

**ALPHA NETWORKS INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheet**  
**September 30, 2016, December 31, 2015 and September 30, 2015**  
**(in thousands of New Taiwan dollars)**

Assets	2016/9/30		2015/12/31		2015/9/30	
	Amount	%	Amount	%	Amount	%
<b>Current assets :</b>						
Cash and cash equivalents	\$ 2,233,740	16	\$ 2,453,944	17	\$ 1,734,038	10
Financial assets at fair value through profit or loss - current	20,754	-	1,811	-	2,860	-
Notes and accounts receivable, net	2,189,160	15	2,300,640	16	3,181,038	19
Receivables from related parties	1,351,756	10	1,603,299	11	1,605,565	9
Inventories	2,930,955	21	3,787,607	26	4,404,623	26
Other financial assets - current	2,169,069	15	392,201	3	2,393,566	14
Other current assets	302,797	2	229,184	2	247,758	1
	<u>11,198,231</u>	<u>79</u>	<u>10,768,686</u>	<u>75</u>	<u>13,569,448</u>	<u>79</u>
<b>Non-current assets :</b>						
Available-for-sale financial assets - noncurrent	118,733	1	108,706	1	103,641	1
Investments in debt instrument without active market- noncurrent	62,340	-	77,925	1	77,925	-
Investments accounted for using equity method	-	-	76,965	1	82,965	1
Property, plant and equipment	2,467,527	18	2,896,490	20	3,059,071	18
Intangible assets	193,507	1	227,900	2	214,803	1
Deferred tax assets	41,750	-	55,365	-	80,762	-
Other financial assets - noncurrent	18,290	-	19,896	-	18,775	-
Long-term prepaid rent	70,778	1	76,706	-	79,865	-
Other non-current assets	167	-	5,275	-	7,685	-
	<u>2,973,092</u>	<u>21</u>	<u>3,545,228</u>	<u>25</u>	<u>3,725,492</u>	<u>21</u>
<b>Total assets</b>	<b>\$ 14,171,323</b>	<b>100</b>	<b>\$ 14,313,914</b>	<b>100</b>	<b>\$ 17,294,940</b>	<b>100</b>

Liabilities and Stockholders' Equity	2016/9/30		2015/12/31		2015/9/30	
	Amount	%	Amount	%	Amount	%
<b>Current liabilities :</b>						
Short-term borrowings	\$ -	-	\$ -	-	\$ 1,973,699	11
Financial liabilities at fair value through profit or loss - current	13,717	-	24,317	-	54,322	-
Accounts payable	3,126,284	22	3,307,636	23	3,812,640	22
Accrued expenses	952,909	7	973,002	6	916,343	6
Other payables to related parties	17,001	-	6,123	-	6,267	-
Income tax payable	67,210	-	7,663	-	8,114	-
Provisions-current portion	260,773	2	242,638	2	245,522	1
Other current liabilities	169,113	1	222,113	2	134,109	1
	<u>4,607,007</u>	<u>32</u>	<u>4,783,492</u>	<u>33</u>	<u>7,480,150</u>	<u>43</u>
<b>Non-current liabilities :</b>						
Long-term loans	613,389	4	624,550	4	629,134	4
Deferred income tax liabilities	105,344	1	105,344	1	149,818	1
Net defined benefit liabilities	398,430	3	388,830	3	382,961	2
Other non-current liabilities	635	-	610	-	631	-
	<u>1,117,798</u>	<u>8</u>	<u>1,119,334</u>	<u>8</u>	<u>1,162,544</u>	<u>7</u>
<b>Total liabilities</b>	<b>5,724,805</b>	<b>40</b>	<b>5,902,826</b>	<b>41</b>	<b>8,642,694</b>	<b>50</b>
<b>Stockholders' equity :</b>						
Common stock	4,344,697	31	4,429,144	31	4,429,144	26
Capital surplus	2,144,447	15	2,185,837	15	2,185,837	13
Retained earnings :						
Legal reserve	991,530	7	991,530	7	991,530	5
Special reserve	-	-	110,280	1	110,280	1
Unappropriated earnings	1,158,343	8	826,483	6	955,173	5
	<u>2,149,873</u>	<u>15</u>	<u>1,928,293</u>	<u>14</u>	<u>2,056,983</u>	<u>11</u>
Others	(189,003)	(1)	44,599	-	153,571	1
Treasury stock	(3,496)	-	(176,785)	(1)	(173,289)	(1)
<b>Total stockholders' equity</b>	<b>8,446,518</b>	<b>60</b>	<b>8,411,088</b>	<b>59</b>	<b>8,652,246</b>	<b>50</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 14,171,323</b>	<b>100</b>	<b>\$ 14,313,914</b>	<b>100</b>	<b>\$ 17,294,940</b>	<b>100</b>

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended September 30, 2016 and 2015  
(in thousands of New Taiwan dollars, except for net income per common share)

	2016/7/1~2016/9/30		2015/7/1~2015/9/30		2016/1/1~2016/9/30		2015/1/1~2015/9/30	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Sales revenue</b>	\$ 5,075,048	100	\$ 5,467,399	100	\$ 16,695,203	100	\$ 17,625,591	100
<b>Cost of goods sold</b>	4,322,615	85	4,741,829	87	14,234,284	85	15,365,933	87
<b>Gross Profit</b>	752,433	15	725,570	13	2,460,919	15	2,259,658	13
<b>Operating expenses :</b>								
Selling	118,931	2	191,848	4	374,496	2	466,233	3
General and administrative	159,559	3	197,443	4	511,057	3	576,151	3
Research and development	324,254	6	354,167	6	1,056,155	6	1,071,164	6
	602,744	11	743,458	14	1,941,708	11	2,113,548	12
<b>Operating income(loss)</b>	149,689	4	(17,888)	(1)	519,211	4	146,110	1
<b>Non-operating income and expenses :</b>								
Other income	15,199	-	1,728	-	63,356	-	56,700	-
Other gains and losses	(28,969)	(1)	(240,991)	(4)	49,661	-	(347,511)	(2)
Finance costs	(3,772)	-	(2,122)	-	(9,129)	-	(11,893)	-
Share of loss of associates accounted for using equity method	-	-	(6,000)	-	-	-	(18,000)	-
	(17,542)	(1)	(247,385)	(4)	103,888	-	(320,704)	(2)
<b>Income(loss) before income taxes</b>	132,147	3	(265,273)	(5)	623,099	4	(174,594)	(1)
<b>Income tax expenses</b>	35,272	1	27,050	-	136,937	1	50,766	-
<b>Net income(loss)</b>	96,875	2	(292,323)	(5)	486,162	3	(225,360)	(1)
<b>Other comprehensive income(loss):</b>								
Exchange differences on translation of foreign financial statements	(131,593)	(3)	103,434	2	(243,628)	(1)	18,302	-
Unrealized gains(losses) on available-for-sale financial assets	5,277	-	302,843	6	10,026	-	245,549	1
<b>Net other comprehensive income(loss)</b>	(126,316)	(3)	406,277	8	(233,602)	(1)	263,851	1
<b>Comprehensive income(loss)</b>	\$ (29,441)	(1)	\$ 113,954	3	\$ 252,560	2	\$ 38,491	-
<b>Earnings per share(in New Taiwan dollars)</b>								
Basic earnings per share	\$ 0.22		\$ (0.65)		\$ 1.12		\$ (0.48)	
Diluted earnings per share	\$ 0.22				\$ 1.11			

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended September 30, 2016 and 2015  
(in thousands of New Taiwan dollars)

	<u>2016/1/1~2016/9/30</u>	<u>2015/1/1~2015/9/30</u>
<b>Cash flows from operating activities:</b>		
Income(loss) before income tax	\$ 623,099	\$ (174,594)
Adjustments		
Non-cash income and expenses items		
Depreciation expenses	324,321	358,691
Amortization expenses	53,829	53,567
Reversal of allowance for doubtful accounts	(471)	(4,463)
Effect of valuation of financial assets and liabilities at fair value through profit or loss	(7,037)	51,462
Interest expense	9,129	11,893
Interest income	(21,294)	(24,260)
Dividend income	(3,166)	-
Share of loss of associates accounted for using equity method	-	18,000
Loss on disposal property, plant and equipment	4,424	15,849
Loss on disposal financial assets carried at cost	-	2,050
Gain on disposal investments in debt instrument without active market	(580)	-
Gain on disposal investments accounted for using equity method	(112,961)	-
Impairment loss on financial assets	-	328,866
Impairment loss on non-financial assets	-	40,071
Provision for inventory obsolescence and devaluation loss	57,890	61,737
Amortization of long-term prepaid rent	1,302	1,331
Sub-total of non-cash income and expenses	<u>305,386</u>	<u>914,794</u>
Net change in operating assets and liabilities:		
Net change in operating assets		
Notes and accounts receivable	111,951	(328,284)
Receivable from related parties	251,543	995,190
Financial assets at fair value through profit or loss	1,811	690
Inventories	798,762	(451,854)
Other current assets	(73,436)	265,930
Changing in operating assets	<u>1,090,631</u>	<u>481,672</u>
Net change in operating liabilities		
Accounts payable	(181,352)	(18,179)
Other payable to related parties	10,878	(3,357)
Financial liabilities at fair value through profit or loss	(24,317)	(131,889)
Other current liabilities	(47,425)	(206,033)
Net defined benefit liabilities	9,600	18,003
Change in operating liabilities	<u>(232,616)</u>	<u>(341,455)</u>
Total changes in operating assets and liabilities	<u>858,015</u>	<u>140,217</u>
Total adjustments	<u>1,163,401</u>	<u>1,055,011</u>
Cash flows generated from (used in) operations	1,786,500	880,417
Interest received	21,117	26,423
Dividend received	3,166	-
Interest paid	(7,807)	(12,722)
Income tax paid	(72,573)	(160,706)
<b>Net cash flows generated from (used in) operating activities</b>	<u>1,730,403</u>	<u>733,412</u>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of investments in debt instrument without active market	16,165	-
Acquisition of investments in debt instrument without active market	-	(77,925)
Proceeds from disposal of financial assets carried at cost	-	7,946
Proceeds from disposal of investments accounted for using equity method	192,026	-
Acquisition of property, plant and equipment	(19,892)	(84,594)
Proceeds from disposal of property, plant and equipment	5,657	8,287
Decrease in refundable deposits	1,606	34,792
Acquisition of intangible assets	(18,666)	(46,142)
Increase in other financial assets	(1,776,868)	(2,031,772)
<b>Net cash flows used in investing activities</b>	<u>(1,599,972)</u>	<u>(2,189,408)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	-	1,663,800
Increase in Long-term loans	-	300,000
Increase(decrease) in guarantee deposit received	25	(42)
Cash dividends paid	(217,130)	(579,293)
Capital reduction payments to shareholders	-	(482,744)
Purchase of treasury stock	-	(7,306)
<b>Net cash flows generated from (used in) financing activities</b>	<u>(217,105)</u>	<u>894,415</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(133,530)</u>	<u>14,594</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(220,204)</u>	<u>(546,987)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>2,453,944</u>	<u>2,281,025</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 2,233,740</u>	<u>\$ 1,734,038</u>