

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Balance Sheet
June 30, 2017 December 31, 2016 and June 30, 2016
(in thousands of New Taiwan dollars)

	2017/6/30		2016/12/31		2016/6/30	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets :						
Cash and cash equivalents	\$ 1,974,872	14	\$ 1,889,957	13	\$ 2,966,112	20
Current financial assets at fair value through profit or loss	2,343	-	1,165	-	21,518	-
Current investments in debt instrument without active market	62,340	-	-	-	-	-
Notes and accounts receivable, net	2,075,446	15	2,328,645	17	2,948,031	19
Receivables from related parties	1,441,997	10	1,320,624	9	1,672,345	11
Inventories	2,853,722	20	3,129,995	22	3,226,145	21
Other current financial assets	2,813,285	20	2,414,585	17	956,601	6
Other current assets	274,136	2	298,833	2	257,688	2
	<u>11,498,141</u>	<u>81</u>	<u>11,383,804</u>	<u>80</u>	<u>12,048,440</u>	<u>79</u>
Non-current assets :						
Non-current available-for-sale financial assets	125,593	1	113,456	1	113,456	1
Non-current investments in debt instrument without active market	-	-	62,340	-	62,340	1
Property, plant and equipment	2,163,401	15	2,358,829	17	2,624,576	17
Intangible assets	174,813	1	194,291	2	208,157	1
Deferred tax assets	62,521	1	62,658	-	41,718	-
Other non-current financial assets	20,897	-	13,301	-	18,658	-
Long-term prepaid rent	66,493	1	69,253	-	73,378	1
Other non-current assets	765	-	3,492	-	3,855	-
	<u>2,614,483</u>	<u>19</u>	<u>2,877,620</u>	<u>20</u>	<u>3,146,138</u>	<u>21</u>
Total assets	<u>\$ 14,112,624</u>	<u>100</u>	<u>\$ 14,261,424</u>	<u>100</u>	<u>\$ 15,194,578</u>	<u>100</u>

	2017/6/30		2016/12/31		2016/6/30	
	Amount	%	Amount	%	Amount	%
Liabilities and Equity						
Current liabilities :						
Short-term borrowings	\$ 1,996	-	\$ -	-	\$ 183,291	1
Current financial liabilities at fair value through profit or loss	13,609	-	18,187	-	8,008	-
Accounts payable	3,361,259	24	3,709,862	26	3,619,809	24
Payroll and bonus payable	590,571	4	583,172	4	544,464	4
Accrued expenses	377,868	3	434,031	3	484,246	3
Dividends payable	451,630	3	-	-	217,130	1
Other payables to related parties	4,797	-	7,010	-	5,642	-
Current tax liabilities	143,070	1	128,771	1	91,350	1
Current provisions	250,944	2	261,240	2	260,398	2
Other current liabilities	181,817	1	155,213	1	181,501	1
	<u>5,377,561</u>	<u>38</u>	<u>5,297,486</u>	<u>37</u>	<u>5,595,839</u>	<u>37</u>
Non-current liabilities :						
Long-term loans	-	-	-	-	620,751	4
Deferred income tax liabilities	50,973	-	50,973	-	105,344	1
Net defined benefit liabilities	373,047	3	393,681	3	396,030	2
Other non-current liabilities	608	-	628	-	655	-
	<u>424,628</u>	<u>3</u>	<u>445,282</u>	<u>3</u>	<u>1,122,780</u>	<u>7</u>
Total liabilities	<u>5,802,189</u>	<u>41</u>	<u>5,742,768</u>	<u>40</u>	<u>6,718,619</u>	<u>44</u>
Equity :						
Ordinary share capital	4,344,697	31	4,344,697	31	4,429,144	29
Capital surplus	2,144,447	15	2,144,447	15	2,185,837	14
Retained earnings :						
Legal reserve	1,052,334	7	991,530	7	991,530	7
Special reserve	242,799	2	-	-	-	-
Unappropriated retained earnings	847,498	6	1,284,276	9	1,108,920	7
	<u>2,142,631</u>	<u>15</u>	<u>2,275,806</u>	<u>16</u>	<u>2,100,450</u>	<u>14</u>
Other equity	(317,844)	(2)	(242,798)	(2)	(62,687)	-
Treasury shares	(3,496)	-	(3,496)	-	(176,785)	(1)
Total equity	<u>8,310,435</u>	<u>59</u>	<u>8,518,656</u>	<u>60</u>	<u>8,475,959</u>	<u>56</u>
Total liabilities and equity	<u>\$ 14,112,624</u>	<u>100</u>	<u>\$ 14,261,424</u>	<u>100</u>	<u>\$ 15,194,578</u>	<u>100</u>

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended June 30, 2017 and 2016
(in thousands of New Taiwan dollars, except for net income per common share)

	2017/4/1~2017/6/30		2016/4/1~2016/6/30		2017/1/1~2017/6/30		2016/1/1~2016/6/30	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue	\$ 5,091,771	100	\$ 6,430,561	100	\$ 9,856,683	100	\$ 11,620,155	100
Operating costs	4,334,182	85	5,468,176	85	8,283,132	84	9,911,669	85
Gross Profit	757,589	15	962,385	15	1,573,551	16	1,708,486	15
Operating expenses :								
Selling	118,139	2	138,049	2	238,495	2	255,565	2
General and administrative	143,140	3	180,623	3	297,938	3	351,498	3
Research and development	323,099	6	374,547	6	642,026	7	731,901	6
	584,378	11	693,219	11	1,178,459	12	1,338,964	11
Net operating income	173,211	4	269,166	4	395,092	4	369,522	4
Non-operating income and expenses :								
Other income	20,046	-	25,279	-	39,899	-	48,157	-
Other gains and losses	7,746	-	90,726	1	(18,835)	-	78,630	1
Finance costs	(61)	-	(2,426)	-	(926)	-	(5,357)	-
	27,731	-	113,579	1	20,138	-	121,430	1
Income before income tax	200,942	4	382,745	5	415,230	4	490,952	5
Income tax expenses	54,383	1	71,241	1	96,775	1	101,665	1
Net income	146,559	3	311,504	4	318,455	3	389,287	4
Other comprehensive income:								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation of foreign financial statements	85,056	1	(120,497)	(2)	(87,183)	(1)	(112,035)	(1)
Unrealized gain or loss on available-for-sale financial assets	(24,274)	-	4,749	-	12,137	-	4,749	-
Other comprehensive income(loss)	60,782	1	(115,748)	(2)	(75,046)	(1)	(107,286)	(1)
Total comprehensive income	\$ 207,341	4	\$ 195,756	2	\$ 243,409	2	\$ 282,001	3
Earing per share(in New Taiwan dollars)								
Basic earnings per share	\$ 0.34		\$ 0.72		\$ 0.73		\$ 0.90	
Diluted earnings per share	\$ 0.34		\$ 0.71		\$ 0.73		\$ 0.89	

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2017 and 2016
(in thousands of New Taiwan dollars)

	<u>2017/1/1~2017/6/30</u>	<u>2016/1/1~2016/6/30</u>
Cash flows from operating activities		
Net income before tax	\$ 415,230	\$ 490,952
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expenses	167,968	226,178
Amortization expenses	32,452	37,339
Provision (reversal of provision) for bad debt expense	16,514	(1,151)
Effect of valuation of financial assets and liabilities at fair value through profit or loss	11,266	(13,510)
Interest expense	926	5,357
Interest income	(17,701)	(15,024)
Loss on disposal of property, plant and equipment	1,437	1,858
Gain on disposal of investments in debt instrument without active market	-	(580)
Gain on disposal of investments accounted for using equity method	-	(112,961)
Provision for inventory obsolescence and devaluation loss	30,839	28,061
Amortization of long-term prepaid rent	788	883
Other adjustments to reconcile profit	-	(634)
Total adjustments to reconcile profit (loss)	<u>244,489</u>	<u>155,816</u>
Change in operating assets and liabilities:		
Net change in operating assets		
Notes and accounts receivable	253,358	(646,240)
Receivable from related parties	(138,047)	(69,046)
Financial assets at fair value through profit or loss	1,165	1,811
Inventories	245,434	533,401
Other current assets	24,733	(27,303)
Changing in operating assets	<u>386,643</u>	<u>(207,377)</u>
Net change in operating liabilities		
Accounts payable	(348,603)	312,173
Other payable to related parties	(2,213)	(481)
Financial liabilities at fair value through profit or loss	(18,187)	(24,317)
Other current liabilities	(40,208)	45,024
Net defined benefit liabilities	(20,634)	7,200
Change in operating liabilities	<u>(429,845)</u>	<u>339,599</u>
Total changes in operating assets and liabilities	<u>(43,202)</u>	<u>132,222</u>
Total adjustments	<u>201,287</u>	<u>288,038</u>
Cash inflow from operations	616,517	778,990
Interest received	17,666	13,823
Interest paid	(926)	(5,220)
Income tax paid	(73,546)	(17,601)
Net cash flows from operating activities	<u>559,711</u>	<u>769,992</u>
Cash flows used in investing activities		
Proceeds from disposal of investments 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	(25,632)	(20,208)
Proceeds from disposal of property, plant and equipment	1,787	4,036
Decrease in refundable deposits	404	1,238
Acquisition of intangible assets	(12,963)	(17,902)
Increase in other financial assets	(406,700)	(564,400)
Net cash used in investing activities	<u>(443,104)</u>	<u>(389,045)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	1,996	183,291
Increase in guarantee deposit received	-	45
Net cash flows from financing activities	<u>1,996</u>	<u>183,336</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(33,688)</u>	<u>(52,115)</u>
Net increase in cash and cash equivalents	84,915	512,168
Cash and cash equivalents at beginning of period	<u>1,889,957</u>	<u>2,453,944</u>
Cash and cash equivalents at end of period	<u>\$ 1,974,872</u>	<u>\$ 2,966,112</u>