

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Balance Sheet
June 30, 2007 and 2006
(in thousands of New Taiwan dollars)

Assets	2007.6.30	2006.6.30	Liabilities and Stockholders' Equity	2007.6.30	2006.6.30
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 2,954,319	2,327,973	Short-term borrowings	\$ 174,630	1,205,652
Financial assets at fair value through profit or loss			Accounts payable	3,260,610	2,982,977
- current	13,277	2,935	Payables to related parties	86,109	71,775
Notes and accounts receivable, net	2,130,452	2,298,081	Accrued expenses	936,938	756,624
Receivables from related parties	2,816,250	2,690,932	Financial liabilities at fair value through profit or		
Other financial assets - current	43,288	19,356	Loss - current	813	-
Inventories	2,510,004	2,464,920	Cash dividends payable	610,732	435,241
Other current assets	42,928	77,627	Current portion of bonds payable	600,581	-
Total current assets	<u>10,510,518</u>	<u>9,881,824</u>	Other current liabilities	434,913	439,831
Funds and investments:			Total current liabilities	<u>6,105,326</u>	<u>5,892,100</u>
Other financial assets - non-current	34,300	51,669	Long-term liabilities:		
Long-term equity investments under cost method	9,996	16,985	Financial liabilities at fair value through profit or		
	<u>44,296</u>	<u>68,654</u>	Loss - non-current	-	26,736
Property, plant and equipment			Bonds payable	-	1,067,494
Buildings and improvements	1,623,811	1,551,146	Total Long-term liabilities	-	1,094,230
Machinery and equipment	1,291,316	1,018,658	Other liabilities:		
Other equipment	244,071	192,991	Accrued pension liabilities	73,425	59,353
	3,159,198	2,762,795	Deferred credit and others	188	99
Less: accumulated depreciation	1,023,552	878,000	Total other liabilities	<u>73,613</u>	<u>59,452</u>
Prepayment for purchases of machinery and			Total liabilities	<u>6,178,939</u>	<u>7,045,782</u>
equipment	36,255	38,761	Stockholders' equity:		
Net property, plant and equipment	<u>2,171,901</u>	<u>1,923,556</u>	Common stock	3,592,542	3,333,463
Other assets:			Advance receipts for common stock	183,689	-
Goodwill	134,883	-	Stock dividends to be distributed	224,776	-
	<u>155,603</u>	93,414	Capital surplus	4,001,007	3,333,463
Deferred expenses and others	155,603	93,414	Retained earnings:	1,387,019	538,384
Deferred income tax assets - non-current	334	5,700	Legal reserve	282,168	177,328
Total other assets	<u>155,937</u>	<u>99,114</u>	Special reserve	1,086,085	843,817
				<u>1,368,253</u>	<u>1,021,145</u>
			Cumulative translation adjustment	82,317	34,374
Total assets	<u>\$ 13,017,535</u>	<u>11,973,148</u>	Total stockholders' equity	<u>6,838,596</u>	<u>4,927,366</u>
			Total liabilities and stockholders' equity	<u>\$ 13,017,535</u>	<u>11,973,148</u>

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Statement of Income
Year ended June 30, 2007 and 2006
(in thousands of New Taiwan dollars, except for net income per common share)

	2007.6.30	2006.6.30
Sales	\$ 10,578,980	9,856,277
Cost of goods sold	<u>8,600,976</u>	<u>8,321,058</u>
Gross profit	<u>1,978,004</u>	<u>1,535,219</u>
Operating expenses:		
Selling	286,902	298,819
Administrative	221,611	203,132
Research and development	<u>701,759</u>	<u>547,608</u>
	<u>1,210,272</u>	<u>1,049,559</u>
Operating income	<u>767,732</u>	<u>485,660</u>
Non-operating income:		
Interest income	30,348	23,917
Gain on valuation of financial assets	22,298	3,020
Gain on valuation of financial liabilities	16,032	5,904
Other income, net	<u>-</u>	<u>27,081</u>
	<u>68,678</u>	<u>59,922</u>
Non-operating loss:		
Interest expense	23,226	35,875
Exchange loss, net	36,096	31,390
Loss on inventory obsolescence and devaluation	64,456	35,491
Other loss, net	<u>60,978</u>	<u>-</u>
	<u>184,756</u>	<u>102,756</u>
Income before income taxes	651,654	442,826
Income tax expenses	<u>142,038</u>	<u>100,760</u>
Net income before cumulative effect of changes in accounting principles	\$ 509,616	342,066
Cumulative effect of changes in accounting principles, net of tax benefit of \$1,931 thousand	<u>-</u>	<u>13,514</u>
Net income	\$ <u><u>509,616</u></u>	<u><u>355,580</u></u>
Net income per common share	Before taxes After taxes	Before taxes After taxes
Basic earnings per common share	\$ <u>1.80</u> <u>1.41</u>	<u>1.38</u> <u>1.07</u>
Diluted earnings per common share	\$ <u>1.64</u> <u>1.27</u>	<u>1.25</u> <u>0.97</u>
Basic earnings per common share- retroactively adjusted		
Diluted earnings per common share- retroactively adjusted		

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statement of Changes in Stockholders' Equity

Year ended June 30, 2007 and 2006
(in thousands of New Taiwan dollars)

	Common stock	Advance receipts for common stock	Stock Dividends to be Distributed	Capital surplus	Retained Earnings Legal reserve	Special reserve	Unappro- -priated earnings	Foreign currency translation adjustment	Total stockholders' equity
Balance at January 1, 2006	2,829,000	-	-	579,773	75,080	3,272	1,271,952	34,906	4,793,983
Appropriation of earnings:									
Legal reserve	-	-	-	-	102,248	-	(102,248)	-	-
Stock dividends	116,064	-	-	-	-	-	(116,064)	-	-
Bonuses to employees-stock	115,000	-	-	-	-	-	(115,000)	-	-
Cash dividends	-	-	-	-	-	-	(435,241)	-	(435,241)
Employees' bonuses	-	-	-	-	-	-	(29)	-	(29)
Directors' and supervisors' remuneration	-	-	-	-	-	-	(18,405)	-	(18,405)
Speical reserve	-	-	-	-	-	(3,272)	3,272	-	-
Conversion options embedded in convertible bonds	-	-	-	113,640	-	-	-	-	113,640
Cumulative translation adjustment	-	-	-	-	-	-	-	(532)	(532)
Capital surplus transferred to common stock	174,097	-	-	(174,097)	-	-	-	-	-
Exercising of employee stock options for common stock	99,302	-	-	19,068	-	-	-	-	118,370
Net income for the six months ended June 30,2006	-	-	-	-	-	-	355,580	-	355,580
Balance at June 30, 2006	<u>3,333,463</u>	<u>-</u>	<u>-</u>	<u>538,384</u>	<u>177,328</u>	<u>-</u>	<u>843,817</u>	<u>34,374</u>	<u>4,927,366</u>
Balance at January 1, 2007	\$ 3,552,922	1,450	-	1,070,418	177,328	-	1,536,633	56,526	6,395,277
Appropriation of earnings:									
Legal reserve	-	-	-	-	104,840	-	(104,840)	-	-
Stock dividends	-	-	107,776	-	-	-	(107,776)	-	-
Bonuses to employees-stock	-	-	117,000	-	-	-	(117,000)	-	-
Cash dividends	-	-	-	-	-	-	(610,732)	-	(610,732)
Employees' bonuses	-	-	-	-	-	-	(945)	-	(945)
Directors' and supervisors' remuneration	-	-	-	-	-	-	(18,871)	-	(18,871)
Bonds payable translate common stock	-	174,999	-	316,601	-	-	-	-	491,600
Cumulative translation adjustment	-	-	-	-	-	-	-	25,791	25,791
Exercising of employee stock options for common stock	39,620	7,240	-	-	-	-	-	-	46,860
Net income for the six months ended June 30, 2007	-	-	-	-	-	-	509,616	-	509,616
Balance at June 30, 2007	<u>\$ 3,592,542</u>	<u>183,689</u>	<u>224,776</u>	<u>1,387,019</u>	<u>282,168</u>	<u>-</u>	<u>1,086,085</u>	<u>82,317</u>	<u>6,838,596</u>

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Statement of Cash Flows
Year ended June 30, 2007 and 2006
(in thousands of New Taiwan dollars)

	2007.6.30	2006.6.30
Cash flows from operating activities:		
Net income	\$	355,580
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	216,887	209,524
Provision (reversal) for allowance doubtful accounts and sales returns and discounts	23,943	(2,047)
Provision for inventory obsolescence and devaluation loss	64,456	35,491
Amortization of discount on bonds payable	15,247	13,774
(Gain) Loss on disposal of property, plant and equipment	26	-
Loss on valuation of financial assets	3,274	-
Unrealized exchange loss	40,213	(40,874)
Increase in inventories	(511,237)	(586,994)
Decrease in financial assets at fair value through profit or loss	(12,333)	20,200
Decrease in deferred income tax assets	26,840	10,090
Increase in notes and accounts receivable (including related parties)	65,291	(1,222,596)
Increase in expense payable	64,299	83,309
Increase in accrued pension	2,244	(659)
Decrease in financial liabilities at fair value through profit or loss	(24,809)	(5,940)
Increase in accounts payables (including related parties)	26,575	484,126
Decrease in other operation-related current assets	435	(12,720)
Increase (decrease) in other operation-related current liabilities	<u>32,132</u>	<u>(133,526)</u>
Cash provided by (used in) operating activities	<u>543,099</u>	<u>(793,262)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(182,800)	(171,419)
Proceeds from disposal of property and equipment	6,850	-
Increase Long-term equity investments under cost method	(9,996)	-
Increase in deferred expenses	(49,845)	(26,989)
Decrease(increase) in deposits and other assets	<u>(2,042)</u>	<u>4,846</u>
Cash used in investing activities	<u>(237,833)</u>	<u>(193,562)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(486,219)	1,177,051
Proceeds from exercise of employee stock options	46,860	118,370
Issuance of bonds payable	<u>-</u>	<u>1,200,000</u>
Cash provided by (used in) financing activities	<u>(439,359)</u>	<u>2,495,421</u>
Effect of exchange rate changes on cash	<u>(8,612)</u>	<u>(650)</u>
Net increase (decrease) in cash and cash equivalents	<u>(142,705)</u>	<u>1,507,947</u>
Cash and cash equivalents at beginning of year	<u>3,097,024</u>	<u>820,026</u>
Cash and cash equivalents at end of year	<u>\$ 2,954,319</u>	<u>2,327,973</u>
Supplemental disclosures of cash flow information:		
Cash payments of interest	<u>\$ 12,948</u>	<u>18,398</u>
Cash payments of income taxes	<u>\$ 159,689</u>	<u>196,983</u>
Non-cash investing and financing activities:		
Remuneration to directors and supervisors and bonuses to employees	<u>\$ 630,548</u>	<u>453,675</u>
Bonds payable translate common stock	<u>\$ 491,600</u>	<u>-</u>