Merrill Lynch Technology Conference

2008/3/20

ALPHA

明泰科技

Alpha Networks Inc.

Agenda

- *Industry Overview*
- *Financial Results*
- *Company Profile*

Industry Overview

The Driver Behind the Wheel

- XP, MCE, Pika,Vista
- DV, DSC, DSLR
- Faster multiple core CPU, larger and cheaper RAM and hard disk
- A/V content getting bigger: 1080P Full HD, Uncompressed LPCM
- New application grow internet traffic: MOD, IPTV, Wikipedia, Second Life, on-line A/V store, photo sharing, junk mail ,...
- Virus and VoIP also boost office network to upgrade to 1G/10G level
- Internet sound like have become a vital part of human life
- Emerging crude oil and raw material rich countries are investing network infrastructure very aggressively in both Telco and enterprise sectors

Result

→ Wider Bandwidth Outside

→ Faster Inside

More Bandwidth Bring More Business Opportunity

- IP-STB is picking up momentum now
- Growing needs for network storage devices
- Various kinds of IP-CAM and related applications also become popular
- 3D Internet will soon come to the main stage
- Bandwidth and Internet Services now interact with each other in a positive cycle
- Buying A/V content from overseas home town ISP via internet create enormous new business

Industry Seesaw

- 11n may replace 11b/g as expected in mid 2008, but sub-prime might hit the retail market and cause negative effect on the transition
- VDSL and ADSL both survive
- WiMAX is still under investigation but Intel is pushing the Wimax really hard with solid actions
- U.S. sub-prime may affect consumer spending and enterprise investment as well
- Crude oil and raw material price are up with no ceiling Yet
- Sub-prime problem sounds more serious than expected to the US banking and housing Industry
- Increasing labor/land cost and recent heavy snow happened in China do generate some impact on delivery and cost sides
- NT appreciation make 2008 even more challenging

Market Overview

- Sub-prime problem hit the network's retail channel only slightly
- Telcos are building ADSL and VDSL infrastructure with surprisingly fast pace and strength on a global basis
- Countries with abundant oil and raw material resources jump into Internet Circle as well, especially true for BRIC and C/S America
- Material price increasing cause component delivery problem but helping ASP hold steady
- Global warming and aging population create new needs for network technology

ODM/OEM Business Mid-term Outlook

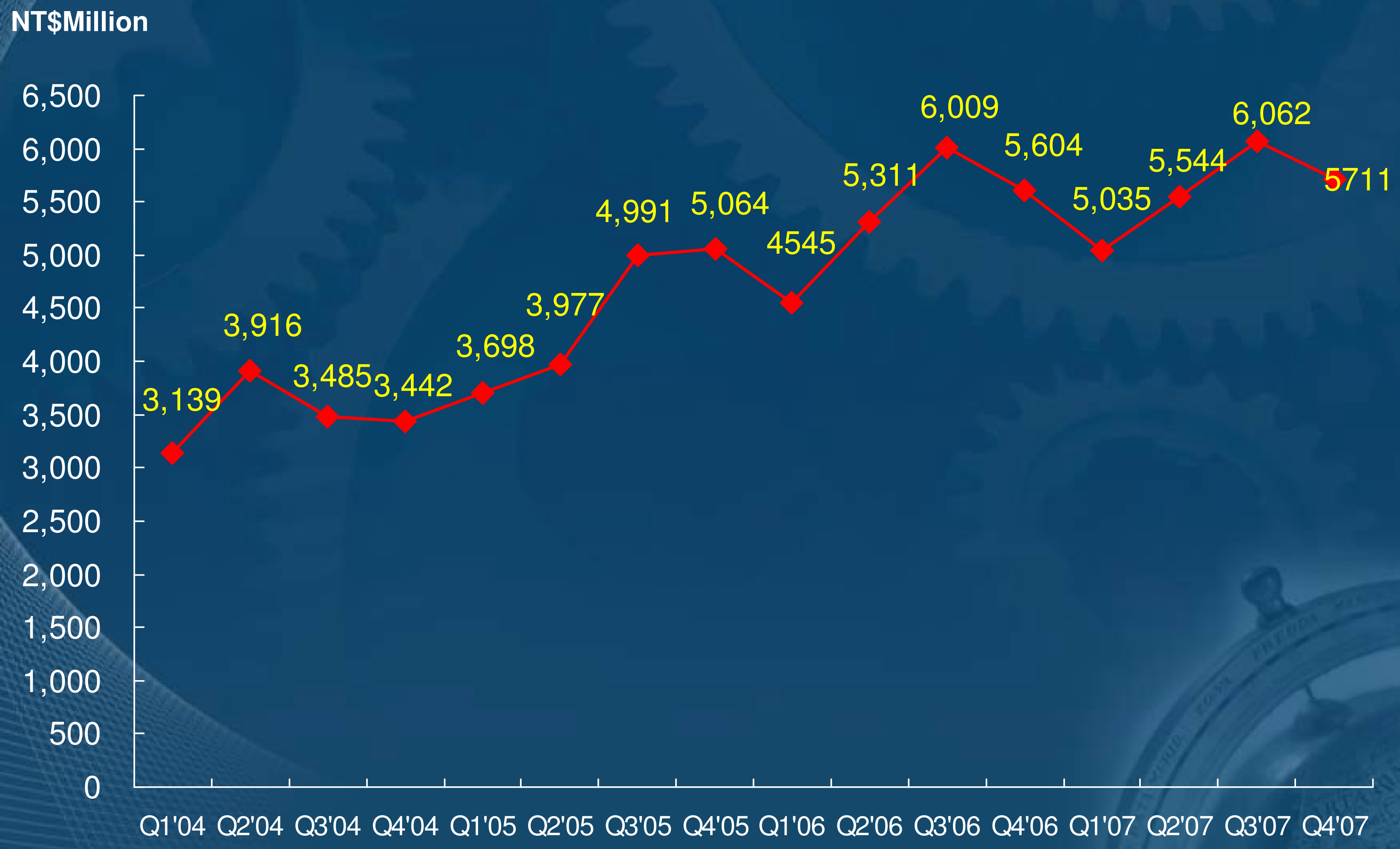
- Consumer network and CPE product are less value added
- Cisco’s rivals come to Taiwan ODM/OEM
- More new customers and projects
- Enterprise revenue stream keep on strong
- Customer now focus more on delivery and volume increase steadily

Alpha Strategy

- Place more emphasis on new business such as IP STB, local OEM partners in emerging countries …etc.
- Create direct touch with real OEM buyer in retail and local Telco partners
- Margin growth will mainly come from Switch, Digital Multimedia, VDSL (including outdoor Switch), IP STB and Green Switch
- Growing engineering resources aggressively to cope with increasing market demand by expanding R&D and manufacturing facilities in China or Vietnam
- Dispatch on-site material expediter team to key component suppliers

Financial Results

Revenue Growth



2007 vs. 2006
Consolidated Income Statement Comparison

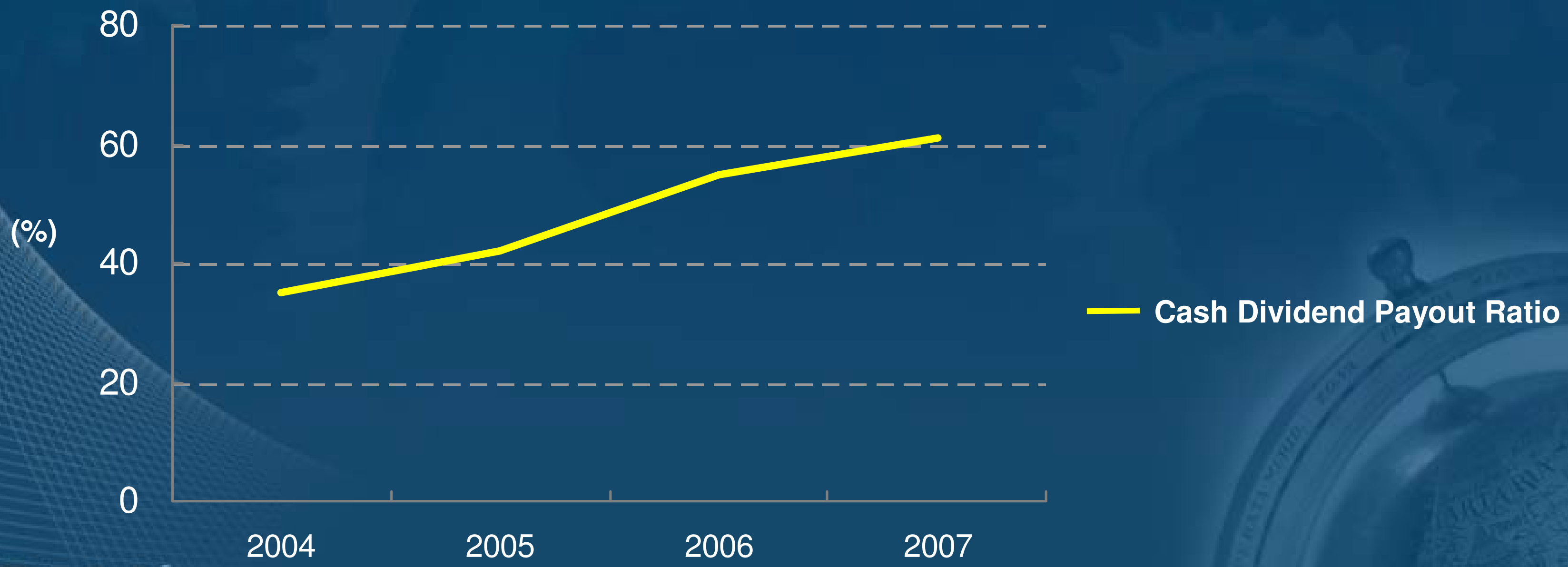
Amount: NT$ million	2007		2006		% change
	Amt	**%**	**Amt**	**%**	
Net Sales	22,351	100.00	21,469	100.00	4%
Cost of Goods Sold	18,301	81.88	18,007	83.87	2%
Gross Profit	4,050	18.12	3,462	16.13	17%
Operating Expenses	2,366	10.58	1,983	9.24	19%
Operating Income	1,684	7.54	1,479	6.89	14%
Total Non-Op. Inc. (Loss)	(127)	-0.57	(171)	-0.80	26%
Income Before Tax	1,557	6.97	1,308	6.09	19%
Income Tax Expense	263	1.18	260	1.21	1%
Net Income	1,294	5.79	1,048	4.88	23%
Earnings Per Share (NT$)	3.26		3.10		

12/31/2007 Balance Sheet YoY Comparison

Amount: NT$ million	12/31/2007		12/31/2006		%change
	Amt	%	Amt	%	
Cash	3,135	22.91	3,097	24.16	1%
Account Receivable	5,671	41.44	5,087	39.69	12%
Inventory	2,145	15.67	2,063	16.10	4%
Fixed Assets	2,227	16.27	2,138	16.68	4%
Other Assets	507	3.71	432	3.37	17%
Total Assets	13,685	100.00	12,817	100.00	7%
Account Payable	3,687	26.94	3,331	25.99	11%
Other Current Liabilities	2,016	14.73	1,925	15.02	5%
Current Liabilities	5,703	41.67	5,256	41.01	9%
L-T & Other Liabilities	73	0.54	1,166	9.10	-94%
Total Liabilities	5,776	42.21	6,422	50.11	-10%
Common Stock	4,116	30.08	3,554	27.73	16%
Shareholders' Equity	7,909	57.79	6,395	49.89	24%

Cash Dividend and Payout Ratio

(NT$)	2004	2005	2006	2007
Cash Dividend	1.0	1.5	1.7	2
Stock Dividend	1.0	1.0	0.3	0.3
Total	2.0	2.5	2	2.3
EPS	2.87	3.61	3.10	3.26



Company Profile

Company Profile

- Founded in 2003
- Publicly listed in 2004 at Taiwan Stock Market
- Paid-in Capital: NT$ 4.1 billion
- Number of employees: over 6,000 worldwide
- Business Model: DMS (Design, Manufacturing, and Services)

Alpha Strength

- 20 years dedicated experiences in the networking industry
- Formidable R&D team
- Unique position in enterprise Ethernet switch ODM market

The R&D Competitive Advantage

- Develop the Software Code by Ourselves
  - Embedded System Design (Nucleus, VxWorks, Linux)
  - Network Management Software (SNMP v3, RMON, TR-069,…, etc.)
  - Protocols (SIP, MGCP, OSPF, IGMP, …, etc.)
  - UI (Web based, CLI, Debugging Monitor, .., etc.)

- Superior Hardware Design Capability
  - Board Design (Switch Blade, experienced in-house layout team)
  - System Design (Chassis based, Redundant CPU/RPS, Hot swappable)
  - Mechanical Design (SOHO to Chassis based)
  - EMC, Thermal, Safety, Green Parts

The R&D Competitive Advantage (con't)

- Cost Deduction
  - Strategic alliance with IC design house
  - Economics of scale; Large buying power
  - Continuous cost down plan by re-design
  - Cost effective manufacturing – Taiwan, mainland China
- Time to Market
  - Engineering Sample 2-3 weeks
  - Mass Production 6-8 weeks
  - EMI Certification 2-3 weeks
- Design Validation
  - 80 qualified test engineers
  - 20 years networking product accumulated experience
  - IEEE 802.3 test environment

Worldwide Locations

- **Headquarters:** Science-based Industrial Park, Hsinchu Taiwan
- **Factories(3):** Hsinchu Taiwan, Dougguan China(2)
- **R&D Centers(5):** Hsinchu Taiwan, Taipei Taiwan, Chengdu China, Shanghai China, Irvine USA
- **Sales Offices(4):** Taiwan, Santa Clara USA, Tokyo Japan, Dougguan China

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Factories and Capacity

Hsinchu, Taiwan

- 5 SMT lines
- Total area ≅ 42,000 m²
- Employee number ≅ 1800

Dongguan, China

- 13 SMT lines
- Total Area ≅ 40,000 m²
- Employee number ≅ 3500
- For overseas market

Dongguan, China

- 3 back-end lines
- Total Area ≅ 8,000 m²
- Employee number ≅ 700
- For China domestic market

Chengdu R&D Center:

Current :

R&D Engineers: 400

Total Area: 4,000 m^2

Equipments:

- 1 EMI Chamber
- 1 Test Lab
- 1 Hardware Lab

New :

R&D Engineers: 800-1,000

Total Area: 11,000 m^2

Equipments:

- 2 EMI Chamber + 4 RF Chamber
- Double Test Lab’s space
- Double Hardware Lab’s space
- Add 1 semi-auto trial-run line

Business Value Chain

BROADCOM
CONEXANT
Infineon technologies
ATHEROS COMMUNICATIONS
Ralink
SIGMA

ALPHA

Enterprise&
Telco

hp
NORTEL
extreme networks
enterasys
HUAWEI
中国电信 CHINA TELECOM
CNC 中国网通

SMB

FUJITSU
NEC
NTT Communications
Allied Telesis
D-Link Building Networks for People
verizon
AT&T

SOHO&
Consumer

PHILIPS
SONY

Chip Vendor | DMS | Customer | Consumer

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Diversified and Complete Product Offerings

LAN/MAN

10/100M Switch
1G/10G Switch
Chassis Switch
FTTx Equipments
WLAN Switch
VDSL Switch

Broadband

ADSL Modem
ADSL Router
Wi-Fi ADSL Router
VDSL Modem
VDSL Router

VoIP

Wi-Fi Phone
DECT/IP Phone
VoIP Terminal Adapter
VoIP Gateway
Integrated Access Device

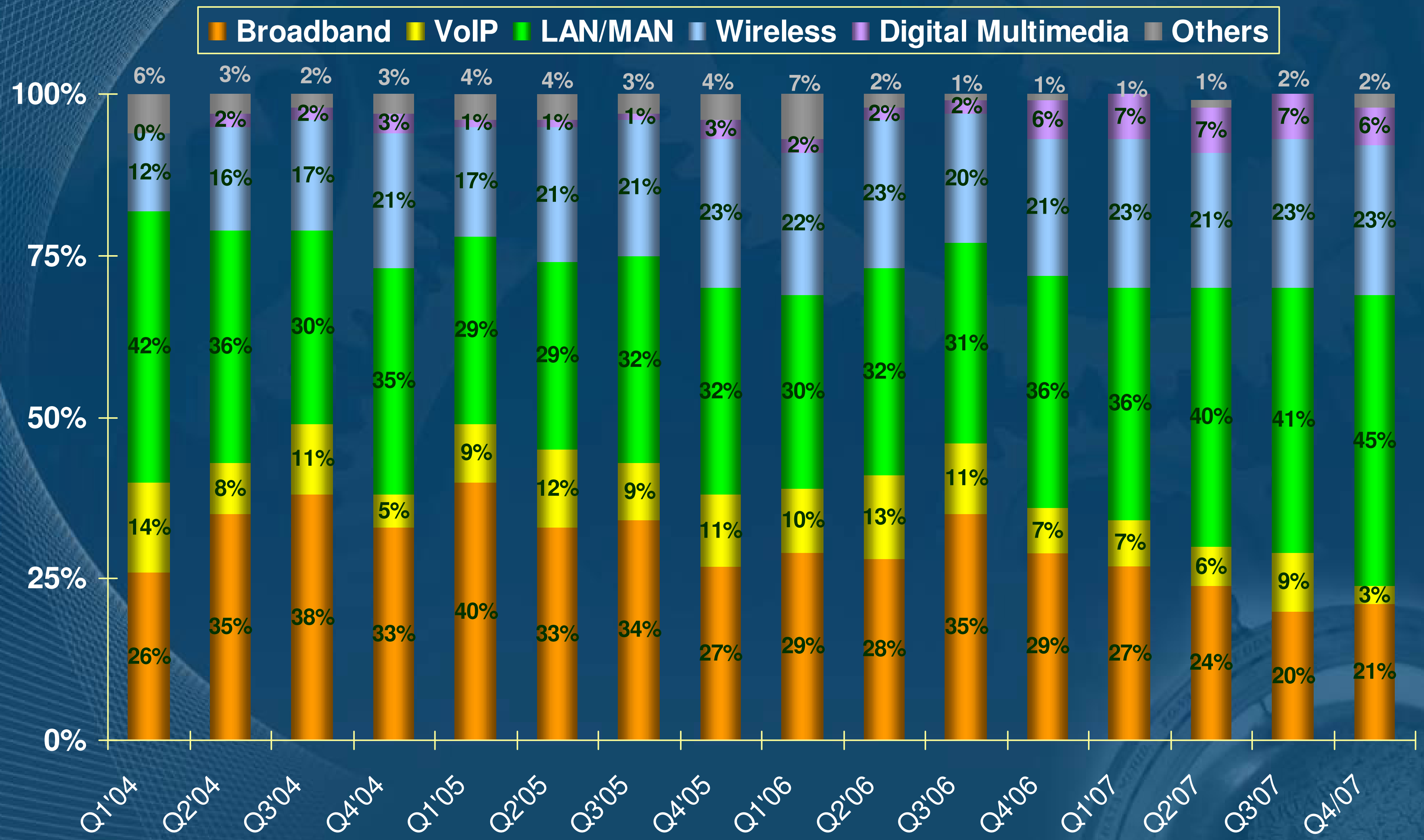
Wireless

WLAN Adapters
WLAN AP
WLAN Router
Home Gateway
WiMAX Base Station
WiMAX CPE

Digital Multimedia

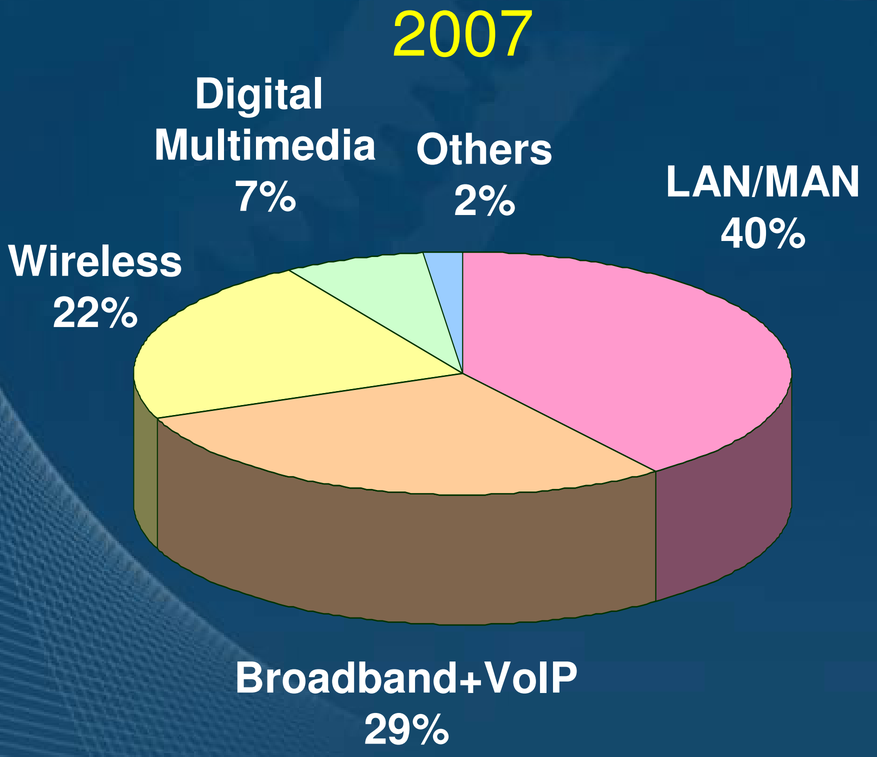
Digital Media Adapter
IP Camera
Printer Server
Network Storage
IP/DVB Set-Top Box
…

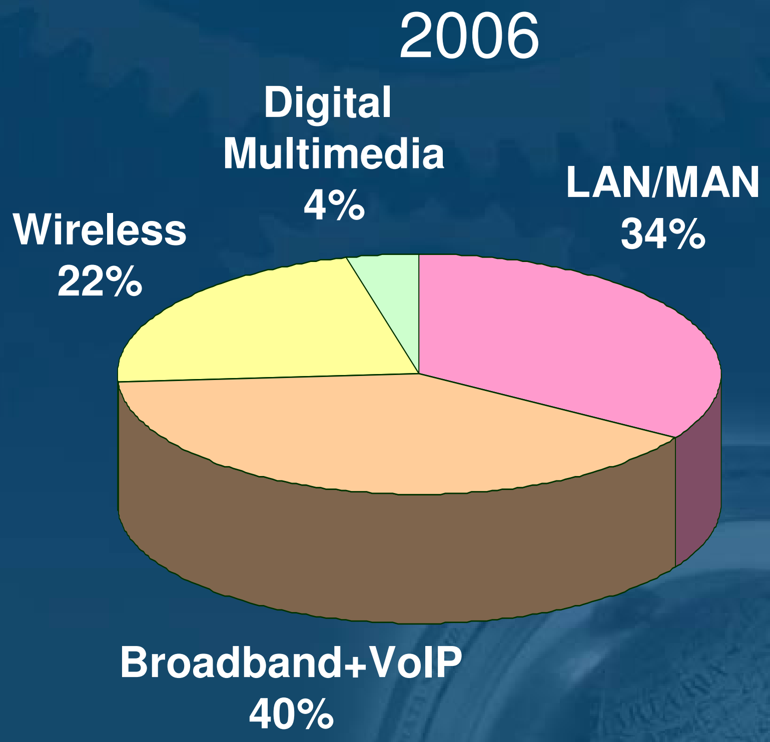
Sales Breakdown by Product



	Q1'04	Q2'04	Q3'04	Q4'04	Q1'05	Q2'05	Q3'05	Q4'05	Q1'06	Q2'06	Q3'06	Q4'06	Q1'07	Q2'07	Q3'07	Q4/07
Others	6%	3%	2%	3%	4%	4%	3%	4%	7%	2%	1%	1%	1%	1%	2%	2%
Digital Multimedia	0%	2%	2%	3%	1%	1%	1%	3%	2%	2%	2%	6%	7%	7%	7%	6%
Wireless	12%	16%	17%	21%	17%	21%	21%	23%	22%	23%	20%	21%	23%	21%	23%	23%
LAN/MAN	42%	36%	30%	35%	29%	29%	32%	32%	30%	32%	31%	36%	36%	40%	41%	45%
VoIP	14%	8%	11%	5%	9%	12%	9%	11%	10%	13%	11%	7%	7%	6%	9%	3%
Broadband	26%	35%	38%	33%	40%	33%	34%	27%	29%	28%	35%	29%	27%	24%	20%	21%

Revenue Breakdown By Product Line 2007 vs. 2006





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2007 figures are non-auditing

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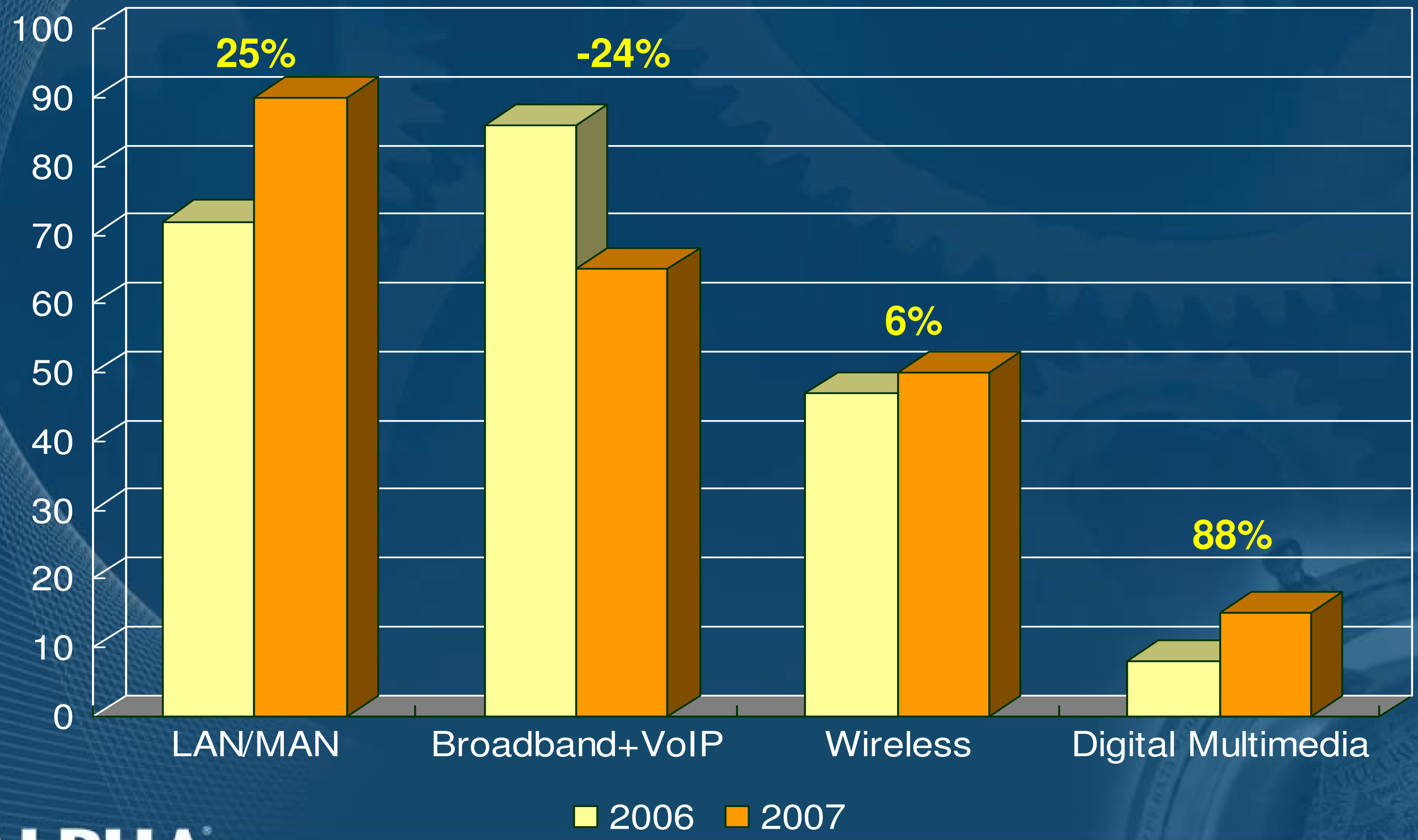
Revenue Growth By Product Line
2007 vs. 2006

Unit: NT$ 0.1 billion



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