ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Interim Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Review Report,

English Translation Conducted By Company)

Independent Auditors' Review Report

The Board of Directors
Alpha Networks Inc.:

We have reviewed the accompanying consolidated balance sheets of Alpha Networks Inc. and subsidiaries as of June 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three-month periods from April 1 to June 30, 2016 and 2015, and six-month periods from January 1 to June 30, 2016 and 2015, as well as the consolidated statements of changes in equity, and cash flows for the six-month periods from January 1 to June 30, 2016 and 2015. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our reviews.

Except as stated in the third and fourth paragraphs, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" of the Republic of China. A review consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards, the objective of which is to express an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Also, included in the accompanying consolidated interim financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent accountants. As of June 30, 2016 and 2015, these consolidated subsidiaries had the total assets \$1,724,359 thousand and \$1,733,739 thousand, respectively, which both represented 11%, respectively, of the total consolidated assets. The total liabilities of these subsidiaries as of June 30, 2016 and 2015 amounted to \$2,780,986 thousand and \$3,053,205 thousand, respectively, which represented 41% and 42%, respectively, of the total consolidated liabilities. The comprehensive income of these subsidiaries for the three-month periods from April 1 to June 30, 2016 and 2015, and six-month periods from January 1 to June 30, 2016 and 2015 amounted to \$31,912 thousand, \$5,263 thousand, \$72,826 thousand, and loss of \$17,217 thousand, respectively, which absolutely represented 16%, 6%, 26% and 23%, respectively, of the total consolidated comprehensive income.

Besides, the Group's investment in associates with the use of the equity method amounted to \$88,965 thousand as of June 30, 2015, and the share of loss of associates accounted for using equity method for the three-month periods from April 1 to June 30, 2015, and six-month periods from January 1 to June 30, 2015 amounted to loss of \$6,000 thousand and \$12,000 thousand respectively in accordance with the financial statements of the investees, which were not reviewed by independent accountants.

Based on our reviews, except for the effects of the adjustment, if any, that might have emerged had the financial statements of the said consolidated subsidiaries as stated in the third and fourth paragraphs been reviewed by independent accountants, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to in the first paragraph in order for them to be in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standards No. 34 "Interim Financial Reporting" endorsed by Financial Supervisory Commission, Republic of China.

Hsinchu, Taiwan (Republic of China)
August 8, 2016

The accompanying financial statements were intended only to present the consolidated financial position, results of operations and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements were those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements were the English translation of the Chinese version prepared and used in the Republic of China. If there was any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' review report and financial statements, the Chinese version shall prevail.

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Balance Sheets
June 30, 2016, and December 31 and June 30, 2015
(expressed in thousands of New Taiwan dollars)

	2016/6/30		2015/12/31		2015/6/30	
Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Current assets :						
Cash and cash equivalents (note 6(1))	$ 2,966,112	20	$ 2,453,944	17	$ 2,792,501	17
Financial assets at fair value through profit or loss - current (note 6(2))	21,518	-	1,811	-	13,983	-
Notes and accounts receivable, net (note 6(3))	2,948,031	19	2,300,640	16	3,179,907	20
Receivables from related parties (note 7)	1,672,345	11	1,603,299	11	2,052,215	13
Inventories (note 6(4))	3,226,145	21	3,787,607	26	3,860,818	24
Other financial assets - current (note 6(1), 6(5) & 8)	956,601	6	392,201	3	294,552	2
Other current assets	257,688	2	229,184	2	270,247	2
	12,048,440	79	10,768,686	75	12,464,223	78
Non-current assets :						
Available-for-sale financial assets - noncurrent (note 6(6))	113,456	1	108,706	1	129,664	1
Investments in debt instrument without active market- noncurrent (note 6(7))	62,340	1	77,925	1	77,925	-
Investments accounted for using equity method (note 6(8))	-	-	76,965	1	88,965	1
Property, plant and equipment (note 6(9))	2,624,576	17	2,896,490	20	3,048,343	19
Intangible assets (note 6(10))	208,157	1	227,900	2	214,052	1
Deferred tax assets	41,718	-	55,365	-	80,666	-
Other financial assets - noncurrent (note 6(3), 6(5), & 8)	18,658	-	19,896	-	20,303	-
Long-term prepaid rent (note 6(14))	73,378	1	76,706	-	77,265	-
Other non-current assets	3,855	-	5,275	-	51,808	-
	3,146,138	21	3,545,228	25	3,788,991	22
Total assets	**$ 15,194,578**	**100**	**$ 14,313,914**	**100**	**$ 16,253,214**	**100**

See accompanying notes to consolidated financial statements.

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)
June 30, 2016, and December 31 and June 30, 2015
(expressed in thousands of New Taiwan dollars

	2016/6/30		2015/12/31		2015/6/30	
Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Current liabilities :						
Short-term borrowings (note 6(11))	$ 183,291	1	$ -	-	$ 140,863	1
Financial liabilities at fair value through profit or loss - current (note 6(2))	8,008	-	24,317	-	14,907	-
Accounts payable	3,619,809	24	3,307,636	23	4,010,581	25
Accrued expenses	1,028,710	7	973,002	6	961,740	6
Dividends payable	217,130	1	-	-	579,306	4
Other payables to related parties (note 7)	5,642	-	6,123	-	7,014	-
Income tax payable	91,350	1	7,663	-	24,315	-
Provisions-current (note 6(13))	260,398	2	242,638	2	238,466	1
Long-term liabilities - current portion	-	-	-	-	304,274	2
Other current liabilities	181,501	1	222,113	2	109,102	1
	5,595,839	37	4,783,492	33	6,390,568	40
Non-current liabilities :						
Long-term loans (note 6(12))	620,751	4	624,550	4	314,274	2
Deferred income tax liabilities	105,344	1	105,344	1	149,818	1
Net defined benefit liabilities (note 6(15))	396,030	2	388,830	3	376,961	2
Other non-current liabilities	655	-	610	-	557	-
	1,122,780	7	1,119,334	8	841,610	5
Total liabilities	6,718,619	44	5,902,826	41	7,232,178	45
Equity (note 6(17)) **:**						
Common stock	4,429,144	29	4,429,144	31	4,921,271	30
Capital surplus	2,185,837	14	2,185,837	15	2,185,837	13
Retained earnings :						
Legal reserve	991,530	7	991,530	7	991,530	6
Special reserve	-	-	110,280	1	110,280	1
Unappropriated earnings	1,108,920	7	826,483	6	1,247,496	8
	2,100,450	14	1,928,293	14	2,349,306	15
Others	(62,687)	-	44,599	-	(252,706)	(2)
Treasury stock	(176,785)	(1)	(176,785)	(1)	(182,672)	(1)
Total equity	8,475,959	56	8,411,088	59	9,021,036	55
Total liabilities and equity	**$ 15,194,578**	**100**	**$ 14,313,914**	**100**	**$ 16,253,214**	**100**

See accompanying notes to consolidated financial statements.

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three-month periods from April 1 to June 30, 2016 and 2015, and the six-month periods from January 1 to June 30, 2016 and 2015 (expressed in thousands of New Taiwan dollars, except for earnings per share)

	For the three-month periods from April 1 to June 30,				For the six-month periods from January 1 to June 30,			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Net operating revenues (note 6(19) and 7)	$ 6,430,561	100	$ 6,301,168	100	$ 11,620,155	100	$ 12,158,192	100
Operating costs (notes 6(4) and 7)	5,468,176	85	5,572,793	88	9,911,669	85	10,624,104	87
Gross Profit	962,385	15	728,375	12	1,708,486	15	1,534,088	13
Operating expenses (note 7):								
Selling	138,049	2	159,727	3	255,565	2	274,385	2
General and administrative	180,623	3	187,052	3	351,498	3	378,708	3
Research and development	374,547	6	359,758	6	731,901	6	716,997	6
Total operating expenses	693,219	11	706,537	12	1,338,964	11	1,370,090	11
Operating income	269,166	4	21,838	-	369,522	4	163,998	2
Non-operating income and expenses :								
Other income (note 6(21))	25,279	-	42,349	1	48,157	-	54,972	-
Other gains and losses, net (note 6(22))	90,726	1	(45,196)	(1)	78,630	1	(106,520)	(1)
Finance costs (note 6(23))	(2,426)	-	(5,660)	-	(5,357)	-	(9,771)	-
Share of profit of associates accounted for using equity method (note 6(8))	-	-	(6,000)	-	-	-	(12,000)	-
Total non-operating income and expenses	113,579	1	(14,507)	-	121,430	1	(73,319)	(1)
Income before income taxes	382,745	5	7,331	-	490,952	5	90,679	1
Income tax expenses (note 6(16))	71,241	1	7,331	-	101,665	1	23,716	-
Net income	311,504	4	-	-	389,287	4	66,963	1
Other comprehensive income (loss):								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of foreign financial statements (note 6(17))	(120,497)	(2)	(44,572)	(1)	(112,035)	(1)	(85,132)	(1)
Unrealized gain or loss on available-for-sale financial assets (note 6(17))	4,749	-	(40,206)	(1)	4,749	-	(57,294)	-
Net other comprehensive income (loss)	(115,748)	(2)	(84,778)	(2)	(107,286)	(1)	(142,426)	(1)
Total Comprehensive income (loss)	**$ 195,756**	2	**$ (84,778)**	(2)	**$ 282,001**	3	**$ (75,463)**	-
Earing per share(in New Taiwan dollars) (note 6(18))								
Basic earnings per share	**$ 0.72**		**$ 0.00**		**$ 0.90**		**$ 0.14**	
Diluted earnings per share	**$ 0.71**		**$ 0.00**		**$ 0.89**		**$ 0.14**	

See accompanying notes to consolidated financial statements.

(English Translation of Financial Report Originally Issued in Chinese)

Reviewed only, not audited in accordance with the generally accepted auditing standards

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six-month periods from January 1 to June 30, 2016 and 2015
(expressed in thousands of New Taiwan dollars)

			Retained Earnings				Other Equity				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total	Treasury stock	Total equity
Balance as of January 1, 2015	$ **4,971,271**	**2,205,729**	**937,953**	**196,722**	**1,739,138**	**2,873,813**	**135,269**	**(245,549)**	**(110,280)**	**(257,435)**	**9,683,098**
Net income for the period	-	-	-	-	66,963	66,963	-	-	-	-	66,963
Other comprehensive income for the period	-	-	-	-	-	-	(85,132)	(57,294)	(142,426)	-	(142,426)
Total comprehensive income for the period	-	-	-	-	66,963	66,963	(85,132)	(57,294)	(142,426)	-	(75,463)
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	53,577	-	(53,577)	-	-	-	-	-	-
Special reserve	-	-	-	(86,442)	86,442	-	-	-	-	-	-
Cash dividend	-	-	-	-	(579,293)	(579,293)	-	-	-	-	(579,293)
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(7,306)	(7,306)
Retirement of treasury stock	(50,000)	(19,892)	-	-	(12,177)	(12,177)	-	-	-	82,069	-
Balance as of June 30, 2015	$ **4,921,271**	**2,185,837**	**991,530**	**110,280**	**1,247,496**	**2,349,306**	**50,137**	**(302,843)**	**(252,706)**	**(182,672)**	**9,021,036**
Balance as of January 1, 2016	$ **4,429,144**	**2,185,837**	**991,530**	**110,280**	**826,483**	**1,928,293**	**39,533**	**5,066**	**44,599**	**(176,785)**	**8,411,088**
Net income for the period	-	-	-	-	389,287	389,287	-	-	-	-	389,287
Other comprehensive income for the period	-	-	-	-	-	-	(112,035)	4,749	(107,286)	-	(107,286)
Total comprehensive income for the period	-	-	-	-	389,287	389,287	(112,035)	4,749	(107,286)	-	282,001
Appropriation and distribution of retained earnings:											
Special reserve	-	-	-	(110,280)	110,280	-	-	-	-	-	-
Cash dividend	-	-	-	-	(217,130)	(217,130)	-	-	-	-	(217,130)
Balance as of June 30, 2016	$ **4,429,144**	**2,185,837**	**991,530**	**-**	**1,108,920**	**2,100,450**	**(72,502)**	**9,815**	**(62,687)**	**(176,785)**	**8,475,959**

See accompanying notes to consolidated financial statements.

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the six-month periods from January 1 to June 30, 2016 and 2015
(expressed in thousands of New Taiwan dollars)

	For the six-month periods from January 1 to June 30, 2016	2015
Cash flows from operating activities:		
Income (loss) before income tax	$ 490,952	$ 90,679
Adjustments		
Non-cash related profit and loss items		
Depreciation expenses	226,178	240,985
Amortization expenses	37,339	35,873
Reversal of allowance for doubtful accounts	(1,151)	(2,577)
Effect of valuation of financial assets and liabilities at fair value through profit or loss	(13,510)	924
Interest expense	5,357	9,771
Interest income	(15,024)	(17,260)
Share of loss of associates accounted for using equity method	-	12,000
Loss on disposal property, plant and equipment	1,858	15,977
Loss on disposal financial assets carried at cost	-	2,050
Gain on disposal investments accounted for using equity method	(112,961)	-
Gain on disposal investments in debt instrument without active market	(580)	-
Provision for inventory obsolescence and devaluation loss	28,061	59,874
Amortization of long-term prepaid rent	883	884
Adjustments for other non-cash- related loss (profit)	(634)	-
Sub-total of non-cash income and expenses	155,816	358,501
Net change in operating assets and liabilities:		
Net change in operating assets		
Notes and accounts receivable	(646,240)	(329,039)
Receivable from related parties	(69,046)	548,540
Financial assets at fair value through profit or loss	1,811	690
Inventories	533,401	93,814
Other current assets	(27,303)	245,370
Changing in operating assets	(207,377)	559,375
Net change in operating liabilities		
Accounts payable	312,173	179,762
Other payable to related parties	(481)	(2,610)
Financial liabilities at fair value through profit or loss	(24,317)	(131,889)
Other current liabilities	45,024	(227,875)
Net defined benefit liabilities	7,200	12,003
Change in operating liabilities	339,599	(170,609)
Total changes in operating assets and liabilities	132,222	388,766
Total adjustments	288,038	747,267
Cash flows generated from (used in) operations	778,990	837,946
Interest received	13,823	17,494
Interest paid	(5,220)	(10,827)
Income tax paid	(17,601)	(80,697)
Net cash flows generated from (used in) operating activities	769,992	763,916
Cash flows from investing activities:		
Proceeds from disposal of investments in debt instrument without active market	16,165	-
Acquisition of investments in debt instrument without active market	-	(77,925)
Proceeds from disposal of financial assets carried at cost	-	7,946
Proceeds from disposal of investments accounted for using equity method	192,026	-
Acquisition of property, plant and equipment	(20,208)	(49,913)
Proceeds from disposal of property, plant and equipment	4,036	5,919
Decrease in refundable deposits	1,238	33,264
Acquisition of intangible assets	(17,902)	(30,354)
Decrease (increase) in other financial assets	(564,400)	67,242
Net cash flows used in investing activities	(389,045)	(43,821)
Cash flows from financing activities:		
Increase(decrease) in short-term borrowings	183,291	(169,036)
Increase in Long-term loans	-	10,000
Increase(decrease) in guarantee deposit received	45	(116)
Purchase of treasury stock	-	(7,306)
Net cash flows generated from (used in) financing activities	183,336	(166,458)
Effect of exchange rate changes on cash and cash equivalents	(52,115)	(42,161)
Net increase in cash and cash equivalents	512,168	511,476
Cash and cash equivalents at beginning of period	2,453,944	2,281,025
Cash and cash equivalents at end of period	**$ 2,966,112**	**$ 2,792,501**

Alpha Networks Inc. and Subsidiaries

Notes to Consolidated Interim Financial Statements

June 30, 2016 and 2015

(amounts expressed in thousands of New Taiwan dollars, except for per share information and unless otherwise noted)

1. Organization

Alpha Networks Inc. (the "Company") was established by a spin-off whereby on August 16, 2003, D-Link Corporation ("D-Link") separated its original equipment manufacturing and its original design manufacturing ("OEM/ODM") operations from its D-Link brand business and transferred related operating assets and liabilities to the Company. The Company was incorporated on September 4, 2003, as a company limited by shares under the laws of the Republic of China ("R.O.C.") and the ROC Statute for the Ministry of Science and Technology, the Hsinchu Science Park Bureau (HSPB). The address of the Group's registered office is No. 8, Li-shing 7th Road, Science-based Industrial Park, Hsinchu, Taiwan (R.O.C.) As of June 30, 2016 the consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group") and the Company's interest in associates.

The Company's main activities include the research, development, design, production and sale of broadband products, computer network systems, wireless local area networks ("LANs"), and relevant spare parts.

2. Approval date and procedures of the financial statements

The consolidated interim financial statements were authorized for issuance by the Board of Directors on August 8, 2016.

3. New standards, amendments and interpretations adopted

(1) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to the Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 (excluding IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, and others which have yet to be approved by the FSC in order for them to take effect) in preparing their financial statements. The related new standards, amendments and interpretations are as follows:

New Standards, Amendments and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the consolidation Exception*	January 1, 2016
Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	January 1, 2016
IFRS 14 *Regulatory Deferral Accounts*	January 1, 2016

New Standards, Amendments and Interpretations	Effective date per IASB
Amendments to IAS 1 *Disclosure Initiative*	January 1, 2016
Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*	January 1, 2016
Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*	January 1, 2016
Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*	July 1, 2014
Amendments to IAS 27 *Equity Method in Separate Financial Statements*	January 1, 2016
Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	January 1, 2014
Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycles 2012-2014	January 1, 2016
IFRIC 21 *Levies*	January 1, 2014

The initial application of the above IFRSs would not have any material impact on the consolidated interim financial statements.

(2) Newly released or amended standards and interpretations not yet endorsed by the FSC

New standards and amendments issued by the IASB but not yet endorsed by the FSC are summarized as below:

New Standards, Amendments and Interpretations	Effective date per IASB
IFRS 9 *Financial Instruments*	January 1, 2018
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*	Effective date to be determined by IASB
IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018
IFRS 16 *Leases*	January 1, 2019
Amendments to IFRS 2 *Clarifications of classification and measurement of* share-based payment transactions	January 1, 2018
Amendment to IFRS 15 *Clarifications of IFRS 15*	January 1, 2018
Amendment to IAS 7 *Disclosure Initiative*	January 1, 2017
Amendment to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*	January 1, 2017

The Group is still currently determining the potential impact of the standards listed below:

Issue Dates	New standards and Amendments	Content of Amendment
May 28, 2014 April 12, 2016	IFRS 15 *Revenue from Contracts with Customers*	The new standard provides a single model for determining whether an entity recognizes revenue in accordance with the method, timing and amount by applying the five-step model. IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, and the relevant interpretations. In April 12, 2016, the amendments clarify how to identify performance obligations in a contract; determine whether a company is a principal or an agent; and determine whether the revenue from granting a license should be recognized at a point in time or over time.
November 19, 2013 July 24, 2014	IFRS 9 *Financial Instruments*	The new standard will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The main amendments are as follows: ● Clarification and measurement: The financial asset is driven by the entity's business model and the contractual cash flow characteristics, which would be classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (OCI), and financial assets at fair value through profit or loss. The financial liabilities measured at fair value through profit or loss that have changes in fair value related to the changes in its credit risk are recognized in OCI. ● Impairment: The new expected credit loss model is to replace the current incurred loss model. ● Hedge accounting: More principle-based regulations are adopted to correspond hedge accounting with risk management. Such regulations include the revisions on the requirements of adoption, continuation, and discontinuation of hedge accounting, allowing more categories of risk exposure to conform with the hedged items.
December 18, 2014	Amendment to IAS 1 *Disclosure Initiative*	This amendment clarifies the presentation of materiality, aggregation and subtotals, the framework of financial report, and the guide for accounting disclosure.

Issue Dates	New standards and Amendments	Content of Amendment
January 13, 2016	IFRS 16 *Leases*	The new standard of accounting for lease is amended as follows: ● For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and lease liability on the balance sheet. During the lease term, the lease payment shall include the measurement of the depreciation on the right-of-use asset and the interest expense on the lease liability. ● A lessor shall classify a lease as either finance lease or operating lease. The accounting treatment remains similar in accordance with IAS 17 Leases.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the Regulations) and the guidelines of IAS 34 "*Interim Financial Reporting*" (hereinafter referred to as "IAS 34") which are endorsed by FSC. These consolidated interim financial statements do not include all of the information required by the Regulations and by the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC) for annual financial statements.

Except as described in the following paragraph, the Group's significant accounting policies are applied consistently for the consolidated financial statements for the year ended December 31, 2015. For related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2015.

(2) Basis of consolidation

The principle of preparation of the consolidated interim financial statements is consistent with those of the consolidated financial statements for the year ended December 31, 2015. For related information, please refer to note 4(3) of the consolidated financial statements for the year ended December 31, 2015.

A. List of subsidiaries in the consolidated interim financial statements

The consolidated subsidiaries are summarized as follows:

Alpha Networks Inc. and Subsidiaries

Notes to Consolidated Interim Financial Statement

Name of Investor	Name of Investee	Main Business Activities	Percentage of ownership June 30, 2016	Percentage of ownership December 31, 2015	Percentage of ownership June 30, 2014
Alpha	Alpha Holdings Inc. (Alpha Holdings)	Investment holding	100%	100%	100%
Alpha	Alpha Solutions Co., Ltd. (Alpha Solutions)	Sale of network equipment and technical services	100%	100%	100%
Alpha	Alpha Networks Inc. (Alpha USA)	Manufacture and sale of network equipment and procurement service	100%	100%	100%
Alpha	Net Mag Technology Corp. (Net Mag) *(Note 1)*	Testing and maintaining electrical equipment	-	100%	100%
Alpha	Alpha Networks (Hong Kong) Limited (Alpha HK)	Investment holding	100%	100%	100%
Alpha	Alpha Technical Services Inc. (ATS)	Post-sale service	100%	100%	100%
Alpha	Alpha Networks NL B.V. (Alpha NL) *(Note 2)*	Sale of network equipment	100%	100%	100%
Alpha	Global Networks Trading Limited (Global)	Sale of electrical products	100%	100%	100%
Alpha	Alpha Technical Services Japan Inc. (ATSJ) *(Note 3)*	Post-sale service	-	-	100%
Alpha Holdings	D-Link Asia Investment Pte. Ltd. (D-Link Asia)	Investment in manufacturing business	100%	100%	100%
Alpha Holdings	Alpha Networks (Chengdu) Co., Ltd. (Alpha Chengdu)	Research, development, production and sale of network products	100%	100%	100%
Alpha Holdings	Alpha Investment Pte. Ltd. (Alpha Investment)	Investment holding	100%	100%	100%
Alpha Holdings	Universal Networks Trading Limited (Universal)	Sale of electrical products	100%	100%	100%
Alpha Investment	Mirac Networks (Dongguan) Co., Ltd. (Mirac)	Production and sale of network products	100%	100%	100%
D-Link Asia	Alpha Networks (Dongguan) Co., Ltd. (Alpha Dongguan)	Production and sale of network products	100%	100%	100%
Alpha HK	Alpha Networks (Changshu) Co., Ltd. (Alpha Changshu)	Research, development, production and sale of network products	100%	100%	100%
Alpha HK	Maintrend Technical Services (Changshu) Co., Ltd. (Maintrend) *(Note 4)*	Post-sale service	100%	100%	100%
Mirac	JUST3C Corporation (JUST3C)	Sale of network products	100%	100%	100%

Note 1： The Group’s Board Meeting had approved the dissolution and liquidation of Net Mag on October 30, 2015 and the relevant legal procedure was completed on June 1, 2016.

Note 2： The Group’s interim shareholders’ meeting approved the dissolution and liquidation of Alpha NL. on October 22, 2015. The Group estimated that no impairment would generate from the dissolution and liquidation of Alpha NL. The relevant legal procedure was still in progress as of June 30, 2016.

Note 3： The Group’s interim shareholders’ meeting approved the dissolution and liquidation of ATSJ on December 26, 2014, and the relevant legal procedure was completed on October 15, 2015.

Note 4 : The Group’s interim shareholders’ meeting approved the dissolution and liquidation of Maintrend on January 12, 2016. The Group accounted the investment impairment and estimated that no further impairment would generate from the dissolution and liquidation of Maintrend. The relevant legal procedure was still in progress as of June 30, 2016.

B. Subsidiaries not included in the consolidated financial statements: None.

(3) Income Tax

Income tax expense in the interim financial statements is measured and disclosed in according to paragraph B12 of IAS 34 endorsed by the FSC.

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This is recognized fully as income tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases are measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled and recognized directly in equity or other comprehensive income as income tax expense.

(4) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the reporting period (hereinafter referred to as the reporting date) of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

5. Major sources of accounting judgments, estimation, and assumptions uncertainty

The preparation of the consolidated interim financial statements in conformity with the IFRSs (in accordance with IAS 34 endorsed by the FSC) requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

In the preparation of the consolidated interim financial statements, the major sources of accounting judgments, estimations and assumptions of uncertainty are applied consistently with note 5 to the consolidated financial statements for the year ended December 31, 2015.

6. Description of significant accounts

Except as described below, there were no significant changes in the description of significant accounts mentioned in the consolidated financial statements for the year ended December 31, 2015. For other information about the description of significant accounts, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2015.

(1) Cash and cash equivalents

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand	$ 3,446	3,721	5,928
Checking and savings accounts	1,106,781	879,367	974,475
Time deposits	1,455,961	785,433	1,677,047
Cash equivalents – bonds with repurchase agreements	399,924	785,423	135,051
Cash and cash equivalents reported in the Statements of Cash flows	$ 2,966,112	2,453,944	2,792,501

Please refer to note 6(24) for the disclosure of interest rate risk and the sensitivity analysis of the Group's financial assets and liabilities.

As of June 30, 2016, December 31, 2015 and June 30, 2014, deposits with original maturities of more than three months were $892,000, $309,876 and $90,582, respectively, and were recorded in other financial assets – current.

(2) Financial assets and liabilities at fair value through profit or loss

	June 30, 2016	December 31, 2015	June 30, 2015
Financial assets measured at fair value through profit or loss – current			
Currency option contracts	$ 10,243	1,811	6,918
Cross currency swap contracts	689	-	7,065
Forward exchange contracts	10,586	-	-
	$ 21,518	1,811	13,983
Financial liabilities measured at fair value through profit or loss – current			
Currency option contracts	$ 7,752	4,333	7,838
Cross currency swap contracts	-	7,639	7,069
Forward exchange contracts	256	12,345	-
	$ 8,008	24,317	14,907

The Group uses derivative financial instruments to hedge the certain foreign exchange and interest risk the Group is exposed to, arising from its operating activities. The Group holds the following derivative financial instruments that did not qualify for hedge accounting, presented as held-for-trading financial assets or liabilities.

	June 30, 2016			
	Notional amount (in thousands)		Currency	Maturity date
Buy USD put options	USD	40,000	USD/NTD	July 2016 ~ September 2016
Sell USD call options	USD	40,000	USD/NTD	July 2016 ~ September 2016
Sell USD put options	USD	40,000	USD/NTD	July 2016 ~ September 2016
Cross currency swap contracts	USD	5,000	USD/NTD	August 2016
Forward exchange contracts	USD	45,000	USD/NTD	July 2016 ~ September 2016

	December 31, 2015			
	Notional amount (in thousands)		Currency	Maturity date
Buy USD put options	USD	23,000	USD/NTD	January 2016 ~ February 2016
Sell USD call options	USD	23,000	USD/NTD	January 2016 ~ February 2016
Sell USD put options	USD	23,000	USD/NTD	January 2016 ~ February 2016
Cross currency swap contracts	USD	30,000	USD/NTD	January 2016 ~ March 2016
Forward exchange contracts	USD	50,000	USD/NTD	January 2016 ~ March 2016

	June 30, 2015			
	Notional amount (in thousands)		Currency	Maturity date
Buy USD put options	USD	37,000	USD/NTD	July 2015~September 2015
Sell USD call options	USD	37,000	USD/NTD	July 2015~September 2015
Sell USD put options	USD	37,000	USD/NTD	July 2015~September 2015
Cross currency swap contracts	USD	50,000	USD/NTD	July 2015~August 2015

(3) Notes and accounts receivable, and other receivables, net

	June 30, 2016	December 31, 2015	June 30, 2015
Notes receivable	$ 32,124	60,092	16,430
Accounts receivable	2,917,765	2,243,557	3,171,133
Less: allowance for doubtful accounts	(1,858)	(3,009)	(7,656)
	$ 2,948,031	2,300,640	3,179,907

The overdue accounts receivable were reclassified to overdue receivables under other financial assets – non-current and were fully reserved. The details were as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Other financial assets – non-current	224,609	$ 224,609	224,609
Less: allowance for doubtful accounts	(224,609)	(224,609)	(224,609)
	-	$ -	-

The movement in the allowance for impairment with respect to receivables (including overdue receivables and receivables – related parties) during the year was as follows:

		Individual impairments	Collective impairments	Total
Balance at January 1, 2016	$	224,609	3,009	227,618
Reversal of impairment loss		-	(1,151)	(1,151)
Balance at June 30, 2016	$	**224,609**	**1,858**	**226,467**
Balance at January 1, 2015	$	224,633	10,209	234,842
Reversal of impairment loss		(24)	(2,553)	(2,577)
Balance at June 30, 2015	$	**224,609**	**7,656**	**232,265**

The aging analysis of notes receivable, accounts receivable, and other receivables (including overdue receivables) as of the reporting date was as follows:

	June 30, 2016		December 31, 2015		June 30, 2015	
	Gross amount	Impairment loss	Gross amount	Impairment loss	Gross amount	Impairment loss
Overdue 0~30 days	$ 280,445	-	609,465	-	390,171	772
Overdue 31~120 days	14,059	460	55,420	3,009	31,088	490
Overdue 121~365 days	2,228	1,398	-	-	7,245	6,394
Overdue more than one year	224,609	224,609	224,609	224,609	224,609	224,609
	$ 521,341	**226,467**	**889,494**	**227,618**	**653,113**	**232,265**

(4) Inventories

		June 30, 2016	December 31, 2015	June 30, 2015
Raw materials	$	2,006,728	2,111,014	2,361,140
Work in process and semi-finished products		223,395	293,010	367,785
Finished goods		996,022	1,383,583	1,131,893
	$	**3,226,145**	**3,787,607**	**3,860,818**

The details of operating costs were as follows.

	For the three-month periods from April 1 to June 30,		For the six-month periods from January 1 to June 30,	
	2016	**2015**	**2016**	**2015**
Cost of goods sold	$ 5,481,810	5,523,635	9,883,608	10,564,230
Inventory devaluation loss (gain on reversal of provision), scrap cost etc.	(13,634)	49,158	28,061	59,874
	$ 5,468,176	**5,572,793**	**9,911,669**	**10,624,104**

As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group's inventories were not pledged.

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(5) Other financial assets – current and non-current

	June 30, 2016	December 31, 2015	June 30, 2015
Current:			
Time deposits	$ 892,000	309,876	90,582
Restricted cash in banks	-	14,994	133,735
Other receivables	64,601	67,331	70,235
	$ 956,601	**392,201**	**294,552**
Non-current:			
Restricted cash in banks	$ 7,500	7,500	7,500
Refundable deposits	11,158	12,396	12,803
	$ 18,658	**19,896**	**20,303**

Please refer to note 8 for the restricted cash in banks.

(6) Available-for-sale financial assets – non-current

During the six-month periods from January 1 to June 30, 2016 and 2015, there's no material change in the Group's available-for-sale financial assets financial assets. Please refer to note 6(6) in the consolidated financial statements for the year ended December 31, 2015 for information.

(7) Investments in debt instrument without active market – non-current

During the six-month periods from January 1 to June 30, 2016 and 2015, there's no material change in the Group's investments in debt instrument without active market. Please refer to note 6(8) in the consolidated financial statements for the year ended December 31, 2015 for information.

(8) Investment accounted for using the equity method

Aggregate information of associates which is accounted for using equity method, that are not individually material to the Group which included in the consolidated financial statements of the Group was as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Associate	$ -	76,965	88,965

The Group sold out 30.44% shares of Delta Mobile Software, Inc. with the proceeds of $192,026 in June 2016 and recognized the gain on disinvestment of $112,961 after deducting the related costs reported under the category of Non-Operating Income and Expenses in the consolidated income statement. Please refer to note 6(22).

The Group did not place any investment accounted for using equity method as collateral.

As at reporting date, the summary of Group's equity investment in foreign currency was as follows:

	June 30, 2016		
	Foreign currency amount	Exchange rate	NTD
Non-monetary item			
USD	$ -	32.27	-

	December 31, 2015		
	Foreign currency amount	Exchange rate	NTD
Non-monetary item			
USD	$ 4,499	32.81	147,612

	June 30, 2015		
	Foreign currency amount	Exchange rate	NTD
Non-monetary item			
USD	$ 4,499	30.85	138,794

(9) Property, plant and equipment

	Land	Building and construction	Machinery and equipment	Office, transportation and other facilities	Total
Book value:					
Balance at January 1, 2016	$ 68,598	1,854,849	852,446	120,597	2,896,490
Balance at June 30, 2016	$ 67,469	1,741,038	714,007	102,062	2,624,576

		Land	Building and construction	Machinery and equipment	Office, transportation and other facilities	Total
Balance at January 1, 2015	$	66,110	2,018,449	1,101,994	148,976	3,335,529
Balance at June 30, 2015	$	64,500	1,909,743	943,953	130,147	3,048,343

During the six-month periods from January 1 to June 30, 2016 and 2015, there's no provision or reversal for the material addition, sale and impairment in the Group's property, plant and equipment. Please refer to note 12(1) for the depreciation amount of current period and note 6(10) in the consolidated financial statements for the year ended December 31, 2015 for the rest information.

(10) Intangible assets

		Goodwill	Software applications and other	Total
Book value:				
Balance at January 1, 2016	$	134,883	93,017	227,900
Balance at June 30, 2016	$	134,883	73,274	208,157
Balance at January 1, 2015	$	134,883	84,994	219,877
Balance at June 30, 2015	$	134,883	79,169	214,052

During the six-month periods from January 1 to June 30, 2016 and 2015, there's no provision or reversal for the material addition, sale and impairment in the Group's intangible assets. Please refer to note 12(1) for the amortization amount of current period and note 6(11) in the consolidated financial statements for the year ended December 31, 2015 for the rest information

(11) Short-term borrowings

		June 30, 2016	December 31, 2015	June 30, 2015
Unsecured bank loans	$	183,291	-	-
Secured bank loans		-	-	140,863
	$	183,291	-	140,863
Range of interest rates		0.88%	-	0.69%
Unused short-term credit lines	$	2,526,630	2,596,700	2,953,100

Please refer to note 8 for information of the Group's pledged assets for secured borrowings.

(12) Long-term loans

	June 30, 2016				
	Currency	Interest rates	Maturity		Amount
Secured bank loans	USD	1.78%	January 18, 2018	$	320,751
Unsecured bank loans	TWD	1.54%	January 15, 2019		300,000
Less: current portion					-
				$	620,751
Unused long-term credit lines				$	600,000

	December 31, 2015			
	Currency	**Interest rates**	**Maturity**	**Amount**
Secured bank loans	USD	1.47%~1.63%	January 18, 2018	$ 324,550
Unsecured bank loans	TWD	1.80%	January 15, 2019	300,000
Less: current portion				-
				$ 642,550
Unused long-term credit lines				**$ 600,000**

	June 30, 2015			
	Currency	**Interest rates**	**Maturity**	**Amount**
Secured bank loans	USD	1.47%~1.75%	April 14, 2016 ~ January 18, 2018	$ 608,548
Unsecured bank loans	TWD	1.80%	January 15, 2019	10,000
Less: current portion				(304,274)
				$ 314,274
Unused long-term credit lines				**$ 590,000**

Alpha Changshu entered into agreements for credit facilities of US$10,000 thousand with Taipei Fubon Bank and Mega Bank, respectively. These credit facilities contained covenants that required the Company, as co-guarantor, on its annual and semiannual consolidated financial statements, to maintain certain financial ratios such as current ratio, debt ratio, and interest coverage ratio as specified in the loan agreement. If the Company does not maintain the financial ratios as specified in the loan agreement, the default will be deemed a breach, and the facilities will be reconsidered by Taipei Fubon Bank and Mega Bank. The loan of US$10,000 thousand borrowed from Mega Bank was repaid on November 25, 2015.

The Company was in compliance with the aforementioned financial covenants as of June 30, 2016.

Please refer to note 6(24) for information about exposure to interest rate risk, foreign currency exchange risk and liquidity risk.

(13) Provision

The provision for warranties relates mainly to networks products sold. It is based on estimates made from historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next year.

In the six-month periods from January 1 to June 30, 2016 and 2015, there’s no material change in the Group’s provision. Please refer to note 6(15) in the consolidated financial statements for the year ended December 31, 2015 for information

(14) Operating leases

In the six-month periods from January 1 to June 30, 2016 and 2015, there’s no material addition in the Group’s operating leases. Please refer to note 6(16) in the consolidated financial statements for the year ended December 31, 2015 for information

(15) Employee benefits

A. Defined benefit plans

Given there was no significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off event in the prior fiscal year, pension costs in the interim financial statements are measured and disclosed according to the actuarial results determined on December 31, 2015 and 2014.

The Group's pension costs for the three-month periods from April 1 to June 30 and for the six month periods from January 1 to June 30, 2016 and 2015 were $2,775, $6,375, $7,950 and $12,750, respectively.

B. Defined contribution plans

The Group's pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $41,024, $42,480, $83,998, and $85,236 for the three-month periods from April 1 to June 30 and for the six month periods from January 1 to June 30, 2016 and 2015, respectively.

(16) Income tax

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management.

The components of income tax expense were listed as follows:

	For the three-month periods from April 1 to June 30,	
	2016	**2015**
Current tax expense		
Current period	$ 71,330	5,018
Adjustment for prior periods	63	2,313
	71,393	7,331
Deferred tax expense		
Temporary differences	(152)	-
Income tax expense	$ **71,241**	**7,331**

	For the six-month periods from January 1 to June 30,	
	2016	**2015**
Current tax expense		
Current period	$ 88,254	21,403
Adjustment for prior periods	(132)	2,313
	88,122	23,716
Deferred tax expense		
Temporary differences	13,543	-
Income tax expense	$ **101,665**	**23,716**

As of the June 30, 2016, the Company's tax returns for the years through 2013 were examined and approved by the tax authorities.

Information related to the imputation credit account is summarized as below:

	June 30, 2016	December 31, 2015	June 30, 2015
Unappropriated earnings of 1998 and after	$ 1,108,920	826,483	1,247,496
Balance of imputation credit account	$ 233,273	210,414	266,728

	2015 (estimated)	2014 (actual)
Creditable ratio for earnings distribution to ROC residents	26.23%	15.44%

The above stated information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance, R.O.C. on October 17, 2013. Effective January 1, 2015, the tax deduction ratio for individual shareholder residing in the R.O.C. will be reduced by half for dividend distribution according to the revised Article 66-6 of the Income Tax Act.

(17) Capital and other equity interest

Except as described in the following paragraph, there were no significant changes in the Group's capital and other equity interest in the six-month periods from January 1 to June 30, 2016 and 2015. For related information about the shareholders' equity, please refer to note 6(19).

Reconciliations of shares outstanding were as follows (in thousands of shares):

	Common Stock	
	For the six-month periods from January 1 to June 30,	
	2016	2015
Balance at January 1	434,259	483,137
Purchase of treasury stock	-	(393)
Balance at December 31	434,259	482,744

Pursuant to a shareholders' resolution on June 18, 2015, the Company approved capital reduction payment to shareholders by $492,127, and canceled 49,213 thousand shares (including 938 thousand treasury stock shares). The effective date of the capital reduction payment was August 11, 2015, which has already been registered and approved by the government authorities on July 22, 2015.

A. Common stock

As of June 30, 2016, December 31, 2015 and June 30, 2014, the total value of authorized ordinary shares of the Company were amounted to $6,600,000 (of which $500,000 was reserved for employee stock options), and the issued capital were $4,429,144, $4,429,144 and $4,971,271, respectively.

B. Retained earnings

Based on the Company's articles of incorporation, current year's earnings before tax, if any, shall be distributed in the following order:

(a) payment of all taxes;

(b) offset prior years' operating losses;

(c) set aside 10% of the remaining amount after deducting (a) and (b) as legal reserve;

(d) set aside special reserve in accordance with the Securities and Exchange Act or reverse special reserve previously provided; and

(e) after deducting items (a), (b), (c) and (d) from current year's earnings, the remainder as distributable earnings would be proposed by a resolution of the stockholders' meeting.

The Company's dividend policy is based on the industry environment, business growth characteristics, long-term financial plan, retention of talent, and long-term operation of the business. The Company considers the capital budget to determine the distribution of stock dividends accompanied by cash dividends, which should be no less than 10% of total dividends.

The information on dividends per share allocated from earnings of 2015 and 2014 which were approved by the stockholders' meeting on June 17, 2016 and June 18, 2015 were as follows:

	2015	2014
Dividends distributed to common shareholders:		
Cash (dividends per share were \$0.5 and \$1.2, respectively)	$ 217,130	579,293

The above earnings distribution had no difference from the resolution of the Company's board of directors in the years 2015 and 2014. Relevant information is available on the Market Observation Post System website.

C. Treasury stock

The Company repurchased common stock through TWSE. Details of the treasury stock transactions were as follows:

	January 1 to June 30, 2016			
Purpose	**January 1**	**Increase**	**Canceled**	**June 30**
Transfer to employee	8,445	-	-	8,445
To maintain the Company's credit and stockholders' equity	210	-	-	210
Total	8,655	-	-	8,655

	January 1 to June 30, 2015			
Purpose	**January 1**	**Increase**	**Canceled**	**June 30**
Transfer to employee	9,383	-	-	9,383
To maintain the Company's credit and	4,607	393	5,000	-

stockholders' equity				
Total	13,990	393	5,000	9,383

According to the Securities and Exchange Act, the total shares of treasury stock shall not exceed 10% of the issued stock, and the disbursement shall not exceed the sum of the retained earnings, additional paid-in capital – premium, and realized capital surplus. In compliance with the Securities and Exchange Act, treasury stock should not be pledged, nor be entitled to voting rights or dividends.

D. Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on available-for-sale financial assets
Balance at January 1, 2016	$ 39,533	5,066
Foreign currency translation exchange differences	(102,035)	-
Unrealized gains and losses on available-for-sale financial assets	-	4,749
Balance at June 30, 2016	$ (72,502)	9,815
Balance at January 1, 2015	$ 135,269	(245,549)
Foreign currency translation exchange differences	(85,132)	-
Unrealized gains and losses on available-for-sale financial assets	-	(57,294)
Balance at June 30, 2015	$ 50,137	(302,843)

(18) Earnings per share

A. Basic earnings per share

	For the three-month periods from April 1 to June 30,	
	2016	2015
Net income attributable to ordinary shareholders of the Company	$ 311,504	-
Weighted-average number of shares outstanding		
Outstanding common stock, January 1	434,259	482,744
Effect of treasury shares held	-	-
Weighted-average number of shares outstanding, June 30	434,259	482,744
Basic earnings per share (dollars)	$ 0.72	0.00

	For the six-month periods from January 1 to June 30,	
	2016	2015
Net income attributable to ordinary shareholders of the	$ 311,504	-

Company		
Weighted-average number of shares outstanding		
Outstanding common stock, January 1	434,259	483,137
Effect of treasury stock	-	(393)
Weighted-average number of shares outstanding, June 30	434,259	482,744
Basic earnings per share (dollars)	$ 0.90	0.14

B. Diluted earnings per share

	For the three-month periods from April 1 to June 30,	
	2016	2015
Net income attributable to ordinary shareholders of the Company (basic = diluted)	$ 311,504	-
Weighted-average number of shares outstanding (basic)	434,259	482,744
Effect of employee bonus distributed in stock if approved by the stockholders' meeting	2,987	5,223
Weighted-average number of shares outstanding, June 30 (diluted)	437,246	487,967
Diluted earnings per share (dollars)	$ 0.71	0.00

	For the six-month periods from January 1 to June 30,	
	2016	2015
Net income attributable to ordinary shareholders of the Company (basic = diluted)	$ 389,287	66,963
Weighted-average number of shares outstanding (basic)	434,259	482,744
Effect of employee bonus distributed in stock if approved by the stockholders' meeting	2,987	5,573
Weighted-average number of shares outstanding, June 30 (diluted)	437,246	488,317
Diluted earnings per share (dollars)	$ 0.89	0.14

(19) Revenues

	For the three-month periods from April 1 to June 30,		For the six-month periods from January 1 to June 30,	
	2016	2015	2016	2015
Sales of goods and rendering of services	$ 6,430,561	6,301,168	11,620,155	12,158,192

(20) Employees compensation and directors' remuneration

The Company's Articles of Incorporation require that profits shall first be used to offset against any deficit, and the remainder, if any, shall be distributed as follows:

(i) 10%~22.5% as employees' remuneration; where such remuneration is distributed by shares or as cash; employee of controlled companies with qualifications can be included.
(ii) No more than 1% as director's remuneration.

The remunerations to employees amounted to $32,133 and $55,555, and the remunerations to directors amounted to $3,829 and $5,000 for the three-month periods from April 1 to June 30 and for the six-month periods from January 1 to June 30, 2016, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder's meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit of loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

There was no employees compensation and directors' and supervisors' remuneration accrued in 2015 due to net loss. The aforementioned remuneration was no difference between the actual amounts and the ones approved at the shareholders' meeting in 2016. The information is available on the Market Observation Post System website.

(21) Other income

		For the three-month periods from April 1 to June 30,		For the six-month periods from January 1 to June 30,	
		2016	**2015**	**2016**	**2015**
Interest income	$	6,543	12,587	15,024	17,260
Other income		18,736	29,762	33,133	37,712
	$	**25,279**	**42,349**	**48,157**	**54,972**

(22) Other gains and losses

		For the three-month periods from April 1 to June 30,	
		2016	**2015**
Gain (loss) on valuation of financial assets, net	$	(246)	40,626
Gain (loss) on foreign currency exchange, net		(23,618)	(72,207)
Loss on disposal of financial assets carried at cost		-	-
Gain on disposal of investments booked by equity method, net		112,961	-
Other gain (loss)		1,629	(13,615)
	$	**90,726**	**(45,196)**

		For the six-month periods from January 1 to June 30,	
		2016	**2015**
Gain (loss) on valuation of financial assets, net	$	53,966	78,607
Gain (loss) on foreign currency exchange, net		(84,849)	(160,798)

Loss on disposal of financial assets carried at cost	-	(2,050)
Gain on disposal of investments booked by equity method, net	112,961	-
Other gain (loss)	(3,448)	(22,279)
	$ 78,630	(106,520)

(23) Finance costs

	For the three-month periods from April 1 to June 30,		For the six-month periods from January 1 to June 30,	
	2016	2015	2016	2015
Interest expense of borrowings	$ 2,426	5,660	5,357	9,771

(24) Financial instruments

Except as described in the following paragraph, there were no significant changes in the Group's fair value of financial instruments exposed to credit risk, liquidity risk and market risk. For related information about the fair value of financial instruments, please refer to note 6(27) of the consolidated financial statements for the year ended December 31, 2015.

A. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Book value	Contractual cash flows	Within 6 months	6~12 months	1~2 years	2~5 years
June 30, 2016						
Non-derivative financial liabilities						
Secured borrowings	$ 320,751	(329,635)	(2,883)	(2,836)	(3,165)	(320,751)
Unsecured borrowings	483,291	(497,700)	(186,042)	(2,296)	(4,630)	(304,732)
Accounts payable	3,619,809	(3,619,809)	(3,619,809)	-	-	-
Other payables – related parties	5,642	(5,642)	(5,642)	-	-	-
Accrued expenses	484,246	(484,246)	(484,246)	-	-	-
Accrued dividends	217,130	(217,130)	(217,130)	-	-	-
Derivative financial liabilities						
Cross currency swap contracts:						
Outflows	-	(161,522)	(161,522)	-	-	-
Inflows	(689)	162,100	162,100	-	-	-
Currency option contracts:						
Outflows	7,752	(3,872,400)	(3,872,400)	-	-	-
Inflows	(10,243)	3,884,800	3,884,800	-	-	-
Forward exchange contracts:						
Outflows	256	(1,452,150)	(1,452,150)	-	-	-
Inflows	(10,586)	1,461,250	1,461,250	-	-	-
	$ 5,117,359	(5,132,084)	(4,493,524)	(5,132)	(7,795)	(625,483)
December 31, 2015						
Non-derivative financial liabilities						
Secured borrowings	$ 324,550	(335,006)	(2,541)	(2,569)	(5,095)	(324,801)
Unsecured borrowings	300,000	(319,011)	(2,693)	(2,722)	(5,415)	(308,181)
Accounts payable	3,307,636	(3,307,636)	(3,307,636)	-	-	-
Other payables – related parties	6,123	(6,123)	(6,123)	-	-	-
Accrued expenses	490,557	(490,557)	(490,557)	-	-	-
Derivative financial liabilities						
Cross currency swap contracts:						
Outflows	7,639	(985,556)	(985,556)	-	-	-
Inflows	-	981,796	981,796	-	-	-
Currency option contracts:						

	Book value	Contractual cash flows	Within 6 months	6~12 months	1~2 years	2~5 years
Outflows	4,333	(2,263,890)	(2,263,890)	-	-	-
Inflows	(1,811)	2,260,340	2,260,340	-	-	-
Forward exchange contracts:						
Outflows	12,345	(1,640,500)	(1,640,500)	-	-	-
Inflows	-	1,635,408	1,635,408	-	-	-
	$ 4,451,372	(4,470,735)	(3,821,952)	(5,291)	(10,510)	(632,982)
June 30, 2015						
Non-derivative financial liabilities						
Secured borrowings	$ 759,411	(775,699)	(5,030)	(448,989)	(4,653)	(317,027)
Accounts payable	4,010,581	(4,010,581)	(4,010,581)	-	-	-
Other payables – related parties	7,014	(7,014)	(7,014)	-	-	-
Accrued expenses	427,745	(427,745)	(427,745)	-	-	-
Accrued dividends	579,306	(579,306)	(579,306)	-	-	-
Derivative financial liabilities						
Cross currency swap contracts:						
Outflows	7,069	(1,543,495)	(1,543,495)	-	-	-
Inflows	(7,065)	1,547,664	1,547,664	-	-	-
Currency options:						
Outflows	7,838	(3,424,350)	(3,424,350)	-	-	-
Inflows	(6,918)	3,429,490	3,429,490	-	-	-
	$ 5,784,981	(5,791,036)	(5,020,367)	(448,989)	(4,653)	(317,027)

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

B. Currency risk

(a) Exposure to currency risk

The Group's financial assets and liabilities exposed to exchange rate risk were as follows:

	June 30, 2016		
	Foreign currency amount	Exchange rate	NTD
Financial Assets			
Monetary items			
USD	$ 127,502	32.27	4,114,490
CNY	12,808	4.837	61,952
Financial Liabilities			
Monetary items			
USD	23,184	32.27	877,228

	December 31, 2015		
	Foreign currency amount	Exchange rate	NTD
Financial Assets			
Monetary items			
USD	$ 115,979	32.81	3,805,271
CNY	64,562	4.998	322,681
Financial Liabilities			
Monetary items			
USD	23,735	32.81	778,745

	June 30, 2015			
		Foreign currency amount	**Exchange rate**	**NTD**
Financial Assets				
Monetary items				
USD	$	125,901	30.85	3,884,046
CNY		33,333	4.977	165,898
JPY		1,771	0.2529	448
Financial Liabilities				
Monetary items				
USD		52,310	30.85	1,613,764

The Group's exposure to foreign currency exchange risk on monetary items arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, long-term and short-term borrowings, and trade and other payables that are denominated in foreign currency.

A 5% depreciation or appreciation of the NTD against the USD, and CNY at June 30, 2016 and 2015, would have increased or decreased the net profit before tax for the years ended June 30, 2016 and 2015, by $164,961 and $121,832 respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

Due to the variety of the functional currencies of the Group's entities, the Group's foreign exchange gains/losses on monetary items amounted to losses of $23,618 thousand, $72,207 thousand, $84,849 thousand, and $160,798 thousand for the three-month periods from April 1 to June 30, 2016 and 2015 and for the six-month-periods from January 1 to June 30, 2016 and 2015, respectively.

C. Fair value

(a) Categories of financial instruments and fair value

The Group's carrying amount and the fair value of financial assets and liabilities (including information for fair value hierarchy, but excluding financial instruments whose fair values approximate the carrying amounts and equity investments which cannot be estimated reliably in an active market) were as follows:

Alpha Networks Inc. and Subsidiaries

Notes to Consolidated Interim Financial Statement

	2016.6.30				
		Fair value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets and liabilities measured at fair value on a recurring basis					
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 21,518	-	21,518	-	21,518
Available-for-sale financial assets					
Domestic listed shares	$ 113,456	113,456	-	-	113,456
Loans and receivables					
Cash and cash equivalents	$ 2,966,112	-	-	-	-
Notes and accounts receivable (including related parties)	4,620,376	-	-	-	-
Other financial assets- current and non-current	975,259	-	-	-	-
Investments in debt instrument without active Market- non-current	62,340	-	-	-	-
	$ 8,624,087	-	-	-	-
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 8,008	-	8,008	-	8,008
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 3,619,809	-	-	-	-
Other payable- related parties	5,642	-	-	-	-
Bank loan	804,042	-	-	-	-
	$ 4,429,493	-	-	-	-

Alpha Networks Inc. and Subsidiaries

Notes to Consolidated Interim Financial Statement

	2015.12.31				
		Fair value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets and liabilities measured at fair value on a recurring basis					
Financial assets at fair value through profit or loss					
Derivative financial assets – current	$ 1,811	-	1,811	-	1,811
Available-for-sale financial assets					
Domestic listed shares	$ 108,706	108,706	-	-	108,706
Loans and receivables					
Cash and cash equivalents	$ 2,453,944	-	-	-	-
Notes and accounts receivable (including related parties)	3,903,939	-	-	-	-
Other financial assets- current and non-current	412,097	-	-	-	-
Investments in debt instrument without active Market- non-current	77,925	-	-	-	-
	$ 6,847,905	-	-	-	-
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 24,317	-	24,317	-	24,317
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 3,307,636	-	-	-	-
Other payable- related parties	6,123	-	-	-	-
Bank loan	624,550	-	-	-	-
	$ 3,938,309	-	-	-	-

	2015.6.30				
		Fair value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets and liabilities measured at fair value on a recurring basis					
Financial assets at fair value through profit or loss					
Derivative financial instruments	$ 13,983	-	13,983	-	13,983
Available-for-sale financial assets					
Domestic listed shares	$ 129,644	129,644	-	-	129,644
Loans and receivables					
Cash and cash equivalents	$ 2,792,501	-	-	-	-
Notes and accounts receivable (including related parties)	5,232,122	-	-	-	-
Other financial assets- current and non-current	314,855	-	-	-	-
Investments in debt instrument without active Market- non-current	77,952	-	-	-	-
	$ 8,417,403	-	-	-	-
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 14,907	-	14,907	-	14,907
Financial liabilities measured at amortized cost					
Notes and accounts payable	$ 4,010,581	-	-	-	-
Other payable- related parties	7,014	-	-	-	-
Bank loan	759,411	-	-	-	-
	$ 4,777,006	-	-	-	-

(b) Valuation techniques for financial instruments not measured at fair value

Investments in debt instrument without active Market

The fair value of debt instruments which are traded in market is determined with reference to quoted market prices.. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument.

(c) Valuation techniques for financial instruments that are measured at fair value

i. Non derivative financial instruments
The fair value of listed stocks which are publicly traded in an active market is determined with reference to quoted market prices. When quoted prices are unavailable, the Group will determine the fair value based on an evaluation method, and the estimates and assumptions incorporated in such evaluation are consistent with those used by market participants in their pricing of financial instruments.

ii. Derivative financial instruments
Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Foreign currency forward contract is measured based on the current forward exchange rate. Structured derivative products are measured based on appropriate option pricing model (for example, Black-Scholes model).

There is no transfer between the levels for the six-month periods from January 1 to June 30, 2016 and 2015.

(25) Financial risk management

There were no significant changes in the Group's objectives and policies applied in the financial risk management from note 6(28) of the consolidated financial statements for the year ended December 31, 2015.

(26) Capital management

The Group's objectives, policies and processes for capital management were consistent with the consolidated financial statements for the year ended December 31, 2015. There were no significant changes in quantified factors of capital management from those in the consolidated financial statement for the year ended December 31, 2015. For related information about the capital management, please refer to note 6(29) of the consolidated financial statements for the year ended December 31, 2015.

(27) Investing and financing activities

The Group has no investing and financing activities which did not affect the current cash flow in the six-month periods from January 1 to June 30, 2016 and 2015.

7. Related-party transactions

(1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(2) Significant related-party transactions

Alpha Networks Inc. and Subsidiaries

Notes to Consolidated Interim Financial Statement

A. Sales

The Group's significant sales to related parties were as follows:

		For the three-month periods from April 1 to June 30,		For the six-month periods from January 1 to June 30,	
		2016	**2015**	**2016**	**2015**
Entities with significant influence over the Group	$	1,524,639	1,894,169	2,920,400	3,696,451
Associates		135	2,363	4,390	3,974
	$	1,524,774	1,896,532	2,924,790	3,700,425

The price for sales to the above related parties was determined by market conditions and considering the geographic sales area and sales volumes.

The collection terms for third parties were 30 to 75 days, while those for related parties were 90 days.

B. Receivables from related parties

The receivables from related parties were as follows:

Account	Category of related parties		June 30, 2016	December 31, 2015	June 30, 2015
Receivables – related parties	Entities with significant influence over the Group	$	1,672,345	1,600,285	2,049,822
Receivables – related parties	Associates		-	3,014	2,393
		$	1,672,345	1,603,299	2,052,215

C. Rendering of services and other expenses

The Group provided service to related parties, including product warranty and maintenance service, as follows:

		For the three-month periods from April 1 to June 30,		For the six-month periods from January 1 to June 30,	
		2016	**2015**	**2016**	**2015**
Entities with significant influence over the Group	$	5,556	6,283	12,318	14,692

Payables to related parties were as follows:

Account	Category of related party		June 30, 2016	December 31, 2015	June 30, 2015
Payables – related parties	Entities with significant influence over the Group	$	5,642	6,123	7,014

D. Other

The Group sold its 30.44% shares back to Delta Mobile Software, Inc. with the proceeds of $192,026 in June 2016 and reported the gain on disinvestment of $112,961 after deducting the related costs reported under the category of Non-Operating Income and Expenses in the consolidated financial statement. Please refer to note 6(22). The Group collected the aforementioned proceeds in total in Q2 2016.

(3) Key management personnel compensation

		For the three-month periods from April 1 to June 30,		For the six-month periods from January 1 to June 30,	
		2016	**2015**	**2016**	**2015**
Short-term employee benefits	$	6,782	9,357	12,146	20,035
Post-employment benefits		39	112	86	215
	$	**6,821**	**9,469**	**12,232**	**20,250**

8. Pledged assets

Pledged assets	Pledged to secu		June 30, 2016	December 31, 2015	June 30, 2015
Time deposit (recorded in other financial assets –current)	Guarantee for financing	$	-	-	133,735
Time deposit (recorded in other financial assets –current)	Deposit for forward current exchange		-	14,994	-
Time deposit (recorded in other financial assets – noncurrent)	Import guarantee for Customs		7,500	7,500	7,500
		$	**7,500**	**22,494**	**141,235**

9. Significant commitments and contingencies

As of June 30, 2016, December 31, 2015 and June 30, 2015, The Group deposited notes in the bank in order to obtain the transaction credits of bank financing and foreign exchange amounted to 4,794,100, 4,596,320 and 4,524,840, respectively.

10. Losses due to major disaster: None.

11. Subsequent events:

The Company bought back 9,383 thousand shares of its stocks during the period covered from May 8 to July 5, 2013 in accordance with paragraph 1-1 of Article 28-2 of the Securities and Exchange Act and the company's ruling of the 7th stock buyback for transferring shares to its employees. The total shares of buyback stocks reduced to 8,445 thousand after the Company reduced its capital by cash in 2015. Per regulations the shares bought back by a company shall be transferred within three years from the date of buyback. The Company cancelled those treasury stocks not transferred to its employees on July 5, 2016.

12. Other information

A. The personnel expenses, depreciation, and amortization, by function, were as follows:

By function	For the three-month periods from April 1 to June 30, 2016			For the three-month periods from April 1 to June 30, 2015		
By item	Operating Costs	Operating expense	Total	Operating Costs	Operating expense	Total
Employee benefits:						
Salaries	310,681	408,901	719,582	338,216	361,656	699,872
Labor and health insurance	13,695	26,194	39,889	15,416	26,170	41,586
Pension	20,579	23,220	43,799	22,463	26,392	48,855
Others	13,698	21,799	35,497	23,977	25,844	49,821
Depreciation	59,994	50,474	110,468	65,712	53,301	119,013
Amortization	869	19,112	19,981	927	16,850	17,777

By function	For the six-month periods from January1 to June 30, 2016			For the six-month periods from January 1 to June 30, 2015		
By item	Operating Costs	Operating expense	Total	Operating Costs	Operating expense	Total
Employee benefits:						
Salaries	597,939	758,239	1,356,178	666,228	710,392	1,376,620
Labor and health insurance	29,227	54,045	83,272	30,138	53,808	83,946
Pension	41,369	50,579	91,948	43,041	54,945	97,986
Others	27,254	43,249	70,503	39,018	52,578	91,596
Depreciation	123,078	103,100	226,178	133,029	107,956	240,985
Amortization	1,817	35,522	37,339	2,065	33,808	35,873

B. Business Seasoning

The Group's business operation is not impacted by seasoning or periodical factors.

13. Segment information

The Group operates predominantly in one industry segment, which includes the research, development, design, production, and sale of network products.

The segment financial information can be found in the consolidated financial statements. For sales to external customers and segment profit and loss, please refer to the consolidated statements of comprehensive income. For segment assets, please see the consolidated statements of financial position.