

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

	2017/9/30		2016/12/31		2016/9/30	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets :						
Cash and cash equivalents	\$ 2,095,239	15	\$ 1,889,957	13	\$ 2,233,740	16
Current financial assets at fair value through profit or loss	4,379	-	1,165	-	20,754	-
Current investments in debt instrument without active market	62,340	-	-	-	-	-
Notes and accounts receivable, net	2,154,941	15	2,328,645	17	2,189,160	15
Receivables from related parties	1,296,825	9	1,320,624	9	1,351,756	10
Inventories	3,421,408	25	3,129,995	22	2,930,955	21
Other current financial assets	2,107,731	15	2,414,585	17	2,169,069	15
Other current assets	233,288	2	298,833	2	302,797	2
	<u>11,376,151</u>	<u>81</u>	<u>11,383,804</u>	<u>80</u>	<u>11,198,231</u>	<u>79</u>
Non-current assets :						
Non-current available-for-sale financial assets	117,678	1	113,456	1	118,733	1
Non-current investments in debt instrument without active market	-	-	62,340	-	62,340	0
Property, plant and equipment	2,123,045	15	2,358,829	17	2,467,527	18
Intangible assets	192,104	2	194,291	2	193,507	1
Deferred tax assets	61,572	-	62,658	-	41,750	-
Other non-current financial assets	20,892	-	13,301	-	18,290	-
Long-term prepaid rent	67,186	1	69,253	-	70,778	1
Other non-current assets	1,518	-	3,492	-	167	-
	<u>2,583,995</u>	<u>19</u>	<u>2,877,620</u>	<u>20</u>	<u>2,973,092</u>	<u>21</u>
Total assets	\$ 13,960,146	100	\$ 14,261,424	100	\$ 14,171,323	100

	2017/9/30		2016/12/31		2016/9/30	
	Amount	%	Amount	%	Amount	%
Liabilities and Equity						
Current liabilities :						
Short-term borrowings	\$ 13,657	-	\$ -	-	\$ -	-
Current financial liabilities at fair value through profit or loss	8,946	-	18,187	-	13,717	-
Accounts payable	3,355,683	24	3,709,862	26	3,126,284	22
Payroll and bonus payable	624,477	5	583,172	4	512,221	4
Accrued expenses	393,556	3	434,031	3	440,688	3
Other payables to related parties	7,248	-	7,010	-	17,001	-
Current tax liabilities	154,573	1	128,771	1	67,210	0
Current provisions	249,908	2	261,240	2	260,773	2
Other current liabilities	178,842	1	155,213	1	169,113	1
	<u>4,986,890</u>	<u>36</u>	<u>5,297,486</u>	<u>37</u>	<u>4,607,007</u>	<u>32</u>
Non-current liabilities :						
Long-term loans	-	-	-	-	613,389	4
Deferred income tax liabilities	50,973	-	50,973	-	105,344	1
Net defined benefit liabilities	375,448	3	393,681	3	398,430	3
Other non-current liabilities	571	-	628	-	635	-
	<u>426,992</u>	<u>3</u>	<u>445,282</u>	<u>3</u>	<u>1,117,798</u>	<u>8</u>
Total liabilities	5,413,882	39	5,742,768	40	5,724,805	40
Equity :						
Ordinary share capital	4,344,697	31	4,344,697	31	4,344,697	31
Capital surplus	2,341,840	17	2,144,447	15	2,144,447	15
Retained earnings :						
Legal reserve	1,052,334	7	991,530	7	991,530	7
Special reserve	242,798	2	-	-	-	-
Unappropriated retained earnings	1,007,561	7	1,284,276	9	1,158,343	8
	<u>2,302,693</u>	<u>16</u>	<u>2,275,806</u>	<u>16</u>	<u>2,149,873</u>	<u>15</u>
Other equity	(439,470)	(3)	(242,798)	(2)	(189,003)	(1)
Treasury shares	(3,496)	-	(3,496)	-	(3,496)	-
Total equity	8,546,264	61	8,518,656	60	8,446,518	60
Total liabilities and equity	\$ 13,960,146	100	\$ 14,261,424	100	\$ 14,171,323	100

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

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

	2017/7/1~2017/9/30		2016/7/1~2016/9/30		2017/1/1~2017/9/30		2016/1/1~2016/9/30	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue	\$ 4,838,315	100	\$ 5,075,048	100	\$ 14,694,998	100	\$ 16,695,203	100
Operating costs	4,074,254	84	4,322,615	85	12,357,386	84	14,234,284	85
Gross Profit	764,061	16	752,433	15	2,337,612	16	2,460,919	15
Operating expenses :								
Selling	118,714	2	118,931	2	357,209	2	374,496	2
General and administrative	149,913	3	159,559	3	447,851	3	511,057	3
Research and development	318,345	7	324,254	6	960,371	7	1,056,155	6
	586,972	12	602,744	11	1,765,431	12	1,941,708	11
Net operating income	177,089	4	149,689	4	572,181	4	519,211	4
Non-operating income and expenses :								
Other income	36,846	-	15,199	-	76,745	-	63,356	-
Other gains and losses	(7,236)	-	(28,969)	(1)	(26,071)	-	49,661	0
Finance costs	(70)	-	(3,772)	-	(996)	-	(9,129)	-
	29,540	-	(17,542)	(1)	49,678	-	103,888	0
Income before income tax	206,629	4	132,147	3	621,859	4	623,099	4
Income tax expenses	46,567	1	35,272	1	143,342	1	136,937	1
Net income	160,062	3	96,875	2	478,517	3	486,162	3
Other comprehensive income:								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation of foreign financial statements	82,734	2	(131,593)	(3)	(4,449)	-	(243,628)	(1)
Unrealized gain or loss on available-for-sale financial assets	(7,915)	-	5,277	-	4,222	-	10,026	-
Other comprehensive income(loss)	74,819	2	(126,316)	(3)	(227)	0	(233,602)	(1)
Total comprehensive income	\$ 234,881	5	\$ (29,441)	(1)	\$ 478,290	3	\$ 252,560	2
Earing per share(in New Taiwan dollars)								
Basic earnings per share	\$ 0.37		\$ 0.22		\$ 1.10		\$ 1.12	
Diluted earnings per share	\$ 0.37		\$ 0.22		\$ 1.09		\$ 1.11	

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

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

	<u>2017/1/1~2017/9/30</u>	<u>2016/1/1~2016/9/30</u>
Cash flows from operating activities		
Net income before tax	\$ 621,859	\$ 623,099
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expenses	246,058	324,321
Amortization expenses	49,105	53,829
Provision (reversal of provision) for bad debt expense	18,190	(471)
Effect of valuation of financial assets and liabilities at fair value through profit or loss	4,567	(7,037)
Interest expense	996	9,129
Interest income	(27,151)	(21,294)
Dividend income	(3,166)	(3,166)
Compensation cost of issued restricted stock awards	948	-
Loss on disposal of property, plant and equipment	1,608	4,424
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	17,077	57,890
Amortization of long-term prepaid rent	1,187	1,302
Other adjustments to reconcile profit	8	-
Total adjustments to reconcile profit (loss)	<u>309,427</u>	<u>305,386</u>
Change in operating assets and liabilities:		
Net change in operating assets		
Notes and accounts receivable	174,449	111,951
Receivable from related parties	(19,242)	251,543
Financial assets at fair value through profit or loss	1,165	1,811
Inventories	(308,490)	798,762
Other current assets	65,565	(73,436)
Changing in operating assets	<u>(86,553)</u>	<u>1,090,631</u>
Net change in operating liabilities		
Accounts payable	(354,179)	(181,352)
Other payable to related parties	238,000	10,878
Financial liabilities at fair value through profit or loss	(18,187)	(24,317)
Other current liabilities	(24,064)	(47,425)
Net defined benefit liabilities	(18,233)	9,600
Change in operating liabilities	<u>(414,425)</u>	<u>(232,616)</u>
Total changes in operating assets and liabilities	<u>(500,978)</u>	<u>858,015</u>
Total adjustments	<u>-191,551</u>	<u>1,163,401</u>
Cash inflow from operations	430,308	1,786,500
Interest received	27,131	21,117
Dividend received	3,166	3,166
Interest paid	(996)	(7,807)
Income tax paid	(78,771)	(72,573)
Net cash flows from operating activities	<u>380,838</u>	<u>1,730,403</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	(42,280)	(19,892)
Proceeds from disposal of property, plant and equipment	1,787	5,657
Decrease in refundable deposits	409	1,606
Acquisition of intangible assets	(46,586)	(18,666)
Increase in other financial assets	322,960	(1,776,868)
Net cash used in investing activities	<u>236,290</u>	<u>(1,599,972)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	13,657	-
Increase in guarantee deposit received	(624)	25
Cash dividends paid	(451,630)	(217,130)
Net cash flows from financing activities	<u>(438,597)</u>	<u>(217,105)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>26,751</u>	<u>(133,530)</u>
Net increase in cash and cash equivalents	<u>205,282</u>	<u>(220,204)</u>
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>\$ 2,095,239</u>	<u>\$ 2,233,740</u>