Stock Code:3380

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

ALPHA NETWORKS INC. AND ITS SUBSIDIARIES

Consolidated Financial Statements

December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)

Address: No.8 Li-shing 7th Rd., Science-based Industrial Park, Hsinchu, Taiwan, R.O.C
Telephone: (03)563 6666

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Alpha Networks Inc. as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Alpha Networks Inc. and its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Alpha Networks Inc.
Chairman: Chung-Wang Lee
Date: March 19, 2018

Independent Auditors' Report

To the Board of Directors of Alpha Networks Inc.:

Opinion

We have audited the consolidated financial statements of Alpha Networks Inc. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in the Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

   Please refer to note 4 (16) and note 6 (19) for accounting policy and summary of revenue, respectively.

   In explanation of key audit matters:

   Operation was initiated from sales transaction and the Group's major revenue was product sales. The revenue recognition is relies on the management' s estimation and timing of product sales, i.e. when persuasive evidences of transferring of risk and reward existed, and the timing was varied on each individual contract with customers. These factors expose the Group to material risk of revenue recognition. Therefore, the revenue recognition was considered to be one of the key areas in our audit.

How the matter was addressed in our audit

Our audit procedures included: understanding and testing the Group's internal controls surrounding the revenue process and cash transaction process; understanding the terms and types of the major sales transactions and assessing whether the Group's revenue were recorded in the proper period; selecting samples and inspecting customer orders to assess the implication of the terms of transaction to the revenue recognition and inspecting, bills of landing, e-commerce transactions raw data, and outsourced transportation delivery notes to verify the adequacy of the Group's timing on revenue recognition; understanding whether or not there were transactions with large scale fluctuation before and after reporting date. Inspecting customer orders, bill of landing or outsourcing transportation delivery notes, to assess whether or not relevant transaction are recorded in proper period.

2. Valuation of inventories

   Please refer to the note 4(8) for the accounting policy, note 5 for significant accounting assumptions and judgments, and note 6(4) summary of inventories.

   In explanation of key audit matters:

   The inventories are measured at the lower of cost or net realizable value at the reporting date. With the rapid change of technology and introduction of new products, these may significantly affect market demand, as well as the volume of products sold, consequently which can lead to inventory obsolescence and the cost of relevant inventory might be higher than its net realizable value. Therefore, the impairment of inventory is one of the key areas in our audit.

   How the matter was addressed in our audit

   Our audit procedures included: evaluating the reasonableness of the assessment policy, including data basis, assumption, function, and verifying whether it is properly applied; inspecting the supporting documentation of such assessment to ensure whether the estimation of provision for inventory obsolescence and devaluation loss is accurate; using sampling skill to verify inventory aging or testing system report; assessing whether the inventory allowance rate is reasonable and accurate.

Other Matter

Alpha Networks Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wan-Yuan Yu and Cheng-Chine Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 19, 2018

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

ALPHA NETWORKS INC. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note6(1))	$ 2,662,100	19	1,889,957	13
1110	Current financial assets at fair value through profit or loss (note6(2))	14,228	-	1,165	-
1147	Current investments in debt instrument without active market (note6(7))	62,340	-	-	-
1170	Notes and accounts receivable, net (note6(3))	1,845,115	14	2,328,645	17
1180	Accounts receivable due from related parties, net (note7)	1,114,483	8	1,320,624	9
130x	Inventories (note6(4))	3,382,996	25	3,129,995	22
1476	Other current financial assets (notes6(1) and (5))	1,803,425	13	2,414,585	17
1479	Other current assets	281,543	2	298,833	2
		11,166,230	81	11,383,804	80
	Non-current assets:				
1523	Non-current available-for-sale financial assets, net (note6(6))	111,873	1	113,456	1
1546	Non-current investments in debt instrument without active market (note6(7))	-	-	62,340	-
1600	Property, plant and equipment (note6(9))	2,086,034	15	2,358,829	17
1780	Intangible assets (note6(10))	211,385	2	194,291	2
1840	Deferred income tax assets (note6(15))	57,354	-	62,658	-
1980	Other non-current financial assets (notes6(3) and (5))	20,982	-	13,301	-
1985	Long-term lease prepayments (note6(13))	66,943	1	69,253	-
1990	Other non-current assets	3,814	-	3,492	-
		2,558,385	19	2,877,620	20
	Total assets	$ 13,724,615	100	14,261,424	100

		December 31, 2017		December 31, 2016	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note6(11))	$ 6	-	-	-
2120	Current financial liabilities at fair value through profit or loss (note6(2))	-	-	18,187	-
2170	Accounts payable	3,107,817	23	3,709,862	26
2201	Salary and bonus payable	588,834	4	583,172	4
2209	Accrued expenses	376,154	3	434,031	3
2220	Other payables to related parties (note7)	6,173	-	7,010	-
2230	Income tax payable	145,395	1	128,771	1
2250	Current provisions (note6(12))	234,975	2	261,240	2
2300	Other current liabilities	178,650	1	155,213	1
		4,638,004	34	5,297,486	37
	Non-Current liabilities:				
2570	Deferred tax liabilities (note6(15))	50,340	-	50,973	-
2640	Net defined benefit liability (note6(14))	340,511	3	393,681	3
2670	Other non-current liabilities	800	-	628	-
		391,651	3	445,282	3
	Total liabilities	5,029,655	37	5,742,768	40
	Equity (note6(16)):				
3110	Common stock	4,444,697	32	4,344,697	31
3170	Share capital awaiting retirement	(730)	-	-	-
		4,443,967	32	4,344,697	31
3200	Capital surplus	2,242,570	16	2,144,447	15
	Retained earnings:				
3310	Legal reserve	1,052,334	8	991,530	7
3320	Special reserve	242,799	2	-	-
3350	Unappropriated retained earnings	1,111,412	8	1,284,276	9
		2,406,545	18	2,275,806	16
3400	Other equity interest	(394,626)	(3)	(242,798)	(2)
3500	Treasury shares	(3,496)	-	(3,496)	-
	Total equity	8,694,960	63	8,518,656	60
	Total liabilities and equity	$ 13,724,615	100	14,261,424	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

ALPHA NETWORKS INC. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2017		2016	
		Amount	%	Amount	%
4100	**Net operating revenue**(notes6(19) and 7)	$ 19,057,109	100	21,830,730	100
5000	**Operating costs**(notes 6(4) and 7)	16,164,744	85	18,647,259	85
	Gross profit	2,892,365	15	3,183,471	15
	Operating expenses(note7):				
6100	Selling expenses	426,888	2	476,182	2
6200	Administrative expenses	592,365	3	679,225	3
6300	Research and development expenses	1,261,221	7	1,379,072	7
	Total operating expenses	2,280,474	12	2,534,479	12
	Net operating income	611,891	3	648,992	3
	Non-operating income and losses:				
7010	Other income(note6(21))	116,628	1	89,281	1
7020	Other gains and losses, net(note6(22))	(31,014)	-	73,924	-
7050	Finance costs(note6(23))	(1,151)	-	(8,624)	-
	Total non-operating income and losses	84,463	1	154,581	1
	Income before income tax	696,354	4	803,573	4
7950	Income tax expense(note6(15))	147,816	1	195,534	1
	Net income	548,538	3	608,039	3
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Remeasurements of defined benefit plans (note6(14))	33,831	-	4,056	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**				
8361	Foreign currency translation differences on foreign operations (note6(16))	20,981	-	(351,984)	(1)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets (note6(16))	(1,583)	-	4,750	-
8399	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss (note6(15))	(3,567)	-	59,837	-
		15,831	-	(287,397)	(1)
8300	**Other comprehensive income (loss)**	49,662	-	(283,341)	(1)
	Total comprehensive income	$ 598,200	3	324,698	2
	Earnings per share (New Taiwan dollars) (note6(18))				
	Basic earnings per share	$	1.26		1.40
	Diluted earnings per share	$	1.25		1.38

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
ALPHA NETWORKS INC. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

				Retained earnings				Other equity interest					
	Common stock	Share capital awaiting retirement	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Foreign currency translation differences on foreign operations	Unrealized gains (losses) on available-for-sale financial assets	Deferred compensation cost arising from issuance of restricted stock awards	Total other equity interest	Treasury shares	Total equity
Balance at 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	-	-	-	-	-	608,039	608,039	-	-	-	-	-	608,039
Other comprehensive income	-	-	-	-	-	4,056	4,056	(292,147)	4,750	-	(287,397)	-	(283,341)
Total comprehensive income	-	-	-	-	-	612,095	612,095	(292,147)	4,750	-	(287,397)	-	324,698
Appropriation and distribution of retained earnings:													
Reversal of special reserve	-	-	-	-	(110,280)	110,280	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(217,130)	(217,130)	-	-	-	-	-	(217,130)
Retirement of treasury share	(84,447)	-	(41,390)	-	-	(47,452)	(47,452)	-	-	-	-	173,289	-
Balance at December 31, 2016	4,344,697	-	2,144,447	991,530	-	1,284,276	2,275,806	(252,614)	9,816	-	(242,798)	(3,496)	8,518,656
Net income	-	-	-	-	-	548,538	548,538	-	-	-	-	-	548,538
Other comprehensive income	-	-	-	-	-	33,831	33,831	17,414	(1,583)	-	15,831	-	49,662
Total comprehensive income	-	-	-	-	-	582,369	582,369	17,414	(1,583)	-	15,831	-	598,200
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	60,804	-	(60,804)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	242,799	(242,799)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(451,630)	(451,630)	-	-	-	-	-	(451,630)
Issuance of restricted stock awards	100,000	-	97,393	-	-	-	-	-	-	(197,393)	(197,393)	-	-
Compensation cost of issued restricted stock awards	-	-	-	-	-	-	-	-	-	29,734	29,734	-	29,734
Share capital awaiting retirement for expiration of restricted stock awards	-	(730)	730	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2017	$ 4,444,697	(730)	2,242,570	1,052,334	242,799	1,111,412	2,406,545	(235,200)	8,233	(167,659)	(394,626)	(3,496)	8,694,960

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

ALPHA NETWORKS INC. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017	2016
Cash flows from operating activities:			
Income before income tax	$	696,354	803,573
Adjustments:			
Non-cash income, expense, gain or loss items:			
Depreciation expense		319,339	416,415
Amortization expense		66,595	74,810
Reversal of provision for doubtful accounts		(1,065)	(1,878)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss		(14,228)	17,022
Interest expense		1,151	8,624
Interest income		(37,153)	(29,407)
Dividend income		(3,166)	(3,166)
Compensation cost of issued restricted stock awards		29,734	-
Loss from disposal of property, plant and equipment		1,625	3,978
Provision for inventory obsolescence and devaluation loss		27,170	105,626
Gain on disposal of investment accounted for using equity method		-	(113,961)
Gain on disposal of investments in debt instrument without active market		-	(580)
Amortization of long-term lease prepayment		1,588	1,711
Others		146	-
Total non-cash income, expense, gain or loss items		391,736	479,194
Changes in operating assets and liabilities			
Net changes in operating assets:			
Notes and accounts receivable		477,699	(25,815)
Account receivable due from related parties		164,641	282,675
Financial assets measured at fair value through profit or loss		1,165	1,811
Inventories		(280,171)	551,986
Other current assets		18,089	(68,528)
Total changes in operating assets		381,423	742,129
Net changes in operating liabilities:			
Accounts payable		(602,045)	402,226
Financial liabilities measured at fair value through profit or loss		(18,187)	(24,317)
Other payable to related parties		(837)	887
Other current liabilities		(55,033)	(65,440)
Net defined benefit liability		(19,339)	8,907
Change in operating liabilities		(695,441)	322,263
Total changes in operating assets and liabilities		(314,018)	1,064,392
Total adjustments		77,718	1,543,586

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

ALPHA NETWORKS INC. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash inflow generated from operations	774,072	2,347,159
Interest received	37,153	28,286
Dividends received	3,166	3,166
Interest paid	(1,151)	(7,807)
Income taxes paid	(130,887)	(73,937)
Net cash flows from operating activities	682,353	2,296,867
Cash flows from investing activities:		
Proceeds from disposal of investment in debt instrument without active market	-	16,165
Proceeds from disposal of investments accounted for using equity method	-	192,026
Acquisition of property, plant and equipment	(91,990)	(29,431)
Proceeds from disposal of property, plant and equipment	1,788	10,710
Decrease in refundable deposits	319	6,595
Acquisition of intangible assets	(71,306)	(42,504)
Proceeds from disposal of intangible assets	-	560
Decrease (increase) in other financial assets	659,546	(2,022,696)
Increase in restricted deposits	(8,000)	-
Net cash flows from (used in) investing activities	490,357	(1,868,575)
Cash flows from financing activities:		
Repayments of long-term debt	-	(624,550)
Increase in short-term borrowings	6	-
Increase in guarantee deposit received	172	18
Cash dividends paid	(451,630)	(217,130)
Net cash flows used in financing activities	(451,452)	(841,662)
Effect of exchange rate changes on cash and cash equivalents	50,885	(150,617)
Net increase (decrease) in cash and cash equivalents	772,143	(563,987)
Cash and cash equivalents at beginning of period	1,889,957	2,453,944
Cash and cash equivalents at end of period	$ 2,662,100	1,889,957

See accompanying notes to consolidated financial statements.

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ALPHA NETWORKS INC. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history

ALPHA NETWORKS INC. ("Alpha") was established by a spin-off whereby on August 16, 2003, D-Link Corporation ("D-Link") separated its original design manufacturing and original equipment manufacturing ("ODM/OEM") operations from its D-Link brand business and transferred related operating assets and liabilities to Alpha. Alpha was incorporated on September 4, 2003, through the approval from the Hsinchu Science Park Bureau (HSPB). The address of Alpha's registered office is No. 8, Li-shing 7th Road, Science-based Industrial Park, Hsinchu, Taiwan (R.O.C.). As of December 31, 2017, the consolidated financial statements comprise Alpha and its subsidiaries (together referred to as the "Group") and Alpha's interest in associates.

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

2. Approval date and procedures of the consolidated financial statements

The consolidated financial statements were authorized for issuance by the Board of Directors on March 19, 2018.

3. New standards, amendments and interpretations adopted

(1) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards 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
Amendment to IAS 1 " Presentation of Financial Statements-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

ALPHA NETWORKS INC. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010 2012 Cycle and 2011 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

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

(2) The impact of IFRSs endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" -which contains classification and measurement of financial instruments, impairment and hedge accounting. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, investments in debt instrument and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Group had equity investments classified as available-for-sale with a fair value of $111,873 thousand, that are held for long-term strategic purpose. At initial application of IFRS 9, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Group estimated the application of IFRS 9' s classification requirements on January 1, 2018 resulting in a decrease of $328,866 thousand in the other equity interest, as well as the increase of $328,866 thousand in retained earnings.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

· 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and

· Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group assessed that the adoption of the IFRS 9 impairment would not have any material impact on its consolidated financial statements.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

· The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and other equity interest as at January 1, 2018.

· The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

1) Sales of goods

Revenue is currently recognized when the related risks and rewards of ownership of goods transfer, it depends on the terms of individual sales agreement. For export transactions, primarily adopt free on board shipping point, as related risks and rewards transfer to buyer when goods are shipped on board in port. For domestic sales, related significant risks and rewards of ownership transfer to buyer when goods are delivered to customer warehouse for acceptance. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Group assessed that the timing of the related risks and rewards of ownership of goods transfer to customer was similar to the timing of control transfer; therefore, the Group does not expect the application of IFRS 15 to have any significant impact.

2) Transition

The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at xJanuary 1, 2018. The Group plans to use the practical expedient for contracts that are completed at the date of the initial application (i.e. January 1, 2018) will not be restated

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Group assessed that the adoption of the amendments would not have any material impact on its consolidated financial statements.

The actual impacts of adopting the abovementioned standards may change depending on the economic conditions and events which may occur in the future.

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(3) The impact of IFRSs issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to The Group are set out below:

Issuance / Release Dates	Standards or Interpretations	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 a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. · A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

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4. Summary of Significant accounting Policies

The accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

(1) Statement of compliance

The consolidated 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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by FSC).

(2) Basis of preparation

A. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following significant accounts:

(a) Financial instruments measured at fair value through profit or loss are measured at fair value;

(b) Available-for-sale financial assets are measured at fair value; and

(c) The net defined benefit liability is recognized as the fair value of the plan assets, less the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of each Group' s entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars, which is Alpha's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise Alpha and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

(Continued)

ALPHA NETWORKS INC. AND ITS SUBSIDIARIES
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The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter company transactions, income and expenses are eliminated in the consolidated financial statements. Total comprehensive income (loss) in a subsidiary is allocated to the shareholders of Alpha and the non controlling interests even if this results in the non controlling interests having a deficit balance. Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Group.

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

B. List of subsidiaries in the consolidated financial statements

			Share holding	
Name of Investor	**Name of Investee**	**Principal activity**	**December 31, 2017**	**December 31, 2016**
Alpha	Alpha Holdings Inc. (Alpha Holdings)	Investment holding	100.00%	100.00%
Alpha	Alpha Solutions Co., Ltd. (Alpha Solutions)	Sale of network equipment, components and technical services	100.00%	100.00%
Alpha	Alpha Networks Inc. (Alpha USA)	Sale, marketing and procurement service in USA	100.00%	100.00%
Alpha	Alpha Networks (Hong Kong) Limited (Alpha HK)	Investment holding	100.00%	100.00%
Alpha	Alpha Technical Services Inc. (ATS)	Technical services	100.00%	100.00%
Alpha	Alpha Networks NL B.V. (Alpha NL) (note1)	Sale of network equipment	-	100.00%
Alpha	Global Networks Trading Limited (Global)	Sale of electrical products	100.00%	100.00%
Alpha Holdings	D-Link Asia Investment Pte. Ltd. (D-Link Asia)	Investment in manufacturing business	100.00%	100.00%
Alpha Holdings	Alpha Networks (Chengdu) Co., Ltd. (Alpha Chengdu)	Research and development of network products	100.00%	100.00%
Alpha Holdings	Alpha Investment Pte, Ltd. (Alpha Investment)	Investment holding	100.00%	100.00%
Alpha Holdings	Universal Networks Trading Limited (Universal)	Sale of electrical products	100.00%	100.00%
Alpha Investment	Mirac Networks (Dongguan) Co., Ltd. (Mirac)	Production and sale of network products	100.00%	100.00%

(Continued)

Name of Investor	Name of Investee	Principal activity	Share holding December 31, 2017	Share holding December 31, 2016
D-Link Asia	Alpha Networks (Dongguan) Co., Ltd. (Alpha Dongguan)	Production and sale of network products	100.00%	100.00%
Alpha HK	Alpha Networks (Changshu) Ltd. (Alpha Changshu)	Production and sale of network products	100.00%	100.00%
Alpha HK	Changshu Maintrend Technical Services Co., Ltd. (Maintrend) (note2)	Technical services	100.00%	100.00%
Mirac	JUST3C Corporation (JUST3C) (note3)	Sale of network products	-	100.00%

Note 1 : Alpha NL shareholders' meeting approved the dissolution and liquidation on October 22, 2015. Relevant legal procedure was completed as of July 31, 2017.

Note 2 : Maintrend shareholders'meeting approved the dissolution and liquidation on January 12, 2016. The Group recognized the related impairment loss and estimated that no further impairment would generated from the subsequent dissolution and liquidation processes of Maintrend. Relevant legal procedure was still in progress as of December 31 2017.

Note 3 : The Board meeting had approved the dissolution and liquidation of JUST3C on October 26, 2016. Relevant legal procedure was completed as of February 10, 2017.

C. Subsidiaries excluded from the consolidated financial statements: None.

(4) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date when fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss except for those differences of available-for-sale financial assets, which are recognized in other comprehensive income.

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B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at the exchange rates at the reporting date. The income and expenses of foreign operations, are translated at the average exchange rate. Foreign currency translation differences are recognized in other comprehensive income, with in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the foreign currency translation differences related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non controlling interests. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting period; or

D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

A. It is expected to be settled in its normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is due to be settled within twelve months after the reporting period; or

D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

(6) Cash and cash equivalents

Cash comprise cash and cash in bank. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(7) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

A. Financial assets

Financial assets are classified into the following categories: financial assets measured at fair value through profit or loss, available-for-sale financial assets and receivables.

(a) Financial assets measured at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

i. Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

ii. Performance of the financial asset is evaluated on a fair value basis;

iii. A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and presented under non-operating income and losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

(b) Available for sale financial assets

Available for sale financial assets are non derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available for sale financial assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, and dividend income, are recognized in other comprehensive income and presented within equity in unrealized gains (losses) on available for-sale financial assets. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and presented under non-operating income and losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in the non-operating income and losses.

(c) Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in non-operating income and lossse.

(d) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise notes and accounts receivable, other receivables and investments in debt instrument without active market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in non-operating income and lossse.

(e) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

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Objective evidence that financial assets are impaired includes default or delinquency (such as unpaid or delayed payment of interest or principal) by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management' s judgment as to whether current economic and credit conditions may cause the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

When there is an impairment on available for sale financial assets, any cumulative gain or losses that had been recognized in other comprehensive income will be reclassify to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss and included in non-operating income and losses.

Impairment loss and recoveries of account receivables are recognized in selling expenses. Impairment losses and recoveries of other financial assets are recognized in profit or loss and included in non-operating income and losses.

(Continued)

(f) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets to another equity.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or losses that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss and included in non-operating income and losses.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences the residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and presented under non-operating income and losses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

(b) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is designated as such on initial recognition.

The Group designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses thereon on a different basis;

ii. Performance of the financial liabilities is evaluated on a fair value basis; or

iii. A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and presented under non-operating income and losses.

(c) Other financial liabilities

Financial liabilities not classified as held for trading, not designated as at fair value through profit or loss (including loans and borrowings, trade and other payables), are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as asset cost is recognized in profit or loss, and included in non-operating income and losses.

(d) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or losses.

(e) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

C. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in non-operating income and losses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and of the embedded derivatives are not closely and closely related.

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to a usable location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(9) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group' s interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group' s share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of the associate.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

When part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and the useful life or the depreciation method of the significant part is different from another significant part of that same item, it is accounted for as a separate item (significant component) of property, plant and equipment.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and losses.

(Continued)

B. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts of property, plant and equipment that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit and loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(a) Buildings and improvements: 6~49 years

The significant components of buildings and improvements are main buildings; mechanical and electrical engineering; and utilities related engineering, etc. Each part is depreciated based on its useful life of 47~49 years, 6 years, and 6 years, respectively.

(b) Machinery and equipment: 1~6 years

(c) Transportation equipment: 6 years

(d) Office and other equipment: 2~6 years

Depreciation methods, useful lives, and residual values are reviewed at least annually at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

(11) Lease

Leases

Leases of the Group are operating leases and relevant lease assets are not recognized in the Group's balance sheet. Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight line basis over the term of the lease.

(12) Intangible assets

A. Goodwill

(a) Initial recognition

Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill represents the excess of the cost of the acquisition over the interest in the fair value of the identifiable assets, liabilities, and contingent liabilities acquired.

(b) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

B. Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) The intention to complete the intangible asset and use or sell it;

(c) The ability to use or sell the intangible asset;

(d) The probability that the intangible asset will generate probable future economic benefits;

(e) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and

(f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

C. Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost, less accumulated amortization and any accumulated impairment losses.

D. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

E. Amortization

The amortizable amount is the cost of an asset, less its residual value. Except for goodwill and in tangible assets with indefinite useful lives, amortization is recognized in profit or loss on a straight-line basis over 3 to 5 years from the date that they are available for use.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each reporting date. Any change shall be accounted for as a change in accounting estimate.

(13) Impairment of non-financial assets

The carrying amounts of the Group's non financial assets, other than assets arising from inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to estimate the recoverable amount of an individual asset. Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset has been allocated to. Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are tested at least annually.

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. When evaluating value in use, the pre-tax discount rate is used to estimate the future cash flows. The discount rate should reflect the evaluation of specific risk resulting from the impact of the current market on the time value of money and on the asset or CGU. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an non-financial asset other than goodwill may no longer exist or may have diminished. If any such indication exists, the amount of impairment loss recognized in prior periods is reversed, and the carrying amount of the asset's or CGU is increased to the revised estimate of its recoverable amount. The increase in the carrying amount shall not exceed the carrying amount (net of depreciation or amortization) had no impairment loss been recognized for the asset or CGU in prior years.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination. If the carrying amount of each of the CGUs exceeds the recoverable amount of the unit, impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the unit, then the carrying amount of the other assets in the unit on a pro rata basis. Reversal of an impairment loss for goodwill is prohibited.

(14) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(15) Treasury shares

Repurchased shares are recognized under treasury shares based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under "capital surplus-treasury share transactions". Losses on disposal of treasury shares should be offset against existing capital surplus arising from similar types of treasury shares. If there are insufficient capital surplus to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated separately for different types of repurchase by using the weighted average method.

During the cancellation of treasury shares, "capital surplus-share premiums" and "share capital" should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital surplus arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital surplus arising from similar types of treasury shares. If there are insufficient capital surplus to be offset against, then such losses should be accounted for under retained earnings.

(16) Revenue

A. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

B. Services

The Group provides technical service to customers and recognizes revenue in profit in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the actual cost incurred as a percentage of the estimated total costs of the transaction.

C. Government grants

The Group obtains government grants and recognizes as non-operating income and losses on actual costs incurred as a percentage of the expected total project costs at the reporting date.

(17) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on discounted present value of the said defined benefit obligation . Any fair value of any plan assets are deducted. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of plan are improved, pension cost incurred from the portion of the increased benefit relating to the past services by employees is recognized immediately in profit or loss.

Re-measurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses (2) the return on plan assets (excluding interest) and (3) the effect of asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income; wherein the Group recognized them under retained earnings.

The Group recognizes the gains or losses on the curtailment or settlement of the defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of the plan assets and in the present value of the defined benefit obligation.

C. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(18) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions, and there is no true up for differences between expected and actual outcomes.

(19) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include the expected tax payables or tax refundable on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the below:

A. Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) arising from the transaction.

B. Temporary differences arising from equity investment in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

C. Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

A. The entity has the legal right to settle current tax assets and current tax liabilities on a net basis; and

B. The taxing of deferred tax assets and liabilities under the same tax authority which fulfills one of the scenarios below:

(a) Levied by the same taxing authority; or

(b) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent it is probable that future taxable profit will be available against which they can be utilized. At the end of each reporting period, deferred tax asset are reassessed and reduced to the extent that it is no longer probable that the related tax benefit will be utilized.

(20) Earnings per share

The Group discloses basic and diluted earnings per share attributable to ordinary shareholders of Alpha. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of Alpha divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of Alpha, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee remuneration through the issuance of shares and unvested restricted stock awards .

(21) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRS endorsed by the FSC requires management to make judgments, estimates 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 estimates.

Accounting estimates and underlying assumptions are reviewed by management on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are revised and in any futureg periods affected.

(Continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, the Group uses judgments and estimates to determine the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. However, due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(4) for further description of the valuation of inventories.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Group's financial division conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial division also periodically adjusts valuation models, conducts retrospective testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data.

Please refer to note 6(24) of the financial instruments for assumptions in measuring fair value.

6. Explanation of significant accounts

(1) Cash and cash equivalents

		December 31, 2017	December 31, 2016
Cash on hand	$	2,405	2,249
Checking and savings accounts		981,974	1,070,589
Time deposits		1,277,721	498,064
Cash equivalents – bonds with repurchase agreements		400,000	319,055
Cash and cash equivalents in the consolidated statement of cash flows	$	2,662,100	1,889,957

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

(Continued)

As of December 31, 2017 and 2016, deposits with original maturities of more than three months were $1,782,711 thousand and $2,353,000 thousand, respectively, and were recorded in other financial assets – current.

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

	December 31, 2017	December 31, 2016
Financial assets measured at fair value through profit or loss – current		
Currency option contracts	$ 1,610	843
Forward exchange contracts	12,618	322
	$ 14,228	1,165

	December 31, 2017	December 31, 2016
Financial liabilities measured at fair value through profit or loss – current		
Forward exchange contracts	$ -	6,828
Currency option contracts	-	7,501
Cross currency swap contracts	-	3,858
	$ -	18,187

The Group uses derivative financial instruments to hedge certain foreign exchange and interest risk arising from its operating activities which the Group is exposed to. The Group holds the following derivative financial instruments which are not qualified for hedge accounting, therefore, they are presented as held for trading financial assets or liabilities:

	December 31, 2017		
	Contract amount (in thousands)	Currency	Maturity period
Buy USD put options	USD 9,000	USD to NTD	January 2018
Sell USD call options	USD 9,000	USD to NTD	January 2018
Sell USD put options	USD 9,000	USD to NTD	January 2018
Forward exchange contracts	USD 38,000	USD to NTD	January 2018 ~ February 2018

	December 31, 2016		
	Contract amount (in thousands)	Currency	Maturity period
Buy USD put options	USD 16,000	USD to NTD	January 2017 ~ February 2017
Sell USD call options	USD 16,000	USD to NTD	January 2017 ~ February 2017
Sell USD put options	USD 16,000	USD to NTD	January 2017 ~ February 2017
Cross currency swap contracts	USD 6,000	USD to NTD	January 2017
Forward exchange contracts	USD 25,000	USD to NTD	January 2017 ~ March 2017

(Continued)

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

	December 31, 2017	December 31, 2016
Notes and accounts receivable	$ 1,851,755	2,329,464
Less: Allowance for doubtful accounts	(6,640)	(819)
	$ 1,845,115	2,328,645

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

	December 31, 2017	December 31, 2016
Other financial assets – non-current	$ 77,216	224,921
Less: allowance for doubtful accounts	(77,216)	(224,921)
	$ -	-

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

	Individually assessed impairment loss	Collectively assessed impairment loss	Total
Balance at 1 January, 2017	$ 224,921	819	225,740
Impairment loss recognized (reversed)	(48,386)	47,321	(1,065)
Write-off for the period	(99,319)	-	(99,319)
Balance at 31 December, 2017	$ 77,216	48,140	125,356
Balance at 1 January, 2016	$ 224,609	3,009	227,618
Impairment loss recognized (reversed)	312	(2,190)	(1,878)
Balance at 31 December, 2016	$ 224,921	819	225,740

As of December 31,2017, allowance for doubtful account with respect to account receivable from related parties were $41,500 thousand. For more information please refer to note 7.

The aging analysis of notes and account receivables (including related parties) and other receivable was as follows:

	December 31, 2017		December 31, 2016	
	Gross amount	Impairment loss	Gross amount	Impairment loss
Overdue 0 to 30 days	$ 314,140	-	399,398	-
Overdue 31 to 120 days	20,023	1,042	15,739	819
Overdue 121 to 365 days	41,500	41,500	25	-
Overdue more than one year	82,814	82,814	225,145	224,921
	$ 458,477	125,356	640,307	225,740

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(4) Inventories

	December 31, 2017	December 31, 2016
Raw materials	$ 2,092,458	1,942,885
Work in progress and semi-finished products	241,419	241,482
Finished goods	1,049,119	945,628
	$ 3,382,996	3,129,995

The detail of operating cost were as below:

	December 31, 2017	December 31, 2016
Cost of goods sold	$ 16,137,574	18,541,633
Provision for inventory and devaluation loss	27,170	105,626
	$ 16,164,744	18,647,259

As of December 31, 2017 and 2016, the Group's inventories were not pledged.

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

The detail of other financial asset was as bellow:

	December 31, 2017	December 31, 2016
Current:		
Time deposits	$ 1,782,711	2,353,000
Other receivables	20,714	61,585
	$ 1,803,425	2,414,585
Non-current:		
Restricted deposits	$ 15,500	7,500
Refundable deposits	5,482	5,801
	$ 20,982	13,301

Please refer to note 8 for the restricted deposits.

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

	December 31, 2017	December 31, 2016
Publicly traded stock – D-Link	$ 111,873	113,456

As of December 31, 2017 and 2016, the Group's financial assets above were not pledged.

If the equity price changes, the impact to other comprehensive income, using the sensitivity analysis based on the same variables expect for the price index for both periods, will be as follows:

	For the years ended December 31,	
Equity price at reporting date	**2017**	**2016**
Increase 10%	$ 11,187	11,346
Decrease 10%	$ (11,187)	(11,346)

(7) Investments in debt instrument without active market

	December 31, 2017	December 31, 2016
Corporate bond—Platina Systems Corporation	$ 62,340	62,340

In April, 2015 due to new product development strategy, the Group invested Platina Systems Corporation bond amounting $77,925 thousand with the term of effective interest rate 2.72% and can be returned USD500 thousand if no conversion right exercised after one year. In April 2016, after the term's termination, the Group received USD 500 thousand (equal $16,165 thousand). The investment transferred to current assets in April 2017, and the maturity is on April 6, 2018.

(8) Investments accounted for using the equity method

In June, 2016, the Group disposed of its investment in Delta Mobile Software, Inc.'s 30.44% share holdings and the proceeds was $192,026 thousand and the recognized gain amounting to $113,961 thousand after deducting relevant cost which is presented as other gains and losses in the consolidated statements of comprehensive income. Please refer to note 6(22) for information.

The Group's investment accounted for using the equity method were not pledged.

(9) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the years ended December 31, 2017 and 2016, were as follows:

	Land	Building	Machinery and equipment	Office, transportation and other facilities	Total
Cost:					
Balance at January 1, 2017	$ 67,427	2,997,117	2,015,195	342,005	5,421,744
Additions	-	6,260	48,833	24,048	79,141
Disposals	-	(8,151)	(69,934)	(21,345)	(99,430)
Effect of change in exchange rates	(5,164)	(33,664)	(11,942)	(2,671)	(53,441)
Balance at December 31, 2017	$ 62,263	2,961,562	1,982,152	342,037	5,348,014

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	Land	Building	Machinery and equipment	Office, transportation and other facilities	Total
Balance at January 1, 2016	$ 68,598	3,179,143	2,247,675	438,562	5,933,978
Additions	-	561	18,787	11,828	31,176
Disposals	-	(6,685)	(114,805)	(87,699)	(209,189)
Effect of change in exchange rates	(1,171)	(175,902)	(136,462)	(20,686)	(334,221)
Balance at December 31, 2016	$ 67,427	2,997,117	2,015,195	342,005	5,421,744
Depreciation and impairment loss:					
Balance at January 1, 2017	$ -	1,373,891	1,429,085	259,939	3,062,915
Depreciation	-	128,128	157,889	33,322	319,339
Disposals	-	(8,142)	(68,437)	(19,438)	(96,017)
Effect of change in exchange rates	-	(11,890)	(10,220)	(2,147)	(24,257)
Balance at December 31, 2017	$ -	1,481,987	1,508,317	271,676	3,261,980
Balance at January 1, 2016	$ -	1,324,294	1,395,229	317,965	3,037,488
Depreciation	-	142,905	231,111	42,399	416,415
Disposals	-	(6,685)	(104,187)	(83,629)	(194,501)
Effect of change in exchange rates	-	(86,623)	(93,068)	(16,796)	(196,487)
Balance at December 31, 2016	$ -	1,373,891	1,429,085	259,939	3,062,915
Carrying amounts:					
Balance at December 31, 2017	$ 62,263	1,479,575	473,835	70,361	2,086,034
Balance at December 31, 2016	$ 67,427	1,623,226	586,110	82,066	2,358,829
Balance at January 1, 2016	$ 68,598	1,854,849	852,446	120,597	2,896,490

As of December 31, 2017 and 2016, the Group's property, plant and equipment were not pledged.

(10) Intangible asset

The cost, amortization, and impairment of intangible assets of the Group for the years ended December 31, 2017 and 2016 were as follows:

	Goodwill	Software application and other	Total
Cost:			
Balance at January 1, 2017	$ 134,883	408,671	543,554
Additions	-	83,735	83,735
Derecognition	-	(195,882)	(195,882)
Effect of change in exchange rates	-	(606)	(606)
Balance at December 31, 2017	$ 134,883	295,918	430,801

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		Goodwill	Software application and other	Total
Balance at January 1, 2016	$	134,883	578,252	713,135
Additions		-	42,504	42,504
Disposals		-	(961)	(961)
Derecognition		-	(205,127)	(205,127)
Effect of Change in exchange rates		-	(5,997)	(5,997)
Balance at December 31, 2016	$	134,883	408,671	543,554
Amortization and impairment:				
Balance at January 1, 2017	$	-	349,263	349,263
Amortization		-	66,595	66,595
Derecognition		-	(195,882)	(195,882)
Effect of change in exchange rates		-	(560)	(560)
Balance at December 31, 2017	$	-	219,416	219,416
Balance at January 1, 2016	$	-	485,235	485,235
Amortization		-	74,810	74,810
Disposals		-	(401)	(401)
Derecognition		-	(205,127)	(205,127)
Effect of change in exchange rates		-	(5,254)	(5,254)
Balance at December 31, 2016	$	-	349,263	349,263
Carrying amount				
Balance at December 31, 2017	$	134,883	76,502	211,385
Balance at December 31, 2016	$	134,883	59,408	194,291
Balance at January 1, 2016	$	134,883	93,017	227,900

A. For the years ended December 31, 2017 and 2016, the amortization of intangible assets were included in the consolidated statements of comprehensive income as follows:

		For the years ended December 31, 2017	2016
Operating cost	$	2,098	3,268
Operating expense		64,497	71,542
Total	$	66,595	74,810

B. To assess the impairment, goodwill had been allocated to IP Camera CGU. As of December 31, 2017 and 2016, the recoverable amount of IP Camera CGU was based on its value in use, determined by the future cash flows to be generated from the continuing use of the CGU. The recoverable amount of the CGU was determined to be higher than its carrying amount. Therefore there was no impairment loss shall be recognized as of December 31, 2017 and 2016.

The key assumptions used in the estimation of value in use were as follows:

	December 31, 2017	December 31, 2016
Discount rate	9.66 %	8.42 %
Terminal value growth rate	(3.00)%	(3.00)%

The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

Cash flow projection was based on a five-year financial projection which was approved by the management.

As of December 31, 2017 and 2016, the Group's intangible assets were not pledged.

(11) Short-term borrowings

	December 31, 2017	December 31, 2016
Unsecured bank loans	$ 6	-
Unused short-term and long-term credit lines	$ 3,193,060	3,060,750

(12) Provisions

	Warranties
Balance at January 1, 2017	$ 261,240
Provisions made during the year	133,350
Provisions used during the year	(159,181)
Effect of change in foreign exchange rates	(434)
Balance at December 31, 2017	$ 234,975
Balance at January 1, 2016	$ 242,638
Provisions made during the year	242,208
Provisions used during the year	(220,878)
Effect of change in foreign exchange rates	(2,728)
Balance at December 31, 2016	$ 261,240

The provision for warranties relates mainly to network product sold during the years ended December 31, 2017 and 2016. The provision 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.

(13) Operating lease

Leases as lessee

Non-cancellable operating lease rental payables were as follows:

	December 31, 2017	December 31, 2016
Less than one year	$ 10,961	13,304
Between one to five years	50,574	51,756
Over five years	-	20,973
	$ 61,535	86,033

Alpha leased land from the Science Industrial Park Administration during November 2003 to December 2022. According to the lease agreement, rental payment was subject to an adjustment as the government adjusts the land values. The Group also entered into other operating lease agreements for office space and employee dormitories.

The Group recognized $26,990 thousand and $30,921 thousand as an expense in profit or loss in respect of operating leases for the years ended December 31, 2017 and 2016, respectively.

The Group was obtained land use rights pursuant to operating lease agreements. The lease agreements cover a period of 50 to 60 years, and the Group paid all rental amounts in advance. For the years ended December 31, 2017 and 2016, the Group recognized $1,588 thousand and $1,711 thousand, respectively, as an expense in profit and loss. As of December 31, 2017 and 2016, the unamortized amounts were $66,943 thousand and $69,253 thousand, respectively, recognized in long term rental prepayment.

(14) Employee benefits

A. Defined benefit plans

The recognized liabilities of the defined benefit obligations were consisted of as follows:

	December 31, 2017	December 31, 2016
Present value of the defined benefit obligations	$ 405,694	456,003
Fair value of plan assets	(65,183)	(62,322)
Net defined benefit liabilities	$ 340,511	393,681

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The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

(a) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to $65,183 thousand as of December 31, 2017. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund, Ministry of Labor.

(b) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligation of the Group were as follows:

	For the years ended December 31,	
	2017	**2016**
Defined benefit obligations at January 1	$ 456,003	509,565
Benefits paid from the plan assets	(24,866)	(60,573)
Current service costs and interest cost	8,440	12,659
Re-measurements of net defined benefit liabilities (asset):		
- Actuarial gain arising from experience adjustment	(35,367)	(39,195)
- Actuarial gain arising from demographic assumptions	(3,090)	-
- Actuarial loss arising from financial assumptions	4,574	33,547
Defined benefit obligation as of December 31	$ **405,694**	**456,003**

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(c) Movements in the fair value of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets of the Group were as follows:

	For the years ended December 31,	
	2017	**2016**
Fair value of plan assets as of January 1	$ 62,322	120,735
Benefits paid from the plan assets	(24,866)	(60,573)
Re-measurements of the net defined benefit liabilities (asset):		
Return on plan assets (excluding current interest income)	(53)	(1,592)
Contribution of plan participants	26,933	1,500
Expected return on plan assets	847	2,252
Fair value of plan assets as of December 31	$ **65,183**	**62,322**

(d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	For the years ended December 31,	
	2017	**2016**
Current service costs	$ 2,190	3,131
Net interest of net liabilities for defined benefit obligation	6,250	9,528
Expected return on plan assets	(847)	(2,252)
	$ **7,593**	**10,407**
Operating costs	$ 1,793	2,577
Selling expenses	1,157	1,536
Administrative expenses	875	1,144
Research and development expenses	3,768	5,150
	$ 7,593	10,407
Actual return on plan assets	$ 794	660

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(e) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's re-measurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2017 and 2016, were as follows:

	For the years ended December 31,	
	2017	**2016**
Accumulated amount at January 1	$ (15,932)	(11,876)
Recognized during the year	(33,831)	(4,056)
Accumulated amount at December 31	$ (49,763)	(15,932)

(f) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2017	**December 31, 2016**
Discount rate	1.300%	1.375%
Future salary increase rate	3.00%	3.00%

The expected contribution to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $54,190 thousand.

(g) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
December 31, 2017	**Increase 0.25%**	**Decrease 0.25%**
Discount rate	$ (15,006)	15,705
Future salary increasing rate	$ 14,382	(13,848)
December 31, 2016		
Discount rate	$ (17,160)	17,961
Future salary increasing rate	$ 17,404	(16,719)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the consolidated balance sheets.

(Continued)

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There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016.

B. Defined contribution plans

The domestic entities of Group allocates 6% of each employee' s monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation. The Group's overseas subsidiaries establish their respective defined contribution plan and their contributions are made in accordance with their local regulations.

The pension costs under defined contribution plans amounted to $129,306 thousand and $156,231 thousand for the years ended December 31, 2017 and 2016, respectively.

(15) Income taxes

A. Income tax expenses

The components of income tax expenses for the years ended December 31, 2017 and 2016, were as follows:

	For the years ended December 31, 2017	2016
Current tax expense		
Current year	$ 166,105	181,223
Adjustment for prior years	(18,289)	16,138
	147,816	197,361
Deferred tax benefit		
Origination and reversal of temporary differences	-	(1,827)
Income tax expense	$ 147,816	195,534

The amount of income tax benefit recognized in other comprehensive income for the years ended December 31, 2017 and 2016, were as follows:

	For the years ended December 31, 2017	2016
Foreign currency translation differences on foreign operations	$ 3,567	(59,837)

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The reconciliation of income tax expense and income before income tax for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Income before income tax	$ 696,354	803,573
Income tax using Alpha's domestic tax rate	118,380	136,607
Effect of tax rates difference in foreign jurisdictions	36,746	44,975
Tax effect of permanent difference	57,627	39,398
Tax incentives	(18,013)	(42,293)
Change in unrecognized temporary differences	(13,237)	(17,392)
Others	(33,687)	34,239
	$ **147,816**	**195,534**

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax asset

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2017	December 31, 2016
Tax effect of deductible temporary differences	$ 412,059	425,296
The carry forwards of unused tax loss	7,209	90,257
	$ **419,268**	**515,553**

As at 31 December 2017, the information of the Group' s overseas subsidiaries' unutilized tax losses for which no deferred tax assets were recognized were as follows:

Year of loss	Unutilized tax loss	Expiry date
2015	$ **28,837**	2020

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(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2017 and 2016 were as follows:

Deferred tax assets

	January 1, 2016	Recognized in profit and loss	Recognized in other comprehensive income	December 31, 2016	Recognized in profit and loss	Recognized in other comprehensive income	Effect of change in exchange rate	December 31, 2017
Provision for inventory devaluation	$ 7,824	2,827	-	10,651	1,316	-	-	11,967
Provision for warranties	23,883	1,782	-	25,665	(5)	-	-	25,660
Foreign currency translation differences on foreign operations	-	-	13,993	13,993	-	(3,567)	-	10,426
Others	23,658	(11,309)	-	12,349	(1,944)	-	(1,104)	9,301
	$ 55,365	(6,700)	13,993	62,658	(633)	(3,567)	(1,104)	57,354

Deferred tax liabilities

	January 1, 2016	Recognized in profit and loss	Recognized in other comprehensive income	December 31, 2016	Recognized in profit and los	Recognized in other comprehensive income	Effect of change in exchange rate	December 31, 2017
Investment accounted for using equity method	$ (20,436)	(2,540)	-	(22,976)	(2,014)	-	-	(24,990)
Goodwill	(22,930)	-	-	(22,930)	-	-	-	(22,930)
Foreign currency translation differences on foreign operations	(45,844)	-	45,844	-	-	-	-	-
Others	(16,134)	11,067	-	(5,067)	2,647	-	-	(2,420)
	$ (105,344)	8,527	45,844	(50,973)	633	-	-	(50,340)

(c) Alpha' s tax returns for the years through 2014 were examined and approved by the Tax Administration as of the December 31, 2017.

(d) Information related to the ICA was summarized as follows:

	December 31, 2017	December 31, 2016
Unappropriated earnings of 1998 and after	- (Note)	1,284,276
Balance of imputation credit account	- (Note)	217,621

(Continued)

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	For the years ended December 31,	
	2017 (estimated)	2016 (actual)
Creditable ratio for earnings distribution to ROC residents	- (Note)	19.67%

The above stated information was prepared in accordance with Docree No. 10204562810 issued by the Ministry of Finance of the ROC on October 17, 2013.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the ROC on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(16) Capital and other equity

Reconciliation of shares outstanding for 2017 and 2016 was as follows (in thousands of shares):

	Ordinary share capital	
	2017	2016
Balance at January 1(also Balance at December 31)	434,259	434,259

A. Ordinary share capital

As of December 31, 2017 and 2016, the authorized capital of Alpha amounted to $6,600,000 thousand, of which included the amount of $500,000 thousand reserved for employee share options; the issued capital amounted to $4,444,697 thousand and $4,344,697 thousand, respectively.

Pursuant to a shareholders's resolution on June 16, 2017, Alpha issued 10,000 thousand shares of restricted stock awards to employee. The effective date of the capital increase was October 2, 2017, and the registration of the increase of share capital have been completed.

As of December 31,2017, a total of 73 thousand shares of restricted stock awaiting retirement as a result of employee turnover.

B. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2017	December 31, 2016
Capital surplus – premium	$ 2,129,454	2,129,454
Capital surplus – investments under the equity method	29	29
Restricted stock award	98,123	-
Other	14,964	14,964
	$ 2,242,570	2,144,447

(Continued)

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

C. Retained earnings

Based on Alpha'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' deficits;

(c) of the remaining balance, 10% to be appropriated 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 the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to decide on this matter.

Before the distribution of dividends, Alpha shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors, and a meeting of shareholders will be held to decide on this matter. The cash dividends shall not be less than 10% of total dividends.

(a) Legal reserve

According to the R.O.C. Company Act, Alpha must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(b) Special reserve

In accordance with Ruling issued by the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified as special reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of other equity interest. Similarly, a portion of undistributed prior period earnings shall be reclassified as special reserve (and does not qualify for earnings distribution) to account for any cumulative net reduction of other equity interest pertaining to prior period. Amounts of subsequent reversals pertaining to the net reduction of other equity interest shall qualify for earnings distributions.

(c) Earnings distribution

Earnings distribution for 2016 and 2015 was decided via the general meeting of shareholders held on June 16, 2017 and June 17, 2016, respectively. The relevant dividend distributions to shareholders were as follows:

	2016	2015
Dividends distributed to ordinary shareholders		
Cash (dividends per share were NTD1.04 and NTD0.5, respectively)	$ 451,630	217,130

The above mentioned earnings distribution was consistent with the resolutions approved by the Board of Directors. The information is available on the Market Observation Post System website.

Earnings distribution for 2017 was still to be approved by the Board of Directors and the shareholders'meeting. After the resolution of the relevant meeting of the company, the information can be assessed from the Market Observation Post System on the website.

D. Treasury shares

From May 8 to July 5, 2013, in compliance with section 28(2) of the Securities and Exchange Act and Alpha' s share buyback in order to transfer to employee plan resolution, Alpha repurchased 9,383 thousand shares. In 2015, Alpha made capital reduction and treasury shares decreased to 8,445 thousand shares. The treasury shares were canceled on July 5, 2016. The aforementioned transaction had already been registered and approved by the government authorities on July 22, 2016.

In December 2015, Alpha repurchased 210 thousand shares as treasury shares. Alpha should transfer the shares to employee within three years from the date repurchase shares.

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Alpha repurchased shares as treasury shares through TWSE. Detail of the treasury shares were as follows:

(In thousands of shares)

	For the years ended December 31, 2017			
Purpose	**January1**	**Increase**	**Canceled**	**December 31**
Transfer to employee	210	-	-	210

	For the years ended December 31, 2016			
Purpose	**January1**	**Increase**	**Canceled**	**December 31**
Transfer to employee	8,655	-	8,445	210

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Alpha's retained earnings, additional paid in capital, and realized capital surplus.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by Alpha should not be pledged, and do not entitle to any shareholder rights before their transfer.

E. Other equity interest

	Foreign currency translation differences on foreign operations	Unrealized gains (losses) on available-for-sale financial assets	Deferred compensation cost arising from issuance of restricted stock awards	Total
Balance at 1 January 2017	$ (252,614)	9,816	-	(242,798)
Foreign currency translation differences on foreign operations (net of tax)	17,414	-	-	17,414
Unrealized gains on available for sale financial assets	-	(1,583)	-	(1,583)
Issuance of restricted stock awards	-	-	(197,393)	(197,393)
Compensation cost of restricted stock awards	-	-	29,734	29,734
Balance at 31 December 2017	$ (235,200)	8,233	(167,659)	(394,626)
Balance at 1 January 2016	$ 39,533	5,066	-	44,599
Exchange differences on translation of foreign financial statements	(292,147)	-	-	(292,147)
Unrealized gains on available for sale financial assets	-	4,750	-	4,750
Balance at 31 December 2016	$ (252,614)	9,816	-	(242,798)

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(17) Share-based payment

A. Information about Alpha's equity-settled share-based payment transactions as of December 31, 2017, is as follows:

	Restricted stock awards Issued in 2017
Grant date	September 27, 2017
Granted units (thousands)	10,000
Contractual life	1~3 years
Vesting condition	Note
Price per share (NTD)	0
Adjusted exercise price (NTD)	0

Note: Employees are entitled to receive restricted stock in the first, second and third year (from the grant date) of their service. The proportion of the shares granted are 30%, 30% and 40%, respectively.

B. Alpha used the closing price of its ordinary share on the grant date as the fair value of the share based payment.

C. Restricted stock

On June 16, 2017, pursuant to the resolutions of its shareholders' meeting, Alpha issued 10,000 thousand shares of restricted stock awards to those full time employees who conformed to Alpha's requirements. These restricted stock awards have been registered and approved by the Securities and Futures Bureau of the FSC. On September 21, 2017, the Board of Directors approved a resolution to issue all of restricted stock awards to its employees. The effective dates of the capital increase was October 2, 2017, and the registrations of the increase of share capital have been completed. Unless the vesting conditions have been met, the restricted stock awards may not be sold, pledged, transferred, hypothecated or otherwise disposed of. Holders of restricted stock awards are entitled to the same rights as Alpha's existing ordinary shareholders except for the fact that restricted stock awards are held in trust and have vesting conditions. Also, Alpha has the right to call back all unvested shares without compensation and to cancel all restricted stock awards issued to employees who fail to comply with the vesting condition.

Details of the restricted stock of Alpha are as follows:

	For the year ended December 31, 2017
Outstanding at 1 January (number in thousand)	-
Granted during the year (number in thousand)	10,000
Forfeited during the year (number in thousand)	(73)
Outstanding at 31 December (number in thousand)	9,927

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In 2017, Alpha issued the restricted stock awards of 10,000 thousand shares to its employees, which resulted in a capital surplus— restricted stock awards of $197,393 thousand. As of December 31, 2017, Alpha has deferred the compensation cost arising from the issuance of restricted stock awards amounting to $167,659 thousand, such deferred amounts were recorded as deduction of other equity interest. In 2017, Alpha recognized the compensation costs of $29,734 thousand.

(18) Earnings per share

A. Basic earnings per share

	For the years ended December 31,	
	2017	2016
Net income attributable to ordinary shareholders	$ 548,538	608,039
Weighted-average number of shares outstanding (in thousands of shares)	434,259	434,259
Basic earnings per share (NTD)	$ 1.26	1.40

B. Diluted earnings per share

	For the years ended December 31,	
	2017	2016
Net income attributable to ordinary shareholders	$ 548,538	608,039
	2017	2016
Weighted-average number of shares outstanding (in thousand) (basic)	$ 434,259	434,259
Effect of employee remuneration	4,017	6,624
Effect of restricted stock awards unvested	542	-
Weighted-average number of shares outstanding (in thousands)	$ 438,818	440,883
Diluted earnings per share (NTD)	$ 1.25	1.38

(19) Revenues

The detail of revenues were as follows:

	For the years ended December 31,	
	2017	2016
Sales of goods and rendering of services	$ 19,057,109	21,830,730

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(20) Employees and directors remuneration

In accordance with the Articles of incorporation, Alpha should contribute remuneration which was ranging from 10% to 22.5% of the profit and less than 1% as directors' remuneration when there is profit for the year. However, if Alpha has incurred accumulated deficits, the profit should be reserved to offset the deficit. The abovementioned remuneration could be distributed in stock or cash and the recipients may include the employees of the Alpha's affiliated companies who meet certain conditions.

For the years ended December 31, 2017 and 2016, Alpha estimated its employee remuneration amounting to $69,068 thousand and $129,833 thousand, respectively, and directors' remuneration amounting to $6,907 thousand and $7,842 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of the period, multiplied by the percentage of remuneration to employees and directors as specified in Alpha's articles. These remunerations were expensed under operating costs or operating expenses during 2017 and 2016. Information can be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2017 and 2016.

(21) Other income

	For the years ended December 31,	
	2017	**2016**
Interest income	$ 37,153	29,407
Dividend income	3,166	3,166
Government grants	34,083	670
Others	42,226	56,038
	$ **116,628**	**89,281**

(22) Other gains and losses

	For the years ended December 31,	
	2017	**2016**
Gain on financial asset (liabilities) at fair value through profit or loss, net	$ 105,389	87,607
Foreign exchange loss, net	(128,292)	(116,611)
Gain on disposal of investment accounted for using the equity method	-	113,961
Others	(8,111)	(11,033)
	$ **(31,014)**	**73,924**

(23) Finance costs

	For the years ended December 31,	
	2017	**2016**
Interest expense of borrowings	$ 1,151	8,624

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(24) Financial instruments

A. Credit risk

(a) Credit risk exposure

The carrying amounts of financial assets represented the maximum amount exposed to credit risk.

(b) Concentration of credit risk

The major customers of the Group are centralized in the networking industries. The Group generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Group is mainly influenced by the networking industry. As of December 31, 2017 and 2016, 71% and 64%, respectively, of the Group' ' s accounts receivable (including related parties) were from the top 7 customers. Although there is a concentration of credit risk, the Group routinely assesses the collectability of its accounts receivable and makes a corresponding allowance for doubtful accounts.

B. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1 to 2 years	2 to 5 years
December 31, 2017						
Non derivative financial liabilities						
Unsecured loans	$ 6	(6)	(6)	-	-	-
Accounts payable	3,107,817	(3,107,817)	(3,107,817)	-	-	-
Payables to related parties	6,173	(6,173)	(6,173)	-	-	-
Accrued expenses	376,154	(376,154)	(376,154)	-	-	-
Derivative financial liabilities						
Forward exchange contracts:						
Outflows	-	(774,280)	(774,280)	-	-	-
Inflows	(12,618)	783,512	783,512	-	-	-
Currency option contracts:						
Inflows	(1,610)	12,645	12,645	-	-	-
	$ 3,475,922	(3,468,273)	(3,468,273)	-	-	-

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	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1 to 2 years	2 to 5 years
December 31, 2016						
Non derivative financial liabilities						
Accounts payable	$ 3,709,862	(3,709,862)	(3,709,862)	-	-	-
Payables to related parties	7,010	(7,010)	(7,010)	-	-	-
Accrued expenses	434,031	(434,031)	(434,031)	-	-	-
Derivative financial liabilities						
Forward exchange contracts:						
Outflows	6,828	(6,420)	(6,420)	-	-	-
Inflows	(322)	-	-	-	-	-
Cross currency swap contracts: :						
Outflows	3,858	(193,851)	(193,851)	-	-	-
Inflows	-	191,052	191,052	-	-	-
Currency option contracts:						
Outflows	7,501	(35,220)	(35,220)	-	-	-
Inflows	(843)	-	-	-	-	-
	$ 4,167,925	(4,195,342)	(4,195,342)	-	-	-

C. Currency risk

(a) Exposure to currency risk

The Group' s significant exposure to foreign currency risk was as follows:

	December 31, 2017			December 31, 2016		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial Assets						
Monetary items						
USD	$ 88,635	29.78	2,639,550	101,274	32.25	3,266,087
CNY	5,644	4.5730	25,810	2,915	4.6190	13,464
Non-Monetary items						
USD	65,000	29.78	Note	19,000	32.25	Note
Financial liabilities						
Monetary items						
USD	16,931	29.78	504,205	24,250	32.25	782,063
Non-Monetary items						
USD	-	-	-	60,000	32.25	Note

Note: Please refer note6 (2) for the information on forward exchange contracts, currency option and cross currency swap at fair value.

(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign exchange gains and losses on cash and cash equivalents, trade receivables, other receivables, trade payables and other payables which are denominated in foreign currencies. A strengthening (weakening) of 5% of the NTD against the USD and the CNY at December 31, 2017 and 2016, would have increased or decreased the profit before tax by $93,071 thousand, $101,897 thousand, $49,063 thousand and $64,982 thousand, respectively. This analysis is based on the foreign currency exchange rate variances the Group considered to be reasonably possible at the reporting date. The analysis assumed that all other variables remain constant, and is performed on the same basis for both periods.

(c) Exchange gains and losses on monetary items

Since the Group has many kinds of functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed in aggregate amount. For the years ended December 31, 2017 and 2016, the foreign exchange losses (including realized and unrealized) amounted to $128,292 thousand and $116,611 thousand, respectively.

(d) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates. Regarding liabilities with variable interest rate, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year.

If the interest rate increases/decreases by 0.25%, assuming all other variable factors remain constant, the Group's net income before tax may decrease by $11,112 thousand and $10,607 thousand, for the years ended December 31, 2017 and 2016, respectively. This is mainly due to the changes of the Group's deposits, other financial assets and borrowings with variable rates.

(e) Fair value of financial instruments

i. Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss and available for sale financial assets is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

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	December 31, 2017				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss on recurring basis					
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 14,228	-	14,228	-	14,228
Available-for-sale financial assets					
Stocks in listed company	$ 111,873	111,873	-	-	111,873
Loans and receivables					
Cash and cash equivalents	$ 2,662,100	-	-	-	-
Notes and accounts receivable (including related parties)	2,959,598	-	-	-	-
Other financial assets – current and non-current	1,824,407	-	-	-	-
Investments in debt instrument without active market	62,340	-	65,863	-	65,863
Total	$ 7,508,445	-	65,863	-	65,863
Financial liabilities at amortized cost					
Accounts payable (including related parties)	$ 3,107,817	-	-	-	-
Payable to related parties	6,173	-	-	-	-
Total	$ 3,113,990	-	-	-	-

	December 31, 2016				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss on recurring basis					
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 1,165	-	1,165	-	1,165
Available-for-sale financial assets					
Stocks in listed company	$ 113,456	113,456	-	-	113,456

(Continued)

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	December 31, 2016				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	$ 1,889,957	-	-	-	-
Notes and accounts receivable (including related parties)	3,649,269	-	-	-	-
Other financial assets – current and non-current	2,414,585	-	-	-	-
Investments in debt instrument without active market	62,340	-	65,072	-	65,072
Total	$ 8,016,151	-	65,072	-	65,072
Financial liabilities at fair value through profit or loss on recurring basis					
Derivative financial liabilities	$ 18,187	-	18,187	-	18,187
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	$ 3,709,862	-	-	-	-
Payable to related parties	7,010	-	-	-	-
Total	$ 3,716,872	-	-	-	-

Fair value measured on non recurring basis refers to occurrences in specific condition. The Group did not have financial assets or liabilities that are measured on a non-recurring basis

ii. Valuation techniques for financial instruments not measured at fair value

Investments in debt instrument without active market

If there is quoted price generated by transactions, the recent transaction price and quoted price is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

iii. Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

The fair value of listed stocks with standard terms and conditions, which are publicly traded in an active market, is determined based on the quoted market prices.

b) Derivative financial instruments

Measurement on 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.

There were no transfer between the different levels of fair value hierarchy for the years ended December 31, 2017 and 2016.

(f) Offsetting financial assets and financial liabilities

The Group has financial instrument transactions with an exercisable master netting arrangement with its financial instructions which are applicable to IASs NO. 32, and qualified for offsetting. Financial assets and liabilities relating to those transactions are recognized in the net amount on the consolidated balance sheets.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

	December 31, 2017		
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)
Time deposit / Borrowings	$ 1,306,928	1,306,928	-
Financial instruments / Borrowings	$ 963,641	963,641	-

	December 31, 2016		
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)
Time deposit / Borrowing	$ 6,162,952	6,162,952	-
Financial instruments / Borrowing	$ 2,322,000	2,322,000	-

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(25) Financial risk management

A. Overview

The Group have exposures to the following risks from its financial instruments:

(a) credit risk
(b) liquidity risk
(c) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

B. Structure of risk management

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee, which is responsible for developing and monitoring the Group's risk management policies.

The internal auditor reports regularly to the Board of Directors on its activities.

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group' s receivables from customers and investments in debt securities.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer and these limits are reviewed periodically. Customers that fail to the Group's benchmark credit worthiness may transact with the Group only on a prepayment basis.

The Group does not require any collateral for accounts receivable and other receivables.

D. Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

The Group utilizes derivative instruments to hedge its currency exposure arising from net foreign assets and liabilities due to relative cash inflow and outflow occurring at the maturity; therefore the Group does not expect any significant liquidity risk.

(Continued)

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E. Market risk

As the Group's derivative financial instruments were for hedging purposes, the gains or losses due to changes in the foreign exchange rates will automatically be offset against hedged items. As a result, market price risk is considered to be low. Publicly traded stocks held by the Group were classified as available-for-sale financial assets. Since these assets were measured at fair value, the Group is exposed to the risks of equity price change.

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices that will affect the Group's income or the value of its holdings on financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives instruments, and also incurs financial liabilities, in order to manage market risks. All such transactions are executed in accordance with the Group's procedures for conducting derivative transactions which were approved by the Board of Directors.

(a) Foreign currency risk

The Group's exposure to the risk of fluctuation in foreign currency exchange rates relates primarily to the Group's sales, purchases, and borrowings transactions, and those are denominated in a currency different from the functional currencies of the Group. These transactions are denominated in New Taiwan dollar (NTD), US dollar (USD) and Chinese Yuan (CNY).

Interest is denominated in the same currency of borrowing principals. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. In this case, the Group did not enter into any derivative instrument agreement, due to the said; therefore, it does not used hedge accounting.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is maintained at an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(b) Interest rate risk

The Group is exposed to interest rate risk arising from holding floating-risk financial assets and liabilities, and changes in interest rates would affect the future cash flows.

(c) Equity price risk

Please refer to note 6(6) for the equity price risk analysis.

(d) Other market price risk

The Group does not enter into any commodity contracts other than to meet the Group's expected usage and sales requirements; such contracts are not settled on a net basis.

(26) Capital management

The Group' s objective for managing its capital is to safeguard the capacity to continue as a going concern, to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Group may adjust the dividend payment to its shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell its assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the net debt divided by the total capital.

The net debt from the balance sheet is derived from the total liabilities, less, cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity interest.

The Group's debt-to-equity ratio at the end of the reporting period was as follows:

		December 31, 2017	**December 31, 2016**
Total liabilities	$	5,029,655	5,742,768
Less: Cash and cash equivalents		(2,662,100)	(1,889,957)
Net debt	$	2,367,555	3,852,811
Total equity	$	8,694,960	8,518,656
Debt-to-equity ratio		27.23%	45.23%

The debt-to-equity ratio was decreased on December 31, 2017, due to the increase in the Group' s investment of short-term time deposit, as results of cash and cash equivalents increasing, and the decrease in the balance of accounts payable.

The main purpose of the Group' s repurchase of stock is to maintain its credit and shareholder interest or to be transferred to its employees. The repurchasing of stock is resolved by the Board of Directors in accordance with the provisions of the Regulations Governing Share Repurchase by Exchange-Listed and TPEx-Listed Companies. The Group has not expressly set up a stock repurchase plan.

As of December 31, 2017, the Group had not changed its capital management method.

(27) Investing and financing activities not affecting current cash flow

In the year ended December 31, 2017, the issuance of restricted stock awards was a non-cash transaction in the Group's investing and financing activities. Please refer to note6 (16) and (17) for further details.

The Group's investing and financing activities not affect the current cash flow is the cancellation of treasury share in the year ended December 31, 2016.

7. Related-party transactions

(1) Names and relationship with related parties

Name of related party	Relationship with the Group
D-Link Corporation	The entity with significant influence over the Group
D-Link Systems Inc. (D-Link Systems)	D-Link Corporation's subsidiary
D-Link (Europe) Ltd. (D-Link Europe)	D-Link Corporation and its subsidiary co-holding subsidiaries
D-Link International Pte. Ltd. (D-Link International)	D-Link Corporation and its subsidiary co-holding subsidiaries
D-Link (Shanghai) Ltd. (D-Link Shanghai)	D-Link Corporation and its subsidiary co-holding subsidiaries
Delta Mobile Software, Inc.(DMS)	Note

Note: Formerly an associate of the Group, it has not been a related party after the Group's disposing of all the equity interests in DMS in June 2016. The disclosure here is for reference.

(2) Significant related-party transactions

A. Sales

The amount of significant sales by the Group to related parties were as follows:

	For the years ended December 31,	
	2017	2016
Entities with significant influence over the Group	$ 435,687	531,183
Associates	-	4,390
Other related parties:		
D-Link International	4,153,624	4,705,144
Others	7,149	32,562
	$ 4,596,460	5,273,279

The price for sales to the above related parties was determined by general market conditions and adjusted by considering factors, like geography or the variance in sales volumes, etc.

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

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B. Receivables from related parties

The receivables from related parties were as follows:

Account	Related Party Category		December 31, 2017	December 31, 2016
Accounts receivable from related parties	Entities with significant influence over the Group	$	100,205	221,072
	Other related parties :			
Accounts receivable from related parties	D-Link International (note)		1,013,348	1,096,213
Accounts receivable from related parties	Others		930	3,339
		$	**1,114,483**	**1,320,624**

Note: The balance of December 31,2017 was deducted $41,500 thousand of allowance for impairment.

C. Rendering of services and other expenses

The Group obtained service fromto related parties, including product warranty and maintenance royalty, research and other service expense, as follows:

		For the years ended December 31, 2017	2016
Entities with significant influence over the Group	$	124	1,721
Others		19,964	22,877
	$	**20,088**	**24,598**

The payables to related parties were as follows:

Account	Related Party Category		December 31, 2017	December 31, 2016
Other payable to related parties	Entities with significant influence over the Group	$	64	91
Other payable to related parties	Others		5,694	6,919
		$	**5,758**	**7,010**

D. Property transactions

		For the years ended December 31, 2017	2016
Entities with significant influence over the Group	$	**429**	**-**

(Continued)

The payables to related parties were as follows:

Account	Related Party Category	December 31, 2017	December 31, 2016
Other payable to related parties	Entities with significant influence over the Group	$ 225	-

E. Rental revenue

The Group rented an office to D Link (shanghai) and the rental income for December 31, 2017 and 2016 was $420 thousand and $647 thousand, respectively. As of years ended December 31, 2017, the amounts had been collected.

F. Various advances

As of December 31,2017 and 2016, the payable to related parties were as follows:

	December 31, 2017	December 31, 2016
Other related party	$ 190	-

G. Other

The Group sold out 30.44% of its shareholdings in Delta Mobile Software, Inc. with the proceeds of $192,026 thousand in June 2016 and recognized a gain $113,961 thousand after deducting the related costs , such gain was presented under other gains and losses. The proceeds of disposal of investments had been collected in the second quarter of 2016, please refer to note 6(22).

(3) Key management personnel compensation

	For the years ended December 31, 2017	2016
Short-term employee benefits	$ 38,489	24,123
Post-employment benefits	80	120
	$ 38,569	24,243

8. Pledged assets

The carrying value of pledged assets were as follows:

Pledged assets	Object	December 31, 2017	December 31, 2016
Time deposit (recorded in other financial assets–noncurrent)	Import guarantee for Customs	$ 7,500	7,500
Time deposit (recorded in other financial assets–noncurrent)	Guarantee for land lease	8,000	-
		$ 15,500	7,500

9. Significant commitments and contingencies

(1) As of December 31, 2017 and 2016, The Group deposited notes in the bank in order to obtain the transaction credits of bank financing and foreign exchange amounting $4,088,380 thousand and $4,142,560 thousand, respectively.

(2) There is an arbitration in process between the Group and the supplier on disputes over license fees and service fee contracts for software use. The supplier advocates that the Group should pay the relevant fee including licensing fees, service fees, interest expense, arbitration costs, fees, and legal fees. The case was heard in court on December 11, 2017, and it had been waiting for the final arbitral award of arbitral tribunal. As of the report date, the arbitration result has not been determined.

10. Losses due to major disasters: none

11. Subsequent events

Pursuant to Board of Directors' resolution was held on March 7, 2018, Alpha approved the issuance of 100,000,000 ordinary shares under private placement, with the par value of NTD23 per share, and March 15, 2018 as the date of capital increase. The rights and obligations of private placement of ordinary shares are identical with Alpha' s ordinary shares issued. The restrictions on transfer the private placement of ordinary shares would be subject to section 43(8) requirements under the Securities and Exchange Act and the government authorities related regulations. The rationale and information of private placement can be accessed at the Market Observation Post System on the website.

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12. Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2017			2016		
	Operating cost	Operation expenses	Total	Operating cost	Operation expenses	Total
Employee benefits						
Salaries	813,088	1,343,252	2,156,340	1,105,547	1,450,488	2,556,035
Labor and health insurance	42,273	103,152	145,425	53,947	109,127	163,074
Pension	52,782	84,117	136,899	75,165	91,473	166,638
Others	45,275	44,672	89,947	50,675	65,130	115,805
Depreciation	158,747	160,592	319,339	223,536	192,879	416,415
Amortization	2,098	64,497	66,595	3,268	71,542	74,810

13. Segment information

(1) Operating 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 balance sheets.

(2) Products and services information

Revenue of the Group from external customers was as follows:

Product and services	For the years ended December 31, 2017	2016
LAN/MAN	$ 11,657,621	11,965,615
Wireless and Broadband	5,276,837	5,981,372
Digital Multimedia	2,110,967	3,859,994
Others	11,684	23,749
	$ 19,057,109	21,830,730

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(3) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and the non-current assets are based on the geographical location of the assets.

Geographic information	For the years ended December 31, 2017	2016
Revenue from external customers:		
United States	$ 6,546,259	6,447,652
China	3,076,592	3,821,525
Singapore	4,719,465	5,080,723
Others	4,714,793	6,480,830
	$ 19,057,109	21,830,730

	December 31, 2017	December 31, 2016
Non-current assets:		
China	$ 1,409,673	1,641,146
Taiwan	844,402	862,923
Others	114,101	121,796
	$ 2,368,176	2,625,865

Non-current assets include property, plant, and equipment, intangible asset and other assets, not including financial instruments and deferred tax assets.

(4) Major customer information

Sales to individual customers representing greater than 10% of consolidated revenue were as follows:

	For the years ended December 31, 2017	2016
A Customer	$ 4,153,624	4,705,144
B Customer	2,746,497	2,665,297
C Customer	2,449,926	1,866,582
	$ 9,350,047	9,237,023