

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Balance Sheet
March 31, 2017 December 31, 2016 and March 31, 2016
(in thousands of New Taiwan dollars)

Assets	2017/3/31		2016/12/31		2016/3/31	
	Amount	%	Amount	%	Amount	%
Current assets :						
Cash and cash equivalents	\$ 2,918,177	21	\$ 1,889,957	13	\$ 2,741,933	18
Financial assets at fair value through profit or loss - current	38,868	-	1,165	-	84,992	1
Notes and accounts receivable, net	2,075,192	15	2,328,645	17	2,337,035	16
Receivables from related parties	1,257,457	9	1,320,624	9	1,524,792	10
Inventories	2,963,462	22	3,129,995	22	3,817,561	26
Other financial assets - current	1,455,893	11	2,414,585	17	388,089	3
Other current assets	291,622	2	298,833	2	251,284	2
	<u>11,000,671</u>	<u>80</u>	<u>11,383,804</u>	<u>80</u>	<u>11,145,686</u>	<u>76</u>
Non-current assets :						
Available-for-sale financial assets - noncurrent	149,867	1	113,456	1	108,706	1
Investments in debt instrument without active market- noncurrent	62,340	-	62,340	-	77,925	1
Investments accounted for using equity method	-	-	-	-	76,965	1
Property, plant and equipment	2,202,277	17	2,358,829	17	2,783,558	19
Intangible assets	183,142	1	194,291	2	223,727	2
Deferred tax assets	62,506	-	62,658	-	41,760	-
Other financial assets - noncurrent	12,942	-	13,301	-	18,957	-
Long-term prepaid rent	65,684	1	69,253	-	76,049	-
Other non-current assets	3,005	-	3,492	-	688	-
	<u>2,741,763</u>	<u>20</u>	<u>2,877,620</u>	<u>20</u>	<u>3,408,335</u>	<u>24</u>
Total assets	\$ 13,742,434	100	\$ 14,261,424	100	\$ 14,554,021	100

Liabilities and Stockholders' Equity	2017/3/31		2016/12/31		2016/3/31	
	Amount	%	Amount	%	Amount	%
Current liabilities :						
Short-term borrowings	\$ 7,493	-	\$ -	-	\$ 6,899	-
Financial liabilities at fair value through profit or loss - current	10,939	-	18,187	-	17,644	-
Accounts payable	3,295,990	24	3,709,862	26	3,494,308	24
Payroll and bonus payable	554,615	4	583,172	4	413,416	3
Accrued expenses	341,617	3	434,031	3	420,311	3
Other payables to related parties	2,975	-	7,010	-	8,358	-
Current tax liabilities	150,425	1	128,771	1	18,877	-
Provisions-current	254,523	2	261,240	2	248,299	2
Other current liabilities	146,915	1	155,213	1	306,903	2
	<u>4,765,492</u>	<u>35</u>	<u>5,297,486</u>	<u>37</u>	<u>4,935,015</u>	<u>34</u>
Non-current liabilities :						
Long-term loans	-	-	-	-	622,026	4
Deferred income tax liabilities	50,973	-	50,973	-	105,344	1
Net defined benefit liabilities	370,648	3	393,681	3	393,630	3
Other non-current liabilities	597	-	628	-	673	-
	<u>422,218</u>	<u>3</u>	<u>445,282</u>	<u>3</u>	<u>1,121,673</u>	<u>8</u>
Total liabilities	5,187,710	38	5,742,768	40	6,056,688	42
Stockholders' equity :						
Common stock	4,344,697	32	4,344,697	31	4,429,144	30
Capital surplus	2,144,447	15	2,144,447	15	2,185,837	15
Retained earnings :						
Legal reserve	991,530	7	991,530	7	991,530	7
Special reserve	-	-	-	-	110,280	1
Unappropriated earnings	1,456,172	11	1,284,276	9	904,266	6
	<u>2,447,702</u>	<u>18</u>	<u>2,275,806</u>	<u>16</u>	<u>2,006,076</u>	<u>14</u>
Others	(378,626)	(3)	(242,798)	(2)	53,061	-
Treasury stock	(3,496)	-	(3,496)	-	(176,785)	(1)
Total stockholders' equity	8,554,724	62	8,518,656	60	8,497,333	58
Total liabilities and stockholders' equity	\$ 13,742,434	100	\$ 14,261,424	100	\$ 14,554,021	100

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended March 31, 2017 and 2016
(in thousands of New Taiwan dollars, except for net income per common share)

	2017Q1		2016Q1	
	Amount	%	Amount	%
Sales revenue	\$ 4,764,912	100	\$ 5,189,594	100
Cost of goods sold	3,948,950	83	4,443,493	86
Gross Profit	<u>815,962</u>	<u>17</u>	<u>746,101</u>	<u>14</u>
Operating expenses :				
Selling	120,356	3	117,516	2
General and administrative	154,798	3	170,875	3
Research and development	318,927	7	357,354	7
	<u>594,081</u>	<u>13</u>	<u>645,745</u>	<u>12</u>
Operating income	<u>221,881</u>	<u>4</u>	<u>100,356</u>	<u>2</u>
Non-operating income and expenses :				
Other income	19,853	-	22,878	-
Other gains and losses	(26,581)	-	(12,096)	-
Finance costs	(865)	-	(2,931)	-
	<u>(7,593)</u>	<u>-</u>	<u>7,851</u>	<u>-</u>
Income before income taxes	214,288	4	108,207	2
Income tax expenses	42,392	-	30,424	1
Net income	<u>171,896</u>	<u>4</u>	<u>77,783</u>	<u>1</u>
Other comprehensive income(loss):				
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation of foreign financial statements	(172,239)	(4)	8,462	-
Unrealized gains on available-for-sale financial assets	36,411	-	-	-
Net other comprehensive income(loss)	<u>(135,828)</u>	<u>(4)</u>	<u>8,462</u>	<u>-</u>
Comprehensive income	<u>\$ 36,068</u>	<u>-</u>	<u>\$ 86,245</u>	<u>1</u>
Earing per share(in New Taiwan dollars)				
Basic earnings per share	<u>\$ 0.40</u>		<u>\$ 0.18</u>	
Diluted earnings per share	<u>\$ 0.39</u>		<u>\$ 0.18</u>	

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended March 31, 2017 and 2016
(in thousands of New Taiwan dollars)

	2017Q1	2016Q1
Cash flows from operating activities:		
Income before income tax	\$ 214,288	\$ 108,207
Adjustments		
Non-cash income and expenses items		
Depreciation expenses	86,499	115,710
Amortization expenses	16,465	17,358
Provision (reversal of provision) for bad debt expense	13,433	(172)
Effect of valuation of financial assets and liabilities at fair value through profit or loss	(27,929)	(67,348)
Interest expense	865	2,931
Interest income	(9,403)	(8,481)
Loss on disposal property, plant and equipment	202	1,289
Provision for inventory obsolescence and devaluation loss	21,854	41,695
Amortization of long-term prepaid rent	399	446
Other adjustments to reconcile profit	-	269
Total adjustments to reconcile profit (loss)	102,385	103,697
Net change in operating assets and liabilities:		
Net change in operating assets		
Notes and accounts receivable	253,617	(36,223)
Receivable from related parties	49,569	78,507
Financial assets at fair value through profit or loss	1,165	1,811
Inventories	144,679	(71,649)
Other current assets	7,234	(17,988)
Changing in operating assets	456,264	(45,542)
Net change in operating liabilities		
Accounts payable	(413,872)	186,672
Other payable to related parties	(4,035)	2,235
Financial liabilities at fair value through profit or loss	(18,187)	(24,317)
Other current liabilities	(135,220)	(42,467)
Net defined benefit liabilities	(23,033)	4,800
Change in operating liabilities	(594,347)	126,923
Total changes in operating assets and liabilities	(138,083)	81,381
Total adjustments	(35,698)	185,078
Cash flows generated from operations	178,590	293,285
Interest received	9,380	8,481
Interest paid	(865)	(2,840)
Income tax paid	(19,705)	(11,991)
Net cash flows generated from operating activities	167,400	286,935
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(7,780)	(6,629)
Proceeds from disposal of property, plant and equipment	77	-
Decrease in refundable deposits	359	939
Acquisition of intangible assets	(5,384)	(13,199)
Decrease in other financial assets	958,693	-
Net cash flows generated from (used in) investing activities	945,965	(18,889)
Cash flows from financing activities:		
Increase in short-term borrowings	7,493	6,899
Increase in guarantee deposit received	-	102
Net cash flows generated from financing activities	7,493	7,001
Effect of exchange rate changes on cash and cash equivalents	(92,638)	12,942
Net Increase in cash and cash equivalents	1,028,220	287,989
Cash and cash equivalents at beginning of period	1,889,957	2,453,944
Cash and cash equivalents at end of period	\$ 2,918,177	\$ 2,741,933