2008, interests or short positions of the directors or chief executive of the Company in any shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	The Company/ name of associated corporation	Capacity/ nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of issued share capital *(%)*
LIANG Ker Uon, Sam	The Company	Beneficial owner	12,000,000 ordinary shares of US$0.05 each (each a "Share" (L) *(Note 2)*	1.00
	DEI	Beneficial owner	1,957,457 common stocks (each a "Stock") (L)	0.09
CHENG An, Victor	The Company	Beneficial owner	8,000,000 Shares (L) *(Note 3)*	0.67
	DEI	Beneficial owner/ interest of spouse	3,873,518 Stocks (L) *(Note 4)*	0.18

OTHER INFORMATION *(Continued)*

DISCLOSURE OF INTEREST IN SECURITIES *(Continued)*

Interests and short position of directors or chief executive of the Company in the shares or underlying shares or debentures of the Company and its associated corporations *(Continued)*

Name of Directors	The Company/ name of associated corporation	Capacity/ nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of issued share capital *(%)*
CHENG Chung Hua, Bruce	The Company	Beneficial owner	4,000,000 Shares (L) *(Note 5)*	0.33
	DEI	Beneficial owner/ interest of spouse	175,145,923 Stocks (L) *(Note 6)*	8.31
HAI Ing-Jiunn, Yancey	The Company	Beneficial owner	4,000,000 Shares (L) *(Note 7)*	0.33
	DEI	Beneficial owner	727,196 Stocks (L)	0.03
ZUE Wai To, Victor	The Company	Beneficial owner	4,000,000 Shares (L) *(Note 8)*	0.33
SHEN Bing	DEI	Beneficial owner/ joint interest	26,876 Stocks (L) *(Note 9)*	0.001
LIU Chung Laung	The Company	Beneficial owner	4,000,000 Shares (L) *(Note 10)*	0.33

Notes:

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

2. Mr. LIANG Ker Uon, Sam, was awarded 12,000,000 Shares pursuant to the MSSS. Pursuant to the rules of the MSSS, these Shares were allotted and issued to him subject to the vesting schedule as set out in “Appendix VI—Statutory and General Information—Employee Incentive Scheme” of the Prospectus. Movement of the Shares allotted and issued pursuant to the MSSS are set out in the “Awards granted under the MSSS”) section above.

3. Mr. CHENG An, Victor, was awarded 8,000,000 Shares pursuant to the MSSS. Pursuant to the rules of the MSSS, these Shareswere allotted and issued to him subject to the vesting schedule as set out in “Appendix VI—Statutory and General Information—Employee Incentive Scheme” of the Prospectus. Movement of the Shares allotted and issued pursuant to the MSSS are set out in the “Awards granted under the MSSS”) section above.

OTHER INFORMATION *(Continued)*

DISCLOSURE OF INTEREST IN SECURITIES *(Continued)*

Interests and short position of directors or chief executive of the Company in the shares or underlying shares or debentures of the Company and its associated corporations *(Continued)*

Notes: (Continued)

4. Mr. CHENG An, Victor is deemed or taken to be interested, for the purpose of the SFO, the 506,314 Stocks which are beneficially owned by his spouse, Jen, Hsiao-Yuan.

5. Mr. CHENG Chung Hua, Bruce, was awarded 4,000,000 Shares pursuant to the MSSS. Pursuant to the rules of the MSSS, these Shares were allotted and issued to him subject to the vesting schedule as set out in "Appendix VI—Statutory and General Information—Employee Incentive Scheme" of the Prospectus. Movement of the Shares allotted and issued pursuant to the MSSS are set out in the "Awards granted under the MSSS") section above.

6. Mr. CHENG Chung Hua, Bruce is deemed or taken to be interested, for the purpose of the SFO, the 42,862,821 Stocks which are beneficially owned by his spouse, Hsieh Yih Ying.

7. Mr. HAI Ing-Jiunn, Yancey, was awarded 4,000,000 Shares pursuant to the MSSS. Pursuant to the rules of the MSSS, these Shares were allotted and issued to him subject to the vesting schedule as set out in "Appendix VI—Statutory and General Information—Employee Incentive Scheme" of the Prospectus. Movement of the Shares allotted and issued pursuant to the MSSS are set out in the "Awards granted under the MSSS") section above.

8. Mr. ZUE Wai To, Victor, was awarded 4,000,000 Shares pursuant to the MSSS. Pursuant to the rules of the MSSS, these Shares were allotted and issued to him subject to the vesting schedule as set out in "Appendix VI—Statutory and General Information—Employee Incentive Scheme" of the Prospectus. Movement of the Shares allotted and issued pursuant to the MSSS are set out in the "Awards granted under the MSSS") section above.

9. Mr. SHEN Bing is deemed or taken to be interested, for the purpose of the SFO, the 17,820 Stocks which are beneficially owned by Mr. Shen and his spouse, Terry Kam Ha Yip jointly.

10. Mr. LIU Chung Laung, was awarded 4,000,000 Shares pursuant to the MSSS. Pursuant to the rules of the MSSS, these Shares were allotted and issued to him subject to the vesting schedule as set out in "Appendix VI—Statutory and General Information—Employee Incentive Scheme" of the Prospectus. Movement of the Shares allotted and issued pursuant to the MSSS are set out in the "Awards granted under the MSSS") section above.

    Save as disclosed above, as at 30 June 2008, none of the directors or the chief executives of the Company has any interests or short positions in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION *(Continued)*

DISCLOSURE OF INTEREST IN SECURITIES *(Continued)*

Interests and short position of substantial Shareholders and other interest discloseable under Part XV of the SFO

As at 30 June 2008, the following entities, other than a Director or chief executive of the Company, have an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of entities	Capacity/ nature of interest	Number of Shares	Approximate per centage of issued share capital of the Company (%)
Delta Networks Holding Limited *(Note 1)*	Beneficial owner	712,160,000	58.96
DEI *(Note 1)*	Interest of controlled corporation	712,160,000	58.96
HSBC International Trustee Limited *(Note 2)*	Trustee	97,205,200	8.05

OTHER INFORMATION *(Continued)*

DISCLOSURE OF INTEREST IN SECURITIES *(Continued)*

Notes:

1. Delta Networks Holding Limited ("DNHL") is a direct wholly owned subsidiary of DEI and therefore, DEI is deemed or taken to be interested in the Shares which are beneficially owned by DNHL.The percentage of 58.96% is calculated as 712,160,000 divided by total outstanding shares, before cancellation of 18,137,000 repurchased shares, of 1,207,815,000 as at 30 June 2008.

2. These Shares were allotted and issued pursuant to the Employee Incentive Scheme, and such Shares are held by Grand Networks Assets Limited, a company wholly-owned by HSBC International Trustee Limited as trustee of the trust known as Delta Network, Inc. Employee Incentive Scheme, which has been created for the purpose of holding these Shares for the employees of the Group under the Employee Incentive Scheme. As at 30 June 2008, a total of 26,794,800 of these Shares have been issued to the employees.

Save as disclosed above and so far as the directors are aware of, as at 30 June 2008, there is no other person, other than the directors or the chief executives of the Company, who has interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

By the Order of the Board
Liang Ker Uon Sam
Chairman

Taipei, Taiwan
15 August 2008

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	As at 30 June 2008 (Unaudited) US$'000	As at 31 December 2007 (audited) US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*5*	**18,914**	17,655
Land use rights	*6*	**282**	285
Deferred income tax assets		**3,738**	3,322
		22,934	21,262
Current assets			
Inventories	*7*	**40,316**	32,229
Trade receivables	*8*	**80,134**	88,893
Prepayments and other assets		**5,571**	3,812
Derivative financial instruments		**3,311**	5,202
Cash and cash equivalents		**242,827**	251,969
		372,159	382,105
Total assets		**395,093**	403,367
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*11*	**59,484**	59,840
Share premium	*11*	**119,724**	117,024
Other reserves	*12*	**40,883**	43,565
Retained earnings			
Proposed final dividend		**—**	12,581
Others		**67,121**	53,577
		287,212	286,587
Minority interests		**259**	287
Total equity		**287,471**	286,874

	Note	As at 30 June 2008 (Unaudited) US$'000	As at 31 December 2007 (audited) US$'000
LIABILITIES			
Non-current liabilities			
Provisions and other liabilities	*9*	**3,663**	3,663
Retirement benefit obligations		**4,275**	3,913
Deferred income tax liabilities		**828**	1,301
		8,766	8,877
Current liabilities			
Trade and other payables	*10*	**93,327**	99,436
Income tax payables		**1,240**	1,754
Derivative financial instruments		**1,929**	2,483
Provisions and other liabilities	*9*	**2,360**	3,943
		98,856	107,616
Total liabilities		**107,622**	116,493
Total equity and liabilities		**395,093**	403,367
Net current assets		**273,303**	274,489
Total assets less current liabilities		**296,237**	295,751

The accompanying notes are an integral part of this unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Six months ended 30 June 2008 (Unaudited) US$'000	2007 (Audited) US$'000
Revenue	*4*	**205,047**	210,086
Cost of sales		**(172,878)**	(174,227)
Gross profit		**32,169**	35,859
Other gains, net	*13*	**4,620**	4,660
Selling expenses		**(7,529)**	(7,746)
General and administrative expenses		**(6,835)**	(6,408)
Research and development expenses		**(10,441)**	(15,237)
Operating profit		**11,984**	11,128
Finance income, net	*14*	**3,516**	1,947
Profit before income tax		**15,500**	13,075
Income tax expense	*15*	**(808)**	(611)
Profit for the period		**14,692**	12,464
Attributable to:			
Equity holders of the Company		**14,720**	12,414
Minority interests		**(28)**	50
		14,692	12,464
Earnings per share for profit attributable to the equity holders of the Company during the period (US cents per share)	*16*		
-Basic		**1.34**	1.48
-Diluted		**1.29**	1.41
Dividends	*17*	**—**	—

The accompanying notes are an integral part of this unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company						
		Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Subtotal**	**Minority interest**	**Total equity**
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
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
Reversal of Employee incentive scheme reward	*12*	—	—	(2,288)	—	(2,288)	—	(2,288)
Employee incentive scheme reward settled by Company's shares	*12*	—	5,535	(5,535)	—	—	—	—
Employee incentive scheme reward	*12*	—	—	4,582	—	4,582	—	4,582
Management share subscription scheme reward settled by Company's shares	*11,12*	699	2,683	(1,691)	—	1,691	—	1,691
Management share subscription scheme reward	*12*	—	—	933	—	933	—	933
Repurchase and cancellation of shares	*11*	(1,055)	(5,518)	—	—	(6,573)	—	(6,573)
Transfer to statutory reserves		—	—	1,317	(1,317)	—	—	—
Dividend related to 2007		—	—	—	(12,440)	(12,440)	—	(12,440)
Balance at 30 June 2008		59,484	119,724	40,883	67,121	287,212	259	287,471

	Note	Share capital US$'000	Share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Subtotal US$'000	Minority interest US$'000	Total equity US$'000
		Attributable to equity holders of the Company						
For the six months ended 30 June 2007								
Balance at 1 January 2007		41,880	—	26,355	36,754	104,989	190	105,179
Profit for the period		—	—	—	12,414	12,414	50	12,464
Share-based payment settled by ultimate holding company's shares without recharge	*12*	—	—	9,361	—	9,361	—	9,361
Employee incentive scheme reward	*12*	—	—	4,764	—	4,764	—	4,764
Management share subscription scheme reward	*12*	—	—	1,734	—	1,734	—	1,734
Transfer to statutory reserves	*12*	—	—	1,185	(1,185)	—	—	—
Share issuance cost	*12*	—	(3,160)	—	—	(3,160)	—	(3,160)
Balance at 30 June 2007		41,880	(3,160)	43,399	47,983	130,102	240	130,342

The accompanying notes are an integral part of this unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Audited)
	US$'000	US$'000
Net cash generated from operating activities	**10,875**	21,831
Net cash used in investing activities	**(531)**	(3,526)
Net cash used in financing activities	**(19,079)**	(6,000)
Foreign exchange adjustment	**(407)**	355
Net (decrease)/increase in cash and cash equivalents	**(9,142)**	12,660
Cash and cash equivalents at the beginning of the period	**251,969**	82,707
Cash and cash equivalents at the end of the period	**242,827**	95,367

The accompanying notes are an integral part of this unaudited condensed consolidated interim financial information.

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, 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 condensed consolidated interim financial information has been approved for issuance by the board of directors on 15 August 2008.

2 BASIS OF PRESENTATION

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with International Accounting Standards 34, 'Interim financial reporting'.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards.

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 2007, 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 2008:

- IFRIC 11, IFRS 2 - Group and treasury share transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for instance, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions. The Group will apply IFRIC 11 from 1 January 2008. The adoption of this interpretation does not have any impact on the Group's existing accounting policies;

- IFRIC 12, Service concession arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 sets out general principles on recognising and measuring the obligation and related rights in service concession arrangements. The Group has no service concession arrangements and management considers the interpretation is not relevant to the Group's operations; and

- IFRIC 14, IAS19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding. The Group will apply IFRIC 14 from 1 January 2008. It currently has no impact on the Group's financial statements as there are no defined benefit assets.

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and requires a management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail, but it appears likely that the reported segments may be simplified.

- IAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the group currently applies a policy of capitalising borrowing costs.

- IFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes to vesting conditions and cancellations on the Group's share-based payment compensation schemes.

- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS/HKAS 27, 'Consolidated and separate financial statements', IAS/HKAS 28, 'Investments in associates' and IASHKAS 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 and consolidation on the Group. The Group does not have any joint ventures and associates.

- IAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.

- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group as the Group does not have any puttable instruments.

3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

- IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. This is not relevant to the Group as the Group does not have any customer loyalty programmes.

- IFRS 1 and IAS 27 (amendment)1 'Cost of an investment in a subsidiary, jointly controlled entity or associate', and consequential amendments to IAS 18 'Revenue', IAS 21 'The Effects of changes in foreign exchange rates' and IAS 36 'Impairment of assets', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group is not a first-time adopter of IFRS.

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.

4 SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format- geographical segments

(1) The Group operates in two main geographical areas. The geographic information based on location of production assets was as follows:

	Six months ended 30 June 2008				
	Mainland China	Taiwan	Elimination	Unallocated	Consolidated
	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

4 SEGMENT INFORMATION *(Continued)*

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

(1) The Group operates in two main geographical areas. The geographic information based on location of production assets was as follows: *(Continued)*

	Six months ended 30 June 2008				
	Mainland China	Taiwan	Elimination	Unallocated	Consolidated
	US$'000	US$'000	US$'000	US$'000	US$'000
Attributable to:					
Equity holders of the Company					14,720
Minority interest					(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

4 SEGMENT INFORMATION *(Continued)*

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

(1) The Group operates in two main geographical areas. The geographic information based on location of production assets was as follows: *(Continued)*

	Six months ended 30 June 2007				
	Mainland China	Taiwan	Elimination	Unallocated	Consolidated
	US$'000	US$'000	US$'000	US$'000	US$'000
External sales and service:					
Sales revenue	176,004	33,587	—	—	209,591
Service revenue	310	185	—	—	495
	176,314	33,772	—	—	210,086
Inter-segment sales and services:					
Sales revenue	19,551	2,707	(22,258)	—	—
Service revenue	70	7,854	(7,924)	—	—
	19,621	10,561	(30,182)	—	—
Total operating revenue	195,935	44,333	(30,182)	—	210,086
Segment result/profit from operations	17,658	(8,323)	1,793	—	11,128
Finance income					1,954
Finance cost					(7)
					1,947
Profit before income tax					13,075
Income tax expense					(611)
Profit for the period					12,464

4 SEGMENT INFORMATION *(Continued)*

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

(1) The Group operates in two main geographical areas. The geographic information based on location of production assets was as follows: *(Continued)*

	Six months ended 30 June 2007				
	Mainland China US$'000	Taiwan US$'000	Elimination US$'000	Unallocated US$'000	Consolidated US$'000
Attributable to:					
Equity holders of the Company					12,414
Minority interest					50
					12,464
Other information					
Depreciation	1,445	750	—	—	2,195
Amortisation	3	—	—	—	3
Inventory write-down	34	99	—	—	133
Segment assets	118,511	44,725	—	281,564	444,800
Segment liabilities	55,192	21,437	—	237,829	314,458
Capital expenditure	4,539	973	—	—	5,512

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, plan and equipment.

4 SEGMENT INFORMATION *(Continued)*

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

(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			
	2008		2007	
	US$'000	**%**	US$'000	%
Asia	**49,129**	**24**	45,451	21
Americas	**66,211**	**32**	81,545	39
Europe	**89,707**	**44**	83,018	40
Others	**—**	**—**	72	—
	205,047	**100**	210,086	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").

4 SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format-businesses segment *(Continued)*

The segment information for the sales and services of the two categories of products and for the others for each of the six months ended 30 June 2008 and 2007 are as follows:

	Six months ended 30 June 2008					
	Ethernet switch			**Broadband and**		
	Carrier	**Enterprise**	**SOHO**	**wireless**	**Others**	**Total**
	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**

	Six months ended 30 June 2007					
	Ethernet switch			Broadband and		
	Carrier	Enterprise	SOHO	wireless	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
External sales and services	34,162	85,262	47,980	32,623	10,059	210,086

5 PROPERTY, PLANT AND EQUIPMENT

Six months ended 30 June 2008	**US$'000**
Beginning of the period	**17,655**
Additions	**4,464**
Disposals	**(50)**
Depreciation charge	**(3,155)**
End of the period	**18,914**

Six months ended 30 June 2007	US$'000
Beginning of the period	12,950
Additions	5,512
Disposals	(118)
Depreciation charge	(2,195)
End of the period	16,149

6 LAND USE RIGHTS

Six months ended 30 June 2008	**US$'000**
Beginning of the period	**285**
Amortisation	**(3)**
End of the period	**282**

Six months ended 30 June 2007	US$'000
Beginning of the period	292
Amortisation	(3)
End of the period	289

7 INVENTORIES

	As at 30 June 2008 US$'000	As at 31 December 2007 US$'000
Raw materials	**21,474**	15,994
Work-in-progress	**3,999**	4,272
Finished goods	**14,843**	11,963
	40,316	32,229

The cost of inventory recognised as expense and included in cost of sales in the consolidated income statement for the six months ended 30 June 2008 amounted to US$172,121,000 (six months ended 30 June 2007: US$173,630,000).

Allowance for decline in market value and inventory obsolescence amounted to US$757,000 for six months ended 30 June 2008 (six months ended 30 June 2007: US$133,000).

8 TRADE RECEIVABLES

	As at 30 June 2008 US$'000	As at 31 December 2007 US$'000
Trade receivables	**80,124**	88,865
Trade receivables from related parties (Note 20(d))	**34**	50
	80,158	88,915
Less: Provision for impairment of trade receivables	**(24)**	(22)
Trade receivables – net	**80,134**	88,893

The carrying amounts of trade receivables approximate their fair values.

8 TRADE RECEIVABLES *(Continued)*

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 2008 US$'000	As at 31 December 2007 US$'000
Days outstanding		
0-30 days	**39,049**	40,174
31-60 days	**27,333**	34,318
61-90 days	**13,480**	14,050
91-180 days	**296**	373
Over 180 days	**—**	—
Total	**80,158**	88,915

9 PROVISIONS AND OTHER LIABILITIES

	As at 30 June 2008 US$'000	As at 31 December 2007 US$'000
Current		
Receipts in advance from customer	**951**	777
Receipts under MSSS plan	**1,409**	3,166
	2,360	3,943
Non-current		
Receipts under MSSS plan	**3,663**	3,663
	6,023	7,606

10 TRADE AND OTHER PAYABLES

	As at 30 June 2008 US$'000	As at 31 December 2007 US$'000
Trade payables	**63,070**	64,880
Trade payables due to related parties (Note 20(e))	**7,868**	9,520
	70,938	74,400
Accruals and other payables:		
Accrued payrolls and bonuses	**1,642**	6,348
Accrued customs duties and Value added tax	**3,210**	4,022
Other accrued expenses and payables	**16,033**	12,363
Other payables due to related parties (Note 20(f))	**1,504**	2,303
	22,389	25,036
	93,327	99,436

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 2008 US$'000	As at 31 December 2007 US$'000
0 - 30 days	**20,987**	26,413
31 - 60 days	**19,498**	23,089
61 - 90 days	**16,543**	15,485
Over 90 days	**13,910**	9,413
	70,938	74,400

11 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (in thousand)	Share capital US$'000	Share premium US$'000	Total US$'000
Authorised:				
At 1 January 2007	50,000	50,000	—	50,000
Increase in authorised share capital (note (a))	30,000	30,000	—	30,000
	80,000	80,000	—	80,000
Additions due to 1 to 20 share sub-division (note (b))	1,520,000	—	—	—
At 31 December 2007 and at 30 June 2008	1,600,000	80,000	—	80,000
Issued and fully paid:				
At 1 January 2007	41,880	41,880	—	41,880
Additions due to 1 to 20 share sub-division (note (b))	795,720	—	—	—
	837,600	41,880	—	41,880
Shares issued to EIS trust (note (c))	124,000	6,200	—	6,200
Shares issued on 5 July 2007 (note (d))	235,200	11,760	123,630	135,390
Share issuance costs	—	—	(6,606)	(6,606)
At 31 December 2007	1,196,800	59,840	117,024	176,864
At 1 January 2008	1,196,800	59,840	117,024	176,864
Shares issued for EIS (note (12)(b)(i))	—	—	5,535	5,535
Shares issued for MSSS (note (12)(b)(ii))	13,976	699	2,683	3,382
Repurchase and cancellation (note (e))	(21,098)	(1,055)	(5,518)	(6,573)
At 30 June 2008	1,189,678	59,484	119,724	179,208

11 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

Notes:

(a) Pursuant to a resolution passed by the equity holders of the Company on 8 June 2007, the authorised share capital of the Company was increased from US$50,000,000, divided into 50,000,000 shares of US$1 each, to US$80,000,000 by the creation of an additional 30,000,000 shares of a par value of US$1 each to rank pari passu in all respect with the shares then in issue.

(b) Pursuant to another resolution passed on 8 June 2007, each issued and unissued share capital of the Company of a par value of US$1 each was sub-divided into 20 shares of a par value of US$0.05 each. As a result of the share sub-division, the authorised share capital and issued share capital of the Company amounted to US$80,000,000, divided into 1,600,000,000 shares of US$ 0.05 each, and US$41,880,000, divided into 837,600,000 shares of US$0.05 each, respectively.

(c) On 5 July 2007, 124,000,000 shares of US$0.05 each were allotted and issued to Employee Incentive Scheme ("EIS") trust at nil consideration. These shares will be granted to the participants of EIS in the coming years. Please also see Notes 12 (b)(i) and 23.

(d) Pursuant to a global offering, on 5 July 2007, 235,200,000 shares of US$0.05 each were allotted and issued for cash at a price of HK$4.5 (equivalent to US$0.58) per share.

(e) During the six months ended 30 June 2008, the Company repurchased a total of 21,098,000 ordinary shares of the Company at an aggregate purchase price of US$6,552,383 (equivalent to HK$51,085,000) on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share		
		Lowest	Highest	
		HK$	HK$	HK$'000
April 2008	2,961,000	2.03	2.31	6,391
May 2008	766,000	2.16	2.33	1,708
June 2008	17,371,000	2.35	2.55	42,986
Total	**21,098,000**			**51,085**

12 OTHER RESERVES

	Contributed reserves (note (a)) US$'000	Share-based payment reserves (note (b)) US$'000	Statutory reserves (note (c)) US$'000	Contribution to EIS trust US$'000	Total US$'000
Balance at 1 January 2008	**30,697**	**13,209**	**5,859**	**(6,200)**	**43,565**
Reversal of Employee incentive scheme reward	—	(2,288)	—	—	(2,288)
Employee incentive scheme reward settled by Company's shares	—	(6,875)	—	1,340	(5,535)
Employee incentive scheme reward	—	4,582	—	—	4,582
Management share subscription scheme reward settled by Company's shares	—	(1,691)	—	—	(1,691)
Management share subscription scheme reward	—	933	—	—	933
Transfer from retained earnings	—	—	1,317	—	1,317
Balance at 30 June 2008	**30,697**	**7,870**	**7,176**	**(4,860)**	**40,883**
Balance at 1 January 2007	17,274	5,174	3,907	—	26,355
Share-based payment settled by ultimate holding company's shares without recharge	9,361	—	—	—	9,361
Employee incentive scheme reward	—	4,764	—	—	4,764
Management share subscription scheme reward	—	1,734	—	—	1,734
Transfer from retained earnings	—	—	1,185	—	1,185
Replacement of employee incentive scheme award with ultimate holding company's shares	4,062	(4,062)	—	—	—
Balance at 30 June 2007	30,697	7,610	5,092	—	43,399

12 OTHER RESERVES *(Continued)*

(a) Contributed reserves

Contributed reserves mainly represent capital reserves arising from DEI incentive scheme. This scheme has been replaced by an employee incentive scheme (see note (b)(i)) since June 2007.

The amounts of compensation expenses in respect of DEI incentive scheme recognised in the consolidated income statement are as follows:

	Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Cost of sales	—	1,680
Selling expenses	—	1,464
General and administrative expenses	—	1,153
Research and development expenses	—	5,064
	—	9,361

(b) Share-based payment reserve

(i) Employee incentive scheme ("EIS")

EIS was first approved and adopted by resolutions of the board of directors on 21 August 2006. It was modified and approved by the board of directors on 13 June 2007. Pursuant to the terms of EIS, EIS participants are entitled to EIS awards if they have rendered the services to the Group during the period from the beginning of each financial year to the grant date in subsequent financial year.

Upon the implementation of EIS, the Company issued 124,000,000 ordinary shares ("DNI Shares") to an independently administered trust for granting to EIS awards in the future. The maximum number of DNI Shares to be granted to EIS participants for every financial year must not exceed 3% of the total issued share capital of the Company as at the beginning of that financial year.

12 OTHER RESERVES *(Continued)*

(b) Share-based payment reserve *(Continued)*

(i) Employee incentive scheme ("EIS") *(Continued)*

Based on the closing market price of US$0.33 per DNI Share as at 31 December 2007, an amount of US$9,163,000 was estimated and recognised as share-based payment reserve for EIS for the year ended 31 December 2007. On 7 March 2008, 26,794,800 of DNI Shares were granted to EIS participants with a total fair value of US$6,875,000 calculating based on the closing market price of US$0.25 per DNI Share of that day. Accordingly, US$2,288,000 was reversed from share-based payment reserve. In addition, the issue of 26,794,800 DNI Shares resulted in recognition of share premium of US$5,535,000 and reversal of reserve "Contribution to EIS trust" of US$1,340,000.

In 2008, management estimated the fair value of DNI Shares to be granted to EIS participants for their services rendered during the vesting period from January 2008 to the grant date in 2009 would amount to US$9,163,000, estimating based on 2.5% (equivalent to 29,920,000 shares) of the total issued share capital of the Company as at the beginning of financial year in which DNI Shares to be granted and the closing market price of US$0.31 per DNI Share as at 30 June 2008.

On a pro-rated basis of the vesting period, US$4,582,000 was recognised as compensation expenses for the six months ended 30 June 2008(six months ended 30 June 2007: US$4,764,000).

The amounts of total compensation expenses in respect of EIS recognized in the consolidated income statement as follows:

	Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Cost of sales	**692**	852
Selling expenses	**635**	744
General and administrative expenses	**1,168**	588
Research and development expenses	**2,087**	2,580
	4,582	4,764

12 OTHER RESERVES *(Continued)*

(b) Share-based payment reserve *(Continued)*

(ii) Management share subscription scheme ("MSSS")

MSSS was adopted by the board of directors on 21 August 2006. Pursuant to MSSS, 56,924,000 MSSS awards (after share sub-division) were granted to certain eligible employees of the Group for subscribing the same number of DNI Shares at a subscription price of US$0.121 (after share sub-division) per share. According to the original rules of MSSS, these awards would be vested and issued in four equal instalments up to September 2010. In March 2007, it was decided that the vesting period of shares subscribed would be extended for an additional seven months up to April 2011. MSSS awards will therefore be vested and issued in four equal instalments on 1 April 2008, 1 April 2009, 1 April 2010 and 1 April 2011, respectively. Since the extension of vesting period would not be beneficial to employees, the Group takes no account of the modified service condition when recognising service received. Accordingly, on a pro-rated basis of the original vesting period, US$933,000 were recognised as compensation expenses for six months ended 30 June 2008(six months ended 30 June 2007: US$1,734,000).

In respect of MSSS awards being vested during the six months ended 30 June 2008, 13,976,000 DNI Shares were issued which resulted in a transfer of share-based payment reserves of US$350,000 to share capital and of US$1,342,000 to share premium respectively; and a transfer of the same amount of subscription proceeds from "Provisions and other liabilities" account to share capital and share premium respectively.

As at 30 June 2008, subscription proceeds of US$5,072,000 (31 December 2007: US$6,829,000) (Note 9) were received from the subscribers. The subscription proceeds are refundable at principal amount plus interest of 3.5% per annum subject to certain conditions and are included in "Provisions and other liabilities" in the consolidated balance sheet. For the purpose of measurement subscription price, the Company used the principal assumptions for estimate the fair value:

Expected economic growth rate	2.9% per annum
Discount rates	14.4% to 17.3% per annum

12 OTHER RESERVES *(Continued)*

(b) Share-based payment reserve *(Continued)*

(ii) Management share subscription scheme ("MSSS") *(Continued)*

The amounts of total compensation expenses in respect of MSSS recognised in the consolidated income statement are as follows:

	Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Cost of sales	**83**	156
Selling expenses	**51**	96
General and administrative expenses	**644**	1,194
Research and development expenses	**155**	288
	933	1,734

The movement in the number of outstanding MSSS awards (after share sub-division) granted to certain eligible employees of the Group were as follow:

	2008	2007
	No of MSSS awards granted (after share sub - division of 1 to 20)	
At 1 January	**56,444,000**	56,744,000
Abandon	**(540,000)**	(180,000)
Vested and issued shares	**(13,976,000)**	—
At 30 June	**41,928,000**	56,564,000

(c) Statutory reserves

As stipulated by regulations in Mainland China and Taiwan, each of the Company's subsidiaries established and operated in Mainland China and Taiwan have to appropriate 10% of its after-tax profit (after offsetting prior year losses) to the general reserve. Subject to certain conditions, the general reserve can be utilised to offset prior year losses or be utilised for the issuance of share dividend.

13 OTHER GAINS-NET

	Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Other income		
Commission income	**412**	588
Claims from suppliers and customers	**332**	503
Tax refund in respect of reinvestment	**166**	390
Others	**632**	96
	1,542	1,577
Derivative instruments- forward contract	**374**	2,683
Losses on disposal of property, plant and equipment	**—**	(118)
Losses on disposal of available-for-sale investments	**(23)**	
Net foreign exchange gain	**2,727**	518
	4,620	4,660

14 FINANCE INCOME – NET

	Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Interest expense:		
- interest on bank borrowing and overdrafts wholly repayable within five years	**(165)**	(7)
Bank interest income	**3,681**	1,954
Finance income	**3,516**	1,947

15 INCOME TAX

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

	Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Current taxation		
Hong Kong	**354**	—
Taiwan	**508**	926
Mainland China	**562**	581
United States of America	**19**	22
Other countries	**9**	6
	1,452	1,535
Under(Over)-provision prior years-net	**243**	(366)
Deferred Taxation	**(887)**	(558)
	808	611

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 2008 was 11% (six months ended 30 June 2007: 17%). The decrease is caused by a change in the distribution of profit of the Group's subsidiaries in different countries.

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.

Delta Networks (Dongguan) Ltd. is a foreign investment enterprise in Mainland China and is subject to the Mainland China enterprise income tax rate of 25% under the tax regulations of Mainland China.

15 INCOME TAX *(Continued)*

達創科技股份有限公司 ("DNI Taiwan") is a company 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 Labuan, 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 charged at a fixed annual sum rate of Malaysian RM20,000.

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

16 EARNINGS PER SHARE

Basic

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

	Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Profit attributable to equity holders of the Company (US$'000)	**14,720**	12,414
Weighted average number of ordinary shares in issue after share sub-division of 1 to 20 (thousands)	**1,095,200**	837,600
Basic earnings per share (US cents per share)	**1.34**	1.48

16 EARNINGS PER SHARE *(Continued)*

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 EIS of 23,996,000 shares (six months ended 30 June 2007: 7,759,000 shares) and MSSS of 23,899,000 shares (six months ended 30 June 2007: 35,634,000 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	
	2008	2007
	US$'000	US$'000
Profit attributable to equity holders of the Company	**14,720**	12,414
Weighted average number of ordinary shares in issue (thousands)	**1,095,200**	837,600
Adjustments for		
- MSSS and EIS after share sub-division of 1 to 20 (thousands)	**47,895**	43,393
Weighted average number of ordinary shares for diluted earnings per share(thousands)	**1,143,095**	880,993
Diluted earnings per share (US cents per share)	**1.29**	1.41

17 DIVIDENDS

No dividends were declared or paid by the Company for the six months ended 30 June 2008. At a meeting held on 6 March 2008, the board of directors recommended a final dividend in respect of the year ended 31 December 2007 of 1.03 US cents (equivalent 8 HK cents) per share, totaling approximately US$12,581,000. This dividend was approved by the shareholders in the annual general meeting held on 24 April 2008 and paid off as at 30 June 2008.

18 CONTINGENT LIABILITIES

As at 30 June 2008 and 31 December 2007, the Group had no material contingent liabilities.

19 COMMITMENTS

As at June 2008 and 31 December 2007, the Group did not have significant capital commitments.

20 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) For the six months ended 30 June 2008, the Group's management are of the view that the following companies were related parties of the Group:

Names of related parties	Relationship with the Group
Delta Electronics, Inc. "(DEI)"	The ultimate parent company
Delta International Holding Ltd. "(DIH)"	A subsidiary of the ultimate parent company
Delta Electronics (Japan) Inc.	A subsidiary of DIH
Delta Electronics (Dongguan) Co., Ltd.	A subsidiary of DIH
Delta Electronics Power (Dongguan) Co., Ltd.	A subsidiary of DIH
Delta Electronics Component (Dongguan) Co., Ltd.	A subsidiary of DIH
Delta Electronics (Jiangsu) Ltd.	A subsidiary of DIH
Delta Electronics Components (Wujiang) Ltd.	A subsidiary of DIH
Delta Electro-optics (Wujiang) Ltd.	A subsidiary of DIH
Delta Video Display System (Wujiang) Ltd.	A subsidiary of DIH
Delta Power Sharp Limited	A subsidiary of DIH
Delta Electronics International Ltd.	A subsidiary of DIH
Delta Electronics International Ltd. (Labuan)	A subsidiary of DIH

20 RELATED PARTY TRANSACTIONS *(Continued)*

(b) The Group had the following significant related party transactions:

	Note	Six months ended 30 June **2008** **US$000'**	2007 US$000'
Ultimate holding company			
Purchase of goods by the Group	i	**362**	71
Supporting expenses paid by the Group	ii		
DEI incentive scheme received by the Group (Note 12(a))		**—**	9,361
Rental expenses to ultimate holding company	iii	**598**	545
Fellow subsidiaries			
Purchase of goods by the Group	i	**15,560**	15,152
Supporting expenses paid by the Group	ii	**61**	10,064
Selling expenses and commission paid by the Group	iv	**313**	300
Other expenses recharged to the Group	v	**—**	547

Notes:

(i) The purchase terms, including prices and credit terms, were negotiated based on cost, market, competitors and other factors.

(ii) Supporting expense related to provision of utilities and management services and was charged in accordance with the terms of agreement made between the parties.

(iii) Properties leased by ultimate holding company to the Group for production and office use were charged in accordance with the terms of agreement made between the parties.

(iv) The selling expenses and commission were calculated based on a certain percentage of the transaction value arranged by the follow subsidiaries.

(v) Other expenses recharged by related parties related to provision of production capacity and labour force and was charged in accordance with the terms of agreement made between the parties.

20 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management compensation

	Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Fee	**138**	—
Basic salary and allowance	**1,300**	285
Share-based payment		
-DEI's incentive scheme	**—**	579
-Employee incentive scheme	**538**	446
-Management share subscription scheme	**634**	1,219
Pension cost		
-defined contribution plan	**6**	4
-defined benefit plan	**2**	3
	2,618	2,536

(d) Trade receivables due from related parties

	As at 30 June 2008	As at 31 December 2007
	US$'000	US$'000
Ultimate parent	**2**	4
Fellow subsidiaries	**32**	46
	34	50

The trade receivables from related parties arise mainly from sales transaction and payment terms are negotiated with related parties. The receivable are unsecured and bear no interest.

20 RELATED PARTY TRANSACTIONS *(Continued)*

(e) Trade payables due to related parties

	As at 30 June 2008 US$'000	As at 31 December 2007 US$'000
Ultimate parent	**207**	140
Fellow subsidiaries	**7,461**	9,380
	7,668	9,520

The trade payables arise mainly from purchase transaction and payment terms are negotiated with related parties. The payables are unsecured and bear no interest.

(f) Other payables due to related parties

	As at 30 June 2008 US$'000	As at 31 December 2007 US$'000
Ultimate parent	**11**	271
Fellow subsidiaries	**1,493**	2,032
	1,504	2,303

Other payables were payments made by related parties on behalf of the Group for purchase of equipment, and other miscellaneous expenses.

The payment terms of other payables were determined based on negotiation. The payables bear no interest.

21 SUBSEQUENT EVENTS

In July 2008, the Company repurchased 6,601,000 of its own ordinary shares traded on the Stock Exchange. The total considerations paid to acquire these shares were US$2,011,000 (approximately HK$15,693,000), which would be deducted against share capital and share premium upon the cancellation.

22 PARTICULARS OF SUBSIDIARIES

As at 30 June 2008, the Company had direct and indirect interests in the following principal subsidiaries:

Directly held

Name	Place of incorporation/ establishment	Kind of legal equity	Issued and fully paid up share capital/ registered capital	Attributable equity interests		Principal activities and place of operations
				As at 30 June 2008	As at 31 Decembe 2007	
Delta Networks, Inc. ("DNI Taiwan")	Taiwan	Limited liability company	50,000,000 Ordinary shares of NT$10 each	**99.20%**	99.20%	Manufacturing of networking system and peripherals in Taiwan
DNI Logistics (USA) Corp. ("DNI US")	United States of America	Limited liability company	500,000 Ordinary shares of US$1 each	**100%**	100%	Trading of networking system and peripherals in USA
Delta Networks International Ltd - Labuan ("DNI Labuan")	Malaysia	Limited liability company	1,000,000 Ordinary shares of US$1 each	**100%**	100%	Trading of networking system and peripherals in Macau

22 PARTICULARS OF SUBSIDIARIES *(Continued)*

Indirectly held

Name	Place of incorporation/ establishment	Kind of legal equity	Issued and fully paid up share capital/ registered capital	Attributable equity interests		Principal activities and place of operations
				As at 30 June 2008	As at 31 Decembe 2007	
Delta Networks (Dong Guan) Ltd. ("DNI Dongguan") (formerly known as Delta Electronics Industrial (Dong Guan) Co., Ltd.)	Mainland China	Wholly-owned foreign enterprise	Paid up capital of US$29,500,000	**100%**	100%	Manufacturing of networking system and peripherals in Mainland China
Delta Networks (H.K.) Limited	Hong Kong	Limited liability company	35,000,000 Ordinary shares of US$1 each	**100%**	100%	Investment holding
Delta Networks (Shanghai) Ltd.	Mainland China	Wholly-owned foreign enterprise	Paid up capital of US$2,000,000	**100%**	100%	Product research and development
Delta Networks (Wujiang) Ltd.	Mainland China	Wholly-owned foreign enterprise	Paid up capital of US$5,000,000	**100%**	100%	Manufacturing of networking system and peripherals in Mainland China

23 PARTICULARS OF A CONTROLLED SPECIAL PURPOSE ENTITY

As at 30 June 2008, there was one special purpose entity controlled by the Company which operates in Hong Kong, particulars of which are as follows:

Name	Principal activities
Delta Networks, Inc. Employee Incentive Scheme ("EIS Trust")	Administering and holding DNI Shares for EIS for the benefit of eligible participants of EIS (Note 12 (b)(i))

As the Company has the power to govern the financial and operating policies of EIS Trust, accordingly the Group has consolidated EIS Trust. Upon the implementation of EIS, the Company had issued 124,000,000 DNI Shares to EIS Trust. As at 30 June 2008, 97,205,200 (as at 31 December 2007:124,000,000) DNI Shares were retained by EIS Trust .