

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

|   | 2018/9/30            |            | 2017/12/31        |            | 2017/9/30         |            |  | 2018/9/30            |            | 2017/12/31        |            | 2017/9/30         |            |
|---|----------------------|------------|-------------------|------------|-------------------|------------|--|----------------------|------------|-------------------|------------|-------------------|------------|
|   | 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   | \$ 2,202,713         | 15         | 2,662,100         | 19         | 2,095,239         | 15         | Current borrowings   | \$ 6                 | -          | 6                 | -          | 13,657            | -          |
| Current financial assets at fair value through profit or loss                 | 4,434                | -          | 14,228            | -          | 4,379             | -          | Current financial liabilities at fair value through profit or loss | 55                   | -          | -                 | -          | 8,946             | -          |
| Current financial assets at amortised cost                                    | 4,207,470            | 29         | -                 | -          | -                 | -          | Accounts payable   | 2,926,151            | 20         | 3,107,817         | 23         | 3,355,683         | 24         |
| Current investments in debt instrument without active market                  | -                    | -          | 62,340            | -          | 62,340            | -          | Accounts payable to related parties                                | 228                  | -          | -                 | -          | -                 | -          |
| Notes and accounts receivable, net  | 1,278,593            | 9          | 1,845,115         | 14         | 2,154,941         | 15         | Payroll and bonus payable  | 434,677              | 3          | 588,834           | 4          | 624,477           | 5          |
| Accounts receivable due from related parties, net                             | 882,504              | 6          | 1,114,483         | 8          | 1,296,825         | 9          | Accrued expenses   | 351,279              | 2          | 376,154           | 3          | 393,556           | 3          |
| Inventories   | 3,487,753            | 24         | 3,382,996         | 25         | 3,421,408         | 25         | Other payables to related parties                                  | 4,219                | -          | 6,173             | -          | 7,248             | -          |
| Other current financial assets  | -                    | -          | 1,803,425         | 13         | 2,107,731         | 15         | Current tax liabilities  | 57,807               | -          | 145,395           | 1          | 154,573           | 1          |
| Other current assets  | 250,084              | 2          | 281,543           | 2          | 233,288           | 2          | Current provisions   | 207,680              | 2          | 234,975           | 2          | 249,908           | 2          |
|   | <u>12,313,551</u>    | <u>85</u>  | <u>11,166,230</u> | <u>81</u>  | <u>11,376,151</u> | <u>81</u>  | Other current liabilities  | 132,877              | 1          | 178,650           | 1          | 178,842           | 1          |
|   |                      |            |                   |            |                   |            |  | <u>4,114,979</u>     | <u>28</u>  | <u>4,638,004</u>  | <u>34</u>  | <u>4,986,890</u>  | <u>36</u>  |
| <b>Non-current assets :</b>   |                      |            |                   |            |                   |            | <b>Non-current liabilities :</b>                                   |                      |            |                   |            |                   |            |
| Non-current financial assets at fair value through other comprehensive income | 122,954              | 1          | -                 | -          | -                 | -          | Deferred income tax liabilities                                    | 50,340               | -          | 50,340            | -          | 50,973            | -          |
| Non-current available-for-sale financial assets                               | -                    | -          | 111,873           | 1          | 117,678           | 1          | Net defined benefit liabilities                                    | 289,772              | 2          | 340,511           | 3          | 375,448           | 3          |
| Non-current financial assets at amortised cost                                | 20,904               | -          | -                 | -          | -                 | -          | Other non-current liabilities                                      | 719                  | -          | 800               | -          | 571               | -          |
| Property, plant and equipment   | 1,887,324            | 13         | 2,086,034         | 15         | 2,123,045         | 15         |  | <u>340,831</u>       | <u>2</u>   | <u>391,651</u>    | <u>3</u>   | <u>426,992</u>    | <u>3</u>   |
| Intangible assets   | 190,739              | 1          | 211,385           | 2          | 192,104           | 2          | <b>Total liabilities</b>   | <u>4,455,810</u>     | <u>30</u>  | <u>5,029,655</u>  | <u>37</u>  | <u>5,413,882</u>  | <u>39</u>  |
| Deferred tax assets   | 57,369               | -          | 57,354            | -          | 61,572            | -          |  |                      |            |                   |            |                   |            |
| Other non-current financial assets  | -                    | -          | 20,982            | -          | 20,892            | -          | <b>Equity :</b>  |                      |            |                   |            |                   |            |
| Long-term lease prepayments   | 63,831               | -          | 66,943            | 1          | 67,186            | 1          | Ordinary share capital   | 5,439,527            | 37         | 4,444,697         | 32         | 4,344,697         | 31         |
| Other non-current assets  | 10,784               | -          | 3,814             | -          | 1,518             | -          | Share capital awaiting retirement                                  | (2,255)              | -          | (730)             | -          | -                 | -          |
|   | <u>2,353,905</u>     | <u>15</u>  | <u>2,558,385</u>  | <u>19</u>  | <u>2,583,995</u>  | <u>19</u>  |  | <u>5,437,272</u>     | <u>37</u>  | <u>4,443,967</u>  | <u>32</u>  | <u>4,344,697</u>  | <u>31</u>  |
|   |                      |            |                   |            |                   |            | Capital surplus  | 3,558,694            | 24         | 2,242,570         | 16         | 2,341,840         | 17         |
| <b>Total assets</b>   | <b>\$ 14,667,456</b> | <b>100</b> | <b>13,724,615</b> | <b>100</b> | <b>13,960,146</b> | <b>100</b> | Retained earnings :  |                      |            |                   |            |                   |            |
|   |                      |            |                   |            |                   |            | Legal reserve  | 1,107,188            | 8          | 1,052,334         | 8          | 1,052,334         | 7          |
|   |                      |            |                   |            |                   |            | Special reserve  | 226,968              | 2          | 242,799           | 2          | 242,798           | 2          |
|   |                      |            |                   |            |                   |            | Unappropriated retained earnings                                   | 655,686              | 4          | 1,111,412         | 8          | 1,007,561         | 7          |
|   |                      |            |                   |            |                   |            |  | <u>1,989,842</u>     | <u>14</u>  | <u>2,406,545</u>  | <u>18</u>  | <u>2,302,693</u>  | <u>16</u>  |
|   |                      |            |                   |            |                   |            | Other equity   | (770,666)            | (5)        | (394,626)         | (3)        | (439,470)         | (3)        |
|   |                      |            |                   |            |                   |            | Treasury shares  | (3,496)              | -          | (3,496)           | -          | (3,496)           | -          |
|   |                      |            |                   |            |                   |            | <b>Total equity</b>  | <u>10,211,646</u>    | <u>70</u>  | <u>8,694,960</u>  | <u>63</u>  | <u>8,546,264</u>  | <u>61</u>  |
|   |                      |            |                   |            |                   |            | <b>Total liabilities and equity</b>                                | <b>\$ 14,667,456</b> | <b>100</b> | <b>13,724,615</b> | <b>100</b> | <b>13,960,146</b> | <b>100</b> |

**ALPHA NETWORKS INC. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

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

|  | 2018/7/1~2018/9/30 |            | 2017/7/1~2017/9/30 |          | 2018/1/1~2018/9/30 |            | 2017/1/1~2017/9/30 |          |
|--|--------------------|------------|--------------------|----------|--------------------|------------|--------------------|----------|
|  | Amount             | %          | Amount             | %        | Amount             | %          | Amount             | %        |
| <b>Operating revenue</b>   | \$ 3,584,193       | 100        | 4,838,315          | 100      | 11,522,499         | 100        | 14,694,998         | 100      |
| <b>Operating costs</b>   | 3,063,366          | 85         | 4,074,254          | 84       | 10,083,261         | 88         | 12,357,386         | 84       |
| <b>Gross Profit</b>  | 520,827            | 15         | 764,061            | 16       | 1,439,238          | 12         | 2,337,612          | 16       |
| <b>Operating expenses :</b>  |                    |            |                    |          |                    |            |                    |          |
| Selling expenses   | 104,830            | 3          | 118,714            | 2        | 323,717            | 3          | 357,209            | 2        |
| Administrative expenses  | 149,412            | 4          | 149,913            | 3        | 445,178            | 4          | 447,851            | 3        |
| Research and development expenses  | 312,530            | 9          | 318,345            | 7        | 952,267            | 8          | 960,371            | 7        |
| Impairment gain and reversal of impairment loss  | (27,168)           | (1)        | -                  | -        | (28,457)           | -          | -                  | -        |
| <b>Total operating expenses</b>  | 539,604            | 15         | 586,972            | 12       | 1,692,705          | 15         | 1,765,431          | 12       |
| <b>Net operating income (loss)</b>   | (18,777)           | -          | 177,089            | 4        | (253,467)          | (3)        | 572,181            | 4        |
| <b>Non-operating income and expenses :</b>   |                    |            |                    |          |                    |            |                    |          |
| Other income   | 30,135             | 1          | 36,846             | -        | 102,778            | 1          | 76,745             | -        |
| Other gains and losses   | 11,538             | -          | (7,236)            | -        | (10,580)           | -          | (26,071)           | -        |
| Finance costs  | (36)               | -          | (70)               | -        | (6,410)            | -          | (996)              | -        |
| <b>Total non-operating income and expenses</b>   | 41,637             | 1          | 29,540             | -        | 85,788             | 1          | 49,678             | -        |
| <b>Income (loss) before income tax</b>   | 22,860             | 1          | 206,629            | 4        | (167,679)          | (2)        | 621,859            | 4        |
| <b>Income tax expenses</b>   | 1,195              | -          | 46,567             | 1        | 34,147             | -          | 143,342            | 1        |
| <b>Net income (loss)</b>   | 21,665             | 1          | 160,062            | 3        | (201,826)          | (2)        | 478,517            | 3        |
| <b>Other comprehensive income:</b>   |                    |            |                    |          |                    |            |                    |          |
| <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                            |                    |            |                    |          |                    |            |                    |          |
| Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (23,747)           | (1)        | -                  | -        | 11,081             | -          | -                  | -        |
| <b>Other components of other comprehensive income that will be reclassified to profit or loss</b>                          |                    |            |                    |          |                    |            |                    |          |
| Exchange differences on translation  | (148,859)          | (4)        | 82,734             | 2        | (140,886)          | (1)        | (4,449)            | -        |
| Unrealised gains (losses) on valuation of available-for-sale financial assets  | -                  | -          | (7,915)            | -        | -                  | -          | 4,222              | -        |
| <b>Components of other comprehensive income that will be reclassified to profit or loss</b>                                | (148,859)          | (4)        | 74,819             | 2        | (140,886)          | (1)        | (227)              | -        |
| <b>Total other comprehensive income(loss)</b>  | (172,606)          | (5)        | 74,819             | 2        | (129,805)          | (1)        | (227)              | -        |
| <b>Total comprehensive income (loss)</b>   | <b>\$(150,941)</b> | <b>(4)</b> | <b>234,881</b>     | <b>5</b> | <b>(331,631)</b>   | <b>(3)</b> | <b>478,290</b>     | <b>3</b> |
| <b>Earnings per share(in New Taiwan dollars)</b>   |                    |            |                    |          |                    |            |                    |          |
| Basic earnings per share   | \$ 0.04            |            | 0.37               |          | (0.40)             |            | 1.10               |          |
| Diluted earnings per share   | \$ 0.04            |            | 0.37               |          | (0.40)             |            | 1.09               |          |

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

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

|   | <u>2018/1/1-2018/9/30</u> | <u>2017/1/1-2017/9/30</u> |
|---|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>   |                           |                           |
| Net income (loss) before tax  | \$ (167,679)              | 621,859                   |
| <b>Adjustments</b>  |                           |                           |
| <b>Adjustments to reconcile profit (loss)</b>   |                           |                           |
| Depreciation expenses   | 217,178                   | 246,058                   |
| Amortization expenses   | 51,851                    | 49,105                    |
| Reversal of expected credit loss on investments in debt instruments / Provision for bad debt expense  | (28,457)                  | 18,190                    |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss               | (4,379)                   | 4,567                     |
| Interest expense  | 6,410                     | 996                       |
| Interest income   | (49,694)                  | (27,151)                  |
| Dividend income   | -                         | (3,166)                   |
| Share-based payments  | 91,966                    | 948                       |
| Loss (gain) on disposal of property, plant and equipment  | (790)                     | 1,608                     |
| Provision for inventory obsolescence and devaluation loss   | 166,756                   | 17,077                    |
| Amortization of long-term lease prepayments   | 1,214                     | 1,187                     |
| Other adjustments to reconcile profit (loss)  | 59                        | 8                         |
| <b>Total adjustments to reconcile profit (loss)</b>   | <u>452,114</u>            | <u>309,427</u>            |
| <b>Change in operating assets and liabilities:</b>  |                           |                           |
| Decrease in notes and accounts receivable   | 574,212                   | 174,449                   |
| Decrease (increase) in accounts receivable due from related parties                                   | 252,746                   | (19,242)                  |
| 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                     |
| Increase in inventories   | (271,513)                 | (308,490)                 |
| Decrease in other current assets  | 33,274                    | 65,565                    |
| <b>Total changes in operating assets</b>  | <u>602,947</u>            | <u>(86,553)</u>           |
| Decrease in accounts payable  | (181,666)                 | (354,179)                 |
| Increase in accounts payable to related parties   | 228                       | -                         |
| Decrease in financial liabilities at fair value through profit or loss                                | -                         | (18,187)                  |
| Increase (Decrease) in other payables to related parties  | (1,954)                   | 238                       |
| Decrease in other current liabilities   | (216,975)                 | (24,064)                  |
| Decrease in net defined benefit liability   | (50,739)                  | (18,233)                  |
| <b>Total change in operating liabilities</b>  | <u>(451,106)</u>          | <u>(414,425)</u>          |
| <b>Total changes in operating assets and liabilities</b>  | <u>151,841</u>            | <u>(500,978)</u>          |
| <b>Total adjustments</b>  | <u>603,955</u>            | <u>(191,551)</u>          |
| <b>Cash inflow generated from operations</b>  | 436,276                   | 430,308                   |
| Interest received   | 49,676                    | 27,131                    |
| Dividends received  | -                         | 3,166                     |
| Interest paid   | (6,410)                   | (996)                     |
| Income tax paid   | (144,056)                 | (78,771)                  |
| <b>Net cash flows from operating activities</b>   | <u>335,486</u>            | <u>380,838</u>            |
| <b>Cash flows from (used in) investing activities</b>   |                           |                           |
| Acquisition of financial assets at amortised cost   | (5,534,658)               | -                         |
| Proceeds from repayments of financial assets at amortised cost  | 3,178,337                 | -                         |
| Acquisition of property, plant and equipment  | (64,377)                  | (42,280)                  |
| Proceeds from disposal of property, plant and equipment   | 3,029                     | 1,787                     |
| Decrease in refundable deposits   | 78                        | 409                       |
| Acquisition of intangible assets  | (26,784)                  | (46,586)                  |
| Decrease in other financial assets  | -                         | 322,960                   |
| <b>Net cash from (used in) investing activities</b>   | <u>(2,444,375)</u>        | <u>236,290</u>            |
| <b>Cash flows from (used in) financing activities:</b>  |                           |                           |
| Increase in current borrowings  | -                         | 13,657                    |
| Decrease in guarantee deposit received  | (81)                      | (624)                     |
| Cash dividends paid   | (543,743)                 | (451,630)                 |
| Proceeds from issuing shares  | 2,300,000                 | -                         |
| Proceeds from endowments received by the company  | 94                        | -                         |
| <b>Net cash flows from (used in) financing activities</b>   | <u>1,756,270</u>          | <u>(438,597)</u>          |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                   | <u>(106,768)</u>          | <u>26,751</u>             |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <u>(459,387)</u>          | <u>205,282</u>            |
| <b>Cash and cash equivalents at beginning of period</b>   | <u>2,662,100</u>          | <u>1,889,957</u>          |
| <b>Cash and cash equivalents at end of period</b>   | <u>\$ 2,202,713</u>       | <u>2,095,239</u>          |