

**ALPHA NETWORKS INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheet**  
**June 30, 2018, December 31 and June 30, 2017**  
(in thousands of New Taiwan dollars)

	2018/6/30		2017/12/31		2017/6/30			2018/6/30		2017/12/31		2017/6/30	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Assets</b>							<b>Liabilities and Equity</b>						
<b>Current assets :</b>							<b>Current liabilities :</b>						
Cash and cash equivalents	\$ 2,749,520	18	2,662,100	19	1,974,872	14	Current borrowings	\$ 6	-	6	-	1,996	-
Current financial assets at fair value through profit or loss	1,420	-	14,228	-	2,343	-	Current financial liabilities at fair value through profit or loss	25,534	-	-	-	13,609	-
Current investments in debt instrument without active market	-	-	62,340	-	62,340	-	Accounts payable	2,864,743	19	3,107,817	23	3,361,259	24
Notes and accounts receivable, net	1,660,065	11	1,845,115	14	2,075,446	15	Payroll and bonus payable	485,972	3	588,834	4	590,571	4
Accounts receivable due from related parties, net	792,968	5	1,114,483	8	1,441,997	10	Accrued expenses	321,647	2	376,154	3	377,868	3
Current financial assets at amortised cost	4,492,656	29	-	-	-	-	Dividends payable	543,743	4	-	-	451,630	3
Inventories	2,925,854	19	3,382,996	25	2,853,722	20	Other payables to related parties	3,984	-	6,173	-	4,797	-
Other current financial assets	-	-	1,803,425	13	2,813,285	20	Current tax liabilities	74,107	-	145,395	1	143,070	1
Other current assets	259,586	2	281,543	2	274,136	2	Current provisions	215,752	2	234,975	2	250,944	2
	<u>12,882,069</u>	<u>84</u>	<u>11,166,230</u>	<u>81</u>	<u>11,498,141</u>	<u>81</u>	Other current liabilities	153,804	1	178,650	1	181,817	1
								<u>4,689,292</u>	<u>31</u>	<u>4,638,004</u>	<u>34</u>	<u>5,377,561</u>	<u>38</u>
<b>Non-current assets :</b>							<b>Non-current liabilities :</b>						
Non-current financial assets at fair value through other comprehensive income	146,701	1	-	-	-	-	Deferred income tax liabilities	50,340	-	50,340	-	50,973	-
Non-current available-for-sale financial assets	-	-	111,873	1	125,593	1	Net defined benefit liabilities	288,622	2	340,511	3	373,047	3
Property, plant and equipment	1,976,155	13	2,086,034	15	2,163,401	15	Other non-current liabilities	744	-	800	-	608	-
Intangible assets	196,459	1	211,385	2	174,813	1		<u>339,706</u>	<u>2</u>	<u>391,651</u>	<u>3</u>	<u>424,628</u>	<u>3</u>
Deferred tax assets	57,381	-	57,354	-	62,521	1	<b>Total liabilities</b>	<u>5,028,998</u>	<u>33</u>	<u>5,029,655</u>	<u>37</u>	<u>5,802,189</u>	<u>41</u>
Non-current financial assets at amortised cost	21,185	-	-	-	-	-	<b>Equity :</b>						
Other non-current financial assets	-	-	20,982	-	20,897	-	Ordinary share capital	5,439,527	35	4,444,697	32	4,344,697	31
Long-term lease prepayments	66,480	1	66,943	1	66,493	1	Share capital awaiting retirement	-	-	(730)	-	-	-
Other non-current assets	10,763	-	3,814	-	765	-		<u>5,439,527</u>	<u>35</u>	<u>4,443,967</u>	<u>32</u>	<u>4,344,697</u>	<u>31</u>
	<u>2,475,124</u>	<u>16</u>	<u>2,558,385</u>	<u>19</u>	<u>2,614,483</u>	<u>19</u>	Capital surplus	3,547,104	23	2,242,570	16	2,144,447	15
<b>Total assets</b>	<b>\$ 15,357,193</b>	<b>100</b>	<b>13,724,615</b>	<b>100</b>	<b>14,112,624</b>	<b>100</b>	Retained earnings :						
							Legal reserve	1,107,188	7	1,052,334	8	1,052,334	7
							Special reserve	226,968	2	242,799	2	242,799	2
							Unappropriated retained earnings	634,021	4	1,111,412	8	847,498	6
								<u>1,968,177</u>	<u>13</u>	<u>2,406,545</u>	<u>18</u>	<u>2,142,631</u>	<u>15</u>
							Other equity	(623,117)	(4)	(394,626)	(3)	(317,844)	(2)
							Treasury shares	(3,496)	-	(3,496)	-	(3,496)	-
							<b>Total equity</b>	<u>10,328,195</u>	<u>67</u>	<u>8,694,960</u>	<u>63</u>	<u>8,310,435</u>	<u>59</u>
							<b>Total liabilities and equity</b>	<b>\$ 15,357,193</b>	<b>100</b>	<b>13,724,615</b>	<b>100</b>	<b>14,112,624</b>	<b>100</b>

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three-month periods from April 1 to June 30, 2018 and 2017, and the six-month periods from January 1 to June 30, 2018 and 2017  
(in thousands of New Taiwan dollars, except for net income per common share)

	2018/4/1~2018/6/30		2017/4/1~2017/6/30		2018/1/1~2018/6/30		2017/1/1~2017/6/30	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Operating revenue</b>	\$ 3,949,758	100	5,091,771	100	7,938,306	100	9,856,683	100
<b>Operating costs</b>	3,532,030	89	4,334,182	85	7,019,895	88	8,283,132	84
<b>Gross Profit</b>	417,728	11	757,589	15	918,411	12	1,573,551	16
<b>Operating expenses :</b>								
Selling expenses	112,250	3	118,139	2	217,598	3	238,495	2
Administrative expenses	148,150	4	143,140	3	295,766	4	297,938	3
Research and development expenses	328,402	8	323,099	6	639,737	8	642,026	7
<b>Total operating expenses</b>	588,802	15	584,378	11	1,153,101	15	1,178,459	12
<b>Net operating income (loss)</b>	(171,074)	(4)	173,211	4	(234,690)	(3)	395,092	4
<b>Non-operating income and expenses :</b>								
Other income	32,615	1	20,046	-	72,643	1	39,899	-
Other gains and losses	(12,797)	-	7,746	-	(22,118)	-	(18,835)	-
Finance costs	(168)	-	(61)	-	(6,374)	-	(926)	-
<b>Total non-operating income and expenses</b>	19,650	1	27,731	-	44,151	1	20,138	-
<b>Income (loss) before income tax</b>	(151,424)	(3)	200,942	4	(190,539)	(2)	415,230	4
<b>Income tax expenses</b>	12,034	-	54,383	1	32,952	1	96,775	1
<b>Net income (loss)</b>	(163,458)	(3)	146,559	3	(223,491)	(3)	318,455	3
<b>Other comprehensive income:</b>								
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>								
Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income	26,385	1	-	-	34,828	-	-	-
<b>Other components of other comprehensive income that will be reclassified to profit or loss</b>								
Exchange differences on translation	(50,007)	(1)	85,056	1	7,973	-	(87,183)	(1)
Unrealised gains (losses) on valuation of available-for-sale financial assets	-	-	(24,274)	-	-	-	12,137	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	(50,007)	(1)	60,782	1	7,973	-	(75,046)	(1)
<b>Total other comprehensive income(loss)</b>	(23,622)	-	60,782	1	42,801	-	(75,046)	(1)
<b>Total comprehensive income (loss)</b>	<b>\$(187,080)</b>	<b>(3)</b>	<b>207,341</b>	<b>4</b>	<b>(180,690)</b>	<b>(3)</b>	<b>243,409</b>	<b>2</b>
<b>Earnings per share(in New Taiwan dollars)</b>								
Basic earnings per share	\$ (0.31)		0.34		(0.45)		0.73	
Diluted earnings per share			\$ 0.34				0.73	

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended June 30, 2018 and 2017  
(in thousands of New Taiwan dollars)

	<u>2018/1/1~2018/6/30</u>	<u>2017/1/1~2017/6/30</u>
<b>Cash flows from operating activities</b>		
Net income (loss) before tax	\$ (190,539)	415,230
<b>Adjustments</b>		
<b>Adjustments to reconcile profit (loss)</b>		
Depreciation expenses	147,062	167,968
Amortization expenses	35,325	32,452
Reversal of expected credit loss on investments in debt instruments / Provision for bad debt expense	(1,289)	16,514
Net loss on financial assets or liabilities at fair value through profit or loss	24,114	11,266
Interest expense	6,374	926
Interest income	(34,362)	(17,701)
Share-based payments	57,574	-
Loss (gain) on disposal of property, plant and equipment	(1,038)	1,437
Provision for inventory obsolescence and devaluation loss	99,038	30,839
Amortization of long-term lease prepayments	818	788
<b>Total adjustments to reconcile profit (loss)</b>	<u>333,616</u>	<u>244,489</u>
<b>Change in operating assets and liabilities:</b>		
<b>Net change in operating assets</b>		
Decrease in notes and accounts receivable	186,339	253,358
Decrease (increase) in accounts receivable due from related parties	321,515	(138,047)
Decrease in financial assets at fair value through profit or loss, mandatorily measured at fair value	14,228	-
Decrease in financial assets at fair value through profit or loss	-	1,165
Decrease in inventories	358,104	245,434
Decrease in other current assets	21,957	24,733
<b>Total changes in operating assets</b>	<u>902,143</u>	<u>386,643</u>
<b>Net change in operating liabilities</b>		
Decrease in accounts payable	(243,074)	(348,603)
Decrease in financial liabilities at fair value through profit or loss	-	(18,187)
Decrease in other payables to related parties	(2,189)	(2,213)
Decrease in other current liabilities	(160,146)	(40,208)
Decrease in net defined benefit liability	(51,889)	(20,634)
<b>Total change in operating liabilities</b>	<u>(457,298)</u>	<u>(429,845)</u>
<b>Total changes in operating assets and liabilities</b>	<u>444,845</u>	<u>(43,202)</u>
<b>Total adjustments</b>	<u>778,461</u>	<u>201,287</u>
<b>Cash inflow generated from operations</b>	587,922	616,517
Interest received	34,362	17,666
Interest paid	(6,374)	(926)
Income tax paid	(145,559)	(73,546)
<b>Net cash flows from operating activities</b>	<u>470,351</u>	<u>559,711</u>
<b>Cash flows used in investing activities</b>		
Acquisition of financial assets at amortised cost	(4,443,225)	-
Proceeds from repayments of financial assets at amortised cost	1,816,334	-
Acquisition of property, plant and equipment	(34,625)	(25,632)
Proceeds from disposal of property, plant and equipment	2,387	1,787
Decrease (increase) in refundable deposits	(203)	404
Acquisition of intangible assets	(21,169)	(12,963)
Increase in other financial assets	-	(406,700)
<b>Net cash used in investing activities</b>	<u>(2,680,501)</u>	<u>(443,104)</u>
<b>Cash flows from financing activities:</b>		
Increase in current borrowings	-	1,996
Decrease in guarantee deposit received	(56)	-
Proceeds from issuing shares	2,300,000	-
Proceeds from endowments received by the company	94	-
<b>Net cash flows from financing activities</b>	<u>2,300,038</u>	<u>1,996</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(2,468)</u>	<u>(33,688)</u>
<b>Net increase in cash and cash equivalents</b>	87,420	84,915
<b>Cash and cash equivalents at beginning of period</b>	2,662,100	1,889,957
<b>Cash and cash equivalents at end of period</b>	<u>\$ 2,749,520</u>	<u>1,974,872</u>