

Stock Code: 3380

Alpha Networks Inc.

2020 ANNUAL REPORT

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6. Company Website: <http://www.alphanetworks.com>

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Letter to Shareholders

Dear Shareholders,

I. Business Results in 2020

(I) Implementation Results of Business Plan in 2020

Looking back over the past year, although the global economy was affected by COVID-19 and the US-China trade war, with the joint efforts of the management team and all staff, and the integration of resources from Hitron and Qisda Group, Alpha achieved success in the development of new products and the addition of new customers with the synergy of complementary technology and product lines, and the revenue and profit kept growing significantly. This year, we will continue our relentless efforts.

Looking forward to this year, 5G has become the key technology focus of the network communication industry, and is expected to drive the development of various vertical application services and the digital transformation of various industries. With the launch of the new businesses of 5G private network for enterprises and Telematics, as well as the momentum of major products including network switch, Wi-Fi 6 and 5G, Alpha wishes that its revenue and profit will have the opportunity to challenge the record high.

(II) Budget Implementation Status

The company did not disclose its financial forecast for 2020.

(III) Analysis of Financial Results and Profitability

In 2020, the consolidated revenue was NT\$32.171 billion; the consolidated gross margin was 15.6%, which was about 0.9% lower than the previous year's number of 16.5%; the consolidated net operating profit was NT\$898 million; the consolidated net profit after tax was NT\$725 million, of which the net profit attributable to the owners of the parent company was NT\$557 million, equivalent to NT\$1.03 per share.

(IV) Research and Development Status

The company has complete network communication software/hardware technologies, and its research and development focuses in 2020 were as follows:

1. The three main fields in technology research and product development are 5G, Fiber & MEC and AI, plus the key technologies and products derived from the three main fields.
2. For 5G, the focus was on the development of 5G CPE, 5G Repeater and 5G Small Cell devices using sub-6G, millimeter wave, along with Wi-Fi 6 wireless network technology to enter into the enterprise and family markets.
3. For fiber, the focus was on the development of 10G-PON optical network OLT (local end) and ONT (customer end) equipment, as well as G.fast telecommunication local end and terminal equipment.
4. For MEC & AI, the focus was on the development of MEC software integration platform, the introduction of AI applications, and the improvement of 5G core network stability and compatibility.
5. We took advantage of the integration of 5G, Fiber and MEC & AI to provide the end-to-end solutions of 5G private network with high price-performance ratio. Smart factory, smart health and smart building are the key focused market sectors.
6. We continually developed telecommunication-grade switches and industry-grade switches due to the trend in 5G and IoT.
7. We developed 400G high-speed Ethernet switches for data centers, and did tests and simulation of signal and

power integrity engineering development of high-speed network.

8. We introduced the technology of autonomous dynamic video adaptation (AVS) and intelligent video analysis (IVA) for internet surveillance camera (IP Cam).
9. We developed 77 GHz/79 GHz short/medium/long range millimeter wave radar and perimeter sensing system for vehicles combining with vehicle surrounding video system to provide safe driving components for vehicle manufacturers.

II. Summary of Business Plan for 2021

(I) Business Direction

1. Strengthen the core competitive advantage, improve the company's service quality and enhance profitability.
2. Continue to develop strategic partnership with customers and suppliers.
3. Commit to group integration for the synergy.
4. Continue to seek suitable strategic partners to expand the company's territory.

(II) Sales Volume Forecast and Basis

The sales forecast and planning of the company's business entities this year are as follows:

1. LAN/MAN BU

The company's development in the field of Ethernet high-speed network switches covers switches in data center level, enterprise level, telecom level and industrial level. The huge data flow of the data center will continue to drive the increase of the penetration of 25G and 100G switches, and the demand for 400G high-speed switches will gradually increase. With the development trend of edge computing MEC on 5G core network and IoT, the company not only develops switch OLT optical cable terminal equipment in line with 5G mobile communication network application, but also develops the MEC software integration platform. As wireless networks enters the era of Wi-Fi 6 high-speed transmission, the demand for 2.5G switches will increase. Besides, with the increasing application of networking equipment requiring more power, the demand for switches supporting high-power Ethernet power supply (PoE++) will grow.

2. Wireless Broadband BU

Due to the irreversible change of global trends caused by COVID-19, the demand for long-distance work or working at home is rising rapidly, and simultaneously long-distance work has gradually become an irretrievable trend. However, long-distance work or cooperation highly relies on the timely transmission of a large number of data, images and voices. The rapid growth of the demand for big bandwidth such as working at home and the demand for the construction of smart home environment pushes global telecom operators to accelerate the upgrade of fiber fixed-line network infrastructure, speed up the deployment of 5G network and significantly increase the number of Wi-Fi APs. Therefore, besides the continuing focus on the expansion of 5G enterprise market and the development of the terminal radio unit (RU), the company develops customized end-to-end solutions which can be flexibly applied in various fields. We also actively develop 5G fixed wireless access (5G FWA) to meet the demand of the application services of the telecom market and 10G-PON solutions for optical fiber network. In addition, telecom operators have greatly increased the number of wireless base stations (Wi-Fi APs) and the terminal devices of high-speed Wi-Fi 6 wireless network to meet the high surge of the demand of big bandwidth from long-distance work of enterprises and the smart home network, so it continuously brings the new demand for the company's Wi-Fi 6, 6E enterprise-grade wireless AP and home router.

3. Digital Multimedia BU

Driven by the growing demand of IoT and 5G, smart home and home security surveillance image products will be the driving forces for the sustainable growth of digital multimedia BU in the future. In addition to the vertical integration of new key technologies, such as the applications of millimeter wave radar, AI deep learning and software related algorithms, such as face recognition, motion detection and the connection with public and private clouds will be important forces to improve product differentiation and ODM/OEM competitiveness. Besides IP Cam, the proportion of video surveillance of the product portfolio will continue to be increased, including the integration of NVR system, to provide the enterprise security surveillance solution. The digital multimedia BU will play the role of solution provider for smart home and home safety surveillance in the Group.

4. Mobile Enterprise Solutions LOB

With the development of the advanced driving assistance system (ADAS) market, the 24GHz millimeter wave radar sensors of the company have been successfully mass produced and shipped to overseas markets, and the millimeter wave radar technology has been further expanded to the applications of smart parking. The company will also continue to develop 77 GHz and 79 GHz millimeter wave radar combining with the vehicle AVM surrounding image system from customers to improve the sensing accuracy. The company has the capability of the self-development of millimeter wave radar and algorithm technology, and can provide customized products based on the environments. The company will further combine radar sensing, webcam and network communication technologies to grasp the development opportunities of Telematics.

(III) Major Production and Marketing Strategies of the Year

1. Strengthen the relationship with suppliers, and stabilize the material sources and delivery momentum.
2. Optimize the capacity allocation and improve the overall product manufacturing quality & cost competitive advantage.
3. Actively expand core businesses combining with group resources to provide the comprehensive solutions to customers.

III. Future Development Strategies of the Company

The long-term strategies are as follows to enhance profitability and maintain sustainability:

- (I) Deeply cultivate long-term partnership with customers and suppliers to expand markets.
- (II) Strictly control the quality and cost of manufacturing to improve the operation efficiency and profitability of the company.
- (III) Continue to invest in the development of advanced technologies and strengthen the core competitive advantages.
- (IV) Improve corporate governance and strictly implement corporate social responsibility.

IV. Impact of External Competitive Environment, Regulatory Environment and Overall Business Environment

The company will continue to develop core technologies and advanced integrated products to enhance product value, avoid price wars of low-end products, and actively expand sales channels and provide customers with complete solutions. On the business environment, although the impact of COVID-19 is still severe and there are uncertainties in the US-China trade and technology war, the ongoing COVID-19 vaccination provides a potential support for the economic recovery and prospects in 2021. In addition, the development of technology applications in 5G, Telematics and AI, as well as working from home, are unavoidable trends which bring growth opportunities to the network communication industry.

We sincerely thank all shareholders for the long-term support and recognition. Our management team and all staff will continue to view the foresight thinking and technology innovations as the core values. We remain dedicated to the corporate cultures of virtue, customer value, agility and collaborative performance, and continue to create maximum benefits for all shareholders.

We wish you good health and all the best!

Sincerely!

Chairman: Wen-Fang Huang

President: Yu-Chin Lin

Accounting Officer: Shao-Ling Chen

Company Profile

I. Founding Date: September 4, 2003

II. Corporate History:

Date	Summary
August 2003	Alpha Networks Inc. was founded as a spin-off of the D-Link Corporation with capital of NT\$2 billion. Launch of the world's fastest VDSL product (50M/30M). The number of the broadband integrated access device (IAD) produced and sold to Japan reached 1 million.
September 2003	The Company obtained ISO14001 and TL9000 certification.
October 2003	The Company acquired MTT (the third party of Russia) certification.
November 2003	The Company developed the worldwide fastest (50M) ADSL2++ product.
December 2003	The Company developed digital media player (DMA series) and network driver for participating in the Consumer Electronics Show (CES) held in January 2004. The Company's home network gateway was the first product to pass IPv6 certification among the network communication companies in Taiwan. The Company won the 2003 network accessories procurement tender of Department of Education, Taipei City Government, with the firewall and layer 3 switch products.
February 2004	The Company completed the seasoned equity offering which resulted in the paid-up capital increased to NT\$2.5 billion.
February 2004	The Company's DPH-80 and DVG-102 products were included in the VoIP product testing & assessment of Network Benchmarking Lab of ITRI. And, the products surpassed similar offerings of domestic and foreign manufacturers in voice quality and SIP compatibility.
March 2004	The Company submitted the first integrated access device (IAD) with IPv6 support for testing by IPv6 certifier in the world. The Company, ahead of competitors, launched digital multimedia player (the DMA series) which received high praises from customers in Europe and USA. The Company formed the strategic alliance with Quanta Computer which acquired a 17% ownership interests in the Company.
April 2004	The ADSL Wireless IAD passed certification of IPv6 Ready Logo Committee.
December 2004	Alpha Networks Inc. was listed on TWSE.
January 2005	The wireless voice integration gateway won the Taiwan Excellence Award.
May 2005	The Company was ranked 2004 Taiwan Manufacturing Top 1000 in Business Weekly issue No. 912. Besides, the Company was also ranked 2 nd in the fastest growing businesses and 6 th in the communication electronics category.
December 2005	The Ethernet passive optical network switch won the Hsinchu Science Park Innovative Products Award.
January 2006	The first unsecured convertible corporate bond was issued.
April 2006	The board of directors of the Company resolved the merger of Sun Asia Enterprise.
July 2006	The Company was named Info Tech 100 by Business Next Magazine.
October 2006	The merger of Sun Asia Enterprise is completed.
October 2006	The Company obtained certificate for SONY OEM Partner.
January 2007	The Company received the INTEL ViiV certification for the wireless digital media player.
March 2007	Wistron Corporation acquired a 5.63% ownership interests in the Company and was one of the major shareholders of the Company.
September 2007	The Company launched WiMAX products.

October 2007	The Company invested Aescu Technology and went forward medical communication equipment industry.
May 2008	The Company launched the "real-time bio-information monitor system" for a solution for remote healthcare service.
May 2008	The Company was ranked 143 rd among 2007 Taiwan Manufacturing Top 1000 in CommonWealth Magazine issue No. 396, and 6 th in the communication and networking category.
October 2008	The Company was chosen by Microsoft as the only worldwide technology development partner for Microsoft Media Center Extender for Windows 7.
February 2009	After being evaluated on corporate governance, corporate commitment, social engagement and environmental protection aspects, the Company was ranked 30 th among Commonwealth Magazine's 2009 "Excellence in Corporate Social Responsibility TOP50."
April 2009	The Chengdu R&D center was opened.
May 2009	The Company was ranked 129 th among 2008 Taiwan Manufacturing Top 1000 in CommonWealth Magazine issue No. 421, and 7 th in the communication and networking category.
May 2009	The ECG device passed GMP certification.
December 2009	The Company, ahead of competitors, reached the mass production and shipment milestone in Datacenter Switch (a cloud server switch).
December 2009	The Company, ahead of competitors, completed development of 40GE Switch Product Module and offered to telecom carriers for testing and evaluation.
January 2010	The Company started to ship the PON Broadband Access Switch (MDU).
March 2010	The Company developed the 3G Femtocell AP with cost-effective feature and integration of software & hardware, and participated in ETSI Femtocell Plugfest.
June 2010	The HD player passed certification of DLNA 1.5 Server, Player, and Renderer.
September 2010	The Company launched the cloud service, LINKnLOOK, for IP Cam offering simple setup and reliable connection.
September 2010	The North America maintenance center was established in Irvine, CA.
October 2010	The Company launched OTT set top box with 2.5-inch 1TB drive built in. The product came pre-installed with Facebook and video on demand services including Netflix and Blockbuster.
October 2010	The Company's two manufacturing sites, Hsinchu Plant & Dongguan Plant, passed ISO 14064-1 certification and obtained the application instructions of greenhouse gas survey.
October 2010	The Company completed the 1 st submission of the product greenhouse gas certification, and received the carbon footprint certification.
January 2011	The Company, ahead of competitors, launched HD digital media player with multiple features including DVB-T, time shifting with simultaneous two-way scheduled recording, picture-in-picture and online streaming.
May 2011	The Changshu Plant in Jiangsu was opened.
September 2011	The maintenance center was established in Kanagawa Prefecture, Japan.
October 2011	The Company issued the 2 nd unsecured convertible bond.
November 2011	The development and testing of rackmount switch supporting 192 ports 40GE sockets for cloud data center was done.
December 2011	The "Changshu Mingzhen Technology Service Co., Ltd.", one of the Company's maintenance centers, was established in Changshu, Jiangsu.
January 2012	The Company developed synchronized playback and remote control functions for media player on PC, smartphone, tablet and TV.
January 2012	The Company completed the development of the most advanced 3G anti-interference technology to solve carriers' issues concerning the interference from signals of base stations when installing Femtocell.
April 2012	The development and testing of IEEE802.11ac router, IEEE802.11ac network adapter, and IEEE802.11ac USB Dongle was completed.

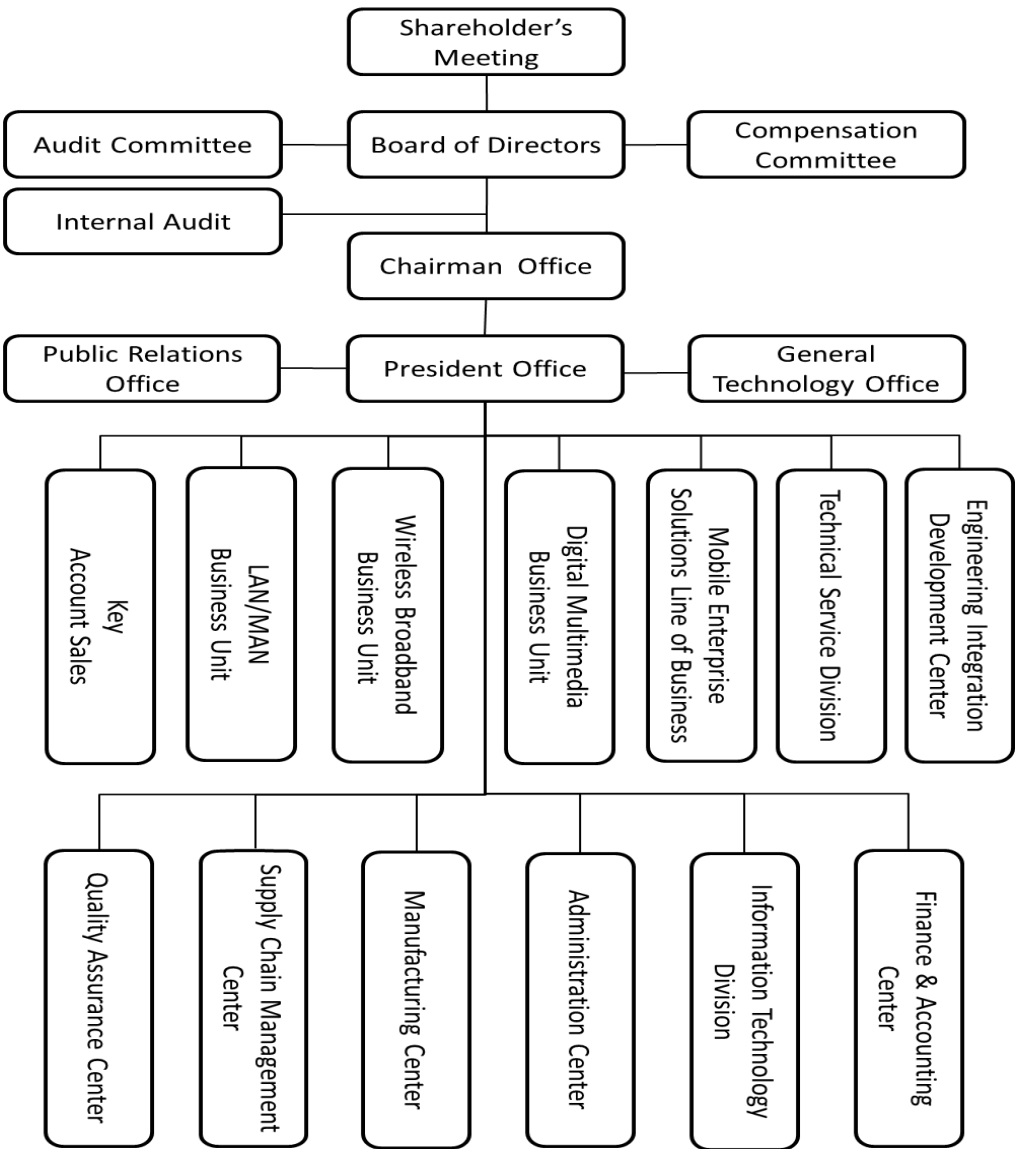
May 2012	The Company was ranked 146 th among 2011 Taiwan Manufacturing Top 1000 in CommonWealth Magazine issue No. 496, and 8 th in the communication and networking category.
August 2012	The Company Alpha Networks developed the fastest, high-capacity and physical layer-free flagship switch for cloud data center supporting 32 ports 40GE sockets.
March 2013	The new department, Mobile Enterprise Solutions Business Unit, was established.
March 2013	The Company was awarded the invention patents in Republic of China, USA and People's Republic of China for the firewall traversal solution for cloud computing. This technology can be used on video streaming products including IP Cam.
May 2013	The Company was ranked 142 nd among 2012 Taiwan Manufacturing Top 1000 in CommonWealth Magazine issue No. 522, and 9 th in the communication and networking category.
July 2013	The Changshu Plant passed the certification of ISO13485, Medical Devices Quality Management Systems.
August 2013	The Changshu Plant passed the certification of TS16949, Global Quality Management System Standard for the Automotive Industry.
September 2013	The Company completed the development and testing of IoV product, 24GHz automotive radar sensors.
December 2013	The sales volume of the network media players reached more than 5 million units worldwide, the top-selling product of similar ones.
May 2014	The Company was ranked 141 st among 2013 Taiwan Manufacturing Top 1000 in Commonwealth Magazine issue No. 547, and 7 th in the communication and networking category.
November 2014	The Company was awarded the design patents in China, Japan and Australia for the “Non-isolated DC/DC circuit design” of the high-speed power line adapter.
January 2015	The Company obtained MFi Manufacturing License from Apple Inc.
February 2015	The Company successfully developed and tested the fastest, high-density and high-capacity switch for high-end cloud data center supporting 32 ports 100GE sockets and supports the ONIE standard.
February 2015	The Company successfully developed and tested 24GHz automotive radar sensors in blind spot detection for large transport vehicles.
March 2015	The cloud data center switch SNX-60A0-486F capable of supporting up to 40G passed ONIE certification.
March 2015	The Company completed the development and testing of HD 4K/HEVC digital set-top box.
June 2015	The Company successfully developed and tested 2.5G /5G /10G multi-speed switch.
August 2015	The Company successfully tested high-end cloud data center switch supporting 48 ports 25G Fiber downlink sockets and 4 ports 100G uplink sockets.
October 2015	The 180-degree fisheye IP Cam was entering into mass production and launched.
October 2015	The Company designed STB with 4 802.11ac 5G antennas and 2 BT/FR4CE 2.4G antennas on board.
October 2015	The Company passed the AEO (Authorized Economic Operator) renewal certification.
December 2015	The Company successfully applied and tested 24GHz automotive radar sensors in rear collision detection for general vehicles.
February 2016	The Company successfully tested high-density rackmount switch for cloud data center containing 128 and 512 optical sockets.
August 2016	The Company successfully tested switches designed for Internet service providers supporting 48 ports 10G Fiber downlink sockets and 6 ports 100G uplink sockets.
November 2016	The smart home gateway passed the Z-Wave Plus certification.
November 2016	The Company successfully developed and tested the enterprise Access Point (AC3400) with dual Wi-Fi 5Ghz modules and 2.5Gbps Ethernet uplink socket.
October 2017	The Company provided E2E solutions for smart parking application, including NB-IoT sensors, NB-IoT small cells, cloud IoT platforms and APP programs.

October 2017	The Company successfully developed and tested new functions enabling IP Camera images transmitted to Google Chromecast through Google Home
November 2017	The Company completed the development and testing of 24 dBm Small Cell & C-RAN platform integrating 4G and Wi-Fi for higher download speed.
November 2017	The Company designed its first local end equipment switch with G.fast technology.
December 2017	The Company demonstrated the network backbone switch with IEEE1588v2 technology in RRH (Remote Radio Head) and C-RAN (Cloud of Radio Access Network) applications.
December 2017	The Company provided customers with 24 GHz 3-in-1 radar solution incorporating automotive camera for real car test.
December 2017	The Company successfully implemented human/face detection and recognition (IVA solution) on IP Camera and Hub
March 2018	Qisda Corporation acquired shares of the Company through private placement of equity as a strategic investor.
June 2018	The "Self-Organizing Network" (SON) jointly developed by Industrial Technology Research Institute (ITRI), Far EasTone and the Company won the JUDGES' CHOICE in the Small Cell Forum (SCF) Awards.
August 2018	The Company was named one of the recommended 10GPON ONU suppliers on OPENCORD website.
October 2018	The mmWave radars was shipped to industrial customers. The solution was adopted by ACER iTS for radar-assisted vehicle detection, which works with parking information App.
November 2018	The 24GHz mm Wave Radar was shipped to Southeast Asia markets.
February 2019	The Company was designated as the disaggregated cell site gateway (DCSG) supplier for TIP (Telecom Infra Project).
March 2019	The Wi-Fi 6 wireless routers, outdoor 4G small cells and Wi-Fi 6-enabled VDSL IAD were shipped worldwide.
June 2019	The IP Cameras with integrated IVA technology and ZigBee smart gateway were shipped worldwide.
August 2019	The outdoor wireless battery-powered IP cameras were shipped worldwide.
November 2019	The indoor enterprise 5G NR radio units (RU) were shipped worldwide.
December 2019	The MPTCP-enabled Hybrid VDSL/LTE IADs were shipped worldwide.
December 2019	The Company acquired the shares of Hitron Technologies through private placement.
January 2020	The Company acquired 100 million shares of Hitron Technologies through the tender offer.
May 2020	The Company cooperated with a US system provider for its 1 st AVM system and obtained the customer certification. The AVM systems was successfully shipped to the North America's largest logistics company.
October 2020	The Company started shipping the 5G end-to-end enterprise network equipment to Japan and the local 5G private network PoC field trial was kickoff in Japan.
November 2020	The Company successfully obtained the customer certification for the truck version of the internal wheel difference radar system and the Company began to ship the radar systems.
December 2020	The Company obtained the customer certification for the mm wave radar and began to ship the rdars to Thai automakers.
December 2020	The Company shipped more than 6 million units of IP Camera.

Corporate Governance

I. Organization Structure:

(1) Organization Chart



(2) Business Scope for Main Departments

Departments	Functions and Responsibilities
Audit Office	Establish robust, reasonable and effective internal control system, and execute accordingly.
President Office	Formulate strategies and implementation details with operational goals outlined by the board of directors, and execute accordingly.
Public Relations Office	Shape corporate image and manage public relations, including curation, operation of the foundation and participation in CSR report compilation.
General Technology Office	Coordinate and handle networking technologies appropriately.
Key Account Sales	Manage relationship and service with major customers; communicate with BUs and expand the markets to achieve the Company's operational goals.
LAN/MAN BU	Execution of operational goals; promotion, planning, research, development and testing of Ethernet switch and related products.
Wireless Broadband BU	Execution of operational goals; promotion, planning, research, development and testing of wireless broadband products.
Digital Multimedia BU	Execution of operational goals; promotion, planning, research, development and testing of digital multimedia products.
Mobile Enterprise Solutions LOB	Execution of operational goals; promotion, planning, research, development and testing of mobile enterprise solution products.
Engineering Integration Development Center	Execution of the quality policy, assurance for the product design quality, establishment of the standard flow for auto test, and providing the efficient technical support service to enhance customer satisfaction.
Technical Service Division	Planning and execution of cabling works, safety standards and EMC technology for network-related hardware.
Quality Assurance Center	Enforce quality enhancement and maintenance across the organization, ensure that product quality meets customers' requirements, and develop systematic platforms for product information and experience.
Supply Chain Management Center	Utilize the Company's resources efficiently for stable production with the least inventory to achieve the highest output, generate the maximum profit, and satisfy the needs of customers.
Manufacturing Center	Supervise, plan and manage the production, quality, delivery and service of manufacturing departments. Explore improvements in terms of quality, cost and timeliness of shipment in line with customers' requirements.
Administration Center	Comprehensively manage human resources, legal affairs, environmental protection, labor safety and health planning, supervision and promotion.
Information Technology Division	Launch Information Technology and Management Information Systems of the Company and offer improvement suggestions.
Finance & Accounting Center	Planning and control of internal financial policies and accounting systems in accordance with laws and operational requirements.

II. Information Regarding Directors, President, Vice Presidents, Associate Vice Presidents, and Managers of Departments and Divisions

(I) Directors Information

April 20, 2021; unit: thousand shares

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding by Spouse & Minors		Shareholding in the Names of Other Persons		Career (Academic) Backgrounds	Selected Current Positions at Alpha and Other Companies (Note 6)	Spouse or Relatives of Second Degree or Closer Acting as Manager, Director or Supervisor			Remark (Note 7)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman (Note 1)	Republic of China	Representative of Qisda Corporation:	-	01/28/2021	3	06/15/2018	295,163	54.49	295,797	54.60	0	0.00	0	0.00	-	-	None	None	None	Note 7
	Republic of China	Wen-Fang (April) Huang	Female	01/28/2021	3	06/15/2018	0	0.00	0	0.00	0	0.00	0	0.00	B.S. Economic, NTU EMBA, NTU Representative of Institutional Director, Qisda Optronics Corporation	Vice President, Qisda Corporation Representative of Institutional Director, Hitron Technologies Inc. Representative of Institutional Chairman, Simula Technology Inc. Chairman, Alpha Foundation	None	None	None	
Director Vice Chairman (Note 1)	Republic of China	Representative of Qisda Corporation:	-	01/28/2021	3	06/15/2018	295,163	54.49	295,797	54.60	0	0.00	0	0.00	-	-	None	None	None	
	Republic of China	Chi-Hong (Peter) Chen	Male	01/28/2021	3	06/15/2018	0	0.00	0	0.00	0	0.00	0	0.00	B.S. Electrical Engineering, NCKU M.S. International Business Management, Thunderbird School of Global Management MBA, NCCU Technology Product Center EVP, BenQ Corp.	Chairman and President, Qisda Corporation Representative of Institutional Director, AU Optronics Corp. Representative of Institutional Director, Darfon Electronics Corp. Representative of Institutional Chairman, DFI Inc. Representative of Institutional Director, Hitron technologies Inc. Representative of Institutional Chairman, BenQ Medical Technology Representative of Institutional Chairman, Partner Tech Corp. Representative of Institutional Director, BenQ Materials Corp.	None	None	None	

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding by Spouse & Minors		Shareholding in the Names of Other Persons		Career (Academic) Backgrounds	Selected Current Positions at Alpha and Other Companies (Note 6)	Spouse or Relatives of Second Degree or Closer Acting as Manager, Director or Supervisor			Remark (Note 7)	
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship		
Director President (Note 1)	Republic of China	Representative of Qisda Corporation:	-	01/28/2021	3	06/15/2018	295,163	54.49	295,797	54.60	0	0.00	0	0.00	-	-	None	None	None	Note 7	
															Representative of Institutional Director and President, Alpha Networks Inc. Representative of institutional Vice Chairman, Hitron Technologies Inc. Representative of Institutional Director, Interactive Digital Technologies Inc. Director, Alpha Foundation			None	None		None
	Republic of China	Yu-Chin Lin	Male	01/28/2021	3	06/18/2015	1,068	0.20	1,068	0.20	7	0.00	0	0.00	EMBA, National Tsing Hua University Bachelor of Electronic and Communication Engineering, Meiji University, Japan General Manager, LAN/MAN BU, Alpha Networks Inc. Senior Director, Japan Sales Division, Alpha Networks Inc. Director, Japan Sales Division, D-Link Corp.						
Director (Note 1)	Republic of China	Representative of Qisda Corporation:	-	01/28/2021	3	06/15/2018	295,163	54.49	295,797	54.60	0	0.00	0	0.00	-	-				Note 7	
															Chief Financial Officer, Qisda Corp. Representative of institutional Director, Darfon Electronics Corp. Representative of Institutional Director, Sysage Technology Co., Ltd Representative of Institutional Director, Simula Technology Inc. Representative of Institutional Director, Data Image Corporation Representative of Institutional Director, K2 International Medical Inc.						
	Republic of China	Chiu-Chin (Jasmin) Hung	Female	01/28/2021	3	01/28/2021	0	0.00	0	0.00	0	0.00	0	0.00	MBA, California State University, Fullerton Chief Financial Officer, Daxon Technology Co., Ltd.						

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Shareholding by Spouse & Minors		Current Shareholding		Shareholding in the Names of Other Persons		Career (Academic) Backgrounds	Selected Current Positions at Alpha and Other Companies (Note 6)	Spouse or Relatives of Second Degree or Closer Acting as Manager, Director or Supervisor			Remark (Note 7)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director (Note 1)	Republic of China	Shu-Hsing Li	Male	01/28/2021	3	01/28/2021	0	0.00	0	0.00	0	0.00	0	0.00	Ph.D., New York University B.B.A., National Chengchi University Vice President for Financial Affairs, National Taiwan University Dean of College of Management, National Taiwan University Chairperson, Department of Accounting, National Taiwan University Independent Director, Sharehope Medicine Co., Ltd.	Professor, College of Management, National Taiwan University Chair Professor, Department of Accounting, Tunghai University Independent Director, Fubon Financial Holding Co., Ltd. Independent Director, Healthconn Corp. Independent Director, Sharehope Medicine Co., Ltd.	None	None	None	Note 7
Independent Director (Note 1)	Republic of China	Cheng-Jung Chiang	Male	01/28/2021	3	01/28/2021	0	0.00	0	0.00	0	0.00	0	0.00	Ph.D., Business Administration, University of Maryland, U.S.A EMBA, Program, National Chengchi University, Independent Director, Chen Full International Co., Ltd. Independent Director, Glory Science Co., Ltd.	Chairman and General Manager, Taiwan-Asahi Environmental Technology Co., Ltd Chairman and General Manager, Diamond Technical & Trading Corp. Independent Director, Sampo Corporation Independent Director, Cheman Metal Industrial Corp. Independent Director, FIT Holding Co., Ltd. Adjunct Professor, Dept. of Aerospace Engineering, Tamkang University	None	None	None	
Independent Director (Note 1)	Republic of China	Ming-Der Hsieh	Male	01/28/2021	3	06/12/2020	0	0.00	0	0.00	0	0.00	0	0.00	Ph.D., Electrical Engineering, Michigan State University, U.S.A Chairman, Taiwan IC Design Society Department of Electrical Engineering, National Cheng Kung University Deputy General Director, Information and Communications Research Laboratories, Industrial Technology Research Institute	Min Wu School of Computing, National Cheng Kung University Professor, Department of Electrical Engineering, National Cheng Kung University	None	None	None	
Director (Note 2)	Republic of China	John Lee	Male	06/15/2018	3	06/09/2006	-	-	-	-	-	-	-	-	-	-	Not Applicable			-

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding by Spouse & Minors		Shareholding in the Names of Other Persons		Career (Academic) Backgrounds	Selected Current Positions at Alpha and Other Companies (Note 6)	Spouse or Relatives of Second Degree or Closer Acting as Manager, Director or Supervisor		Remark (Note 7)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name Relationship	
Director (Note 3)	Republic of China	D-Link Corporation	-	06/15/2018	3	08/16/2003	-	-	-	-	-	-	-	-	-	-	Not Applicable		-
		Pao-Yi Wang	Female	10/08/2019	3	08/16/2003	-	-	-	-	-	-	-	-	-	-	Not Applicable		-
Director (Note 3)	Republic of China	D-Link Corporation	-	06/15/2018	3	08/16/2003	-	-	-	-	-	-	-	-	-	-	Not Applicable		-
		Howard Kao	Male	06/15/2018	3	08/16/2003	-	-	-	-	-	-	-	-	-	-	Not Applicable		-
Director (Note 3)	Republic of China	D-Link Corporation	-	06/15/2018	3	08/16/2003	-	-	-	-	-	-	-	-	-	-	Not Applicable		-
		Zheng-Yi Song	Male	04/30/2020	3	08/16/2003	-	-	-	-	-	-	-	-	-	-	Not Applicable		-
Director (Note 3)	Republic of China	D-Link Corporation	-	06/15/2018	3	08/16/2003	-	-	-	-	-	-	-	-	-	-	Not Applicable		-
		Wen-Peng Lin	Male	06/08/2020	3	08/16/2003	-	-	-	-	-	-	-	-	-	-	Not Applicable		-
Director (Note 3)	Republic of China	D-Link Corporation	-	06/15/2018	3	08/16/2003	-	-	-	-	-	-	-	-	-	-	Not Applicable		-
		Joseph Wang	Male	06/08/2020	3	08/16/2003	-	-	-	-	-	-	-	-	-	-	Not Applicable		-
Director (Note 3)	Republic of China	D-Link Corporation	-	06/15/2018	3	08/16/2003	-	-	-	-	-	-	-	-	-	-	Not Applicable		-
		John Lee	Male	11/09/2020	3	08/16/2003	-	-	-	-	-	-	-	-	-	-	Not Applicable		-
Independent Director (Note 4)	Republic of China	Ming-Fu Huang	Male	06/15/2018	3	03/02/2004	-	-	-	-	-	-	-	-	-	-	Not Applicable		-
Independent Director (Note 4)	Republic of China	Mao-Chao Lin	Male	06/15/2018	3	03/02/2004	-	-	-	-	-	-	-	-	-	-	Not Applicable		-
Independent Director (Note 5)	Republic of China	Tzu-Chuan Li	Male	06/15/2018	3	06/15/2018	-	-	-	-	-	-	-	-	-	-	Not Applicable		-

Note 1: Elected as director in the 2021 1st Extraordinary General Meeting held on January 28, 2021.

Note 2: Since John Lee, director of the Company, transferred more than one-half of the shares held at the time of the election during the term of office, the representative of institutional director was dismissed on November 21, 2020.

Note 3: D-Link Corporation, institutional director of the Company, appointed the new representatives on April 30, 2020, June 8, 2020, and November 9, 2020 respectively and then the representative transferred more than one-half of the shares held at the time of the election during the term of office, so the representative was dismissed on November 30, 2020.

Note 4: Since the re-election was held on January 28, 2020, the independent directors resigned accordingly.

Note 5: Mr. Tzu-Chuan, Li, independent director, resigned on March 3, 2020.

Note 6: Please refer to the section "Directors, Supervisors and Presidents of Affiliates" in the annual report.

Note 7: Chairman and president (or someone with an equivalent job responsibility, i.e. the highest ranking manager of the Company) are the same person, or in a marital relationship with each other, or within one degree of consanguinity: None

Substantial Shareholders of the Institutional Shareholder

Name of Institutional Shareholder	Substantial Shareholders of the Institutional Shareholders	Shareholding Percentage (%)
Qisda Corporation(Note)	AU Optronics Corporation	17.04
	Acer Inc.	4.15
	Cathay Life Insurance Co., Ltd.	3.58
	Darfon Electronics Corp.	1.86
	Citibank Taiwan in Custody for Norges Bank	1.57
	Citibank Taiwan in Custody for Polumin Developing Countries fund. LLC	1.30
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds	1.19
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	1.07
	Citibank Taiwan in Custody for CREO VENTURE CORP	0.87
	Citibank Taiwan in Custody for Dimensional Emerging Markets Value Fund	0.79

Note: The shareholding reference date was April 20, 2021.

Substantial Shareholders of Institutional Shareholders Who Are the Substantial Shareholders of the Company's Institutional Shareholders.

Name of Institutional Shareholders	Substantial Shareholders of the Institutional Shareholders	Shareholding Percentage (%)
AU Optronics Corporation (Note1)	Qisda Corporation	6.90
	ADR of AU Optronics Corp.	5.43
	Quanta Computer Inc.	4.61
	Fubon Life Assurance Co., Ltd.	3.82
	Bank SinoPac in Custody for the Employees Stock Ownership Trust account for the Committee of Employees Stock Ownership Trust of AU Optronics Corp.	3.68
	Tong Hwei Enterprise Co., Ltd.	1.56
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.15
	Cathay Life Insurance Co., Ltd.	1.07
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	0.97
	CTBC bank in Custody for Yuanta Taiwan 50 Securities Funds	0.74
Acer Incorporated (Note2)	Hung Rouan Investment Corp.	2.39
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.76
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	1.39
	Stan Shih	1.14
	Management Board of Public Service Pension Fund	1.13
	Citibank Taiwan in Custody for Acer GDR	0.94
	Acer Incorporated	0.88
	Deutsche Bank in Custody for Polunin Developing Countries Fund, LLC	0.76
	Standard Chartered Bank in Custody for ISHARES MSCI TAIWAN ETF	0.76
	Standard Chartered Bank in Custody for iShares Core MSCI Emerging Markets ETF	0.75
Cathay Life Insurance Co., Ltd. (Note3)	Cathay Financial Holding Co., Ltd.	100.00
Darfon Electronics Corp. (Note4)	Qisda Corporation	20.72
	BenQ Corporation	5.01
	Citibank Taiwan in Custody for Norges Bank	2.07
	Mega International Commercial Bank Co., Ltd.	1.62
	Kai-Chien Su	1.45
	HSBC Bank, Taiwan, in Custody for Acadian Emerging Markets Small Cap Equity Fund LLC	1.41
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.34
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Emerging Markets	1.23

Name of Institutional Shareholders	Substantial Shareholders of the Institutional Shareholders	Shareholding Percentage (%)
	Stock Index Fund, A Series Of Vanguard International Equity Index Funds	
	Standard Chartered Bank in Custody for iShares Core MSCI Emerging Markets ETF	0.74
	HSBC Bank, Taiwan, in Custody for the University of Texas Investment Management Company as agent for the Board of Regents of the University of Texas System	0.63

Note 1: The shareholding reference date was July 19, 2019.

Note 2: The shareholding reference date was April 14, 2020.

Note 3: Information from Department of Commerce, MOEA.

Note 4: The shareholding reference date was April 20, 2020.

Professional Qualifications and Independence Analysis of Directors

April 20, 2021

Criteria Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note5)												Number of Other Public Companies Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Business, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor Attorney, lawyer, CPA or Other Professional or Technical Specialist Who Has Passed a National Examinations and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Work Experience in the Area of Business, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Representative of Qisda Corporation: Wen-Fang (April) Huang (Note 1)	-	-	✓	-	-	✓	✓	-	-	✓	-	✓	✓	✓	-	0
Representative of Qisda Corporation: Chi-Hong (Peter) Chen (Note 1)	-	-	✓	-	-	✓	✓	-	-	✓	-	✓	✓	✓	-	0
Representative of Qisda Corporation: Yu-Chin Lin (Note 1)	-	-	-	-	-	✓	✓	-	-	✓	-	✓	✓	✓	-	0
Representative of Qisda Corporation: Chiu-Chin (Jasmin) Hung (Note 1)	-	-	-	-	-	✓	✓	-	-	✓	-	✓	✓	✓	-	0
Shu-Hsing Li (Note 1)	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Cheng-Jung Chiang (Note 1)	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Ming-Der Hsieh (Note 1)	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Representative of D-Link Corporation: Pao-Yi Wang (Note 2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Representative of D-Link Corporation: Howard Kao (Note 2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Representative of D-Link Corporation: Zheng-Yi Song (Note 2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Representative of D-Link Corporation: Wen-Peng Lin (Note 2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Representative of D-Link Corporation: Joseph Wang (Note 2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Representative of D-Link Corporation: John Lee (Note 2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tzu-Chuan Li (Note 3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ming-Fu Huang (Note 4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mao-Chao Lin (Note 4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note 1: Elected as director in the 2021 1st Extraordinary General Meeting held on January 28, 2021.

Note 2: D-Link Corporation, institutional director of the Company, transferred more than one-half of the shares held at the time of the election during the term of office, so its representative was dismissed on November 30, 2020.

Note 3: Tzu-Chuan Li, independent director of the Company, resigned on March 6, 2020.

Note 4: Since the re-election was held on January 28, 2021, the independent directors resigned accordingly.

Note 5: Directors, during the two years before being elected and during the term of office, meet any of following situations, please add "✓" in the field under each criteria number:

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a director or supervisor of the Company or any of its affiliates. (Do not apply to independent directors appointed in accordance with the Act or with the laws and regulations of the local country by, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking as one of its top ten shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer under (1) or any of the above persons under (2) and (3);
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total number of issued shares of the Company, ranks as if its top five shareholders, or has representative director(s) serving on the Company's board under the paragraph 1 or 2, Article 27 of the Company Act (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.);
- (6) Not a director, supervisor, or employee of a company of which the majority of the board seats or voting shares is controlled by one person who also controls the same of the company (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.);
- (7) Not a director, supervisor, or employee of a company or institution of which the chairman or president (or equivalent) themselves or their spouse also serve as the Company's chairman or president (or equivalent) (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent);
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (Do not apply in cases where the specified company or institution holds more than 20 percent but less than 50 percent of the Company's issued shares and are the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.);
- (9) Other than serving as a member of the compensation committee, the public tender offer review committee, or the M&A special committee of the Company pursuant to the Securities and Exchange Act, to the Business and Acquisition Act, or to the related laws or regulation, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000";
- (10) Not a spouse or a relative within the second degree of kinship to any other director;
- (11) Not been involved in any of situations defined in Article 30 of the Company Act; and
- (12) Not been elected on behalf of a government agency or corporate or as a representative of these organizations as defined in Article 27 of the Company Act.

(II) Information of President, Vice President, Associate Vice President and Managers of Each Department and Division

April 20, 2021

Title	Nationality or Place of Registration	Gender	Name	On-board Date	Current Shareholding		Shareholding by Spouse & Minors		Shareholding in the Names of Other Persons		Career (Academic) Backgrounds	Selected Current Positions at and Other Companies (Note 4)	Spouse or Relatives of Second Degree or Closer Acting as Managers			Remark (Note 5)
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
CEO (Note 1)	Republic of China	Female	Wen-Fang (April) Huang	03/19/2021	0	0.00	0	0.00	0	0.00	B.S. Economic, NTU EMBA, NTU Representative Institutional Director, Qisda Optronics Corporation	Vice President, Qisda Corporation Representative of Institutional Director, Hitron Technologies Inc. Representative of Institutional Chairman, Simula Technology Inc. Chairman, Alpha Foundation	None	None	None	-
President	Republic of China	Male	Yu-Chin Lin	09/01/2015	1,068,339	0.20	727	0.00	0	0.00	EMBA, National Tsing Hua University Bachelor of Electronic and Communication Engineering, Meiji University, Japan General Manager, LAN/MAN BU, Alpha Networks Inc. Senior Director, Japan Sales Division, Alpha Networks Inc. Director, Japan Sales Division, D-Link Corp.	Representative of Institutional Director and President, AlphaNetworks Inc Representative of institutional Vice Chairman, Hitron Technologies Inc. Representative of Institutional Director, Interactive Digital Technologies Inc. Director, Alpha Foundation	None	None	None	-
Associate Vice President	Republic of China	Male	David Chou	05/03/2016	60,000	0.01	18,000	0.0	0	0.00	MSEE, Polytechnic University Manager at Industrial Technology Research Institute Master, Texas State University	Director, Alpha Foundation Representative of Institutional Director, Hitron Technologies Inc.	None	None	None	-
Associate Vice President	Republic of China	Male	Nicholas Ting	07/01/2016	200,000	0.04	0	0.00	0	0.00	Senior Manager, Dell Associate Vice President, Coretronic Director, Compal Vice President, Wong's	Note 4	None	None	None	-
Associate Vice President (Note 2)	Republic of China	Male	Morgan Chu	09/01/2020	0	0.00	0	0.00	0	0.00	Master of Graduate Institute of HRM, NCU Vice President, Alek Corporation	None	None	None	None	-
Senior Director Head of R&D	Republic of China	Male	Wen-Jiunn Tsai	09/01/2020	20,000	0.00	0	0.00	0	0.00	Ph.D., University of Massachusetts Master, Arizona State University Bachelor of Electronic Engineering, NCTU Associate Vice President, Arcadyan Technology Corporation Chairman and CEO, Airdio Wireless Inc. CTO, AboCom Corporation Vice President, Giga Solution	None	None	None	None	-

Title	Nationality or Place of Registration	Gender	Name	On-board Date	Current Shareholding		Shareholding by Spouse & Minors		Shareholding in the Names of Other Persons		Career (Academic) Backgrounds	Selected Current Positions at and Other Companies (Note 4)	Spouse or Relatives of Second Degree or Closer Acting as Managers			Remark (Note 5)
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Director Head of Finance & Accounting	Republic of China	Female	Shao-Ling Chen	03/17/2020	50,000	0.01	0	0.00	0	0.00	Financial Management Section, Department of Business Management, Taichung Institute of Technology Master of Commerce, Department of International Business, NTU Senior Finance Manager, Parexel International Co., Ltd. Finance Manager for Asia Pacific, UTStarcom Taiwan Ltd. Finance Manager, Worldcom Limited	Note 4	None	None	None	-

Note 1: Wen-Fang Huang served as CEO on March 19, 2021.

Note 2: Morgan Chiu was promoted to AVP on September 1, 2020.

Note 3: Wen-Jiunn Tsai was promoted to Director of R&D and Former Director of R&D RF Kuo was resigned on September 30, 2020.

Note 4: Please refer to the section "Directors, Supervisors and Presidents of Affiliates" in annual report.

Note 5: President (or someone with an equivalent job responsibility, i.e. the highest ranking manager of the Company) and the chairman are the same person, or in a marital relationship with each other, or within one degree of consanguinity: None.

(III) Compensation of Directors, Supervisors, President, and Vice President

1. Compensation Paid to Directors

Title	Name	Director's Compensation						(A+B+C+D) as a % of Profit (Note 4)				Remuneration Earned by a Director Who is an Employee of the Company or of All Consolidated Entities						(A+B+C+D+E+F+G) as a % of Profit		Compensation Paid to Directors from Non-consolidated Affiliates (Note 7)	
		Base Compensation (A)(Note 1)		Pension (B)		Remuneration to Directors (C) (Note 2)		Allowances (D)(Note 3)		Base Compensation, Bounces, and Allowances (E) (Note 5)		Pension (F)		Employee's Remuneration (G) (Note 1)							
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	Cash	Stock	The Company	From All Consolidated Entities				
Chairman (Note 8)	Wen-Fang Huang																				
Chairman (Note 8)	John Lee																				
Director (Note 9)	D-Link Corporation																				
Representatives of Institutional Directors (Note 9)	Pao-Yi Wang																				
	Zheng-Yi Song																				
	Wen-Peng Lin																				
	Howard Kao	5,867	5,867	0	0	0	0	1,408	1,408	37,302	37,302	0	0	0	0	0	0	8.00	8.00	58,436	
Director	Joseph Wang																				
Director	John Lee																				
Director	Qisda Corporation																				
Representatives of Institutional Directors	Chi-Hong Chen																				
	Wen-Fang Huang																				
Director	Yu-Chin Lin																				
Independent Director	Ming-Fu Huang																				
Independent Director	Mao-Chao Lin																				
Independent Director (Note 10)	Tzu-Chuan Li	2,760	2,760	0	0	0	0	120	120	0	0	0	0	0	0	0	0.52	0.52	0	0	
Independent Director (Note 10)	Ming-Der Hsieh																				

1. Please describe the independent directors' compensation policies, procedures, standards, and structure, as well as the linkage to duties, risk, and time spent: The board of directors is authorized to determine and distribute the compensation paid to directors pursuant to the Company's articles of incorporation, based on individual director's participation and contributions to the Company's operations, and pursuant to the "Compensation Policy to the Directors and Functional Committee Members" in reference to domestic and overseas industry standards. When distributing earnings, the Board of Directors will resolve on the amount of directors' remunerations based on the Company's articles of incorporation. Independent directors are ex officio members of the audit committee. In addition to the base remuneration paid to directors, the Company takes into account of each director's individual responsibilities, risks and time spent to determine reasonable remunerations.

2. In addition to the information disclosed in the table above, any director of the Company provided services to any of all consolidated entities included in the financial statements and received compensation for such services (e.g. provided consultation services in a non-employee capacity): None.

December 31, 2020; Unit: NTD thousand; thousand shares

Table of Compensation Range

Compensation Range for Directors	Names of Directors			
	Sum of the First Four Items (A+B+C+D)		Sum of the First Seven Items (A+B+C+D+E+F+G)	
	The Company	From All Consolidated Entities (I)	The Company	From parent Company and all subsidiaries and investees (J)
Less than NT\$ 1,000,000	John Lee, Yu-Chin Lin, Wen-Fang Huang, Peter Chen, Ming-Der Hsieh, Pao-Yi Wang, Zheng-Yi Song, Howard Kao, Joseph Wang	John Lee, Yu-Chin Lin, Wen-Fang Huang, Peter Chen, Ming-Der Hsieh, Pao-Yi Wang, Zheng-Yi Song, Howard Kao, Joseph Wang	Wen-Fang Huang, Peter Chen, Ming-Der Hsieh, Pao-Yi Wang, Zheng-Yi Song, Howard Kao, Joseph Wang	Ming-Der Hsieh, Pao-Yi Wang, Zheng-Yi Song, Howard Kao, Joseph Wang
NT\$ 1,000,000 (included) ~ 2,000,000 (excluded)	Ming-Fu Huang, Mao-Chao Lin, D-Link Corporation	Ming-Fu Huang, Mao-Chao Lin, D-Link Corporation	Ming-Fu Huang, Mao-Chao Lin, D-Link Corporation	Ming-Fu Huang, Mao-Chao Lin, D-Link Corporation, Wen-Fang Huang
NT\$ 2,000,000 (included) ~ 3,500,000 (excluded)	Qisda Corporation	Qisda Corporation	Qisda Corporation	Qisda Corporation
NT\$ 3,500,000 (included) ~ 5,000,000 (excluded)	-	-	-	-
NT\$ 5,000,000 (included) ~ 10,000,000 (excluded)	-	-	-	-
NT\$ 10,000,000 (included) ~ 15,000,000 (excluded)	-	-	-	-
NT\$ 15,000,000 (included) ~ 30,000,000 (excluded)	-	-	John Lee, Yu-Chin Lin	John Lee, Yu-Chin Lin
NT\$ 30,000,000 (included) ~ 50,000,000 (excluded)	-	-	-	Peter Chen
NT\$50,000,000 (included) ~ 100,000,000 (excluded)	-	-	-	-
Total	13	13	13	13

Note 1: Refer to compensation paid to directors in 2020, including base compensations, allowances, severance pays, bonuses, and incentives.

Note 2: According to Article 30 of the articles of incorporation of the Company, the directors' remuneration was NT\$0 in 2020.

Note 3: Refer to directors' allowances in 2020 (including provisions of base compensation, travel fees, special allowances, accommodations, or company cars and other physical items for serving as representatives of institutional directors or supervisors designated by the Company on behalf of its subsidiaries).

Note 4: Profit refers to the profit for the year in the 2020 parent company only financial statements of Alpha Networks Inc.

Note 5: Refers to compensation paid to directors who also served as president, vice president, other managers or employees in 2020 including base compensation, job allowance, severance pay, bonuses, incentives, travel fees, special allowances, various allowances, accommodation, company cars, and other physical items, etc. Any salary expenses recognized under IFRS 2 Share-Based Payment, including employee stock option plan, employee restricted stock and cash capital increase by stock subscription shall also be included in compensation.

Note 6: The Company is included in all consolidated entities in the consolidated financial statements.

Note 7: Total compensation paid to directors of the Company by the Company and all subsidiaries and investees.

Note 8: Wen-Fang Huang was elected as the chairman of the Company on April 30, 2020, so the former chairman, John Lee, was discharged. John Lee, director, transferred more than half of the shares held at the time of the election during the term of office on September 21, 2020, so he was dismissed as the director accordingly.

Note 9: D-Link Corporation, the institutional director, re-appointed representatives on April 30, June 08, and November 9, 2020, respectively, and transferred more than half of the shares held at the time of the election during the term of office, its representative was dismissed on November 30, 2020.

Note 10: Tzu-Chuan Li, independent director, had resigned on March 5, 2020; Ming-Der Hsieh was elected as an independent director on June 12, 2020.

2. Compensation Paid to Supervisors: Not applicable; Since June 15, 2012, the audit committee has been responsible for the implementation of the authority of supervisors as required by the relevant laws and regulations.

3. Compensation Paid to the President and Vice Presidents

December 31, 2020; Unit: NTD thousand; thousand shares

Title	Name	Salary (A)		Pension (B)		Bonus and Special Allowances (C)		Employee Remuneration (D)			(A+B+C+D) as a % of Profit		Compensation from Non-consolidated Affiliates
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	Stock	The Company	From All Consolidated Entities	
(Note)CEO President	John Lee Yu-Chin Lin	25,406	25,406	-	-	11,951	11,951	-	-	-	6.71	6.71	225

Note: John Lee resigned on April 30, 2020.

Table of Compensation Range

Compensation Range for Each President and Vice President	Names of the President and Vice Presidents	
	The Company	All Consolidated Entities (E)
Below NT\$ 2,000,000	-	-
NT\$ 2,000,000 (included) ~ 5,000,000 (excluded)	-	
NT\$ 5,000,000 (included) ~ 10,000,000 (excluded)	-	-
NT\$ 10,000,000 (included) ~ 15,000,000 (excluded)	-	-
NT\$ 15,000,000 (included) ~ 30,000,000 (excluded)	John Lee, Yu-Chin Lin	John Lee, Yu-Chin Lin
NT\$ 30,000,000 (included) ~ 50,000,000 (excluded)	-	-
NT\$50,000,000 (included) ~ 100,000,000 (excluded)	-	-
NT\$ 100,000,000 and above	-	-
Total	2	2

Note: Refer to compensation paid to the president and vice presidents in 2020, including base salaries, job allowances, and severance pays.

4. Employees' Profit Sharing Paid to Managers

April 20, 2021; Unit: NTD thousand

Title	Name	Stock	Cash	Total	Total as a % of Profits
President	Yu-Chin Lin	0	0	0	0
Associate Vice President	David Chou				
Associate Vice President	Nicholas Ting				
Associate Vice President	Morgan Chiu				
Senior Director Head of R&D	Wen-Jiunn Tsay				
Director Head of Finance & Accounting Center	Shao-Ling Chen				

Note: In accordance with Article 30 of the articles of incorporation of the Company, 2020 employee's remunerations was NT\$ 0.

(IV) Compare and Analyze the Total Compensation Paid to Directors, Supervisors, President and Vice Presidents of the Company as a Percentage of Profits Stated in the Parent Company Only Financial Statements or Individual Financial Statements in the Most Recent Two Years. Describe the Compensation Policies, Standards, Packages of Compensation, the Procedures for Determining Compensation, and the Linkage to Business Performance and Future Risk Exposure:

1. The Total compensation Paid to Directors, Supervisors, President and Vice Presidents of the Company as a Percentage of Profits Stated in the Parent Company Only Financial Statements or Individual Financial Statements:

Title	Total Compensation as a % of Profits Stated in the Parent Company Only Financial Statements or Individual Financial Statements			
	2019		2020	
	The Company (%)	All Consolidated Entities (%)	The Company (%)	All Consolidated Entities (%)
Directors	3.03	3.03	1.82	1.82
Supervisors (Note)	0	0	0	0
President and Vice Presidents	16.44	16.44	6.71	6.71

Note: The audit committee was established since June 15, 2012.

2. Policies, Standards, Packages of Compensation, Procedures for Determining Compensation, and the Linkages to Business Performance and Future Risk Exposure:

- (1) The director compensation policies, standards, packages of compensation, and the procedures for determining compensation are handled in accordance with article 30 of the Company's articles of incorporation. If there is a profit in the year, no more than 1% of the profit shall be appropriated as directors' compensation. However, when the accumulated losses still exist, the Company shall reserve the compensation amount in advance. The remuneration standard is based on the industry level, consideration of the overall operation and performance of the Company. In addition to the fixed base salary, the Company will also pay each manager variable bonuses and employee compensation based on the performance achievement rate and contribution to the Company to fully reflect individual and team performance.
- (2) In accordance with the articles of incorporation of the Company, the board of directors is authorized to determine and distribute the director compensation based on the participation level of individual director, the contributions to the Company's operations, and the "Compensation Policy for the Directors and Members of Functional Committees" in reference to domestic and overseas industry standards.
- (3) The total remuneration paid to the president and managers of each department or division includes base salary, bonus, and profit sharing. The remuneration is based on their position, contribution to the Company, the salary level of industry, and consideration of the overall operation and performance of the Company. In addition to the fixed base salary, the Company will also pay the president and managers of each department or division variable bonuses and employee compensation based on the performance achievement rate and contribution to the Company to fully reflect individual and team performance; salary and bonuses are handled in accordance with the Company's personnel regulations; profit sharing is handled in accordance with the provisions of the Company's articles of incorporation and it shall be implemented by the resolutions of the board of directors and reported to the shareholders meeting.

III. Implementation of Corporate Governance

(I) Operations of the Board of Directors:

The board of directors convened eight regular meetings in 2020 with the following attendance status:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Chairman	Representative of Qisda Corporation: Wen-Fang (April) Huang	8	0	100.00	
Director	Representative of Qisda Corporation: Chi-Hong (Peter) Chen	8	0	100.00	
Director	Yu-Chin, Lin	8	0	100.00	
Director	John Lee	5	0	100.00	More than one-half of the shareholding was transferred on September 21, 2020 so the director was discharged.
Director	Representative of D-Link Corporation: Pao-Yi Wang	2	-	100.00	The institution director was discharged due to reassignment by D-Link on April 30, 2020.
Director	Representative of D-Link Corporation: Zheng-Yi Song	1	0	100.00	The institutional director was assigned on April 30, 2020 and was discharged on June 8, 2020 due to reassignment by D-Link.
Director	Representative of D-Link Corporation: Howard Kao	4	1	87.50	The institutional director was dismissed due to reassignment by D-Link on June 8, 2020.
Director	Representative of D-Link Corporation: Wen-Peng Lin	0	0	0.00	The institutional director was assigned on June 8, 2020 and was dismissed on November 9, 2020 due to reassignment by D-Link.
Director	Representative of D-Link Corporation: Joseph Wang	1	0	50.00	The institutional director was assigned on June 8, 2020 and was dismissed due to the transfer of more than one-half of the shareholding of D-Link on November 30, 2020.
Director	Representative of D-Link Corporation: John Lee	1	1	100.00	The institutional director was assigned on November 9, 2020 and was dismissed due to transfer of more than one-half of the shareholding of D-Link on November 30, 2020.
Independent Director	Ming-Fu Huang	8	0	100.00	
Independent Director	Mao-Chao Lin	7	1	87.50	
Independent Director	Ming-Der, Hsieh	4	0	100.00	The independent director was elected on June 12, 2020.
Independent Director	Tzu-Chuan Li	0	0	0.00	The independent director was dismissed on March 6, 2020.

Other items shall be recorded:

I. When one of the following matters occurs during the operation of the board of directors, the dates, terms, contents of proposals of the meetings, the opinions of all independent directors and the responses of the Company shall be clearly described:

1. Items specified in Article 14-3 of the Securities and Exchange Act:

Date	Terms of 2020	Contents of Proposals	Opinions of Independent Directors and Treatment by the Company
03/17/2020	9 th	1. Proposal of the distribution of variable bonuses to managers. 2. Proposal of the distribution of 2019 employee profit sharing and director compensation. 3. Proposal of the 2019 "Internal Control System Effectiveness Assessment" and "Statement of Internal Control System". 4. Proposal of the update of CPAs. 5. Proposal of the appointment of the accounting officer, corporate governance officer, and spokesperson of the Company.	1. All independent directors and directors presented at the meeting agreed without objection. 2. Treatment to opinions of independent directors: None.
04/30/2020	10 th	1. Proposal of the dismissal of chairman, John Lee, and the election of Wen-Fang Huang, director, as chairman. 2. Proposal of the seasoned equity offering to Enrich Investment Corporation by the Company.	
05/20/2020	12 th	Proposal of the seasoned equity offering to Enrich Investment Corporation by the Company.	
08/10/2020	13 th	Proposal of the appointment of the financial supervisor of the Company.	
11/09/2020	14 th	1. Proposal of the annual leave program of managers. 2. Proposal of the 2021 internal audit plan. 3. Proposal of the appointment of the CPAs for the audit of 2021 financial statements. 4. Proposal of the investment in Vietnam.	
12/10/2020	15 th	1. To approve the amendment of the "Procedures for Acquisition or Disposal of Assets". 2. To approve the amendment of the "Procedures for Lending Funds to Other Parties". 3. To approve the amendment of the "Procedures for Endorsements and Guarantees".	

2. In addition to the aforementioned matters, any other resolutions made by the board of directors where an independent director expressed a dissenting or qualified with records stated in writing: None.

When directors abstain themselves from being a stakeholder in certain proposals, the name of the directors, the contents of the proposal, reasons for abstentions, and the results of voting counts shall be stated:

Date	Terms of 2020	Name	Contents of Proposals	Reasons for Abstentions and the Results of Voting Counts
03/17/2020	9 th	John Lee Yu-Chin Lin	Proposal of 2019 variable bounces to managers.	In accordance with Article 206 and 178 of the Company Act, John Lee and Yu-Chin Lin who are managers of the Company shall not participate in the discussion and voting of the case. All the other directors presented in the meeting agreed the proposal.
		John Lee Yu-Chin Lin Representative of D-Link Corporation: Pao-Yi Wang and Howard Kao Representative of Qisda Corporation: Peter Chen and Wen-Fang Huang Ming-Fu Huang Mao-Chao Lin	Proposal of the removal of to the competition restrictions on directors.	In accordance with Article 206 of the Company Act, John Lee, Yu-Chin Lin, Pao-Yi Wang, Howard Kao, Peter Chen, Wen-Fang Huang, Ming-Fu Huang, and Mao-Chao Lin shall provide documents describing their own interests and avoid discussing and exercising voting rights of topics related with their own interests.
		Representative of Qisda Corporation: Peter Chen and Wen-Fang Huang	The Company established the review committee in accordance with the law and members of the review committee were elected.	In accordance with Article 206 and 178 of the Company Act, Wen-Fang, Huang and Peter Chen did not participate in
05/08/2020	11 th			

			Proposal of the appointment of independent experts to issue an opinion on the reasonableness of the acquisition price.	discussion and voting with this proposal because of their own interests.
05/20/2020	12 th	Representative of Qisda Corporation: Peter Chen and Wen-Fang Huang	Proposal of the public acquisition of the Company's common shares by Qisda Corporation.	In accordance with the law, Wen-Fang Huang and Peter Chen, the representatives of the acquirer in the public takeover case, shall be evaded in this proposal.

Implementation Status of Board Evaluation

The board of directors approved the “The Rules for Performance Evaluation of the Board of Directors” on November 9, 2020, which stipulated the requirements of commencing performance appraisal of the Board at least once per year. The Company completed the performance evaluation of the board by the end of 2020 and reported in the board meeting in March, 2020, and the achievement rate was 98% indicating that the board functioned efficiently and well.

Evaluation Cycles	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Items
Annual	From January 1, 2020 to December 31, 2020	The Board of Directors	Internal assessment of the board and self-assessment by each board member.	a) Understanding of the goals and tasks of the Company. b) The participation degree of the Company's operations c) Internal relationship management and communication d) The decision-making quality of the board. e) The composition and structure of the board. f) Awareness of the responsibilities of directors. g) Selection and appointment of directors, professional qualification and continuous education. h) Internal control

Targets for strengthening the functions of the board of directors in the current and the most recent year (e.g., setting up an audit committee and enhancing information transparency) and evaluation of target implementation:

1. The Company already established the audit committees and the remuneration committees, and at the same time the Company regularly and irregularly discloses the operation and training status of the committees to the public in the Market Observation Post System to achieve the real-time and transparent information disclosure.
2. In the end of every year, members of functional committees shall do the internal assessment and self-assessment for the audit committee and the remuneration committee. The Company completed evaluation of the audit committee and the remuneration committee at the end of 2020, and the evaluation report with 100% achievement rate was reported to the board of directors on March 2021 indicating that the functional committees operated efficiently and well.

Evaluation Cycles	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Items
Annual	From January 1, 2020 to December 31, 2020	The audit committee	Internal assessment and self-assessment made by the members of the audit committee	a) The participation degree of the Company's operations b) Acknowledgement of responsibilities of the audit committee c) Improve the decision-making quality of the audit committee d) Composition of the audit committee and election of members e) Internal control
Annual	From January 1, 2020 to December 31, 2020	The remuneration committees	Internal assessment and self-assessment made by the members of the remuneration committee	a) The participation degree of the Company's operations b) Acknowledgement of responsibilities of the remuneration committee c) Improve the decision-making quality of the remuneration committee

Evaluation Cycles	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Items
				d) Composition of the remuneration committee and election of members

(II) Status of the Audit Committee:

The audit committee is composed of all three independent directors. The audit committee convenes the quarterly meeting to review the internal control system, the implementation of internal audit and the substantial financial & operational results, and communicate with CPAs in order to monitor the Company's operations and control risks.

1. Annual Focus and Progress of the Audit Committee

(1) Responsibilities of the Audit Committee:

- Establishment or revision of internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- Evaluation of the effectiveness of internal control system.
- Establishment or amendment of the "Procedures for Acquisition or Disposal of Assets", the "Procedures for Derivative Trading", the "Procedures for Lending Funds to Other Parties", the "Procedures for endorsements and guarantees", and other procedures of major financial consequences in accordance with Article 36-1 of the Securities and Exchange Act.
- Matters concerning directors' own interests.
- Major asset or derivative transactions.
- Major lending, endorsement or guarantee transactions.
- Offering, issuance or private placement of marketable securities with equity attributes.
- Appointment, dismissal or remuneration of CPAs.
- Appointment and dismissal of finance, accounting or internal audit manager.
- Annual and semi-annual financial reports.
- Business report and the proposal of earnings distribution or loss offset.
- Other material issues by other companies or the authority.

(2) Annual Focus:

- Review of financial statements.
- The audit committee reviewed the effectiveness of the Company's internal control system for 2020 based on the self-assessment of internal control system conducted by each department including overseas subsidiaries, outcomes of the 2020 audit plan executed by the internal audit office, and the assessment criteria outlined in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" to reasonably assure that the Company's internal control system, including supervision and management over subsidiaries, as at December 31, 2020 had conformed with relevant rules and laws. After the review, the audit committee considered that the internal control system is designed well and executed effectively.
- Review of amendments to the "Articles of Incorporation", the "Procedures for Acquisition or Disposal of Assets", the "Procedures for Lending Funds to Other Parties", and the "Procedures for Endorsements and Guarantees".
- Communicate the results of the audit report with the internal audit officer regularly according to the annual audit plan.
- Review of investment projects.

(3) Status of the Audit Committee Meetings:

The audit committee convened five meetings in 2020 with the following attendance status:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Independent Director	Ming-Fu Huang	5	-	100.00	
Independent Director	Mao-Chao Lin	5	-	100.00	
Independent Director	Ming-Der Hsieh	3	-	100.00	Appointed on June 12, 2020
Independent Director	Tzu-Chuan Li	0		0.00	Dismissed on March 6, 2020

Other items that shall be recorded:

I. If any of the following matters occurs during the operation of the audit committee, the dates, terms, contents of the proposals, the results of resolutions of the board of directors, and the responses by the Company shall be described.

(I) Items specified in Article 14-5 of the Securities and Exchange Act:

Date	Terms of 2020	Contents of Proposals	Opinions of the Audit Committee and Treatment by the Company
03/17/2020	9 th	1. Proposal of the 2019 "Internal Control System Effectiveness Assessment". 2. Proposal of 2019 business report, the consolidated financial statements, and the parent company only financial statements. 3. Proposal of the distribution of 2019 earnings. 4. Proposal of the distribution of 2019 cash dividends from earnings. 5. Proposal of the update of CPAs. 6. Proposal of the appointment of the accounting officer, corporate governance officer and spokesperson of the Company.	1. All members of the audit committee presented at the meeting agreed without objection. 2. The Company's treatment to opinions by members of the audit committee: None.
04/30/2020	10 th	1. Proposal of 2020Q1 consolidated financial statements. 2. Proposal of seasoned equity offering to Enrich Investment Corporation by the Company.	
08/10/2020	13 th	1. Proposal of 2020Q2 consolidated financial statements. 2. Appointment of the financial supervisor of the Company.	
11/09/2020	14 th	1. Proposal of the 2021 internal audit plan. 2. Proposal of 2020Q3 consolidated financial statements. 3. Proposal of the appointment of CPAs for the audit of 2021 financial statements. 4. Proposal of the investment in Vietnam.	
12/10/2020	15 th	1.To approve the amendment of the "Procedures for Acquisition or Disposal of Assets". 2.To approve the amendment of the "Procedures for Lending Funds to Other Parties". 3.To approve the amendment of the "Procedures for Endorsements and Guarantees".	

(II) Except the preceding ones, other resolutions which were not approved by the audit committee but were approved by two thirds or more of all directors: None.

II. Recusals of independent directors due to conflicts of interests: None.

III. Communication between independent directors, the internal audit officer, and CPAs (which should include the major issues, channels, and results of the audits on the corporate finance and/or operations, etc.):

(I) Communication between independent directors and internal audit officer:

In addition to sending the monthly audit reports to independent directors, the internal audit officer also regularly convenes the quarterly meeting of the audit committee to present the audit reports to independent directors, and communicate with the members the results of the audit reports and the implementation status of reports.

Date	Terms of 2020	Communications between the Independent Directors and the Independent Auditors
03/17/2020	9 th	Report on the Implementation of the Internal Audit Plan from October 2019 to February 2020.
		Report on the Evaluation Plan of the Effectiveness of the 2019 Internal Control System.
04/30/2020	10 th	Report on the Implementation of the Internal Audit Plan on March 2020.

Date	Terms of 2020	Communications between the Independent Directors and the Independent Auditors
08/10/2020	11 th	Report on the Implementation of the Internal Audit Plan from May to June 2020.
		Report on the Addition of Manpower of the Internal Audit Office.
11/09/2020	12 th	Report on the Implementation of the Internal Audit Plan from July to September 2020.
		Review of the 2021 Audit Plan.
12/10/2020	12 th	Report on the implementation of the internal audit plan from July to September 2020.

Conclusion: The aforementioned matters were approved the audit committee and the independent directors had no objections.

(II) Communication between independent directors and CPAs:

The CPAs have to present the findings of their quarterly review of audits on the Company's financial results. Under applicable laws and regulations, the CPAs are also required to communicate to the audit committee any material matters that they have discovered..

Date	Communications between the Independent Directors and the CPAs
12/21/2020	Report on the financial positions, operating performance, and the key audit matters of the 2020 financial statement audit.
	The latest regulatory changes and matters to be followed.
	The CPAs responded to the questions raised by the members of the audit committee.

Conclusion: The aforementioned matters were approved the audit committee and the independent directors had no objections.

(III) Implementation of corporate governance, differences between the implementation results and the contents of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and the reasons of the differences:

Evaluation Item	Implementation Status			Differences and Reasons of the Differences
	Yes	No	Explanation	
I. Does the Company follow the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" to establish and disclose its corporate governance practices?	✓		The board of directors established the "Corporate Governance Principles" on November 10, 2014 and the relevant matters were revealed in the Company/s website and the Market Observation Post System.	No differences
II. The Shareholding Structure & Shareholders' Rights				
(I) Does the Company establish the internal operating procedures to handle the shareholders' proposals, inquiries, disputes and litigations issues? If yes, has these procedures been implemented accordingly?	✓		(I) The Company has established the channels, including the investor relation function and corporate investor relations websites, dedicated to handling the shareholders' proposals or disputes issues.	No differences
(II) Does the Company possess a list major shareholders and beneficial owners of these shareholders?	✓		(II) The Company owns the list of major shareholders and beneficial owners of these shareholders. The Company regularly declares the changes in the shareholdings of directors, managers, and major shareholders holding more than ten percent of the shares of the Company, as well as regularly announces in the Market Observation Post System on a monthly base.	No differences
(III) Has the Company built and executed a risk management system and firewall mechanism between the Company and its affiliates?	✓		(III) The Company has established operating procedures in accordance with relevant regulations, and has established the "Transaction Procedures for Related Parties, Specific Companies and Affiliates", "Procedures for Endorsements and Guarantees", "Procedures for Lending Funds to Other Parties", and "Procedures for Acquisition or Disposal of Assets." to establish appropriate risk control mechanisms and firewalls.	No differences
(IV) Has the Company established the internal guidelines prohibiting insider trading on the undisclosed information?	✓		(IV) The Company has established the "Operating Procedures for Handling Material Information and Preventing Insider Trading" which covers the relevant regulations on prevention of insider trading.	No differences
III. Composition and Responsibilities of the Board of Directors				
(I) Has the board of directors established a diversification policy of the composition of the board of directors and has it been implemented accordingly?	✓		(I) On November 10, 2014, the "Corporate Governance Principles" of which the diversification approaches have been adopted in "Enhancement of the Functions of the Board of Directors" of Chapter 3 was passed in the meeting of the board of directors. The nomination and selection of the board members comply with articles of incorporation and the Company adopts the candidate nomination system. Other than evaluation of candidates' qualifications including	No differences

Evaluation Item	Implementation Status			Differences and Reasons of the Differences
	Yes	No	Explanation	
(II) Other than the remuneration committee and the audit committee which are required by law, does the Company plan to set up other functional committees voluntarily?	✓	✓	education and experience, the Company also refers to opinions of stakeholders as well as comply with the “Rules for Election of Directors and Supervisors” and “Corporate Governance Principles” in order to ensure the diversity and independence of board members. According to the “Corporate Governance Principles”, the composition of board members shall be determined by consideration of diversification and formulating an appropriate approach on diversification based on the Company's business operations and development needs. There are seven directors with different professional background in the current board of directors. The members include professors, senior industry professionals, professional managers, and two of them are female directors. Currently, there are three independent directors. Please refer to Note 1 and Note 2 for the specific management objectives and implementation status of the Company's diversification policy for the board of directors.	Evaluation carefully
(III) Has the Company established the methodology for evaluating the performance of the board of directors, and use results as reference for directors' remuneration and renewal?	✓		(III) On November 9, 2020, the board of directors of the Company has passed the “Rules for Performance Evaluation of the Board of Directors”. The internal performance evaluation shall be conducted at least once a year and the performance evaluation by external independent institutions or panel of external experts and scholars shall be conducted at least once every three years. The Company completed the board evaluation by the end of 2020. And the evaluation was presented in the board meeting held on March 19, 2021 as a reference for the continuous improvement of the functions of the board of directors. The board of directors are assessed on the following eight aspects: (1) Understanding of the Company's goals and mission (2) Involvement in the Company's operation (3) Internal relationship management and communication (4) Enhancement of the quality of the board's decision-making (5) Composition and structure of the board of directors (6) Awareness of directors' responsibilities (7) Election of board members and continuous knowledge development (8) Internal control This performance evaluation was conducted in the way of internal questionnaire based on two aspects, operation of the board of directors and directors' involvement, enabling directors to evaluate their functions over the operation of the board of directors. The evaluation results showed that the achievement rate was 98%. According to the evaluation results in 2020, the board of directors functioned well. According to the provisions in Article 30 of the articles of incorporation, the director compensation shall not exceed the 1% of annual profit. The remuneration committee and the board of directors decide the director compensation based on the Company's operating results, the “Remuneration Guidelines for Directors and Members of Functional Committee”, and the evaluation results.	No differences
(IV) Does the Company regularly evaluate the independence of CPAs?	✓		(IV) The Company regularly evaluates the independence and competence of CPAs every year, and submits the evaluation results to the audit committee and the board of directors for review and approval. Please refer to Note 3 for details of the assessment items. After confirming that there are other financial interests or business relationship except audit and taxation fees between the CPAs and the Company, and the CPAs' family members do not violate independence requirements, the resolution of the independence assessment of CPAs was approved by the meeting of the board of directors held November 9, 2020 with the approval of the meeting of the audit committee held on the same day.	No differences
IV. Does the Company appoint the competent and appropriate corporate governance personnel and the corporate governance officer to be responsible for corporate governance	✓		I. On March 17, 2020, the Company, after a resolution adopted by the board of directors, hired Kathy Chen to take part as a role of financial division and corporate governance officer responsible for supervision and planning of corporate governance. Chen's qualifications meet the requirements of	No differences

Evaluation Item	Implementation Status			Differences and Reasons of the Differences
	Yes	No	Explanation	
matters (including but not limited to furnishing required information for business execution by directors and supervisors, assisting compliance of laws, handling matters related to the meetings of the board of directors and shareholders' meetings in accordance with the laws, and recording meeting minutes of the board of directors and shareholders' meeting)?			<p>the position in the provisions regarding the corporate governance officer set out in Paragraph One of Article 3-1 of the "Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies". The major responsibilities of the corporate governance officer include providing the information required by the directors and audit committee and the latest regulations regarding corporate operation, providing assistance in legal compliance of the directors and audit committee, handling matters related to the meetings of the board of directors and shareholders' meetings in accordance with the laws, preparing the meeting minutes of the board of directors and shareholders' meetings, and providing assistance in assuming office to directors and the audit committee members and continuous education.</p> <p>II. The execution in 2020 is updated as follows:</p> <ol style="list-style-type: none"> 1. Assist all directors to perform their duties, provide the required information and arrange the continuous education for directors. 2. Regularly inform the board members dedicated to the revised regulations regarding corporate business operation and corporate governance. 3. Inspect the confidential levels of relevant information and provide the corporate information required by the directors to maintain the communication and smooth interaction between directors and manager. 4. Assist the board of directors and shareholders in the compliance of meeting and resolution procedures. 5. Review the release of announcement of material information upon the adoption of important resolutions after the meetings to ensure the compliance and correctness of the material information and the information transparency to investors.. 6. There were eight meetings of the board of directors and five meetings of the audit committee convened in 2020. 7. There were one general shareholders' meeting was convened in 2020 and one extraordinary shareholders' meeting once was held on January 2021. 8. The all board members have completed continuous education. 9. The evaluation result of the performance evaluation of the board of directors showed excellence. 10. Regularly arrange the annual investor conference and maintain the communication channels with investors. <p>III. Please refer to Note 4 for the continuous education status of the corporate governance officer.</p>	
V. Has the Company established a means of communicating with stakeholders (including but not limited to shareholders, employees, customers, suppliers and so on.) or created a stakeholder section on the Company's website in response to stakeholders' questions on corporate responsibilities?	✓		<p>The Company has built the stakeholder mailbox on its website that is used as the channels of communication in response to important issues on corporate social responsibility concerned by stakeholders in a proper manner and in good faith in 2015. We also regularly disclose the financial and business information of financial conditions and operations on the Market Observation Post System (MOPS) and on the website established by the Company. Moreover, we will timely release announcement of material information dedicated to events that result in significant impact on stakeholders.</p> <p>Since 2021, the Company submits the report of "Corporate Social Responsibility Implementation Plan and Achievement" to the board of directors every year. For details, please refer to the Company's Corporate Social Responsibility Report.</p>	No differences
VI. Has the Company appointed a registrar for the matters of the shareholders' meeting?	✓		The Company has appointed CTBC Bank Co., Ltd. Stock Affairs Department as the registrar for the shareholders' meeting.	No differences
VII. Information Disclosure				No differences
(I) Has the Company set up a website containing the information regarding the financial, business operations, and corporate governance status?	✓		(I) The Company has established the Investor Relations section in its website in Chinese, and English and Simplified Chinese (www.alphanetworks.com) that discloses the information regarding financial, business operations, and corporate governance and the Company also discloses the information in Market Observation Post System in accordance with related regulations.	
(II) Does the Company use other information disclosure channels (such as setting up the English website, appointing personnel responsible for gathering and disclosing the information, establishing a spokesperson system, and webcasting the investor conference etc.)?	✓		(II) The Company has set up a Chinese and English corporate website to provide relevant information for shareholders and interested parties (www.alphanetworks.com, Chinese and English version), and appointed Shao-ling, Chen as the spokesperson. Dedicated personnel are responsible for company information collection and disclosure and provide the replays of investor conferences on the corporate website.	

Evaluation Item	Implementation Status			Differences and Reasons of the Differences
	Yes	No	Explanation	
(III) Does the Company publicly announce the annual financial reports within two months after the end of each fiscal year, and announce the first, second, and third quarter financial reports as well as the operating prior to the designated deadlines?	✓		(III) The Company publicly announced the 2020 consolidated financial statements and parent company only financial statement on March 19, 2021. The 2020 first quarter financial statements were publicly announced within the designated deadlines. The 2020 second quarter and third quarter financial statements, plus the monthly operating status, were publicly announced on the Market Observation Post System prior to the designated deadlines and then showed on the Company's website.	
VIII. Has the Company disclosed other important information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholders' rights, continuing education records of directors and supervisors, risk management policy and execution of risk measurement standards, execution of customer policy, and purchasing liability insurance directors and supervisors.)?	✓		<p>(I) Employee Rights and Employee Care: The Company has always placed great emphasis on talent development; we encourage employees to participate in training courses, arrange a multitude of welfare measures and have an Employee Safety and Health Department in place to prevent and share information on hazard prevention. Furthermore, health seminars and checkups are organized from time to time to provide assurance over employees' safety and health.</p> <p>(II) The Investor Relations: The finance division has designated personnel to handle shareholder-related matters. In accordance with relevant regulations, the designated personnel will immediately announce information about financial, business, and insider shareholding changes in the Market Observation Post System in accordance with relevant regulations to achieve the publicity and transparency of information. Besides, there is the investor contact information in the corporate website.</p> <p>(III) The Company maintains good relationships with suppliers for mutual benefits.</p> <p>(IV) The Company has created a Stakeholders Engagement section on its website and assigned dedicated personnel to maintain communication channels with stakeholders and disclosed the related information in the Corporate Social Responsibility Report. The Company also sponsors Alpha Foundation, an organization dedicated to caring for the underprivileged, feedback to the society, and engaging in educational, cultural and charitable events</p> <p>(V) The continuing education status of directors in 2020 was handled in accordance with the Taiwan Stock Exchange Co., Ltd.'s "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". Please refer to the continuing education status for 2020 continuing education status for directors.</p> <p>(VI) Purchase of Liability Insurance for Directors: The Company has purchased liability insurance for directors and key personnel. Details of insurance coverage have been submitted to the board of directors and posted onto TWSE's Market Observation Post System.</p>	No differences
<p>IX. The improvement status for the results of Corporate Governance Evaluation announced by Governance Center of Taiwan Stock Exchange Corporate (TWSE) in recent years. In addition, the Company shall propose the first priority matters and measures.</p> <ol style="list-style-type: none"> 1. The Company has included functional committees in the performance evaluation scope of the board of directors since 2020. The Company completed the performance evaluation of the board of directors, including functional committees, on December 31, 2020. The evaluation results have been submitted to the board of directors on March 19, 2021. 2. The Company appointed the corporate governance officer and it was approved by the board of directors on March 2020. 3. The Company will continue to cooperate with the authority to execute and improve corporate governance evaluations in the future. 				

Note 1: The implementation status of the goals of the diversification policy for the members of the board of directors is as follows:

Goals	Progress Made
The directors concurrently acting as managers of the Company shall not exceed more than one-third of total directors.	Done
Two female members of directors	Done
The term of office of independent directors shall not exceed three terms	Done

Note 2: The implementation status of the diversification policy for the members of the board of director in 2020 is as follows:

Name	Title	Gender	Professional Knowledge and Skill	
			Industry or Technology	Business/Laws/Finance
Wen-Fang (April) Huang	Director: Representative of institutional Chairman of Qisda Corporation	Female	✓	
Chi-Hong (Peter) Chen	Director: Representative of Qisda Corporation	Male	✓	
Yu-Chin Lin	Director: Representative of Qisda Corporation	Male	✓	
Chiu-Chin (Jasmin) Hung	Director: Representative of Qisda Corporation	Female		✓
Shu-Hsing Li	Independent Director	Male		✓
Ming-Der Hsieh	Independent Director	Male	✓	
Cheng-Jung Chiang	Independent Director	Male	✓	

Note 3: Assessment of independence and competence of CPAs is as follows:

Evaluation items	Result	Independence
1. Whether the CPAs have a direct or significant indirect financial interests relationship with the Company	No	Yes
2. Whether the CPAs have any financing or guarantee arrangements with the Company or the directors of the Company	No	Yes
3. Whether the CPAs have a close business relationship and potential employment relationship with the Company?	No	Yes
4. Whether the CPAs and their audit team members currently or in the past two years have served as directors, managers or positions that have a significant impact on the audit assignment in the Company	No	Yes
5. Whether the CPAs provide the company with non-audit services that may directly affect the audit assignment?	No	Yes
6. Whether the CPAs broker the stocks or other marketable securities issued by the Company?	No	Yes
7. Whether the CPAs act as the defenders of the Company or coordinate conflicts with other third parties on behalf of the Company?	No	Yes
8. Whether the CPAs are related to the Company's directors, managers, or persons with positions that have a significant influence on the audit case	No	Yes

Note 4: The continuing education status of the corporate governance officer is as follows:

Date		Host by	Courses	Hours	Total Hours
From	To				
08/26/2020	08/26/2020	Securities & Futures Institute	Practical Seminar for Directors, Supervisors (Independent Directors included), and Corporate Governance Officers	12	18
02/26/2021	02/26/2021	Securities & Futures Institute	Advanced Seminar for Directors, Supervisors (Independent Directors included), and Corporate Governance Officers - " Analysis of Cases on the Crime of Breach of Trust and Special Breach of Trust by Directors and Supervisors "	3	
02/26/2021	02/26/2021	Securities & Futures Institute	Advanced Seminar for Directors, Supervisors (Independent Directors included), and Corporate Governance Officers - "Warning and Analysis of Corporate Financial Crisis"	3	

(IV) Composition, Duties, and Operations of the Company's Remuneration Committee:

1. Information regarding the members of the remuneration committee

Position	Criteria	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 1)										Number of Other Public Companies Concurrently Serving as a Remuneration Committee Member	Remarks
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Ming-Der Hsieh	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	0	Elected on January 28, 2021
Independent Director	Shu-Hsing Li	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	2	Elected on January 28, 2021
Independent Director	Cheng-Jung Chiang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	3	Elected on January 28, 2021
Independent Director	Mao-Chao Lin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Dismissed on January 28, 2021
Independent Director	Harry Huang	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Dismissed on January 28, 2021
Others	I-Wen Chou	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Dismissed on January 28, 2021

Note 1: Please add "✓" in the field under each criteria number if the member meets any of the following situations during the two years before being elected and during the term of office.

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a director or supervisor of the Company or any of its affiliates (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.);
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or is ranked in the top 10 shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, or any of the officers in the preceding 1 subparagraph, or any of the above persons in the preceding subparagraph 2 and 3;
- (5) Not a director, supervisor, or employee of a institutional shareholder that directly holds five percent or more of the total number of issued shares of the Company, ranks as of its top five shareholders, or has representative director(s) serving on the board of directors based on paragraph 1 or 2, Article 27, of the Company Act (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.);
- (6) Not a director, supervisor, or employee of a company of which the majority of the board seats or voting shares is controlled by the same person (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.);
- (7) Not a director, supervisor, or employee of a company or institution of which the chairman or president (or equivalent) themselves or their spouses also serve as the Company's chairman or president (or equivalent);
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the Company (Do not apply in cases where the specified company or institution holds more than twenty percent but less than fifty percent of the Company's issued shares and are the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.);
- (9) Other than serving as a remuneration committee member of the Company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof, and the service provided is an audit service or a non-audit service which the total compensation within the recent two years exceeds NT\$500,000; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations; and
- (10) Not been involved in any of situations defined in Article 30 of the Company Act.

2. Information of Operations of the Remuneration Committee

(1) There are three members in the remuneration committee.

(2) Term of the current Committee: From August 6, 2018 to August 5, 2021. Three meetings of the remuneration committee are convened in 2020 and the attendance information is as follows.

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Chairperson	Mao-Chao Lin	3	—	100	Dismissal on January 28, 2021
Member	Ming-Fu Huang	3	—	100	Dismissal on January 28, 2021
Member	Yu-Wen Chuo	2	1	67	Dismissal on January 28, 2021

Other mandatory disclosures:

I. Contents & results of resolutions of the remuneration committee, and ways the Company handled opinions from committee members in 2020:

Date Meeting session	Contents of Resolutions	Results of Resolutions	Company's Response to the Opinions from the Remuneration Committee
02/19/2020 4 th of the 4 th term	<u>Report on Affairs:</u> 1. The updates of the Company's managers 2. The status of the implementation of the restricted employee rights of shares <u>Discussion of Affairs:</u> 1. Proposal of the variable compensation of managers 2. Formulation of the "Self-Evaluation or Peer Evaluation of the Board of Directors of Alpha Networks Inc." 3. Proposal of the compensation to the representatives elected as directors and supervisors of the Company	All attending members of the remuneration committee agreed.	The resolution of the board of directors was approved by all the attending directors.
03/12/2020 5 th of the 4 th term	<u>Report in Affairs:</u> 1. Proposal of distribution of 2019 employee compensation (including incentive bonus) and director compensation.	All attending members of the remuneration committee agreed.	The resolution of the board of directors was approved by all the attending directors.
10/07/2020 6 th of the 4 th term	<u>Report on Affairs:</u> 1. The Company's manager changes 2. Current status of the implementation of t restrict employee rights <u>Discussion of Affairs:</u> 1. Proposal of special leaves for managers <u>Questions and Motions:</u> To propose the incentive plan on the 7 th meeting	All attending members of the remuneration committee agreed.	The resolution of the board of directors was approved by all attending directors.

II. If the board of directors chooses not to adopt or revise recommendations proposed by the remuneration committee, the date of the meeting of the board of directors, session, contents of proposals, results of resolutions, and the Company's actions toward opinions provided by the remuneration committee shall be described in detail (also, where the salary and compensation approved by the meeting of the board of directors is better than the one recommended by the remuneration committee, the differences and the reason for the approval shall be described in detail): None.

III. For the resolutions made by the remuneration committee, if there are members who hold objection or reservation to a resolution and such objection or reservation is on record or raised through a written statement, the date, session, contents of proposals, all members' opinions, and ways in handling these opinions should be elaborated: None.

Note: The members of the remuneration Committee in the 5th term were elected on January 28, 2021.

(V) Status on Execution of Social Responsibility, the Differences between the Execution and the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, and the Reasons of the Difference:

Evaluation Items	The Executions (Note 1)			Differences between the Execution and the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and the Reasons of the Differences
	Yes	No	Summary (Note 2)	
I. Does the Company follow materiality principle to conduct the risk assessment for environmental, social and corporate governance topics related to corporate operation, and establish risk management related policy or strategy?	✓		<p>The Company refers to the GRI Standards and lists the sustainable development issues related to the Company which are divided into sustainable economy, environment and society, and a total of 21 issues of concern to stakeholders are listed. Stakeholder questionnaire surveys are conducted every year (Total received 543 valid questionnaires in 2020). The Company understand the needs and expectations of stakeholders through communication with stakeholders. The opinions of stakeholders can assist the Company to review and plan corporate strategies, and create the value to stakeholders.</p> <p>At the same time, the Company has formulated the "Management Procedures for Assessment of Operational Continuing Risks" to formulate, evaluate and manage policies and strategies for the risks of the business operation and corporate governance issues.</p> <p>(1) Each BU and functional units use strategic analysis tools to implement risk assessment, analysis and control, and formulate their own operating strategies every year.</p> <p>(2) According to the risk and strategy analyzed by the strategic tools, the department head decides whether to implement the improvement strategies (qualitative risk analysis).</p> <p>(3) Conduct continuous operation plan implement every year. 4 BCPs are done in 2020.</p>	No differences
II. Does the Company have a dedicated (or ad-hoc) CSR organization with the authorization of board of directors for senior management who reports to the board of directors?	✓		<p>The Company has set up a Corporate Social Responsibility Committee to execute corporate social responsibility activities and report to the senior management since 2018. Wen-Fang Huang, the chairman of the Company, authorized the CSR Committee to analyze the main issues of corporate governance, environment and society, and integrate internal organizations based on the Company's operational development goals and global sustainable development trends. The Company completed the CSR report by multiple resources such as including the chairman's office and president's office, legal office, audit office, accounting & finance center, business units, manufacturing center, quality center, labor safety department, human resources department, and Alpha Foundation.</p> <p>In accordance with the "Rules Governing the Preparation and Filing of Corporate Social Responsibility Report", the Company executes operations and reports to the senior management every year, and completes the annual corporate social responsibility report which is uploaded onto the Market Observation Post System before June 30.</p> <p>Starting from 2017, the Company has completed four corporate social responsibility reports to disclose to stakeholders.</p> <p>The Company also regularly reports to the board of directors every year, and the Company already reported the 2020 implementation status of CSR in the board of directors on March 19, 2021.</p>	No differences
III. Environmental Issues (I) Does the Company establish an environmental management system according to industry characteristics?	✓		<p>(I) The Company has established an environmental management system based on the ISO 14001 standard to execute environmental management activities. The Company implements internal environmental activities and audit activities every year, and passed 2015 ISO14001 certification by the certificate authority. At the same time, in order to effectively implement the management of hazardous substances and reduce greenhouse gas emissions, the relevant management system has been established and the Company also obtained the 2017 IECQ QC080000 and the 2006 ISO 14064-1:2006 certifications. The relevant environmental</p>	No differences

Evaluation Items	The Executions (Note 1)			Differences between the Execution and the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and the Reasons of the Differences
	Yes	No	Summary (Note 2)	
(II) Is the Company committed to enhancing resource efficiency and to the use of recycled materials with low environmental impact?	✓		<p>management systems have effectively reduced the impact on environment. The Company completed five system target activities for ISO14001 management system in 2020.</p> <p>(II) All products of the Company are complied with EU RoHS, WEEE and other instructions, and the Company continues to execute product performance improvement to meet the requirements of the EU ErP directive under strict control. In the product development stage, Life Cycle Thinking (LCT) is introduced, and green design concepts are successively added, and adjustments are made in accordance with the updates of international environmental regulations.</p> <ol style="list-style-type: none"> 1. The Company follows the EU WEEE product design principles, chooses the components that can be recycled and reused as much as possible, and avoids coating, welding and adhesion and other difficult-to-disassemble designs. The Company meets WEEE requirements and makes product dismantling manuals and WEEE 3R report related technical documents to ensure that the product recovery rate target is achieved. 2. The concept of life cycle is introduced in the product development stage. It is expected that at all stages of the product life cycle, including the acquisition of raw materials, manufacturing, distribution and sales, use and waste recycling, etc., the major environmental considerations can be identified, and the goal is to minimize the environment impact. 3. The energy efficiency of the product is based on the EU's ErP and the consideration of the relevant implementation method (EC) No.1275/2008 Energy consumption in standby and shutdown modes of household or office equipment, and (EU) 2019/1782 external power supply. 4. With the green material management platform and under strict internal control of the Company, except for the introduction of lead-free manufacturing processes, all manufacturing parts are complied with EU RoHS and REACH regulations. 	
(III) Does the Company evaluate the current and future climate change potential risks and opportunities and take response measures to climate related issues?	✓		<p>(III) The Company is well aware of the impact caused by the earth's climate, ecology and environment. As a member of the global citizen, the Company shall fulfill the corporate responsibilities in order to respond to the global green new deal and green economy. Since 2013, it has participated in the "Carbon Disclosure Project (CDP)" and registered the greenhouse gas inventory records on the project website. After the disclosure, CDP will announce the annual disclosure and performance results for customers and relevant interested parties for reference. The 2020 projects included the disclosure of climate change, water and supplier participation. The Company will continue to pay attention to global climate change and other related issues, and work together to improve. The 2020 CDP scores were: Climate Change: C, Water Security: B-, Supplier Engagement Rating: B-.</p>	
(IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity over the past two years, and formulate policies regarding carbon reduction, greenhouse gas emission reduction, water consumption reduction or other waste management?	✓		<p>(IV)The company collects data about greenhouse gas emissions, water consumption, and total waste weight every year, and formulates energy saving and carbon reduction, greenhouse gas reduction, water consumption reduction, and waste management, which are disclosed in the annual corporate social responsibility report. Relevant statistics in 2020 are as follows:</p> <ol style="list-style-type: none"> 1. The Company, Hsinchu Plant, uses the 2008 as the base year. The direct energy greenhouse gas emissions of Scope 1 of the base year was 130.11 metric tons of CO₂e, accounting for 1.68% of the Company's emissions. Scope 2 indirect energy greenhouse gas emissions is electricity. Indirect greenhouse gas emissions were 7610.38 metric tons 	

Evaluation Items	The Executions (Note 1)			Differences between the Execution and the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and the Reasons of the Differences
	Yes	No	Summary (Note 2)	
			<p>of CO₂e, accounting for 98.32% of the company's emissions, and the total (Scope 1 and Scope 2) was 7740.49 metric tons of CO₂e in 2008.</p> <p>2. The sewage produced by the Company is general sewage and kitchen sewage. Because it is not the waste water produced by the manufacturing process, it only discloses the sewage including the discharge water test: entrust the environmental inspection and measurement approved by the Environmental Protection Department of the Executive Yuan R.O.C (Taiwan) every year. The organization conducts the test and saves the test report. Flowmeter calibration uses the calibration ruler to actually measure the overflow height of the water in the triangle weir tank and records it. The sewage discharge was 27.749 tons in 2020.</p> <p>3. The Company formulates waste management procedures and establishes an effective internal waste management system to avoid environmental pollution due to improper waste management. Waste is divided into general waste, hazardous industrial waste and general industrial waste. The Company sets up a waste storage area that meets the requirements and entrust a waste cleaning company that has been approved by the government and has not been penalized in the past year for disposal. According to statistics, the 2020 output of resource waste and general industrial waste has increased significantly compared with that in 2019. The results were mainly due to the increase in production capacity and the increase in waste plastic mixture by 25,195 kg and the increase in scrap iron from equipment and engineering by 11,776.8 kg. Back-end products returned to Taiwan for processing waste paper boxes increased by 85,340 kg, food waste increased by 27,690 kg, resource waste increased by 129,804.2 kg, and general industrial waste increased by 25,370 kg. The output of hazardous industrial wastes in 2020 decreased by 6,125.7 kg compared with that in 2019.</p>	
IV. Social Issues				
(I) Does the Company set up policies and procedures in compliance with laws and regulations as well as the international recognized human rights principles?	✓		<p>(I) The Company abides by the Labor Standards Act, and formulates work rules for employees in accordance with the law, and implements them after reporting to the Hsinchu Science Park Administration for approval to protect the legitimate rights and interests of employees. In addition, an employee welfare committee is set up, which is functioned by labor representatives through internal elections of employees. This committee can plan and handle employee welfare matters. The Company obtained the CSR declaration in 2017, and asked suppliers to follow the Responsible Business Alliance Code of Conduct (RBA).</p> <p>Moreover, according to the Company's hiring principles, the public recruitment and selection will be performed based on actual business needs. The Company puts the talent to better use and designate such talent to areas where they can thrive. No matter the ethnic or national origin of the person, race, color, age, gender, sexual orientation, gender identity, expression, nationality or area, physical disabilities, pregnancy, belief, political inclination, background, family responsibility, identity of soldiers dismissed from the military, genetic informatics or marital status and only it is otherwise expressly provided by the act, there shall be no unequal treatment or behaviors. And, the Company never hires children workers and ban forced laboring.</p>	No differences
(II) Does the Company establish and implement the rational employee benefit measures (including remuneration, leave and other benefits...etc.), link operational performance or achievements with	✓		<p>(II) The Company consistently applies its management philosophy based on respect for human dignity and care of employees. In order to fully support the mental and physical health of employees and their families and life guarantees, the Company specifically</p>	

Evaluation Items	The Executions (Note 1)			Differences between the Execution and the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and the Reasons of the Differences
	Yes	No	Summary (Note 2)	
employee remuneration?			provides the bonuses for Taiwan’s three main annual festivals, performance bonuses, operation bonus, pay leaves, group insurance, health inspections, and so on. Moreover, besides relevant regulations on remuneration, time off and benefits in the work rules, there are also management rules such as salary management rules, employee leave management rules, overtime management rules, natural disaster leave standards, employee welfare subsidies, and wide-ranging benefits established in the work rules so that the employees can concentrate their attention and put considerable effort into work.	
(III) Does the Company provide a safe and healthy working environment to employees, with regular safety and health education?	✓		<p>(III) The Company strives to create a healthy and safe working environment, formulates occupational safety related regulations, conducts workplace hazard identification and risk assessment and change management, regularly implements occupational safety and health audits, and implements the Taiwan Occupational Safety and Health Management System (TOSHMS).</p> <p>In addition, the following measures and activities are also implemented to enhance the concept of labor safety and provide a healthy working environment for employees:</p> <ol style="list-style-type: none"> 1. The training organization arranges for each new employee to conduct general education training on safety, hygiene and hazards. 2. General safety and health on-the-job education and training of employees. 3. Training of employees for special operations, such as first aid personnel, ionizing radiation operators, organic solvent operations supervisors, stacker operators, etc. 4. Relevant organizations conduct regular environmental and facility inspections weekly and monthly. 5. The work environment shall be tested regularly for organic solvents, noise, carbon dioxide and lighting. 6. The company has set up sports venues and equipment in the factory for employees to exercise, and regularly conducts employee health inspections every year to maintain their physical and mental health. 	
(IV) Does the Company establish the effective career development training?	✓		<p>(IV) The Company knows that talents are the Company’s most valuable asset. It invests huge amounts of money and efforts year by year to provide employees with the best education opportunities, resources and development stages. According to the needs of colleagues at different stages, it plans a complete training system (New employees’ training/management Training/professional training/external training). In addition, the Company also provides employees with diversified courses through the e-learning platform to help employees develop their career capabilities.</p>	
(V) Does the Company’s products and services comply with relevant laws, regulations and international guidelines for customers’ health and safety, privacy, sales, labeling and set policies to protect customers’ rights and consumer apple procedures?	✓		<p>(V) All products are under strict control, comply with EU RoHS, WEEE and other directives, and the Company continues to execute product performance improvement to meet the requirements of the EU ErP directive. In the product development stage, Life Cycle Thinking (LCT) is introduced, and green design concepts are successively added, and adjustments are made in accordance with the updates of international environmental regulations.</p> <p>Through customer satisfaction questionnaire surveys and objective methods, the Company hopes to understand whether the products and services provided can meet customer needs from different customer groups, as a basis for continuous improvement.</p> <p>The Company's website has set up for interested parties, and a dedicated person is responsible for handling related matters.</p>	

Evaluation Items	The Executions (Note 1)			Differences between the Execution and the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and the Reasons of the Differences
	Yes	No	Summary (Note 2)	
(VI) Does the Company establish the supplier management policy and ask the suppliers to follow the related rules for the issues of environmental protection, occupational safety and health or labor rights and the implementation status?	✓		<p>(VI) The Company asks suppliers from all countries to fully comply with all relevant local laws and regulations. At the same time, the Company also cares about the management labor rights, environmental protection, and safety and health risks for the supply chain. According to the RBA Responsible Business Alliance Code of Conduct, the Company sets the basic guidelines for suppliers and asks suppliers to comply with relevant social responsibility and integrity commitments. The Company continues to implement supplier annual audits and new supplier introduction, and requires all suppliers to comply with the standard for labor rights, health and safety, environmental protection, ethics, management systems, and social impact. Suppliers are required to implement procurement management based on the green supply chain in addition to the evaluation of Quality, Cost, Delivery, Service and Technical capabilities. The control of hazardous substances is also included in the incoming material inspection procedures. Suppliers are required to immediately propose corrective and prevent recurrence measures for the raw materials of the anti-controlled substance regulations. The Company develops its own supplier trading platform, strictly abiding by the Personal Data Protection Act and confidentiality agreements, and jointly creates a safe and smooth platform environment.</p> <p>The average ratio of excellent (A) and good (B) suppliers was 94.63%, and the ratio of poor (E) suppliers was 1.34% in 2020. The Company asks the inferior (E)-level suppliers to improve on a project basis, and continuously asks the normal (C) and poor (D)-level suppliers to improve through counsel in order to enhance the overall delivery quality of suppliers.</p>	
V. Does the Company refer to international reporting rules or guidelines to publish the CSR report to disclose non-financial information of the Company? Has the Company obtained a 3 rd certification party verification or statement of assurance?	✓		<p>The Company’s corporate social responsibility report was compiled with the latest GRI International General Report Preparation Guidelines (GRI Standard) and verified by the 3rd certification party of Taiwan German Rhein Technology Guardianship Co., Ltd. AA1000 Type I Moderate Assurance Level.</p> <p>From 2018 to 2020, there were four corporate social responsibility reports completed, all of which have been passed through AA1000 of Taiwan German Rhein Technology Guardianship Co., Ltd.</p> <p>Type I moderate assurance level verification.</p>	No differences
<p>VI. If the Company has established its own corporate social responsibility code of practices according to the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”, please describe the operational status and differences.</p> <p>The Company has established its own code of practices for corporate social responsibility, and its related operations are implemented in accordance with the content of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", and there are no major differences.</p>				
<p>VII. Other important information to facilitate better understanding of the Company’s implementation of corporate social responsibility:</p> <p>Since 2018, the Company has issued a corporate social responsibility report every year, disclosing to all stakeholders of the operations, corporate governance, environmental protection, employee rights and social participation and other-oriented investment and performance. The report is available in Chinese and English. The content is published on the Company's website https://www.alphanetworks.com, and it is available for all stakeholders to download and read.</p>				

(VI) Implementation of Integrity, Deviations and Causes of Deviations between Implementation and the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”:

Assessment Items	Implementation Status			Differences between Implementation and the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Causes of the Differences
	Yes	No	Summary	
I. Establishment of the Corporate Ethics Policy and Implementation Measures				
(I) Does the Company establish the clear ethical management policies approved by the board of directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policies from the board of directors and senior management?	✓		(I) The Company is willing to take social and environmental responsibilities and abide by corporate ethics practices, enhance the Company’s social image and comply with international standards for labor, health and safety, environmental protection, and ethics and so on. The Company has established "Integrity Management Code" and "Ethics Code of Conduct" and "Alpha Networks Inc.’s Working Rules" which ask the board members, employees of the company, and all employees of affiliated companies to avoid conflicts of interest, follow laws and regulations, strictly keep business secrets, and to report any illegal or unethical behavior etc. It is also regulated and monitored through reliable internal control and financial statements.	No differences
(II) Whether the Company has established the assessment mechanism for the risk of unethical behavior; regularly analyzes and evaluates within a business context, the business activities with higher risk of unethical behavior; has formulated a program to prevent unethical conduct with a scope on less than the activities prescribed in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”?	✓		(II) The "Integrity Management Code" was approved by the board of directors on May 2, 2015 and was implemented. The Company has formulated the "Integrity Management Code" and "Ethics Code of Conduct" and introduced the importance of integrity during internal training. Moreover, the Company is also committed to complying with the EICC (Electronic Industry Code of Conduct) to executing the integrity management, and to regularly cooperating with audits and revising after reviews. All employees of the Company should absolutely abide by the "Integrity Management Code", "Ethics Code of Conduct" and "Alpha Networks Inc.’s Working Rules". If a colleague is involved in corruption and fraud, he will be punished in accordance with the company's "Disciplinary Management Rules".	No differences
(III) Whether the Company has established relevant policies that are duly enforced to prevent unethical behavior, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?	✓		(III) The Company has formulated the "Integrity Management Code" and "Ethics Code of Conduct" and introduced the importance of integrity during internal training. Moreover, the Company is also committed to complying with the EICC (Electronic Industry Code of Conduct), to executing the integrity management, and to regularly cooperating with audits and revising after reviews.	No differences
II. Ethic Management Practices				
(I) Whether the Company has assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business agreements?	✓		(I) The Company will evaluate the integrity record for both suppliers and customers, and have relevant documents signed.	No differences
(II) Whether the Company has established the designated unit, set up under the board of directors, responsible for promoting the corporate ethics standards and regularly (at least once a year) reporting directly to the board of directors on its ethical management policy, prevention programs of unethical behavior and implementation status?	✓		(II) The Company has set up an integrity management group, including human resource and audit personnel, which is responsible in formulating the ethics regulations, providing ethics education programs, establishing the complaint channels, and doing the audits of ethics risks. Starting from 2021, the implementation status will regularly be reported to the board of directors every year.	No differences
(III) Whether the Company has established the policies for preventing conflicts of interests, providing the appropriate communication and complaint channels, and implementing strictly?	✓		(III) The Company has established and enforced the "Integrity Management Code", "Ethics Code of Conduct", and "Employee Work Rules" to prevent conflicts of interests. Employees may report any illegal or unethical conduct using "Employee Opinion Box" or directly to the Human Resources Division.	No differences
(IV) To implement relevant policies on ethical conducts, has the Company established the effective accounting and internal control systems, audit plans based on assessment of unethical conducts, and have its ethical conduct program audited by internal auditors or CPA periodically?	✓		(IV) The Company follows the requirements of laws and regulations, continuously revises the internal control system, and checks and evaluates the effectiveness of the implementation of the internal control system. The internal audit office draws up relevant audit plans based on the results of the risk assessment of dishonest conduct and conducts regular inspections. The internal audit office puts all the items required by laws and regulations in its annual audit items, and reports the audit results and improvements to the audit committee and the board of directors quarterly. The Company's accounting system is formulated in accordance with the	No differences

Assessment Items	Implementation Status			Differences between Implementation and the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Causes of the Differences
	Yes	No	Summary	
(V) Does the Company regularly provide the internal and external ethical conduct training sessions?	✓		requirements of laws and regulations. The CPAs also audit or review the Company's financial statements and issue audit or review reports, and regularly report the results of the audit or review to the audit committee. (V) In order to establish a corporate culture of integrity management, and to establish a good business operation structure, the Company has formulated the "Integrity Management Code", which is disclosed on the Company's website and is regularly reviewed and updated every year, and colleagues can reach the code in the internal E-learning platform. Besides, the Company has formulated a "Ethics Code of Conduct" and each newcomer is required to sign a letter of integrity ensure that every colleague knows and complies with it.	No differences
III. Implementation of Complaint Procedures (I) Does the Company establish the specific complaint and reward systems, set up the conveniently accessible channels as well as assign the appropriate special personnel to handle complaints received?	✓		(I) The Company has the "Ethics Code of Conducts", dedicated personnel, and reporting channels available to reflect and disclose issues to the senior management. Employees who are proven to have violated ethical behavior standards are handled according to the "Reward and Disciplinary Policy."	No differences
(II) Whether the Company has established the standard operating procedures for the investigating the complaints received, follow-up measures after investigation completed, and ensuring such complaints are handled in a confidentiality mechanism?	✓		(II) The Company's human resources department has established complete investigation procedures and related confidentiality mechanisms.	No differences
(III) Does the Company adopt the measures to prevent a complainant from retaliation for filing a complaint?	✓		(III) The Company has measures to protect complainants from being improperly handled due to complaints.	No differences
IV. Information Disclosure Does the Company disclose its business ethics guidelines as well as information about implementation of such guidelines on its websites and Market Observation Post System (MOPS)?	✓		The Company already discloses the "Integrity Management Code" in Market Observation Post System. The Company's website has set up a "Corporate Social Responsibility" area to state the contents of the integrity management policy and the execution status which are publicly disclosed in the company website: (https://www.alphanetworks.com/csr)	No differences
V. If the Companies has established corporate governance policies based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", please describe any discrepancy between the principles and the implementation. The Company established "Integrity Management Code" on May 2, 2016; there was no significant deviation in terms of overall implementation between the code and "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies."				
VI. Other important information to facilitate better understanding of the Company's corporate conduct and ethics compliance practices: (1) In the "Rules and Procedures of Meetings of the Board of Directors", there is a system for avoiding the interests of directors. If the proposals listed by the board of directors have an interest in the board of directors and the representative, which may be harmful to the Company's interests, the opinions and inquiries shall be stated. And the directors with interests shall not participate in discussion and voting, avoid during discussion and voting, and shall not act for other directors to exercise the voting rights. (2) The Company has a "Management Regulations for Prevention of Insider Trading", which clearly stipulates that directors, managers and employees shall not disclose material internal information they know to others, and must not inquire or collect information from persons who know material internal information of the Company. If the aforementioned persons knows the material internal information which are not related to their personal duties, they are not allowed to disclose the material internal information that is not disclosed by the company for reasons other than the execution of business. (3) The Company has established the "Integrity Management Code". In order to achieve a clean, transparent and responsible business philosophy, the Company formulates a policy based on integrity, and establishes a good corporate governance and risk control mechanism to create sustainable development operating environment. (4) Regarding the various operating procedures of daily operating activities, the Company has designed an appropriate internal control mechanism for operations that may have potential corruption risks to reduce the possibility of corruption and prevent problems before they occur. The internal audit office of the Company regularly evaluates the management status of the internal control mechanism, and collects suggestions from the senior executives of various departments on various potential risks (including fraud and corruption), formulates appropriate audit plans, and performs relevant audit based on them, and regularly reports to the audit committee and the board of directors on the results of the internal audit. By doing so, the management understands the current status of corporate governance and achieves management goals. (5) For other information about the company's integrity management, please refer to the Company's corporate social responsibility reports over the years, or refer to the corporate social responsibility section of the Company's website. (https://www.alphanetworks.com/csr)				

(VII) Disclose the Access to the "Corporate Governance Best Practice Principles" and Relevant Regulations:

The Company has established the "Corporate Governance Best Practice Principles" on November 10, 2014. For the Company's corporate governance executions, please refer to the chapter of Implementation of Corporate Governance of this annual report and corporate governance report. Regulations such as the Company's "Integrity Management Code", "Corporate Social Responsibility Code of Practices", "Prevention of Insider Trading Regulations", "Procedures for Acquisition or Disposal of Assets", "Rules and Procedure for Shareholders' Meeting", "Organizational Rules for the Audit Committee", "Organizational Rules for the Remuneration Committee", "Procedures for Endorsements and Guarantees", "Rule for the Board of Directors Self-evaluation or Peer-evaluation", "Rules and Procedure for Meetings of the Board of Directors", "Regulations for the Election of Directors", "Procedures for Lending Funds to Other Parties", "Ethics Code of Conducts", etc., have been formulated and issued by the Company, please visit www.alphanetworks.com for details of these regulations.

(VIII) Other Important Information for Enhancing Understanding of the Implementation of Corporate Governance:

1. The Company approved a resolution of the board of directors to appoint a corporate governance officer to protect the rights and interests of shareholders and strengthen the functions of the board of directors on March 17, 2020.
2. The newly-elected directors of the Company will be given the brochure published by the authority with the contents including various laws, regulations, and precautions to facilitate legal compliance.
3. The Company regularly arranges for senior executives to attend corporate governance courses. Please see the following table for corporate governance training undertaken by senior executives in 2020:

Title	Name	Date of Appointment	Date	Host by	Course Name	Hours
CEO and Representative of Institutional Chairman of Qisda Corp.	Wen-Fang (April) Huang	08/28/2019	08/18/2020	Taiwan Institute of Directors	Enterprise transformation in the era of change	3
			11/19/2020	Taiwan Institute of Directors	Opportunities and challenges for enterprises in the U.S.-China trade conflict	3
Vice Chairman and Representative of Institutional Director of Qisda Corp.	Chi-Hong (Peter) Chen	06/15/2018	08/18/2020	Taiwan Institute of Directors	Enterprise transformation in the era of change	3
			11/19/2020	Taiwan Institute of Directors	Opportunities and challenges for enterprises in the U.S.-China trade conflict	3
Director	Yu-Chin Lin	06/15/2018	08/04/2020	Securities and Futures Institute	Directors and supervisors (Independent directors included) and corporate governance officers practice advanced seminar-discussion on information security governance for enterprises - legal practices	3
			09/11/2020	Securities and Futures Institute	Prevention of insider trading and insider equity trading publicity seminar in 2020	3
Independent Director	Ming-Fu Huang	06/15/2018	08/06/2020	Taiwan Corporate Governance Association	Global trend analysis-Risks and Opportunities	3
			08/21/2020	Taiwan Corporate Governance Association	How does a company do a good job in fraud detection and prevention, and establish a whistle blowing mechanism to strengthen corporate governance	3
Independent Director	Mao-Chao Lin	06/15/2018	08/04/2020	Securities and Futures Institute	Directors and supervisors (Independent directors included) and corporate governance officers practice advanced seminar-discussion on information security governance for enterprises - legal practices	3
			09/04/2020	Taiwan Corporate Governance Association	Operational practices of Functional Committees of the Board of Directors	3
Independent Director	Ming-Der Hsieh	06/12/2020	09/03/2020	Securities and Futures Institute	Prevention of insider trading and insider equity trading publicity seminar in 2020	3
			10/27/2020	Taiwan Institute of Directors	Opportunities and challenges for enterprises in the U.S.-China trade conflict	3
			11/27/2020	Taiwan Corporate Governance Association	Advanced practice sharing of Audit Committee-towards 3.0 (best practices of the chairperson of the audit committee)	3
			12/02/2020	TWSE	2020 corporate governance and corporate integrity promotion conference for directors and supervisors	3
Director (Note 1)	John Lee	06/15/2018	09/02/2020	Securities and Futures Institute	Directors and supervisors (Independent directors included) and corporate governance officers practice advanced seminar-discussion on cases of fraud in corporate financial statements	3
			09/02/2020	Securities and Futures Institute	Directors and supervisors (Independent directors included) and corporate governance officers practice advanced seminar-discussion on the prevention of money laundering and the fight against the financing of terrorist.	3
Representative of Institutional Director of D-Link Corp. (Note 2)	Joseph Wang	06/08/2020	05/11/2020	Securities and Futures Institute	Directors and supervisors (Independent directors included) and corporate governance officers practice advanced seminar- Analysis and practice of international tax trends issues under the new version of corporate governance blueprint	3
			08/12/2020	Securities and Futures Institute	Directors and supervisors (Independent directors included) and corporate governance officers practice advanced seminar- strategy and management of enterprise upgrade and transformation	3
Representative of Institutional Director of D-Link Corp. (Note 2)	Wen-Peng Lin	06/08/2020	08/19/2020	Securities and Futures Institute	Directors and supervisors (Independent directors included) and corporate governance officers practice advanced seminar-discussion on the prevention of money laundering and the fight against the financing of terrorist.	3
			09/22/2020	TWSE and TPEx	Corporate Governance 3.0 -Sustainable	3

Title	Name	Date of Appointment	Date	Host by	Course Name	Hours
			09/21/2020	Securities and Futures Institute	Development Roadmap Forum	
					Prevention of insider trading and insider equity trading publicity seminar in 2020	3

Note 1: Since John Lee, the director, transferred more than one-half of the shares held at the time of the election during the term of office, he was dismissed on September 21, 2020.

Note 2: Since D-Link Corporation, the institutional director, transferred more than one-half of the shares held at the time of the election during the term of office, its representative was dismissed on November 30, 2020.

(IX) Status of Implementation of Internal Control System

1. Statement of Internal Control System

Alpha Networks Inc.
Statement of Internal Control System

Date: March 19, 2021

Based on the findings of a self-assessment, Alpha Networks Inc. (Alpha) states the following with regard to its internal control system during the year 2020.

1. Alpha's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Alpha takes immediate remedial actions in response to any identified deficiencies.
3. Alpha evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities.
4. Alpha has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Base on the findings of such evaluation, Qisda believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency , reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of Alpha's annual report for the year 2019 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement was passed by the board of directors in their meeting held on March 19, 2021, with seven attending directors all affirming the content of this Statement.

Alpha Networks Inc.

Chairman: Wen-Fang Huang

President: Yu-Chin Lin

2. Companies of Which CPAs are Retained to Review the Internal Control System Shall Disclose the Review Report Provided by the CPAs: Not applicable.

(X) The Company and Its Personnel Have Been Punished by Law, or the Company Has Undertaken Disincentive Measures for Its Personnel for Breaching the Internal Control System, or Any Material Deficiencies and Revisions in the Most Recent Year Up to the Publication Date of the Annual Report: None.

(XI) Material Resolutions Approved by the Board Meeting and Shareholders' Meeting

Date	Meeting of 2020	Resolutions
03/17/2020	9 th of the 6 th Term of Board Meeting	<ol style="list-style-type: none"> 1. Approval of the proposal of 2019 Variable Compensation of Managers. 2. Approval of the proposal of "Board of Directors Self-evaluation or Peer Evaluation". 3. Approval of the proposal of the remuneration authorization for the representatives elected as the Company's directors and supervisors. 4. Approval of the proposal of 2019 employees' compensation and directors' compensation. 5. Approval of 2019 "Internal control system effectiveness evaluation" and "Internal control system statement". 6. Approval of 2020 Business Report and Consolidated Financial Statements. 7. Approval of the proposal of the distribution of 2020 earnings. 8. Approval of the proposal of 2019 distribution of cash dividends from capital surplus. 9. Approval of the proposal of replacing the Company's certified accountants by cooperating with the internal business adjustment of KPMG. 10. Approval of the proposal of the Independence and Competency Assessment of Certified Public Accountants 11. Approval of the appointment of the Company's accounting director, corporate governance officer and spokesperson 12. Approval of the 2020 Business Plan of the Company 13. Approval of the cancellation of the Company's restricting the shares of employees that did not meet the vested conditions. 14. Approval of the authorization for the chairman of the Company to sign a short-term comprehensive credit with Mega International Commercial Bank. 15. Approval of the authorization for the chairman of the Company to sign a short-term comprehensive credit with Taipei Fubon Commercial Bank. 16. Approval of the proposal to revise the "Articles of Incorporation". 17. Approval of the proposal to release the newly elected directors and their representatives from non-competition restrictions 18. Approval by-election of an independent director 19. Approval of the proposal to accept shareholders' proposals for 2020 annual general shareholders meeting and to accept the nomination of independent director candidates. 20. Approval of the meeting date, time, place and reason for convening of 2020 annual general shareholders meeting, and increase the use of electronic voting rights.
04/30/2020	10 th of the 6 th Term of Board Meeting	<ol style="list-style-type: none"> 1. Approval of the proposal of financial statement of Q1, 2020 2. Approval of the proposal of participation in the seasoned equity offering of Enrich Investment Corporation 3. Approval of 2020 Budget Packages 4. Approval of the cancellation of the Company's restricting shares of employees that did not meet the vested conditions 5. Approval of the authorization for the chairman of the Company to sign a comprehensive credit Standard Chartered International Commercial Bank. 6. Approval of the list of nominees for independent directors by the board of directors and review of the nominees' qualifications 7. Questions and Motions: The representative of D-Link Corporation to exercise the powers of directors will be re-appointed by lawyer Zheng-Yi Song from now on, and his appointment will last until the Company's current term of office as D-Link's director. Regarding D-Link's general meeting of shareholders this year, the Company has appointed lawyer Zheng-Yi Song to attend and handle all matters of the shareholders' meeting, and authorized the chairman to notify D-Link Corporation.
05/12/2020	11 th of the 6 th Term of Board Meeting	<ol style="list-style-type: none"> 1. Approval of the proposal to establish an review committee and selection of members of the review committee in accordance with the law 2. Approval of the statement of an independent expert's opinion on the reasonableness of the acquisition price
05/20/2020	12 th of the 6 th Term of Board Meeting	<ol style="list-style-type: none"> 1. Approval of the proposal of the public acquisition of the Company's common shares by Qisda Corporation. 2. Approval of the seasoned equity offering to Enrich Investment Corporation 3. Approval of 2020 Budget Packages 4. Approval of the cancellation of the Company's restricted shares of employees that did not meet the vested conditions 5. Approval of the authorization for the Chairman of the Company to sign a comprehensive credit with Standard Chartered International Commercial Bank.
06/12/2020	General Shareholders'	<ol style="list-style-type: none"> 1. To recognize the proposal of 2019 business report and financial statements Status: Proposal approved

Date	Meeting of 2020	Resolutions
	Meeting	<p>2.To recognize the proposal of the distribution of 2019 earnings. Status: Proposal approved</p> <p>3.To by-elect an independent director Status: Elected list as Ming-Der, Hsieh, whose term of office is from June 12, 2020 to June 14, 2021.</p> <p>4.To approve the amendments of the “Articles of Incorporation”. Status: Proposal approved</p> <p>5.To approve to release of the non-competition restrictions from newly elected directors and their representatives Status: Proposal approved</p> <p>6.Questions and Motions: Shareholder number 6969 proposed that the Company currently has two lawsuits with director John Lee, namely, the Hsinchu District Court of Taiwan 109 Annual Verdict No. 395 Confirmation Case and 109 Annual Quanzi No. 18 Temporary State Leave Sanctions and Emergency Disposal The case, shareholder’s proposal, in accordance with Article 213 of the Company Act, regarding the two lawsuits between the company and director John Lee, including subsequent litigation and related procedures, Shao-Ling, Chen who is currently director of finance and accounting of Alpha Networks Inc. was selected to represent as the litigant of the Company. Status: Proposal approved.</p>
08/10/2020	13 th of the 6 th Term of Board Meeting	<p>1.Approval of the proposal of financial statement of Q2, 2020</p> <p>2.Approval of the appointment of Financial Supervisor of the Company</p> <p>3.Approval of the cancellation of the Company’s restricted shares of employees that did not meet the vested conditions</p> <p>4.Approval of the annual renewal of the Company’s bank facilities and foreign exchange and derivative commodity transaction credit</p>
11/09/2020	14 th of the 6 th Term of Board Meeting	<p>1.Approval of the Special leave for managers</p> <p>2.Approval of the 2020 internal audit plan</p> <p>3.Approval of the proposal of financial statement of Q3, 2020</p> <p>4.Approval of the proposal the bank facility renewal</p> <p>5.Approval of the appointment of 2021 CPAs for the Company’s financial statements</p> <p>6.Approval of the formulation of the "major information processing and prevention of insider transaction procedures" and the abolition of the "prevention of insider transaction management regulations".</p> <p>7.Approval of the "Board performance evaluation measures" and abolishing the "Board of Directors' self-evaluation or peer evaluation measures".</p> <p>8.Approval of the amendments of the “Integrity Management Code”.</p> <p>9.Approval of the amendments of the “Ethics Code of Conducts”.</p> <p>10.Approval of the cancellation of the Company’s restricted shares of employees that did not meet the vested conditions</p> <p>11.Approval of the investment and establishment of a subsidiary in Vietnam</p>
12/10/2020	15 th of the 6 th Term of Board Meeting	<p>1.Approval of the election of seven directors (including three independent directors)</p> <p>2.Approval of the amendments of the “Procedures for Acquisition or Disposal of Assets”.</p> <p>3.Approval of the amendments of the “Procedures for Lending Funds to Other Parties”.</p> <p>4.Approval of the amendments of the “Procedures for Endorsements and Guarantees”.</p> <p>5.Approval of the meeting date and agenda of the 2021 1st extraordinary shareholders’ meeting</p>
12/31/2020	16 th of the 6 th Term of Board Meeting	<p>1.Approval of the nomination of the candidates of directors and independent directors</p> <p>2.Approval of the release of the newly elected directors and their representatives from non-competition restrictions</p>
01/28/2021	2021 1 st Extraordinary Shareholders’ Meeting	<p>1.To elect seven directors (including three independent directors) Status: Elected list as Representative of Qisda Corporation: Wen-Fang, Huang, Representative of Qisda Corporation: Peter Chen, Representative of Qisda Corporation: Yu-Chin, Lin, Representative of Qisda Corporation: Jasmin Hung, Ming-Der Hsieh, Shu-Hsing Li and Cheng-Jung Chiang.</p> <p>2.To revise the “Procedures for Acquisition or Disposal of Assets”. Status: Proposal approved</p> <p>3.To revise the “Procedures for Lending Funds to Other Parties”. Status: Proposal approved</p> <p>4.To revise the “Procedures for Endorsements and Guarantees”. Status: Proposal approved</p> <p>5.To release the newly elected directors and their representatives from non-competition restrictions. Status: Proposal approved</p>
01/28/2021	2021 1 st BOD Meeting	<p>1.Approval of the proposal of electing a new Chairman</p> <p>2.Approval of the proposal of electing a new Vice-Chairman</p> <p>3.Approval of the proposal of appointing members of the Remuneration Committee</p>
03/19/2021	2021 2 nd BOD Meeting	<p>1.Approval of the 2020 Internal Control System Statement and Self-assessment Implementation Results Report</p> <p>2.Approval of the 2021 Business Report and Consolidated Financial Statements.</p> <p>3.Approval of the amendments of the “Articles of Incorporation”.</p> <p>4.Approval of the amendments of the “Procedures for Acquisition or Disposal of Assets”.</p> <p>5.Approval of the amendments of the “Procedures for Lending Funds to Other Parties”.</p> <p>6.Approval of the amendments of the “Procedures for Endorsements and Guarantees”.</p>

Date	Meeting of 2020	Resolutions
		7.Approval of the meeting date and agenda of the 2021 general shareholders meeting 8.Approval of the proposal of the bank facility renewal 9.Approval of the 2020 professional fees of CPAs 10.Approval of the donation to BenQ Foundation. 11.Approval of the donation to Alpha Foundation. 12.Approval of the proposal for the appropriation percentage of remuneration for employees and directors 13.Approval of the amendments of the “Remuneration Measures for Directors and Functional Committee Members” 14.Approval of the amendments of the “Payment Measures of Consultancy Fees for Appointed Representatives of Directors and Supervisors” 15.Approval of the proposal of the remuneration index for senior managers in 2021. 16.Approval of the appointment of Wen-Fang, Huang as the CEO of the Company.

(XII) Major Contents of Any Dissenting Opinions on Record or Stated in a Written Statement Made by Directors or Supervisors Regarding Material Resolutions Approved by the Meeting of the Board of Directors in the Most Recent Year Up to the Publication Date of this Report: None.

(XIII) In the Most Recent Year Up to the Publication Date of the Annual Report, a Summary of the Resignation and Dismissal of the Company’s Personnel such as Chairman, President, Accounting Manager, Financial Manager, Internal Audit Officer and R&D Director:

Resignation/Dismissal of Relevant Personnel

April 20, 2021

Title	Name	Date of Appointment	Date of Dismissal	Reasons for Resignation or Departure
Accounting Manager	Pao-Chi Wang	11/06/2017	03/17/2020	Internal Rotation of Job Duty
Chairman	John Lee	06/15/2018	04/30/2020	Dismissal, New Chairman Elected
CEO	John Lee	08/16/2003	04/30/2020	Dismissal
R&D Director	RF Kuo	01/08/2019	09/30/2020	Dismissal

IV. CPA Professional Fees:

Range of CPA Professional Fees

Name of Accounting Firm	Name of CPA		Audit Period	Remarks
KPMG	Cheng-Chien, Chen	Hai-Ning, Huang	01/01/2020 - 12/31/2020	

Unit: NTD thousands

Category		Audit Fee	Non-audit Fee	Total
Amount Range				
1	Under \$2,000,000	-	-	-
2	\$2,000,000 (included) - \$4,000,000	-	-	-
3	\$4,000,000 (included) - \$6,000,000	v	-	v
4	\$6,000,000 (included) - \$8,000,000	-	-	-
5	\$8,000,000 (included) - \$10,000,000	-	-	-
6	\$10,000,000 (included) and above	-	-	-

(1) Non-audit fees paid to the CPA, accounting firm of CPA and its affiliates were more than 25% of the audit fees: None.

Name of Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period of Audit Service	Remarks
			System Design	Business Registration	Human Resource	Others (Note)	Subtotal		
KPMG	Cheng-Chien, Chen	4,300	0	0	0	0	0	2020/1/1 - 2020/12/31	
	Hai-Ning, Huang							2020/1/1 - 2020/12/31	

(2) Replacement of the accounting firm and the audit fees in the replacing year is less than that in the previous year: Not applicable.

(3) Audit fees were reduced by over 10% compared with the previous year: None.

V. Information on Replacement of CPAs:

(1) Regarding Former CPA

Replacement date	03/17/2020		
Reasons and Explanation of Replacement	Due to its internal rotation, KPMG updated the audit partners for Wan-Yuan Yu to Cheng-Chien, Chen.		
Explain Why the Appointer or CPA Terminated or Refused to Accept the Appointment	Client	CPA	Appointer
	Status	N.A.	
	Appointment terminated automatically		
	Refused to accept (continue) appointment		
Audit Report Opinions Other than Unqualified Opinion Over the Last Two Years and the Reasons for the Said Opinions	None		
Did Issuer Have a Different Opinion	Yes	-	Accounting principle or practice
		-	Disclosure of financial statements
		-	Auditing scope or procedures
		-	Others
		-	
	No	V	
	Explanation		
Supplementary Disclosure (Disclosures Specified in Clause 6.1.4~7, Article 10 of these Guidelines)	None		

(2) Successor CPAs

Name of Accounting Firm	KPMG
Name of CPA	Cheng-Chien, Chen
Date of Engagement	03/17/2020
Prior to the Formal Engagement, Inquiries or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	None
Written Opinions of Successor CPA that are Different from the former CPA's Opinions	None

(3) Former CPA Letters Regarding Clause 6.1, 6.2 and 6.3 of Article 10 of these Guidelines: Not applicable.

VI. Has Any of the Company's Chairman, President, or Managers Responsible for Finance or Accounting Duties Served in the Company's CPA Firm or Its Affiliated Company within the Most Recent Year:
None.

VII. The Status of Equity Transfer or Changes to Equity Pledge of Directors, Managers or Shareholders Holding More than 10% of the Company's Shares in the Most Recent Year Up to the Publication Date of this Report:

1. Changes in shares held by directors, managers, and shareholders holding 10% or more of shares:

Unit: shares

Title	Name	2020		2021 Till April 20, 2021	
		Net Change of Shares Held	Net Change of Shares Pledged	Net Change of Shares Held	Net Change of Shares Pledged
Director and Major Shareholder (More than 10% shareholding)	Qisda Corporation	195,163,126	0	634,000	0
	Representatives of Qisda Corporation: Wen-Fang Huang, Chi-Hong Chen, Yu-Chin, Lin, Chiu-Chin Hung	0	0	0	0
Independent Director	Ming-Der Hsieh (Date of appointment: 06/12/2020)	0	0	0	0
Independent Director	Shu-Hsing Li (Date of Appointment: 01/28/2021)	0	0	0	0
Independent Director	Cheng-Jung Chiang (Date of Appointment: 01/28/2021)	0	0	0	0
CEO	Wen-Fang (April) Huang (Date of Appointment: 03/19/2021)	0	0	0	0
President	Yu-Chin, Lin	400,000	0	0	0
Associate Vice President	Morgan Chiu (Date of Appointment: 09/01/2020)	0	0	0	0
Associate Vice President	David Chou	0	0	0	0
Associate Vice President	Nicholas Ting	80,000	0	0	0
R&D Director	Wen-Jiunn Tsay (Date of Appointment: 10/01/2020)	0	0	0	0
Accounting Officer, Corporate Governance Officer, and Spokesperson	Shao-Ling Chen Date of Appointment of Accounting Officer, Corporate Governance Officer, and Spokesperson: 03/17/2020 Date of Appointment of Financial Officer: 08/10/2020	20,000	0	0	0
Director and Major Shareholder (More than 10% Shareholding)	D-Link Corporation (Date of Dismissal: 11/30/2020)	(104,480,022)	0	0	0
	Representatives of D-Link Corporation: John Lee, Joseph Wang (Date of Dismissal: 11/30/2020)	0	0	0	0

Title	Name	2020		2021 Till April 20, 2021	
		Net Change of Shares Held	Net Change of Shares Pledged	Net Change of Shares Held	Net Change of Shares Pledged
Director	John Lee (Date of Dismissal: 09/21/2020)	(4,446,479)	0	0	0
Independent Director	Ming-Fu Huang (Date of Dismissal: 01/28/2021)	0	0	0	0
Independent Director	Mao-Chao Lin (Date of Dismissal: 01/28/2021)	0	0	0	0
Independent Director	Tzu-Chuan Li (Date of Dismissal: 03/06/2020)	0	0	0	0
R&D Director	RF Kuo (Date of Dismissal: 09/30/2020)	60,000	0	0	0
Accounting Officer	Pao-Chi Wang (Date of Dismissal: 03/17/2020)	0	0	0	0

2. Information of Equity Transfer: None

3. Information of Equity Pledge: None

VIII. Information of Relationships between Top 10 Shareholders Who are Related Parties, Spouses or Relatives within the Second Degree of Kinship Relationship:

April 20, 2021

Name	Shares Held		Shares Held by Spouse or Minors		Total Share Held in the Name of Other Persons		Name & Relationship between the Top 10 Shareholders		Remarks
	Number of Shares	Shareholding Percentage (%)	Number of Shares	Shareholding Percentage (%)	Number of Shares	Shareholding Percentage (%)	Title or Name	Relationship	
Qisda Corporation	295,797,126	54.60	-	-	-	-	Darby Venture Inc. Darby Consulting Corporation	Subsidiary	
Wistron Corporation	19,327,795	3.57	-	-	-	-	Wise Cap Limited Company	Subsidiary	
Darby Consulting Corporation	12,710,000	2.35	-	-	-	-	Qisda Corporation	Parent Company	
Darby Venture Inc.	12,236,000	2.26	-	-	-	-	Qisda Corporation	Parent Company	
Taiwan Cooperative Bank Co., Ltd.	4,482,772	0.83	-	-	-	-	None	None	
Darby2 Venture, Inc.	4,185,000	0.77	-	-	-	-	BenQ Corporation.	Parent Company	
Wise Cap Limited Company	3,891,501	0.72	-	-	-	-	Wistron Corporation	Parent Company	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,637,750	0.67	-	-	-	-	None	None	
Bank of Taiwan in custody for UOB-Kay Hian (Hong Kong) Limited	3,507,000	0.68	-	-	-	-	None	None	
Chuang Tai Investment Co., Ltd.	2,620,000	0.48	-	-	-	-	None	None	

IX. Shareholdings and Joint Shareholdings of Businesses Invested by the Company, Directors, Supervisors, Executive Officers, and Companies Directly or Indirectly Controlled by the Company:
None

Capital and Shares

I. Capital and Shares

(I) Source of Capital

Unit: thousand shares; NTD thousands

Year / Month	Price	Authorized Capital		Paid-up Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital (NTD Thousands)	Paid in Capital Other than Cash	Date of Approval and Certification No.
September, 2003	11.77	300,000	3,000,000	200,000	2,000,000	Incorporated with a capital of NT\$2,000,000 through spin-off	Non-cash net assets totaling NT\$1,533,635	2003/9/4 No. Yuan-Shang-0920023079
December, 2004	18	300,000	3,000,000	250,000	2,500,000	Seasoned equity offering \$500,000	None	2004/2/5 No. Yuan-Shang-0930002818
August, 2005	10	300,000	3,000,000	282,900	2,829,000	Capitalization of earnings \$329,000	None	2005/8/18 No. Yuan-Shang-0940021583
May, 2006	12.4	350,000	3,500,000	290,845	2,908,450	Exercise of employee warrants \$79,450	None	2006/5/9 No. Yuan-Shang-0950010655
August, 2006	12.4	500,000	5,000,000	292,446	2,924,460	Exercise of employee warrants \$16,010	None	2006/8/16 No. Yuan-Shang-0950020672
August, 2006	10	500,000	5,000,000	332,962	3,329,621	Capitalization of earnings \$405,161	None	2006/8/16 No. Yuan-Shang-0950020672
October, 2006	10	500,000	5,000,000	333,512	3,335,121	Exercise of employee warrants \$5,500	None	2006/10/25 No. Yuan-Shang-0950028601
October, 2006	10	500,000	5,000,000	355,292	3,552,922	Raised \$217,800 of capital for the merger of Sun Asia Enterprise	None	2006/10/25 No. Yuan-Shang-0950028601
February, 2007	10	500,000	5,000,000	355,437	3,554,372	Exercise of employee warrants \$1,450	None	2007/2/16 No. Yuan-Shang-0960004534
April, 2007	10	500,000	5,000,000	359,254	3,592,542	Exercise of employee warrants \$38,170	None	2007/4/26 No. Yuan-Shang-0960010850
August, 2007	10	660,000	6,600,000	360,123	3,601,232	Exercise of employee warrants \$8,690	None	2007/8/23 No. Yuan-Shang-0960022108
August, 2007	10	660,000	6,600,000	377,623	3,776,231	Conversion of corporate bonds \$175,000	None	2007/8/23 No. Yuan-Shang-0960022108
August, 2007	10	660,000	6,600,000	400,101	4,001,007	Capitalization of earnings \$224,776	None	2007/8/23 No. Yuan-Shang-0960022108
November, 2007	10	660,000	6,600,000	400,682	4,006,817	Exercise of employee warrants \$5,810	None	2007/11/12 No. Yuan-Shang-0960029618
November, 2007	10	660,000	6,600,000	406,287	4,062,872	Conversion of corporate bonds \$56,055	None	2007/11/12 No. Yuan-Shang-0960029618
February, 2008	10	660,000	6,600,000	409,056	4,090,562	Exercise of employee warrants \$27,690	None	2008/2/29 No. Yuan-Shang-0970005716
February, 2008	10	660,000	6,600,000	411,604	4,116,037	Conversion of corporate bonds \$25,474	None	2008/2/29 No. Yuan-Shang-0970005716
May, 2008	10	660,000	6,600,000	416,854	4,168,537	Exercise of employee warrants \$52,500	None	2008/5/14 No. Yuan-Shang-0970012364
August, 2008	10	660,000	6,600,000	417,212	4,172,117	Exercise of employee warrants \$3,580	None	2008/8/26 No. Yuan-Shang-0970023433
August, 2008	10	660,000	6,600,000	448,313	4,483,127	Capitalization of earnings \$311,010	None	2008/8/26 No. Yuan-Shang-0970023433
November, 2008	10	660,000	6,600,000	448,774	4,487,737	Exercise of employee warrants \$4,610	None	2008/11/13 No. Yuan-Shang-0970031854
February, 2009	10	660,000	6,600,000	448,835	4,488,347	Exercise of employee warrants \$610	None	2009/2/25 No. Yuan-Shang-0980005035
May, 2009	10	660,000	6,600,000	448,949	4,489,497	Exercise of employee warrants \$1,150	None	2009/5/22 No. Yuan-Shang-0980013981
September, 2009	10	660,000	6,600,000	449,422	4,494,227	Exercise of employee warrants \$4,730	None	2009/9/3 No. Yuan-Shang-0980024050
September, 2009	10	660,000	6,600,000	449,471	4,494,717	Conversion of corporate bonds \$491	None	2009/9/3 No. Yuan-Shang-0980024050
September, 2009	10	660,000	6,600,000	464,119	4,641,195	Capitalization of earnings \$146,477	None	2009/9/3 No. Yuan-Shang-0980024050
November, 2009	10	660,000	6,600,000	464,203	4,642,035	Exercise of employee warrants \$840	None	2009/11/20 No. Yuan-Shang-0980032344
March, 2010	10	660,000	6,600,000	465,457	4,654,575	Exercise of employee warrants \$12,540	None	2010/3/25 No. Yuan-Shang-0990007827
May, 2010	25	660,000	6,600,000	465,513	4,655,132	Exercise of employee warrants \$562k	None	2010/5/26 No. Yuan-Shang-0990014571
May, 2010	10	660,000	6,600,000	468,518	4,685,183	Conversion of corporate bonds \$30,047	None	2010/5/26 No. Yuan-Shang-0990014571
August, 2010	25	660,000	6,600,000	468,543	4,685,433	Exercise of employee warrants \$250	None	2010/8/6 No. Yuan-Shang-0990022836

Year / Month	Price	Authorized Capital		Paid-up Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital (NTD Thousands)	Paid in Capital Other than Cash	Date of Approval and Certification No.
August, 2010	10	660,000	6,600,000	470,955	4,709,557	Conversion of corporate bonds \$24,123	None	2010/8/6 No. Yuan-Shang-0990022836
December, 2010	23.7	660,000	6,600,000	470,985	4,709,857	Exercise of employee warrants \$300	None	2010/12/1 No. Yuan-Shang-0990035467
December, 2010	10	660,000	6,600,000	471,114	4,711,143	Conversion of corporate bonds \$1,286	None	2010/12/1 No. Yuan-Shang-0990035467
February, 2011	23.7	660,000	6,600,000	471,236	4,712,365	Exercise of employee warrants \$1,222	None	2011/3/2 No. Yuan-Shang-1000005462
February, 2011	24.8	660,000	6,600,000	471,335	4,713,355	Exercise of employee warrants \$990	None	2011/3/2 No. Yuan-Shang-1000005462
February, 2011	10	660,000	6,600,000	475,618	4,756,184	Conversion of corporate bonds \$42,829	None	2011/3/2 No. Yuan-Shang-1000005462
April, 2011	23.7	660,000	6,600,000	475,678	4,756,784	Exercise of employee warrants \$600	None	2011/5/13 No. Yuan-Shang-1000013452
March, 2012	10	660,000	6,600,000	478,566	4,785,667	Conversion of corporate bonds \$28,883	None	2012/3/19 No. Yuan-Shang-1010008041
May, 2012	10	660,000	6,600,000	514,338	5,143,383	Conversion of corporate bonds \$357,715	None	2012/5/30 No. Yuan-Shang-1010016250
May, 2012	23.2	660,000	6,600,000	515,156	5,151,563	Exercise of employee warrants \$8,180	None	2012/5/30 No. Yuan-Shang-1010016250
May, 2012	22.2	660,000	6,600,000	516,235	5,162,358	Exercise of employee warrants \$10,795	None	2012/5/30 No. Yuan-Shang-1010016250
August, 2012	10	660,000	6,600,000	516,614	5,166,144	Conversion of corporate bonds \$3,786	None	2012/8/31 No. Yuan-Shang-1010027575
August, 2012	23.2	660,000	6,600,000	516,779	5,167,794	Exercise of employee warrants \$1,650	None	2012/8/31 No. Yuan-Shang-1010027575
August, 2012	22.2	660,000	6,600,000	516,947	5,169,474	Exercise of employee warrants \$1,680	None	2012/8/31 No. Yuan-Shang-1010027575
November, 2012	20.9	660,000	6,600,000	516,997	5,169,974	Exercise of employee warrants \$500	None	2012/11/28 No. Yuan-Shang-1010036791
November, 2012	10	660,000	6,600,000	513,676	5,136,764	Retirement of treasury stock \$33,210	None	2012/11/28 No. Yuan-Shang-1010036791
March, 2013	10	660,000	6,600,000	513,831	5,138,310	Conversion of corporate bonds \$1,546	None	2013/3/28 No. Yuan-Shang-1020009089
March, 2013	10	660,000	6,600,000	491,752	4,917,520	Retirement of treasury stock \$220,790	None	2013/3/28 No. Yuan-Shang-1020009089
August, 2013	10	660,000	6,600,000	491,772	4,917,726	Conversion of corporate bonds \$206	None	2013/8/29 No. Yuan-Shang-1020025846
March, 2014	10	660,000	6,600,000	494,344	4,943,441	Conversion of corporate bonds \$25,714	None	2014/3/26 No. Zhu-Shang-1030009036
May, 2014	10	660,000	6,600,000	489,127	4,891,271	Retirement of treasury stock \$52,170	None	2014/5/29 No. Zhu-Shang-1030015867
May, 2014	10	660,000	6,600,000	497,127	4,971,271	Conversion of corporate bonds \$80,000	None	2014/5/29 No. Zhu-Shang-1030015867
April, 2015	10	660,000	6,600,000	492,127	4,921,271	Retirement of treasury stock \$50,000	None	2015/4/10 No. Zhu-Shang-1040009624
August, 2015	10	660,000	6,600,000	442,914	4,429,144	Cash capital reduction \$492,127	None	2015/8/27 No. Zhu-Shang-1040025336
July, 2016	10	660,000	6,600,000	434,470	4,344,697	Retirement of treasury stock \$84,447	None	2016/7/22 No. Zhu-Shang-1050019711
October, 2017	10	660,000	6,600,000	444,470	4,444,697	Issuance of restricted shares to employees \$100,000	None	2017/10/19 No. Zhu-Shang-1060028610
March, 2018	10	660,000	6,600,000	544,470	5,444,697	Private placement of new shares \$1,000,000	None	2018/3/29 No. Zhu-Shang-1070009589
March, 2018	10	660,000	6,600,000	543,953	5,439,527	Recall and retirement of restricted stock \$5,170	None	2018/3/29 No. Zhu-Shang-1070009589
January, 2019	10	660,000	6,600,000	543,517	5,435,172	Recall and retirement of restricted stock \$2,255 Retirement of treasury stock \$2,100	None	2019/1/4 No. Zhu-Shang-1080000041
April, 2019	10	660,000	6,600,000	543,262	5,432,617	Recall and retirement of restricted stock \$2,555	None	2019/4/2 No. Zhu-Shang-1080009196
July, 2019	10	660,000	6,600,000	543,129	5,431,287	Recall and retirement of restricted stock \$1,330	None	2019/7/3 No. Zhu-Shang-1080018595
September, 2019	10	660,000	6,600,000	542,891	5,428,907	Recall and retirement of restricted Stock \$2,380	None	2019/9/2 No. Zhu-Shang-1080025442
November, 2019	10	660,000	6,600,000	542,727	5,427,273	Recall and retirement of restricted stock \$1,634	None	2019/11/20 No. Zhu-Shang-1080033539
March, 2020	10	660,000	6,600,000	542,482	5,424,825	Recall and retirement of restricted stock \$2,448	None	2020/3/24 No. Zhu-Shang-1090008003

Year / Month	Price	Authorized Capital		Paid-up Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital (NTD Thousands)	Paid in Capital Other than Cash	Date of Approval and Certification No.
June, 2020	10	660,000	6,600,000	542,248	5,422,477	Recall and retirement of restricted stock \$2,348	None	2020/6/2 No. Zhu-Shang-1090014954
August, 2020	10	660,000	6,600,000	541,818	5,418,177	Recall and retirement of restricted stock \$4,300	None	2020/8/21 No. Zhu-Shang-1090023868
November, 2020	10	660,000	6,600,000	541,718	5,417,185	Recall and retirement of restricted stock \$992	None	2020/11/24 No. Zhu-Shang-1090033301

1. Capital and Shares

Type of Stock	Authorized Capital			Notes
	Outstanding Shares	Unissued Shares	Total	
Common shares	541,718,460	118,281,540	660,000,000	Listed in TWSE

2. Information Relevant to the Aggregate Reporting Policy: Not applicable.

(II) Composition of Shareholders:

April 20, 2021

Shareholders structure	Government Institutions	Financial institutions	Other Juridical Persons	Foreign Institutions and Natural Persons	Domestic Natural Persons	Treasury Stocks	Total
Number of Shareholders	0	7	125	124	39,396	0	39,652
Shareholding	0	4,823,824	353,989,286	28,620,959	154,284,391	0	541,718,460
Shareholding percentage (%)	0.00	0.89	65.35	5.28	28.48	0.00	100.00

(III) Distribution of Shareholding

April 20, 2021

Shareholding Range	Number of Shareholders	Shareholding	Shareholding Percentage (%)
1-999	13,102	2,071,162	0.38
1,000-5,000	21,344	44,353,455	8.19
5,001-10,000	2,905	24,183,529	4.46
10,001-15,000	673	8,825,348	1.63
15,001-20,000	562	10,583,922	1.95
20,001-30,000	361	9,405,159	1.74
30,001-40,000	164	6,013,816	1.11
40,001-50,000	135	6,366,443	1.18
50,001-100,000	218	16,085,635	2.97
100,001-200,000	107	14,983,441	2.77
200,001-400,000	44	12,782,244	2.36
400,001-600,000	11	5,620,533	1.04
600,001-800,000	6	4,113,029	0.76
800,001-1,000,000	4	3,726,216	0.69
1,000,001 and above	16	372,604,528	68.77
Total	39,652	541,718,460	100.00

(IV) List of Major Shareholders

April 20, 2021

Shareholder	Shareholding	Shareholding Percentage (%)
Qisda Corporation	295,797,126	54.60
Wistron Corporation	19,327,795	3.57
Darly Consulting Corporation	12,710,000	2.35
Darly Venture Inc.	12,236,000	2.26
Taiwan Cooperative Bank Co., Ltd.	4,482,772	0.83
Darly2 Venture, Inc.	4,185,000	0.77
Wise Cap Limited Company.	3,891,501	0.72
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,637,750	0.67
Bank of Taiwan in custody for UOB-Kay Hian (Hong Kong) Limited.	3,507,000	0.65
Tron-Thai Investment Co., Ltd.	2,620,000	0.48

(V) Information on Market Price, Net Worth, Earnings, and Dividends per Common Share

Unit: NTD thousand; thousand shares

Item		Year	2019	2020	As of March 31, 2021
Market Price Per Share (Note 1)	High		25.80	33.45	41.35
	Low		16.25	14.05	31.35
	Average		21.59	26.28	36.98
Net Worth Per Share	Before Distribution		18.39	17.91	18.20
	After Distribution		17.95	(Note 6)	-
Earnings Per Share	Weighted Average Outstanding Shares		537,673	540,017	541,719
	Earnings per share		0.44	1.03	0.21
Dividends Per Share	Cash Dividend (Note 2)		0.44	(Note 6)	-
	Stock Dividends	Dividend from retained earnings	-	(Note 6)	-
		Dividend from capital surplus	-	(Note 6)	-
	Accumulated Undistributed Dividends		-	-	-
Return on Investment	Price/Earnings Ratio (Note 3)		47.91	24.52	-
	Price/Dividends ratio (Note 4)		47.91	(Note 6)	-
	Cash Dividend Yield (Note 5)		2.09%	(Note 6)	-

Note 1: The highest and lowest of common stock. The average market value is calculated using the trading volume and price for each year.

Note 2: Cash distribution of dividends and surplus may be approved at the board's resolution and reported in shareholder meeting on a later date, provided that the resolution is made in a board meeting where more than two-thirds of directors are present and voted in favor by more than half of meeting attendants.

Note 3: Price/Earnings Ratio = average closing price per share for the year / earnings per share (after retrospective adjustments).

Note 4: Price/Dividend ratio = average closing price per share for the year / cash dividends per share.

Note 5: Cash Dividend Yield = cash dividends per share / average closing price per share for the current year.

Note 6: To be resolved at the board meeting held in May 7, 2021..

(VI) Dividend Policy and Execution Status:

I. Dividend policy

When the Company distributes earnings, in accordance with the provisions of the Company Act and the Company's articles of incorporation, if there are earnings, the Company shall pay tax at first and offset the losses of the previous years, and then reserve 10% of the remains as the legal reserve. When the legal reserve is equal to or larger than the paid-in capital, no further reserves shall be made. Then, together with the accumulated undistributed surplus at the beginning of the period, the adjustment amount of the undistributed surplus of the current year, and the special surplus reserve according to the law, as the surplus available for distribution, the board of directors will submit a distribution proposal.

Dividend Distribution Principles

In addition to the relevant laws and regulations and the Company's articles of incorporation, the board of directors initiates a proposal of the distribution of dividends based on consideration of the profitability, future operating needs, improvement of the financial structure, maintenance of a stable dividend distribution policy, and the reasonable compensation of the shareholders.

Dividend Distribution Procedures

The Company's dividend distribution process is based on the Company Act. When the Company issues new shares as dividends, the dividend distribution proposal shall be approved by the audit committee and the board of directors, and then shall be submitted to the shareholders' meeting for resolution. When cash is distributed, the dividend distribution proposal shall be approved by the audit committee and the board of directors, and then shall be reported to the shareholders' meeting only.

Dividends Distribution Method

According to the Company's current and future investment environment, capital needs, domestic and foreign competition, and whether the Company has obtained sufficient funds from outsiders to support the capital expenditure of the current year, etc., the Company decides the adjustment ratio of shareholder stock dividends and cash dividends, but the ratio of the cash dividends shall not be less than 10% of the total dividends.

2. The Dividend Distribution To Be Resolved by the General Shareholders' Meeting

On May 7, 2021, the board of directors is going to make resolutions to distribute the cash dividends from earnings amounted to NT\$108,343,692 and the cash dividends from capital surplus amounted to NT\$433,374,768. After the approval of the board of directors, the resolutions will be announced in the Market Observation Post System and will be reported to the 2021 annual general shareholders' meeting.

(VII) The Impact of Stock Dividend Distribution Proposed by this Shareholders' meeting on the Company's Operating Performance and Earnings per Share: Not applicable.

(VIII) Compensation for Employees and Directors:

1. The percentage or range of compensation for employees and director specified in the articles of incorporation:

If there are earnings, the Company shall set aside 10~22.5% of earnings as compensation for employees and no higher than 1% as remuneration for the directors. However, when there are accumulated losses in the book, the Company shall reserve a portion of the earnings to offset the losses first. The Company may appropriate the employee remuneration prescribed in the preceding paragraph in the form of stock or cash to employees of affiliates when the employees meet certain conditions.

2. Estimation basis for the compensation for employees and directors, and the calculation basis for the employee compensation as stock dividends, and the accounting approach for handling the differences between the actual distributed amount and the estimated number of shares:

After the offset of the losses in previous years, there is no remaining earning to be distributed as the remuneration of employees and directors in 2020. The estimate of this period for distribution of remuneration and compensation to employees and directors is based on the amount (which shall also be listed as operating expenses for the period) from the calculation of the pre-tax income (prior to deduction by remuneration to employees and directors) from such period multiplying the distribution percentage of remuneration to employees and directors based on the Company's articles of incorporation.

If there is any difference between the actual distributed amount and the estimated one, it shall be recognized as profit or loss of next period treated as the change in accounting estimates.

3. The resolution of the distribution of compensation by the board of directors:

(1) Cash or stocks as remuneration for employees and directors: None.

If there is a discrepancy from the estimated expenses and the recognized expenses, the amount of discrepancies, reasons, and handling measures shall be disclosed: Not applicable.

(2) The amount of employee remuneration distributed by stocks and the percentage to the net income and total remuneration of the parent company only or individual financial statements for the period: Not applicable.

4. Distribution of 2019 remuneration of employees and directors, and any differences from the figures previously recognized (explain the amount, the cause, and treatment of such discrepancies):

	2019				
	Actual Distribution Status			Amount Recognized	Difference
	Shares Distributed	Distribution Amount	Market Price		
Employees' Compensation	-	33,198	-	33,198	None
Directors' Compensation	-	2,753	-	2,753	None

(IX) Buyback of Common Stock:

No repurchase of the Company's shares by the Company was conducted in the most recent two years and as of the printing date of the annual report.

II. Corporate Bonds Handling Status: None

III. Preferred Shares Handling Status: None

IV. Global Depository Receipts Handling Status: None

V. Employee Stock Option Handling Status: None

VI. Employee Restricted Shares Handling Status:

1. Employee restricted shares handling status:

April 20, 2021

Type of Employee Restricted Shares	2017 Employee Restricted Shares
Effective Date	August 8, 2017
Issuance Date	October 2, 2017
Number of Employee Restricted Shares Issued	10,000,000
Price	NTD 0 (issued without subscription)
Employee Restricted Shares Issued as a Percentage of Total Outstanding Shares	1.85% (Note)
Criteria of Entitlement to Employee Restricted Shares	<p>Employees who remain in service for the following periods of time after receiving allocated restricted shares and achieving an individual performance rating of B or above for the ending year are considered to have satisfied the vesting criteria, and are entitled to the following percentages of their allocated shares:</p> <p>1 year of service: 30% 2 years of service: 30% 3 years of service: 40%</p>
Restricted Rights of Employee Restricted Shares	<p>I. Restrictions of the above shares before satisfying the vesting criteria:</p> <ol style="list-style-type: none"> Employees may not sell, pledge, transfer, gift, charge or in any way dispose the restricted shares for the entirety of the vesting period. Employees having the restricted shares are allowed to participate in the distribution of cash dividends and stock dividends, and the seasoned equity offering during the vesting period. <p>II. Employee restricted shares are held in trust immediately after issuance; the Company cannot request to have the trustee release restricted shares for any reason or through any method unless the vesting criteria are satisfied.</p>
Custody of Employee Restricted Shares	Held in trust
Handling Measures When the Criteria is Not Met	<ol style="list-style-type: none"> The Company has the right to recall restricted shares allocated without compensation if the employee is found to have violated the employment contract or work rules, or failed to achieve a performance rating of B or higher for the service year ended. If employees have the following situations, the non-vested restricted shares shall be handled in the manners described: <ol style="list-style-type: none"> Voluntary resignation, involuntary departure, redundancy, retirement, ordinary death, or extended unpaid leave: Shares allocated but not yet vested up till this point are recalled by the Company without compensation. Job rotation: Employees who are rotated at the Company's request may have entitlements and vesting periods adjusted with the chairman's approval. Disability or death due to occupational hazards <ol style="list-style-type: none"> Employees who are unable to continue employment due to disability resulting from occupational hazard may claim entitlement over the remaining non-vested shares within one month after effective date of departure. For employees who die from occupational hazard, their remaining non-vested shares can be claimed by legal heirs within one month after decease. For employees who choose to terminate or cancel their agency/authorization arrangement with the Company, the Company is entitled under law to recall and retire, without compensation, any remaining restricted shares that have yet to satisfy the vesting criteria.
Number of Employee Restricted Shares Recalled or Repurchased	2,461,200
Number of Shares with Restrictions Removed	7,458,800
Number of Shares with Restrictions Intact	80,000
Restricted Shares as a Percentage of Total Outstanding Shares (%)	0.01 (Note)
Impacts on Shareholders' Equity	There are 7,458,800 employee restricted shares issued in 2017 satisfied the vesting criteria as of the publication date of the annual report. The rights and obligations of these restricted shares are identical to the ones of outstanding common shares so there is no significant impact on shareholders' equity.

Note: Calculations were based on share capital registered with the Ministry of Economic Affairs as at February 9, 2021.

2. The managers who obtained the employee restricted shares and the names of the top ten employees and the circumstances of their acquisition

	Title	Name	Number of Restricted Shares Acquired (thousands)	Restricted Shares Acquired as a Percentage to Total Outstanding Shares	Restrictions Removed				Restrictions Intact			
					Number of Shares with Restrictions Removed (thousands)	Price	Amount	Shares with Restrictions Removed as a Percentage of Total Outstanding Shares	Number of Shares with Restrictions Intact (thousands)	Price	Amount	Shares with Restrictions Intact as a Percentage of Total Outstanding Shares
Manager	Former Chairman	John Lee	2,600	0.48%	2,120	0	0	0.39%	80	0	0	0.1%
	President	Yuchin Lin										
	Assistant Vice President	David Chou										
	Assistant Vice President	Nicholas Ting										
	Assistant Vice President	Morgan Chiu										
	Director	Rf Kuo										
	Senior Director	Wen-Jiunn Tsay										
Employees	Director	Kathy Chen	1,227	0.23%	1,227	0	0	0.23%	0	0	0	0%
	Senior Director	Wei-Hong Tsai										
	Senior Director	Ren-Jhe Chen										
	Senior Director	Jhih-Jhong Lin										
	Senior Director	Ji-Jhih Cheng										
	Senior Director	An-You Yan										
	Director	Zhi-Wen Chen										
	Director	Shi-Fang Ao										
	Director	Men-Ju Chen										
	Director	Wei Yang										
	Director	Wt Liu										

VII. Issuance of Shares in Connection with the Merger or Acquisition of Other Corporations: None

VIII. Implementation Status of Funds: None

Overview of Operations

I. Business Activities

(I) Scope of Business:

1. Principal Business Activities

- (1) CC01101 Restrained Telecom Radio Frequency Equipment and Materials Manufacturing.
- (2) F401021 Restrained Telecom Radio Frequency Equipment and Materials Import.
- (3) CC01070 Telecommunication Equipment and Apparatus Manufacturing.
- (4) CF01011 Medical Materials and Equipment Manufacturing.
- (5) F108031 Wholesale of Drugs, Medical Goods.
- (6) F401010 International Trade.
- (7) Research, development, design, manufacturing and sale of the following products:
 - A. Computer network systems, equipment and components.
 - B. Metropolitan area network (MAN) and enterprise network products.
 - C. Broadband products.
 - D. Wireless network products.
 - E. Medical equipment, products and parts.
 - F. Import/export trade and medical application of the above products.
 - G. Product maintenance, testing and after-sale service.

2. Sales of Major Products (Services)

Unit: NTD thousands

Main Products	2020	
	Amount	%
LAN/MAN Products	8,728,792	27.13
Wireless and Broadband Products	13,760,423	42.77
Digital Multimedia Products	7,832,242	24.35
Other Networking Products	1,849,192	5.75
Total	32,170,649	100.00

3. Products (Services) Offered by the Company

(1) LAN MAN Products

- A. Fronthaul/ Middlehaul /Backhaul High Speed Switch
- B. 10G/25G/40G/100G/200G/400G Data Center Switch
- C. Enterprise/Campus Ethernet Switch
- D. SMB Ethernet Switch
- E. Carrier-Grade Ethernet Switch
- F. IoT Ethernet Switch

(2) Wireless Broadband Products

- A. VDSL/G.fast Router/IAD
- B. GPON/10G-PON ONT/ONU
- C. 5G/LTE Router/IAD
- D. 5G RRH/ LTE Small Cell
- E. G.fast + LTE MPTCP Hybrid IAD
- F. NB-IoT Industrial Sensor
- G. Wi-Fi 5/Wi-Fi 6 Access Point
- H. Wi-Fi 5/Wi-Fi 6 Router
- I. Wireless LAN Module

(3) Digital Multimedia Products

- A. Video Surveillance System & IP Camera
- B. NAS
- C. PLC
- D. Smart Home IoT Devices

(4) Mobile Enterprise Solutions Products

- A. 24GHz Smart Radar Sensor
- B. 77GHz Smart Radar Sensor
- C. 79GHz Smart Radar Sensor

4. New products and Technologies to Be Developed

(1) LAN/MAN Products

- A. Cloud Native base SDN Switch
- B. Multi-Giga (1G/2.5G/5G/10Gbps) PoE (802.3bt) high-performance and PoE++ switch
- C. 5G Mobile Fronthaul/Backhaul switch
- D. Network function virtualization (NFV) platform technology

- E. Multi-access Edge Computing Platform
- F. XGS-PON OLT
- (2) Wireless Broadband Products
 - A. G.fast + Wi-Fi 6 CPE
 - B. Wi-Fi 6 & 6E Access Point
 - C. Wi-Fi 6 Mesh AP/Router
 - D. 5G RAN End-to-End Solution
 - E. 5G FWA CPE
 - F. 5G Small Cell
 - G. NB-IoT Industrial Sensor Module
- (3) Digital Multimedia Products
 - A. Smart Surveillance Solution
 - B. Intelligent Video and Audio Analytics
- (4) Mobile Enterprise Solutions Product
 - A. mmWave Radar with Image Fusion Technology
 - B. AVM & Radar Sensor System
 - C. AVB Ethernet Gateway

(II) Industry Overview:

The Company is a professional networking communication equipment provider and the product lines include LAN/MAN, wireless broadband, digital multimedia, and mobile enterprise solutions. At the same time, the Company possesses competent software development capability to provide customers with customized and value-adding solutions, and is one of the few professional network equipment suppliers in Taiwan providing a complete range of products in networking/communication sector and the integration service of hardware & software.

In response to changes in life style and work style resulted from the impact of COVID-19 in 2020, long-distance network services increased to drive the product upgrades and the demand of replacements. And, the large-scale commercialization of global 5G products has increased the demand for network traffic and also resulted in the growth of communication products, such as Ethernet LAN Switch, Wi-Fi 6, and 5G mobile broadband access products. Entering into 2011, it is a year of reshaping the network communication industry and there will be huge technological development trend in the network communication industry, given the post-epidemic era, the US-China technology and trade war, and the continuous acceleration of global 5G business transformation. Given rapid increases in the demand for Internet connection combined with the trend toward new applications such as IoT, cloud computing, big data and mobile Internet within the global network communication industry, not only the volume of data transmission increase exponentially, but also there are constant breakthroughs and upgrades in networking and communication technologies.

According to data from ITRI's IEK Consulting, the production value of Taiwan communication equipment industry in 2020 was TWD835 billion, a decrease of 14.2% compared to 2019. But, after deducting the impact of the global mobile phone recession, production value of communication equipment products, including WLAN and Ethernet LAN Switch which are the major markets for the Company, was still growing compared to 2019. In 2021, the estimated production value of Taiwan communication equipment industry is TWD868 billion, a rise of 4% compared to 2020. The market demand for Wi-Fi 6 products will continue to increase. Due to the rising demand of the enterprise and mega data centers for Ethernet LAN Switch, the outlook for network equipment is positive and the demand for switch equipment is forecasted to grow steadily to drive the growth of the network communication equipment business.

With regards to Wi-Fi technology, Wi-Fi 5 was still the mainstream standard in 2020, but the next-generation technology, Wi-Fi 6, was also entering into the market. As 5G application is more widespread, Wi-Fi 6 is becoming the mainstream standard in internet connection, along with the trend of work from home, and there will be increasing demand for the replacement of mobile phones, laptops, tablets, and broadband terminal products. According to data from Market Intelligence & Consulting Institute (MIC) in December 2020, it is estimated that the penetration rate of Wi-Fi 6 in total Wi-Fi chip shipments will exceed 50% in 2021. Wi-Fi 6 is a significant upgrade of previous generations of Wi-Fi. The biggest change is the faster connection speed. Wi-Fi 5 can supports speeds up to 3.5Gbps; Wi-Fi 6 supports speeds up to 9.6Gbps, which makes it possible for applications that reduce 75% low latency and it can also bring wired and wireless signals closer to almost the same. Wi-Fi 6 technology makes data coding more efficient, and uses a more powerful processor to make reasonable use of the wireless spectrum. IEK also predicts that Wi-Fi 6 will get more popular gradually in 2021 and the price of equipment will also be reduced, which will increase the willingness of home and business users to replace or upgrade. The changes of lifestyles and the second wave of COVID-19 will drive the increase of long-distance networks and the shipment of WLAN modules and AP routers based on Wi-Fi 6 technology. The production value of Taiwan WLAN is expected to reach NT\$136.3 billion in 2021, with an annual growth rate of 2.5%. Moreover, MIC also believes that the demand for Wi-Fi high-speed networking is still strong. It is expected that devices equipped with Wi-Fi 6 will account for more than 50% of the overall wireless local area network (WLAN) market after the middle of 2021, while the penetration rate of broadband CPE and wireless routers in Wi-Fi 6 has reached 9% in 2021. Mid-to-high-end gateways will be equipped with Wi-Fi 6. The shipment of Wi-Fi 6 routers in developed countries is expected to exceed 50%.

In terms of mobile communication, as there are more mobile users watching, sharing and transferring videos over smartphones than ever before, network data grows at an exponential rate. According to the Ericsson Mobility Report dated November 2020, the global mobile data volume continued to grow. It is expected to reach 51 EB/month by the end of 2020 and to increase nearly 4.5 times to 226 EB/month in 2026. In 2025, 5G will account for 54% of the data flow. LTE is still the mainstream mobile access technology. There were approximately 4.5 billion LTE users in the third quarter of 2020,

accounting for 57% of total users. By 2021, the number of LTE users will peak at 4.8 billion and growth will gradually taper off. As more users switch to 5G, the LTE users will drop to around 3.9 billion in 2026. By 2026, the 5G users are expected to reach 3.5 billion, accounting for 40% of total mobile users. 5G brings faster network speed to satisfy more demanding data transmission and latency requirements. This technology will have profound impact on the worldwide ICT industry and create new opportunities while playing a vital role in the digital transformation of other industries as well. Three of the most anticipated applications of 5G technology, namely massive Machine Type Communication (mMTC), Ultra Reliable Low Latency Communications (URLLC) and enhanced Mobile Broad Band (eMBB), are made possible by the latest technological evolutions from antenna, software-defined networking (SDN), network function virtualization (NFV), millimeter wave (mmWave) to Internet of Things (IoT); together, they contribute to increases in data capacity and enable more equipment to be connected at the same time, which in turn encourages businesses to incorporate networking and mobile communication solutions into their business activities. Aside from 5G, the world's ongoing transition toward IoT also brings abundant opportunities to the network communication industry, and one technology that contributes to this development is low-power wide-area network (LPWAN), offering features including low data volume, low power consumption, and long distance and multi-device connections that are especially suitable for IoT applications. Infrastructures based on NB-IoT and LTE-M technologies are currently deployed throughout the world.

The transition into 5G gives rise to enormous demand for infrastructures including core network, 5G RAN, small cell, transmission equipment, network terminals, and tailor-made private networks for the needs of enterprises. According to Gartner, global demand for small cells is estimated at US\$6.4 billion by 2021. IEK Consulting also points out that enterprise demand for 5G private network will give rise to new demand for integrated solutions incorporating high-speed switch, light EPC, small cell and smart device, and that enterprise private network will play a key role in 5G transition due to its fast speed, low cost and high flexibility. According to forecasts by SNS Telecom & IT, by 2021, the global investment in LTE and 5G NR RAN infrastructure will exceed USD 1.3 billion. After 2021, the market is expected to maintain the growth trend and exhibit a compound annual growth rate of 44% from 2021 to 2024, reaching the annual investment in USD 4 billion by 2024. 5G applications such as smart city, smart home, Industry 4.0, IoT and Internet of Vehicles (IoV) all involve real-time AI analysis at low latency, a requirement that stimulates development of edge computing. Deployment of services and buffers at the network edge can effectively relieve congestion of the mobile core network and lessen the cloud computing workload. Lastly, SDN and NFV will be the two key software emphases in future mobile infrastructure development.

Concerning the Ethernet switch industry, according to data released by IDC in December 2020, in 2020, the demand for huge data transmission volume of cloud data centers drove the continual growth of 10Gbps and 100Gbps network switches. 400Gbps switches are starting to make their way into the market as demand for higher network speed grows. Also, transition into high-speed wireless network and the increasing demand for high-power connection equipment give rise to demand for 2.5Gbps/5Gbps switches and switches supporting high level of power over Ethernet (PoE++). Moreover, according to IEK's data on January 2021, following the impact of the epidemic in 2020, there was a supply chain disconnection problem in the first half of the year, but the supply situation in the second half of the year has gradually returned to normal. In addition, global demand for network communication products is optimistic for a long time after the epidemic, so, in the second half of 2020, there was a sudden increase in single-season demand. Overall speaking, the production value of Taiwan Ethernet LAN Switch grew by 3.2% to reach NT\$94.6 billion in 2020.

In terms of smart home development, according to a report issued by Research and Markets in July 2020, the scale of global smart home market is expected to grow from USD78.3 billion in 2020 at a compound annual growth rate of 11.6% to reach USD 135.3 billion in 2025. Home security/monitoring, smart energy control and smart appliances will be the main focus of smart home solutions in the future. The report also indicated artificial intelligence (AI) and deep learning are two of the fastest growing technologies in smart home solutions, and voice control and image recognition technologies are implemented at a faster rate. With respect to security and surveillance, the penetration of IP-Cams keeps growing.

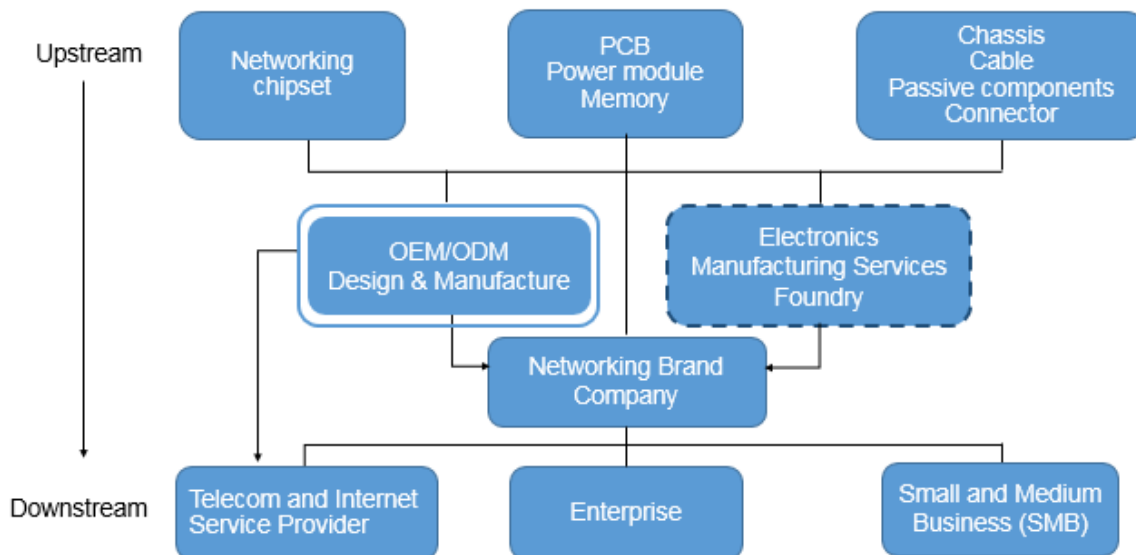
The rise of smart home solutions and the demand for high-definition video streaming has consistently increased the needs for higher bandwidth, which in turn supports development of VDSL2 and G.fast in copper wire production. In terms of fiber broadband, there is an ongoing shift from GPON to 10G-PON. However, due to the longer time and higher costs associated with FTTH (fiber-to-the-home) deployment, most carriers still resolve to FTTdp (fiber-to-the distribution point) as a way to reduce cost for the last mile of the fiber network. G.fast plays an important role in FTTdp as it allows copper wires to deliver higher speeds in this last mile. As for cable network, the introduction of DOCSIS 3.1 will enable full duplex speeds up to 10Gbps, and carriers are starting to implement fixed wireless access (FWA) service to improve deployment efficiency for the last mile and provide users with faster transfer speed.

Inspired by the development of self-driving cars, mmWave radar has quickly emerged to become one of the key technologies for advanced driver-assistance systems (ADAS). Based on estimates by Yole Developpment in 2020, the Sensor market consisting of primarily mmWave radar sensors will reach USD 22.4 billion by 2025. The market value of advanced driver-assistance systems (ADAS) is expected to grow at a compound annual growth rate of 22% to reach USD 3.5 billion in 2025. In short- and mid-range, mmWave can be used for applications such as blind spot detection (BSD), rear cross traffic alert, lane departure warning (LDW) etc. to prevent vehicle collision, and for industrial scenarios such as intelligent traffic monitoring and safety monitoring; in long range, mmWave offers uses such as auto emergency braking (AEB), adaptive cruise control (ACC) and forward collision warning (FCW). According to the data from Topology Research Institute, the millimeter-wave radar market has risen rapidly in recent years, mainly because the millimeter-wave radar is used as the main sensor in the ADAS in the new car evaluation system of many countries. Among them, AEB has become the evaluation standard for new cars in the United States and EU. Japan and other countries will mandate the installation of AEB in new cars in 2020, and the United States will set AEB as standard equipment for new cars in 2022; and in China, if the new car has not installed AEB since 2019, it is not possible to obtain a 5-star rating in the new car evaluation system. Because the three major automobile markets force the adoption and actively encourage the installation of the AEB system, it has become

the main thrust to increase the demand of millimeter-wave radars.

According to Cisco Annual Internet Report (2018-2023) White Paper published in March 2020, 5G will support more than 10% of mobile network connections worldwide in 2023. 5G is a versatile technology capable of many different uses from AI to new IoT applications, and it opens up opportunities to a broad range of mobile communication infrastructures for self-driving cars, smart city, smart healthcare, virtual reality (VR) and augmented reality (AR). In the future, IoT devices and services will give rise to broader applications, online services and demands because of 5G, and the need for greater bandwidth will continue to fuel growth of the network communication industry.

1. The Relevance of the Upstream, Midstream, and Downstream of the Network Communication Industry



2. Product Trend and Competition

(1) Product Trends

A. Establishment and Upgrade of Mobile Broadband

As more users around the world are enjoying mobile broadband service and mobile video streaming, the need for high-speed mobile internet access is also boosted. The 4G LTE market will continue to grow. As 5G networks are launched country by country, network infrastructure and terminal equipment will also continue to be developed, and the versatile 5G network will be able to materialize more emerging application services, thereby generating high bandwidth, low latency, and broad connection applications. The aim is to develop diverse applications and solutions for consumers, telecom operators, enterprises, and vertical markets of various industries.

B. The Rising Demand for Fixed-Line Bandwidth

The users' requirement in network applications has expanded from simple data transmission to video and interactive applications. As the demand for bandwidth increases, the telecom operators expedite the upgrading of their fixed-line network infrastructures. In terms of FTTx and terminal equipment development, copper broadband connections have evolved from ADSL to VDSL, and G.fast, while fiber broadband has been upgraded from GPON to 10G-PON, and the mainstream specification of cable is the DOCSIS 3.1. Furthermore, MSOs will accelerate the deployment of fiber networks featuring 10G-PON as the mainstream specification.

C. Upgrade of Ethernet Switch for Higher Transmission Speed

The enterprise users' demand for high-speed switches will continue to rise. The increase in cloud computing service and high-quality video streaming data will also increase, stimulates the establishment and upgrade of internal networks in data centers. The bandwidth of switches will be upgraded from 10Gbps and 40Gbps to 25Gbps and 100Gbps, respectively. The demand for the next generation of 400Gbps Ethernet will also increase gradually.

D. Enhancement of Wi-Fi Transmission Speed and Increase of Applications

As fixed-line network and mobile broadband upgrade to the next generation standards, they also generate an increase in the speed of Wi-Fi in LAN to satisfy the users' high-speed internet experience in various environments. Wi-Fi 5 has become the mainstream standard in the wireless network market, and it is developing towards Wi-Fi 6 and Wi-Fi 6E standards offering higher speed wireless networks. As mobile data transmission increases, telecom operators are also constantly deploying the Wi-Fi hotspots to achieve mobile data traffic offload and uphold network service quality.

E. Development Trend of Smart Homes

With the increasing demand for home security surveillance and smart homes, AI development also incorporates smart home products, where the technology development of voice control and image recognition will introduce more smart applications.

(2) Competition

As global technology advances by leaps and bounds, various wired and wireless network product technologies are also experiencing groundbreaking developments. However, the rapid evolution in new technologies also signifies

the shortening of product lifecycles as well as uncertainties associated with new product developments. In a bid to lower cost or simplify product functions, manufacturers are adopting the competitive pricing strategy by lowering their sales prices.

The Company offers the most comprehensive line of professional network products in Taiwan. With years of experience in product development and design, we can cater to the one-stop procurement needs of major international manufacturers. In the future, the network communication industry will develop towards smart applications and integration, and the speed of network technology will continue to increase, hence only manufacturers with sound network communication software/hardware technologies can provide customers with the latest and most complete solutions.

(III) Technology Research and Development:

1. R&D expenses made in last year,

Unit: NTD thousands

Item	2020
R&D Expense	1,604,780
Net Sales	32,170,649
R&D Expense as a Percentage of Net Sales (%)	4.98

1. Achievements of Technology or Products

Year	R&D Achievements
2006	Compact ADSL Modem, Digital Media Player with support of Intel ViiV, and IP-STB (Set Top Box) with support of H.264 encoding.
2007	Wireless Digital Media Player, HD Hybrid STB, WiMAX Pico Base Station, and EPON ONU.
2008	Layer2 Green Switch, Tripleplay Residential Gateway, and Wireless VDSL IAD.
2009	L3 Gigabit Switch, L3 10G Chassis Switch, 10G Top of Rack Switch, EPON/GPON MDU, GPON ONT, and NAS through Win7 certified.
2010	HD Player through DLNA 1.5 Server, Player and Render certified, 40GE Switch Module, 3G Femtocell, IP Camera, LINKnLOOK Cloud Service, OTT Set Top Box with built-in 2.5-inch 1TB Drive and built-in Facebook, Netflix and Blockbuster, NAS through DLNA 1.5 Server certified, 500M Powerline Adapter, Home Gateway through Win7 and IPv6 certified, Energy Efficient Ethernet Switch, and Unified WLAN Switch.
2011	Introduction of HD Digital Media Player with built-in DVB-T, Time Shifting with Simultaneous Two-way Scheduled Recording, Picture-in-picture, and Online Streaming. Development of Rack Mount 192 40GE Port Switch for Cloud Data Center.
2012	Development of Synchronized Playback and Remote Control Functions for Media Player on PC, Smartphone, Tablet, and TV. Development of Advanced 3G Anti-interference Technology. Development of Fast Speed, High-capacity, Non-Physical Layer, and 32 40GE Port Flagship Switch for Cloud Data Center.
2013	Cloud Traversing Firewall Technology was awarded the invention patents from Taiwan, USA and China. This technology could be used on video streaming products including IP Camera. Development of IoV Product "24GHz Automotive Radar Sensors."
2014	"Non-isolated DC/DC circuit design" of the high-speed power-line adapter was awarded patents in China, Japan and Australia. Development of world's fastest, high-density, high-capacity with 32 100GE port switch for high-end cloud data center which supports the ONIE standard. Development of 24GHz automotive radar sensors with blind spot detection for large transport vehicles. Cloud data center switch capable of supporting up to 40G which passed ONIE certification.
2015	Development of 2.5G /5G /10G multi-speed switch. Testing of cloud data center switch that contains 48 25G fiber downlink ports and 4 100G uplink ports. Development of 180-degree fisheye IP camera. Development of STB with 4 802.11ac 5 GHz antennas and 2 BT/BTLE 2.4 GHz antennas on board. Development of 24GHz automotive radar sensors with rear collision detection for general vehicles.
2016	Completion of testing of high-density rack mount 128 and 512 optical port switch for cloud data center. Completion of testing of 48 10G fiber downlink ports and 6 100G uplink ports for internet service provider. Completion of development of smart home gateway which passed Z-Wave Plus certification. Completion of development of enterprise access points with dual Wi-Fi 5 GHz modules and 2.5 Gbps Ethernet uplink port.
2017	Development of first central office terminal switch with G.fast technology. Demonstration of network backbone switch with IEEE1588v2 technology in Remote Radio Head and Cloud Radio Access Network applications. Development of 100G data center switch with 32 ports. Development of Top Of Rack switch with 48 x 25G downlink and 8 x 100G uplink ports. Provision of end-to-end solution for smart parking application which consists of NB-IoT sensor, NB-IoT small cell, cloud IoT platform, and APP program. Development of 24 dBm small cell & cloud radio access network platform which integrates 4G and Wi-Fi for increasing download speed. Development of new functions that enabled IP camera images to be transmitted to Google Chromecast through Google Home. Implementation of human/face detection and recognition in IP camera and hub. Provision of customers with 24 GHz 3-in-1 radar solution incorporating automotive camera for validation.

Year	R&D Achievements
2018	Development of 400G data center switch with 32 ports. Development of Multi-G (1G/2.5G/5Gbps) PoE (802.3bt) high-performance switch for access network and enterprise network. Development of fronthaul switch with IEEE1588v2. 10G PON ONU was listed as a recommended product for vOLTHA on the official website of ONF Lab. Self-Organizing Network (SON) jointly developed by Industrial Technology Research Institute (ITRI), Far EasTone and Alpha Networks won JUDGES'CHOICE in the Small Cell Forum (SCF) Awards. Implementation of beamforming technology on IP camera. Implementation of adaptive bitrate streaming on IP Camera. Radar solutions passed ISO 26262 which is world's highest safety standard on automobile electronics.
2019	Selection of being DCSG (Disaggregated Cell-Site Gateway) supplier for TIP (Telecom Infra Project). Shipment of G.fast central office and terminal equipment to Japan. Shipment of Wi-Fi 6 (802.11ax) wireless router through global distribution channel of partner brands. Shipment of outdoor 4G small cell to overseas markets. Shipment of Wi-Fi 6-enabled VDSL IAD to North American carriers. Submission of samples of enterprise indoor 5G NR Radio Unit (RU) to Chinese customers. Shipment of MPTCP-enabled Hybrid VDSL/LTE IAD to European carriers. Development of Active Video Setting (AVS) technology and integration into IP camera. Outdoor wireless battery-powered IP camera was shipped worldwide. 77/ 79GHZ mmWave radar received MIC certification in Japan and was ready for mass production.
2020	Development of 400G data center switch with 64 ports. Development of XGS-PON OLT with 8 ports. Integration of the third-party software to virtual Optical Line Terminal (vOLT) platform to provide 8 port XGS-PON OLT. Development of Multi-G (1G/2.5G/5Gbps) PoE (802.3bt) switches with 48 ports and start shipping to customers. Development of DCSG (Disaggregated Cell Site Gateway) hardware platform of TIP (Telecom Infra Project), integration DCSG with third-party software, and sending samples for customer verification. Joining DENT open network operating platform alliance led by Amazon and Linux foundation. Development of indoor enterprise 5G NR base station (Radio Unit, Distributed Unit, and Centralized Unit) which supports the sub-6GHz frequency band and start sending samples to Japanese and Taiwanese customers for field trials. Shipment of 5G NR CPE to Korean and Japanese customers for verification. Shipment of G.fast COE and CPE to Japanese market. Development of ASL-810B with G.Fast 106 MHz dual hybrid and shipment to Japanese market. Shipment of VDSL IAD with Wi-Fi 6 to the US telecom carrier. Development of routers of ASL-84421L and ASL-84440L with Wi-Fi 6 and shipment to the US telecom carrier. Shipment of hybrid VDSL/LTE IAD with MPTCP to European telecom carrier. Development of VLT-743810F with hybrid VDSL/LTE router and shipment to European telecom carrier. Development of Wi-Fi 6E tri-band router and shipment of the samples to the US customers. Shipment of Wi-Fi 6 Easy MESH to global brand customer. Shipment of vast volume of video doorbell to tier one customers in the US. Development of 24GHz smart radar sensor. Development of 77GHz smart radar sensor. Development of 79GHz smart radar sensor. Development of mmWave radar with image fusion technology. Development of Around View Monitoring & radar sensor system.

(IV) Long and Short-term Business Plans

1. Short-term Business Plans

In terms of marketing, the Company maintains close business relationship with customers to understand changes in market trend and customers' needs. Backed by strong research capacity and advantage in quality assurance, the Company aims to provide customized services such as hardware/software designs to help customers expand new business territory. With respect to product development, the Company will be introducing new offerings that add value, optimize product portfolio and increase market share, while at the same time establishing collaborative relationship with key IC suppliers to secure critical technology. In the operational aspect, the Company aims to raise operating efficiency and performance through enhanced internal management.

2. Long-term Business Plans

From the marketing perspective, the Company strives to expand and build up global reputation by forming business relationship with world-renowned manufacturers, and will continue to engage customers and suppliers in business dealings that promote long-term relationship.

In terms of product development, the Company will continue improving its research capacity in line with industry trends and integrating knowledge from network communication, multimedia and smart application into developing next-generation products and enhancing competitive advantage.

As for operational management, the Company aims to strengthen its financial structure and place greater emphasis on operating efficiency.

II. Market, Production and Sales Overview

(I) Market Analysis:

1. Locations where products (services) were mainly sold (delivered to)

Unit: NTD thousands

Location	2020	
	Amount	%
USA	21,170,158	65.81
Taiwan	3,653,720	11.36
Singapore	1,583,698	4.92
China	1,222,879	3.80
Other Countries	4,540,194	14.11
Total	32,170,649	100.00

Note: Sales (service) locations are categorized based on customers' location.

2. Market Share and Future Supply, Demand and Growth:

(1) Market Share

The Company will continue offering total solutions across all product categories, including broadband equipment, optical products and enterprise wireless equipment, and attempt to satisfy customers' requirements, improve product quality and increase worldwide market share.

(2) Future Market Supply, Demand and Growth

Looking forward to 2021, although the COVID-19 will continue to affect the overall performance of the communications equipment industry, the demand for network data continue to increase, driving the growth of demand for Wi-Fi 6, 400G switches, 5G mobile phones, and mobile broadband access products. Therefore, it is estimated that 2021 production value of Taiwan communication equipment will grow compared to 2020. Global supply, demand and growth prospect of different networking products are explained below:

A. Switch

According to the research report published by research institution - Dell' Oro in January 2020, growth of L2 and L3 Ethernet switch is estimated at 4% worldwide for 2021; 25Gbps/100Gbps products continue to grow in data center switch sector, and a general shift toward enterprise high-speed wireless networking will stimulate demands for 2.5Gbps/5Gbps switches. The latest Ethernet roadmap published by Ethernet Alliance has shed some light on future Ethernet standards, and it indicates an increase of speed in data center switch to 400Gbps.

According to the data of IEK on January 2021, it is expected that as the global demand for Ethernet LAN Switch gradually stabilizes in 2021, product supply will also return to normal. Moreover, after the epidemic, a new work or life style is expected to be established. The demand for network equipment is optimistic in the long run. Overall, the production value of Taiwan Ethernet LAN Switch will reach NT\$104.8 billion in 2021.

B. Wireless and Broadband Products

According to Ericsson's mobility report in November 2020, the number of LTE users is expected to peak at 4.8 billion in 2021. As more users switch to 5G, the number will decrease to approximately 3.9 billion by late 2026. It is expected to accumulate 3.5 billion 5G users worldwide by 2026. A report by Small Cell Forum in January 2020 showed that small cell shipments will increase progressively, and the annual shipment is expected to reach 10.5 million units by 2025. According to research and forecast by Global Market Insights, the output of global Radio Access Network-related equipment will reach USD15 billion by 2025, and the shipment of global RAN equipment is expected to grow at a compound annual growth rate of 5.6%.

Based on the report published by Maximize Market Research on January 2020, production value of 5G fixed wireless access equipment is estimated to increase to US\$91.6 billion by 2027 from US\$396 million by 2019, averaging a compound growth rate of 97% per annum between 2019 and 2027. In addition, the Ericsson Mobility Report dated November 2020 also predicts that by the end of 2026 the number of wireless fixed network access will grow three times, approaching 180 million, 25% of the total global mobile network data volume.

C. Digital Multimedia

The IP-Cam industry has been expanding at a constant rate. According to the report published by Global Market Insights in July 2019, global demand for IP-Cam is expected to exceed US\$20 billion in 2025, whereas global shipment of IP-Cam is estimated to grow at a compound rate of more than 14% per annum between 2019 and 2025.

D. Millimeter Wave Radar

According to Yole Developpment in 2020, the production value of the sensor market, led by automotive radar, will reach US\$22.4 billion in 2025, with a compound annual growth rate of 21%. Among them, the radar part will grow to US\$9.1 billion, with a compound growth rate of 19%. The market value of advanced driver assistance systems (ADAS) is expected to reach US\$3.5 billion, with a compound annual growth rate of 22%.

3. Competitive Advantage

(1) Product Diversity

The Company offers complete product lineup that spans across multiple categories including LAN/MAN, wireless broadband, digital multimedia and mobile enterprise solutions, ranging from basic to high-end applications. It has the most complete line of network communication products among domestic peers. The Company possesses key technologies in wired/wireless communication, edge computing, and AI; the company's comprehensive network communication products are applied to fields including smart cities, smart manufacturing, smart healthcare, and smart homes. Through the integration of IT, CT, and OT structures, the company can provide complete and high-cost-effective end-to-end solutions. We aspire to develop a variety of vertical services and industrial IoT applications to foster a win-win situation and continue to remain as the leader in private 5G network solutions.

(2) Competent R&D Team

The Company has a strong research team with extensive experience in the network communications field. The team has proven capable of reacting to market changes, launching new product ahead of peers, improving competitive advantage of the Company, and delivering products with excellent quality to fulfill the needs of the market.

(3) Manufacturing Capacity

Backed by strong R&D capacity, extensive experience as an OEM for international brands and a comprehensive product lineup, the Company currently enjoys its position as the top-performing original design manufacturer (ODM) for network communication products, and is well-positioned to compete as products become more highly integrated with features in the future.

(4) Procurement Bargaining Power

The Company is a professional network communication ODM with a comprehensive product lineup and high production capacity. The headquarter in Hsinchu and subsidiaries in China and Vietnam (to be established in 2021) have adopted the collective bargaining approach in procurement to save the cost of raw materials and enhance the price competitiveness of the Company's products in the market.

(5) Production Cost Control

In addition to the production and sales locations in Hsinchu, the Company can also capitalize on the cost advantage of our subsidiaries in China and Vietnam (to be established in 2021), where orders are accepted in Taiwan and the products are manufactured by the factories of our overseas subsidiaries.

With regards to product yield and cost control, the Company applies rigorous testing and quality assurance, continually optimizes capacity allocation to increase production efficiency, and hence overall market competitiveness.

4. Future Opportunities, Threats, and Response Strategies

(1) Opportunities

A. Ongoing Increase in Data Volume

Advancement of networking and communication technology has changed the lifestyle and business model significantly and the convenience, responsiveness, security and versatility from these technologies has also been integrated into the lifestyle. Breakthroughs in communication technology, the demand for higher quality products and faster transfer speed, and the increase of data volume in data centers resulted from cloud computing all contribute to the upgrade for network communication products; as a result, the industry is expected to sustain growth for an extended period of time.

B. Development of Smart Applications

The idea of smart home continues to inspire integration of smart features into consumer products, and AI further expands this possibility by bringing new applications to life. Meanwhile, applications such as smart manufacturing and smart city also present network communication products with new opportunities. The Company has a complete lineup of network communication products to provide customers with suitable hardware-software integration, research, development, design and manufacturing services and solutions.

(2) Threats and Response Measures

A. Intensified Industry Competition Narrows Gross Profit

The life cycle of networking products has shortened significantly due to rapid changes in the ICT market, which causes selling price to fall and gross profit margin to narrow over time.

Response Measures:

Strengthen R&D capacity and increase weight of ODM service for more value added and competitiveness; develop customer premises equipment (CPE) with smart and integrated features, and expand toward central office equipment (COE) that offer higher gross profit margin; expand product lines and create new business opportunities by offering one-stop shopping. In the meantime, additional resources will be invested into process optimization and production automation for improved operating efficiency and productivity.

B. Shortage of Network Communication Software Talents

The communication industry has been able to grow at a fast pace following the worldwide deregulation of telecommunication regulations and breakthroughs of the internet. As the hardware technology matures, the software technology is the key player in enhancing the value added of products. However, the supply of talents is starting to fall short, given the increasing demand from manufacturers.

Response Measures:

The Company will continue its efforts to create the ideal work environment supported by complete training and a rewarding profit-sharing system to enhance the loyalty of employees. Furthermore, the Company will try to address the talent shortage by recruiting software talents from campus and overseas markets.

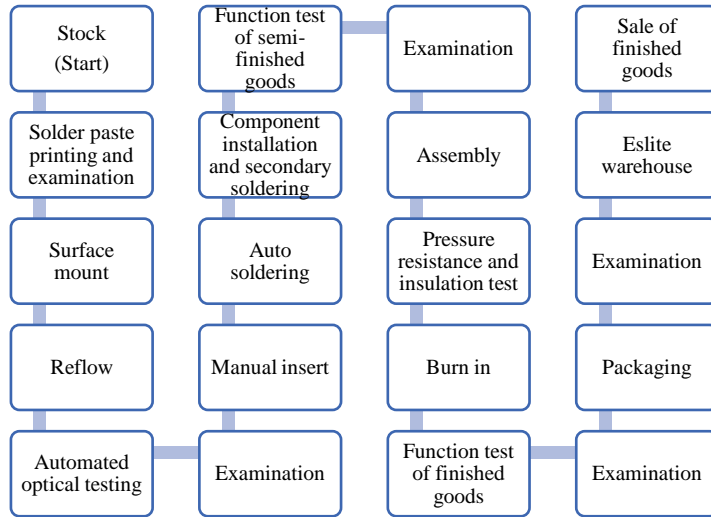
(II) Main Product Applications and Production Processes

1. Main Product Applications

Product Category	Purpose
Switch	The process of data transfer and exchange in IoT, IoV, 5G access network, enterprise network, telecommunication network, edge computing, and data center.
Wireless Network	Provision of WiFi compliance wireless network card and access bridge for internet connection or dial-up devices for internet applications.
Voice over IP (VoIP) Related Products	Provision of VoIP gateway that allowing user to make voice call over the internet by connecting to a regular phone, as well as using internet phone to connect directly to the internet to lower down the cost.
Multi-function Gateway	Integration of wireless network, broadband network, and router technologies.
Digital Subscriber Line (DSL) Related Equipment	Inclusion of a series of DSL modem (xDSL modem, home gateway, etc.) allowing broadband fast internet service.
Optical Access Related Equipment	Inclusion of a series of Optical Network Unit (ONU) and Multi Dwelling Unit (MDU).
Mobile Broadband Network	Inclusion of a series of mobile network base station, Customer Premises Equipment (CPE),

Product Category	Purpose
Related Equipment	and IoT sensor device.
Smart Home Equipment	Integration of use of MPEG/H.264/H.265 compression technologies to combine various voice and video plus high definition IP camera to provide the need for smart home life, security surveillance, etc. on a multimedia image transmission device.
Radar Sensor	Detection of range, movement and speed, and the applications of vehicle blind spot detection, parking assistance, collision warning, industrial sensing, and monitoring assistance.

2. Production Process



(III) Supply of Key Materials

The main raw materials used in the products include integrated circuits, memory, printed circuit boards, power supplies, connectors/connectors, packaging materials, chip modules, and antenna modules, etc. Based on the principle of keeping contacts between two or more suppliers, the Company maintains long-term cooperation and stable supply with suppliers after the raw materials are qualified. The company fully grasps the source of materials and strictly controls the delivery quality and delivery time of suppliers to ensure supply of main raw materials smoothly.

(IV) List of Suppliers and Clients Accounting for 10% or More of the Company's Total Procurement (Sales) Amount in either of the Two Most Recent Fiscal Years, the Amounts Bought from (Sold to) Each, the Percentage of Total Procurement (Sales) Accounted for by Each, and an Explanation of the Reasons for Net Changes in the below Figures.

1. Major Suppliers Information for the Recent Two Years.

Unit: NTD thousands

Item	2019				2020			
	Name	Amount	% of Annual Net Purchases	Relationship with the Company	Name	Amount	% of Annual Net Purchases	Relationship with the Company
1	Company B	1,458,244	13	-	-	-	0	-
2	Others	9,731,898	87	-	Others	30,598,772	100	-
	Net purchase	11,190,142	100		Net purchase	30,598,772	100	

Reasons for Net Changes: There are no significant changes in the recent two years.

2. Major Sales Customer Information for the Recent Two Years.

Unit: NTD thousands

Item	2019				2020			
	Name	Amount	% of Annual Net Sales	Relationship with the Company	Name	Amount	% of Annual Net Sales	Relationship with the Company
1	Company 1	3,872,479	24		Company 6	4,573,644	14	
2	Company 3	2,526,542	16		Company 1	3,795,216	12	
3	Company 2	2,261,586	14	Note 1	Company 7	3,452,918	11	
4	Others	7,165,202	46		Company 8	3,263,804	10	
5					Others	17,085,067	53	
	Net sales	15,825,808	100		Net sales	21,893,057	100	

The company using the equity method for the investment in the Company.

Explanation of variation: There was no significant variation in the last two years.

(V) Production Volume and Value for the Recent Two Years

Unit: thousands (pieces/sets); NTD thousands

Main Products \ Year	2019			2020		
	Production Capacity	Production Quantity	Production Value	Production Capacity	Production Quantity	Production Value
LAN/MAN Products	-	-	11,309,289	-	-	11,138,626
Wireless Broadband Products	-	-	2,671,243	-	-	12,359,584
Digital Multimedia Products	-	-	1,819,246	-	-	6,826,734
Others	-	-	69,229	-	-	56,914
Total	-	-	15,869,006	-	-	30,381,857

Note: There are many types of the Company's products, and the measurement for each product is different, so production capacity and quantity are not listed.

(VI) Sales Volume and Value for the Recent Two Years

Unit: thousands (pieces/sets); NTD thousands

Main Products \ Year	2019				2020			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
LAN/MAN Products	-	146,126	-	9,849,577	-	233,627	-	8,495,165
Digital Multimedia Products	-	43,801	-	2,238,616	-	96,018	-	7,736,224
Wireless Broadband Products	-	138,060	-	3,311,070	-	529,643	-	13,230,780
Others	-	74,109	-	24,450	-	1,788,781	-	60,411
Total	-	402,096	-	15,423,713	-	2,648,068	-	29,522,581

Note: There are many types of the Company's products, and the measurement for each product is different, so sales quantity is not listed.

III. Employee Information in the Recent Two Years up to the Publication Date of this Annual Report

Year		2019	2020	As of April 20, 2021
Headcounts	Indirect Employees	1,183	958	968
	Direct Employees	408	409	404
	Total	1,591	1,367	1,372
Average Age		37.34 year(s)	38.41 year(s)	38.32 year(s)
Average Years of Service		6.89 year(s)	7.34 year(s)	7.30 year(s)

Year		2019	2020	As of April 20, 2021
Academic Background	Ph.D.	0.57	0.66	0.66
	Master's	33.19	32.33	32.22
	Bachelor's	59.27	59.99	59.55
	High School	6.22	6.14	6.63
	Below High School	0.75	0.88	0.94

IV. Environmental Protection Expenditures

Losses (including indemnity) caused by environmental pollution and the total indemnity amount involved in the most recent year up to the date this report is published; accounts of future countermeasures (including improvement actions) and possible expenditures (including loss, disposition, and an estimate of indemnity incurred by a failure to implement countermeasures; if a reasonable estimation cannot be made, the justification shall be provided):

1. Losses (including indemnity) caused by the environmental pollution in the most recent year up to the date this report is published: The Company and its subsidiaries were not fined for any other violations against the relevant regulations or requested of environmental improvement from environmental organization in the most recent year up to the publication date this report.
2. Future countermeasures thereof (including improvement actions) and possible expenditures: None. (The Company and its subsidiaries have always put emphasis on environmental protection works. Apart from internal pollution prevention and controls, the factory areas are being continuously improved according to the requirements of the environmental management system, and all facilities are set up according to the relevant regulations to prevent environmental pollution losses.)

V. Labor Relationships

(I) List of Employee Benefits, In-service Training, Internal Training, Retirement System, and Implementation Status, as well as Employer-employee Agreements, and Protection Measures for Employee Entitlements:

1. Employee Benefits, In-service Training, Internal Training

(1) Employee Benefits and Implementation

The Company takes care of the physical and mental health of employees and enables them to devote the work. Not only providing various welfare plans, but also has an employee welfare committee formed by colleagues, responsible for the planning and implementation of employee welfare services/measures. Examples are given here to illustrate as follows:

a. In the Company:

The Company, in accordance with the Labor Standards Law and related labor laws and regulations, handles labor insurance and national health insurance for employees and contributes labor pensions (old and new systems). The Company formulates employee retirement rules in accordance with the Labor Pension Act, and clearly stipulates employee retirement applications requirements, pension payment standards and payment methods. In addition, in order to carry out risk planning in advance, enhance the Company's image, strengthen the normal operation of the enterprise, and enhance the life security of employees, and achieve labor-management harmony and create a win-win situation, we will provide comprehensive group insurance for colleagues. The Company also has employee fitness and leisure centers, health care rooms, breast-collecting rooms for mothers, and parking spaces for pregnant women to provide colleagues with better health and women's care.

In addition to the base salary, the employee salary package also includes job allowances, shift allowances, full attendance bonuses and other items. The year-end bonuses may be paid at the end of the year based on the Company's earnings status. Employees who have no fault during the year can participate in employee dividends.

b. In the Employee Welfare Committee:

The Company has set up an employee welfare committee to coordinate various employee clubs, recreation, art and tourism and other activities, and provide celebrations such as: annual gift, birthday gift, childbirth subsidy, wedding bonus, etc., and injuries Welfare service items such as condolences and funeral allowances.

(2) Employee training

Our employees have always been a very important asset for the Company. Therefore, the Company spares no effort to educate employees, investing huge funds and efforts year by year and provide employees with the best learning opportunities, resources and development stages, and complete planning based on the needs of employees at different stages Training system.

● New employee orientation:

The Company provides each employee with a complete new employee training, including company organization, core functions, internal systems, environmental safety and health, etc., to help employees quickly understand the company and integrate into the organizational culture.

● Management training:

According to the management functions required by the managers at all levels, corresponding management courses are offered to strengthen the management capabilities of the managers at all levels.

● Professional training:

In order to fully understand the professional knowledge and skills of the Company, the supervisor of departments and the human resources department plan to handle internal training courses to promote the exchange of

professional experience in various categories and further build a learning-oriented organization.

- External training:

In addition to systematic internal training, the Company also encourages employees to participate in related training courses externally, such as research and development, safety regulations, labor safety, human resources, etc., in accordance with organization functions and personal development needs, to comprehensively expand employee training channels.

In order to encourage employees to share professional experience and knowledge, the Company (Hsinchu Factory) regularly hosts teacher's day rewards every September, and sends e-cards and gift vouchers to internal lecturers to thank the Company's personnel for training. It has been distributed to 163 employees in 2020. The Company (Hsinchu Factory) provides language training subsidies for English, Japanese, French, German, Spanish, Russian, etc., to enhance the language ability of colleagues and the company's competitiveness.

The accumulated training hours reached 24,017 hours, and the accumulated number of trainees reached 21,457 in 2020. In response to 5G era is coming, the training organization has consolidated the technical training needs of each organization, and cooperated with relevant organizations (Tze Chiang Foundation of Science and Technology, Industrial Technology Research Institute, etc.) to host technical training courses, such as the "5G Core Network Technology Advanced Theory and Practice", to help employees catch the latest technology trends, continue to learn and grow.

2. Retirement System

The Company has established its retirement policy in accordance with the Labor Standards Act that applies to all permanent employees. Pursuant to the policy, employees who meet the retirement criteria may request for voluntary retirement or become subject to involuntary retirement. Pension is calculated based on years of service and average salary in the six months up to the retirement. The Company has also assembled an Employee Pension Fund Supervisory Committee under the approval of Letter No. Yuan-Lao-0930000638 issued by Science Park Administration, and makes monthly contributions equal to 2% of employees' monthly salary to a pension fund to finance future payment of employees' pension.

The "Labor Pension Act," was implemented since July 1, 2005, and introduced a defined contribution plan. At the time of enactment, employees were given the option to continue adopting the pension rules stated in "Labor Standards Act" or choose the pension scheme introduced under the Labor Pension Act while carrying years of service forward from the former scheme. According to the Labor Pension Act, the Company is required to make monthly pension fund contributions at an amount no less than 6% of employee's monthly salary. The Company has established a set of employee retirement policy according to the Labor Pension Act, and has been making monthly contributions to employees' pension fund accounts held with the Bureau of Insurance at 6% of salary since July 1, 2005.

3. Agreements between Labor and Management and Various Employee Rights Protection Measures

The Company always pays attention to the welfare of employees, and adopts communication and coordination methods between labor and management to deal with problems, so the labor-management relationship is quite harmonious. The Company has set up a Labor Safety and Health department to handle various safety and health tasks to actively prevent occupational disasters and ensure the safety and health of employees.

(II) Losses due to Labor Disputes in the Most Recent Year up to the Publication Date of this Report (Including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions): None. The Company expects colleagues to develop the corporate culture of "integrity", "unity", "excellence" and "innovation". The labor-management relationship has always been harmonious, and the working rules are handled in accordance with relevant laws and regulations.

VI. Material Contracts:

Contract Type	Parties	Contract Term	Content	Restrictive Clauses
Land Lease Agreement	Hsinchu Science Park Administration	From November 2003 to December 2022	Lease for land and factory premise at No. 8, Li-shing 7th Road	The Company shall comply with the provisions of Article 4 or Article 8 of the Act for Establishment and Administration of Science Parks. If the Company does not comply with the regulations, this agreement shall be invalid.

Financial Overview

I. Most Recent 5 years Condensed Financial Information

(I) Condensed Balance Sheet and Statement of Comprehensive Income

1. Condensed Consolidated Balance Sheet

Unit: NTD thousands

Item \ Year		Financial Information for the Most Recent Five years (Note 1)					As of March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Current Assets		11,313,804	11,166,230	12,517,041	19,148,501	20,706,337	-
Property, Plant and Equipment		2,358,829	2,086,034	1,859,589	3,231,397	3,936,709	-
Intangible Assets		194,291	211,385	204,719	1,529,044	1,435,575	-
Other Assets		324,500	260,966	347,726	1,091,426	926,962	-
Total Assets		14,261,424	13,724,615	14,929,075	25,000,368	27,005,583	-
Current Liabilities	Before Distribution	5,297,486	4,638,004	4,173,154	9,584,608	13,715,201	-
	After Distribution	5,749,116	5,181,747	4,173,154	9,823,300	(Note 3)	-
Non-current Liabilities		445,282	391,651	362,170	1,368,466	552,051	-
Total Liabilities	Before Distribution	5,742,768	5,029,655	4,535,324	10,953,074	14,267,252	-
	After Distribution	6,194,398	5,573,398	4,535,324	11,191,766	(Note 3)	-
Equity Attributable to Shareholders of the Parent Company		8,518,656	8,694,960	10,393,751	9,980,798	9,704,182	-
Capital Stock		4,344,697	4,443,967	5,435,172	5,425,901	5,417,185	-
Capital Surplus		2,144,447	2,242,570	3,557,356	3,001,756	3,004,591	-
Retained Earnings	Before Distribution	2,275,806	2,406,545	2,099,641	2,301,960	1,731,210	-
	After Distribution	1,824,176	1,862,802	2,099,641	2,063,268	(Note 3)	-
Others		(242,798)	(394,626)	(698,418)	(748,819)	(448,804)	-
Non-controlling Interests		-	-	-	4,066,496	3,034,149	-
Treasury Stock		(3,496)	(3,496)	-	-	-	-
Total Equity	Before Distribution	8,518,656	8,694,960	10,393,751	14,047,294	12,738,331	-
	After Distribution	8,067,026	8,151,217	10,393,751	13,808,602	(Note 3)	-

Note 1: Consolidated financial information between 2016 and 2020 has been audited by CPAs.

Note 2: Consolidated financial information as at March 31, 2021 was not by reviewed by CPAs yet up to the publication data of the annual report.

Note 3: It will be resolved by the board of directors at May 7, 2021.

2. Condensed Parent Company Only Balance Sheet

Unit: NTD thousands

Item \ Year		Financial Information for the Recent 5 years (Note 1)				
		2016	2017	2018	2019	2020
Current Assets		7,489,570	6,519,864	8,249,934	6,927,424	6,926,493
Property, Plant and Equipment		673,770	637,709	614,870	591,134	625,500
Intangible Assets		187,543	203,623	193,669	179,097	176,486
Other Assets		4,236,139	4,400,248	5,119,607	8,528,141	8,705,541
Total Assets		12,587,022	11,761,444	14,178,080	16,225,796	16,434,020
Current Liabilities	Before Distribution	3,623,712	2,675,633	3,422,883	5,692,673	6,249,901
	After Distribution	4,075,342	3,219,376	3,422,883	5,931,365	(Note 2)
Non-current Liabilities		444,654	390,851	361,446	552,325	479,937
Total Liabilities	Before Distribution	4,068,366	3,066,484	3,784,329	6,244,998	6,729,838
	After Distribution	4,519,996	3,610,227	3,784,329	6,483,690	(Note 2)
Capital Stock		4,344,697	4,443,967	5,435,172	5,425,901	5,417,185
Capital Surplus		2,144,447	2,242,570	3,557,356	3,001,756	3,004,591
Retained Earnings	Before Distribution	2,275,806	2,406,545	2,099,641	2,301,960	1,731,210
	After Distribution	1,824,176	1,862,802	2,099,641	2,063,268	(Note 2)
Others		(242,798)	(394,626)	(698,418)	(748,819)	(448,804)
Treasury Stock		(3,496)	(3,496)	-	-	-
Total Equity	Before Distribution	8,518,656	8,694,960	10,393,751	9,980,798	9,704,182
	After Distribution	8,067,026	8,151,217	10,393,751	9,742,106	(Note 2)

Note 1: The parent company only financial information presented above has been audited by CPAs.

Note 2: It will be resolved by the board of directors at May 7, 2021.

3. Condensed Consolidated Statement of Comprehensive Income

Unit: NTD thousands

Item \ Year	Financial Information for the Most Recent Five Years (Note 1)					As of March 31, 2021 (Note 2)
	2016	2017	2018	2019	2020	
Operating Revenues	21,830,730	19,057,109	15,608,222	15,825,808	32,170,649	-
Gross Profit	3,183,471	2,892,365	2,103,678	2,614,001	5,006,293	-
Income from Operations	648,992	611,891	(200,028)	232,105	897,607	-
Non-operating Income and Expenses	154,581	84,463	115,742	107,688	21,899	-
Income before Income Tax	803,573	696,354	(84,286)	339,793	919,506	-
Income (Loss) from Continuing Operations	608,039	548,538	(88,009)	238,903	725,103	-
Net Income	608,039	548,538	(88,009)	238,903	725,103	-
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	(283,341)	49,662	(76,053)	(122,759)	124,503	-
Total Comprehensive Income (Loss) for the Year	324,698	598,200	(164,062)	116,144	849,606	-
Net Income Attributable to Shareholders of the Parent Company	608,039	548,538	(88,009)	238,903	556,997	-
Comprehensive Income (Loss) Attributable to Shareholders of the Parent Company	324,698	598,200	(164,062)	116,144	695,527	-
Earnings Per Share	1.40	1.26	(0.17)	0.44	1.03	-

Note 1: Consolidated financial information between 2016 and 2020 has been audited by CPAs.

Note 2: Consolidated financial information as at March 31, 2021 was not reviewed by CPAs yet up to the publication date of this report.

4. Condensed Parent Company Only Statement of Comprehensive Income

Unit: NTD thousands

Item \ Year	Financial Information for the Most Recent Five years (Note 1)				
	2016	2017	2018	2019	2020
Operating Revenues	19,874,932	17,719,461	15,132,316	14,813,691	21,358,901
Gross Profit	2,465,040	2,432,058	1,568,533	2,189,117	2,449,000
Income from Operations	375,550	505,119	(349,252)	111,313	464,381
Non-operating Income and Expenses	324,739	109,587	195,521	167,319	162,045
Income before Tax	700,289	614,706	(153,731)	278,632	626,426
Income from Continuing Operations	608,039	548,538	(88,009)	238,903	556,997
Net Income	608,039	548,538	(88,009)	238,903	556,907
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	(283,341)	49,662	(76,053)	(122,759)	138,530
Total Comprehensive Income for the Year	324,698	598,200	(164,062)	116,144	695,527
Earnings Per Share	1.40	1.26	(0.17)	0.44	1.03

Note 1: The parent company only financial information presented above has been audited by CPAs.

(II) CPAs and the Opinions for Most Recent Five Years

Year	CPAs	Audit opinion
2016	Wan-Yuan Yu, Cheng-Chien, Chen	Unqualified Opinion
2017	Wan-Yuan Yu, Cheng-Chien, Chen	Unqualified Opinion
2018	Wan-Yuan Yu, Cheng-Chien, Chen	Unqualified Opinion
2019	Wan-Yuan Yu, Hai-Ning, Huang	Unqualified Opinion
2020	Wan-Yuan Yu, Hai-Ning, Huang	Unqualified Opinion

II. Financial Analysis for the Most Recent Five Years

(1) Financial Analysis on Consolidated Financial Statements

Analysis \ Year		Financial Analysis for the Most Recent Five Years					As of March 31, 2021
		2016	2017	2018	2019	2020	
Capital Structure Analysis	Liability Ratio (%)	40%	37%	30%	44%	53%	-
	Long-term Funds to PP&E (%)	380%	436%	578%	477%	338%	-
Liquidity Analysis	Current Ratio (%)	215%	241%	300%	200%	151%	-
	Quick Ratio (%)	156%	168%	211%	147%	100%	-
	Times Interest Earned (Times)	9,418	60,600	Note 1	9,844.56	2,189.31	-
Operating Performance Analysis	Average Collection Turnover (Times)	5.78	5.77	6.09	4.89	5.79	-
	Days Sales Outstanding	63	63	60	75	63	-
	Average Inventory Turnover (Times)	5.39	4.96	3.80	2.99	4.48	-
	Accounts Payable Turnover (Times)	5.31	4.74	4.51	3.67	4.87	-
	Average Inventory Turnover Days	68	74	96	122	81	-
	Property, Plant and Equipment Turnover (Times)	8.31	8.57	7.91	6.21	8.97	-
	Total Assets Turnover (Times)	1.53	1.36	1.09	0.79	1.23	-
Profitability Analysis	Return on Total Assets (%)	4%	4%	-1%	1%	3%	-
	Return on Equity (%)	7%	6%	-1%	2%	5%	-
	Pre-tax Income to Paid-in Capital Ratio (%)	18%	16%	-2%	6%	17%	-
	Net Margin (%)	3%	3%	-1%	2%	2%	-
	Earnings Per Share (NTD)	1.40	1.26	-0.17	0.44	1.03	-
Cash Flow	Cash Flow Ratio (%)	43%	15%	8%	4%	0%	-
	Cash Flow Adequacy Ratio (%)	164%	175%	183%	159%	58%	-
	Cash Flow Reinvestment Ratio (%)	17%	2%	-1%	-1%	-1%	-
Leverage	Operating Leverage	1.76	1.63	-0.76	2.42	1.78	-
	Financial Leverage	1.01	1.00	0.97	1.01	1.05	-

Explanation to net change exceeding 20%:

1. Increase in liability ratio: Mainly due to liabilities increased in 2020.
2. Increase in long-term funds to PP&E: Mainly due to PP&E increased in 2020.
3. Decrease in current ratio and quick ratio: Mainly due to current liabilities increased in 2020.
4. Decrease in times interest earned: Mainly due to interest expenses increased in 2020.
5. Increase in inventory turnover and decrease in inventory turnover days: Mainly due to cost of goods sold increased in 2020.
6. Increase in accounts payable turnover: Mainly due to cost of goods sold increased in 2020.
7. Increase in property, plant and equipment turnover: Mainly due to increases in net sales revenue.
8. Increase in total asset turnover increased: Mainly due to increases in net sales revenue.
9. Increase in return on total assets increased: Mainly due to increase in net income.
10. Increase in return on equity: Mainly due to increase in net income.
11. Increase in pre-tax income to paid-up capital ratio: Mainly due to increase in pre-tax income.
12. Increase in net margin: Mainly due to increase in net income.
13. Increase in earnings per share: Mainly due to increase in net income.
14. Increase in cash flow ratio: Mainly due to decrease in net cash flows from operating activities.
15. Decrease in cash flow adequacy ratio: Mainly due to decrease in cash flows from operating activities in the recent five years.
16. Decrease in cash reinvestment ratio: Mainly due to decrease in cash flows from operating activities in the recent five years.

Note 1: Negatives are not listed.

Note 2: As of the publication date of the annual report, consolidated financial information as at March 31, 2021 was not reviewed by CPAs yet.

(2) Financial Analysis on Parent Company Only Financial Statements

Year		Financial Analysis for the Most Recent Five years				
Analysis		2016	2017	2018	2019	2020
Capital Structure Analysis	Liability Ratio (%)	32%	26%	27%	38%	41%
	Long-term Fund to PP&E (%)	1,330%	1,425%	1,749%	1,782%	1,628%
Liquidity Analysis	Current Ratio (%)	207	244	241	122	111
	Quick Ratio (%)	198	236	228	112	103
	Times Interest Earned (Times)	17,664	330,587	Note 1	10,155	6904.54
Operating Performance Analysis	Average Collection Turnover (Times)	5.27	5.39	5.37	5.02	5.00
	Days Sales Outstanding	69	68	68	73	73
	Average Inventory Turnover (Times)	44.10	56.88	41.77	26.14	36.29
	Accounts Payable Turnover (Times)	8.58	7.78	6.66	4.61	5.10
	Average Inventory Turnover Days	8	6	9	14	10
	Property, Plant and Equipment Turnover (Times)	27.54	27.02	24.16	24.56	35.11
	Total Asset turnover (times)	1.61	1.46	1.17	0.97	1.30
Profitability Analysis	Return on Total Assets (%)	5%	5%	-1%	2%	3%
	Return on Equity (%)	7%	6%	-1%	2%	6%
	Pre-tax Income to Paid-in Capital Ratio (%)	16%	14%	-3%	5%	12%
	Net Margin (%)	3%	3%	-1%	2%	3%
	Earnings Per Share (NTD)	1.40	1.26	-0.17	0.44	1.03
Cash Flow	Cash Flow Ratio (%)	42%	19%	25%	6%	8%
	Cash Flow Adequacy Ratio (%)	211%	218%	199%	145%	129%
	Cash Flow Reinvestment Ratio (%)	14%	0%	3%	-2%	2%
Leverage	Operating Leverage	1.48	1.28	0.45	2.23	4.69
	Financial Leverage	1.01	1.00	1.00	1.02	1.02

Explanation to net change exceeding 20%:

1. Increase in times interests earned: Mainly due to increase in interest expenses in 2020.
2. Increase in inventory turnover and decrease in average inventory turnover days: Mainly due to cost of goods sold increased in 2020.
3. Increase in property, plant and equipment turnover: Mainly due to increase in net sales revenue.
4. Increase in total asset turnover: Mainly due to increases in net sales revenue.
5. Increase in return on total assets: Mainly due to increase in net income.
6. Increase in return on equity: Mainly due to increase in net income.
7. Increase in pre-tax income to paid-up capital: Mainly due to increase in pre-tax income.
8. Increase in net margin: Mainly due to increase in net income.
9. Increase in earnings per share: Mainly due to increase in net income.
10. Decrease in cash flow ratio: Mainly due to decrease in net cash flows from operating activities.
11. Decrease in cash flow adequacy ratio: Mainly due to decrease in cash flow from operating activities in the recent five years.
12. Decrease in cash flow reinvestment ratio: Mainly due to decrease in cash flow from operating activities in the recent five years.

Note 1: Negatives are not listed.

Note 2: As of the publication date of the annual report, consolidated financial information as at March 31, 2021 was not reviewed by CPAs yet.

1. Capital Structure Analysis

- (1) Liability ratio = Total liabilities / Total assets.
- (2) Long-term fund to PP&E = (Total equity + Non-current liabilities) / Net property, plant and equipment.

2. Liquidity Analysis

- (1) Current ratio = Current assets / Current liabilities.
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities.
- (3) Times interest earned = Earnings before income tax and interest expenses / Interest expenses over this period.

3. Operating Performance Analysis

- (1) Average collection turnover (including accounts receivable and notes receivable from operation) = Net sales / average receivables balance (including accounts receivable and notes receivable from operation).
- (2) Days sales outstanding = 365 / Average collection turnover.
- (3) Average inventory turnover = Cost of goods sold / Average inventory balance.
- (4) Accounts payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
- (5) Average inventory turnover days = 365 / Average inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
- (7) Total asset turnover = net sales / average total assets.

4. Profitability Analysis

- (1) Return on total assets = [net income + interest expenses × (1 - tax rate)] / average total asset balance.
- (2) Return on equity = net income / average shareholders' equity.
- (3) Net margin = net income / net sales.
- (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.
(Note 1)

5. Cash Flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities for the last 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
- (3) Cash flow reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 2)

6. Leverage:

- (1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit. (Note 3)
- (2) Financial leverage = operating profit / (operating profit - interest expense).

III. The Review Report of the Audit Committee

Date: March 19, 2021

To: Alpha Networks Inc. 2021 Annual General Shareholders' Meeting.

The board of directors has prepared the Company's 2020 consolidated financial statements. Cheng-Chien, Chen and Hai-Ning, Huang of the CPA firm of KPMG were retained to audit the Company's financial statements and have issued an audit report relating to the financial statements. The 2020 financial statements, business report and independent auditors' report have been reviewed and determined to be correct and accurate by the audit committee of Alpha Networks Inc. I, as the chairperson of the audit committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

The Audit Committee of Alpha Networks Inc.
Chairperson of the Audit Committee: Shu-Hsing Li

Date: May 7, 2021

To: Alpha Networks Inc. 2021 Annual General Shareholders' Meeting.

The board of directors has prepared the proposal of the distribution of 2020 earnings, which have been reviewed and determined to be correct and accurate by the audit committee of Alpha Networks Inc. I, as the chairperson of the audit committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

The Audit Committee of Alpha Networks Inc.
Chairperson of the Audit Committee: Shu-Hsing Li

IV. 2020 Consolidated Financial Statements with Independent Auditors' Report: Please Refer to P.90~ P.190

V. 2020 Parent Company only Financial Statements with Independent Auditors' Report: Please Refer to P.191~ P.290

VI. Any Financial Difficulties Experienced by the Company and its Affiliates during the Most Recent Year up to the Publication Date of this Report Need to be Stated as well as the Impact on the Company's Financial Position Need to be Outlined: None

Review and Analysis of Financial Position and Financial Performance, and Risk

Management

I. Financial Position:

Unit: NTD thousands

Item \ Year	2019	2020	Difference	
			Amount	%
Current Assets	19,148,501	20,706,337	1,557,836	8.14
Property, Plant and Equipment	3,231,397	3,936,709	705,312	21.83
Intangible Assets	1,529,044	1,435,575	(93,469)	-6.11
Other Assets	1,091,426	926,962	(164,464)	-15.07
Total Assets	25,000,368	27,005,583	2,005,215	8.02
Current Liabilities	9,584,608	13,715,201	4,130,593	43.10
Non-current Liabilities	1,368,466	552,051	(816,415)	-59.66
Total Liabilities	10,953,074	14,267,252	3,314,178	30.26
Capital Stock	5,425,901	5,417,185	(8,716)	-0.16
Capital Surplus	3,001,756	3,004,591	2,835	0.09
Retained Earnings	2,301,960	1,731,210	(570,750)	-24.79
Others	(748,819)	(448,804)	300,015	40.07
Equity Attributable to Shareholders of the Parent Company	9,980,798	9,704,182	(276,616)	-2.77
Non-controlling Interests	4,066,496	3,034,149	(1,032,347)	-25.39
Total Shareholders' Equity	14,047,294	12,738,331	(1,308,963)	-9.32

Explanation to material difference:

1. Property, plant and equipment: Mainly due to increase in the current year.
2. Current liabilities: Mainly due to increase in short-term borrowing in the current year.
3. Non-current liabilities: Mainly due to the reclassification of corporate bonds due within one year to current liabilities in the current year.
4. Total liabilities: Mainly due to increase in short-term borrowing in the current year.
5. Retained earnings: Mainly due to acquisition of non-controlling equity in the current year.
6. Others: Mainly due to disposal of equity instruments measured at fair value through other comprehensive gains and losses.

II. Financial Performance:

(I) Financial performance analysis

Unit: NTD thousands

Item \ Year	2019	2020	Net Change	Net Change %
Net Operating Revenues	15,825,808	32,170,649	16,344,841	103.28
Operating Costs	13,211,807	27,164,356	13,952,549	105.61
Gross Profit	2,614,001	5,006,293	2,392,292	91.52
Operating Expenses	2,381,896	4,108,686	1,726,790	72.50
Income from Operations	232,105	897,607	665,502	286.72
Non-operating Income and Expenses	107,688	21,899	(85,789)	-79.66
Income before Tax	339,793	919,506	579,713	170.61
Less: Income Tax Expense	100,890	194,403	93,513	92.69
Net Income	238,903	725,103	486,200	203.51
Other Comprehensive Income, Net Tax	(122,759)	124,503	247,262	201.42
Total Current Comprehensive Income (Loss)	116,144	849,606	733,462	631.51

Explanation to net change exceeding 20%: Mainly due to changes caused by mergers and acquisitions.

- (II) The impact on the Company's future financial and business and the corresponding plans resulted from the sales forecast: Please refer to pages 1 to 3.

III. Cash Flow:

(I) Analysis of changes in consolidated cash flow in 2020

Item \ Year	2019	2020	Change %
Cash Flow Ratio	4.09	(0.09)	(4.18)
Cash Flow Adequacy Ratio	158.68	57.61	(101.07)
Cash Flow Reinvestment ratio	(0.80)	(1.49)	(0.69)

Explanation: Mainly due to decrease in net cash flow from operating activities.

(II) Improvements for lack of liquidity and liquidity analysis for the next year

Unit: NTD thousands

Cash Balance at Beginning of Period	Net Cash Flows from Operating Activities for the Year	Cash Inflows (Outflows) for the Year	Cash Ending Balance	Financing of Cash Deficits	
				Investment Plans	Financing Plans
5,918,331	(13,529)	(194,798)	5,710,004	-	-

1. Analysis of cash flow for 2020:

Operating activities: The net outflow of NT\$13,529 thousands was mainly due to a decrease in working capital in 2020.

Investing activities: The net outflow of NT\$1,327,779 thousands was mainly due to repayment of financial assets carried at cost after amortization, amounted to NT\$2,927,099 thousands, payment of Non-controlling interests, amounted to NT\$3,389,967 thousands, and acquisition of property, plant and equipment, amounted to NT\$1,234,593.

Financing activities: The net inflow of NT\$1,097,714 thousands was mainly due to an increase in short-term borrowing NT\$1,890,061 thousands.

Effects of exchange rate changes: Net increase of NT\$35,267 thousands.

2. Liquidity improvement plan: The Company showed no signs of liquidity deficit in 2020.

3. Liquidity analysis for the coming year: The Company, on the premise of maintaining stable cash liquidity, will carefully plan and manage cash expenditures related to investments and operations while taking, cash balances on accounts, cash flows from operating activities and investing activities and the status of financial markets into consideration.

IV. Material Expenditures in the Most Recent Year and Impact on the Company's Finances and Operations: None

V. Investment Policy for the Most Recent Fiscal Year, the Main Reasons for the Profits/Losses Generated thereby, the Improvement Plan, and Investment Plans for the Coming Year:

(I) The Company's investment policies are in line with business development strategies and operational needs and search for an appropriate investment environment.

(II) Investment plans for the coming year: In the future, the Company will continue to meet business development and operational needs, search for investment targets to strengthen the competitiveness, keep the Company's continuous growth momentum, and achieve the Company's vision.

VI. Matters for Analysis and Assessment for Risks:

(I) The impact of changes of interest rates and exchange rates, and inflation on the Company's operating results and future measures:

The interest expense to net sales was 0.12% in 2020. The ratios are quite small, so they have little impact on the Company's operating results. In response to changes in interest rates, in addition to actively seeking more favorable interest rates from banks and pay attention on interest rate trends, the Company uses financing tools in the capital market to reduce the cost of funding, and maintains a good relationship with banks to obtain more interest rate information.

The foreign currency exchange gains (losses) to net sales was (0.23)% in 2020. It is mainly due to the exchange loss caused by the appreciation of NT dollar. In order to reduce the impact of exchange rate fluctuations, in addition to natural hedge, the Company will execute foreign exchange hedge in accordance with the "Procedures for Acquisition or Disposal of Derivatives" under the "Procedures for Acquisition or Disposal of Assets". At the same time, the finance department collects information of exchange rates, and refers to financial information provided by banks and investment institutions to catch exchange rate dynamics in real time, and adjust foreign currency positions held in accordance with actual capital needs and exchange rate trends.

In addition, there was no significant impact from inflation on the operating results of the Company in 2020 and as of the publication date of this annual report. The Company will pay attention closely to changes in the relevant economy environment and changes in market conditions to avoid the adverse effects of inflation on the company's operating results.

(II) The policy for engaging in the high-risk, high-leveraged investments, loans, guarantee/endorsement and derivative commodity trading, the reasons of the profits or losses resulted from aforementioned arrangement, and future measures.

1. The Company does not engage in high-risk or highly leveraged investments.
2. The Company handles lending funds to other parties and endorsement guarantee operations in accordance with the regulations and rules of the authority.
3. The Company engages in derivative transactions mainly to avoid the risk of exchange rate changes in foreign currency positions, and its decision-making and related operating procedures are handled in accordance with the "Procedures for Acquisition or Disposal of Assets" set by the Company. The Company recognized gain on valuation of derivative transactions, amounted to NT\$48,588 thousands, in 2020.

(III) R&D expenses for future R&D projects and investment amount:

1. Future R&D Plans:

A. LAN/MAN BU

The Company's development in the field of Ethernet high-speed network switches covers switches in data center level, enterprise level, telecom level and industrial level. The enormous data flow of the data centers will continue to drive the increase of the penetration of 25G and 100G switches, and the demand for 400G high-speed switches will gradually increase. With development trend of edge computing MEC on 5G core network and IoT, the Company not only develops switch OLT optical cable terminal equipment in line with 5G mobile communication network application, but also develops the MEC software integration platform. As wireless network enters the era of Wi-Fi 6 high-speed transmission, the demand for 2.5G and 5G switches will also rise. Besides, with the increasing application of network equipment requiring more power, the need for switches supporting high-power Ethernet power supply (PoE++, 90W) will grow.

B. Wireless Broadband BU

With the increased deployment of global 5G networks, the deployment of fixed wireless access (FWA) service applications by telecom companies will drive the demand of access routers and small cells for the Company. In the 5G enterprise vertical-integrated market, in addition to the terminal radio unit (RU), the Company has also developed the end-to-end (End-to-End) solutions to provide the customized and flexible applications in various fields. Telecom companies are accelerating the upgrade of fixed network infrastructure. In the development of FTTx central office and terminal equipment, the Company's copper wire technology VDSL is upgraded to G.fast, and the demand for optical fiber network 10G-PON will grow gradually. In addition, with the increase of terminal devices equipped with high-speed wireless network Wi-Fi 6 & 6E, it will also drive the demand of Wi-Fi 6 & 6E enterprise wireless AP and personal MESH routers for the Company. Besides, under the trend of work from home, the demand for VPN network security has greatly increased, which will also drive telecom companies' requirements for Home Gateway's virtual private network (VPN) and QoS functions and other software functions, which will also drive new CPE equipment investment. In the era of after Covid-19, governments and telecom companies have accelerated the construction and penetration of high-speed networks in response to new business models and home needs, Working/Learning from Home. The rigid demand for 10G optical fiber networks has grown significantly. In response to the XGS-PON trend, the company's wireless broadband network business unit plans to develop a series of products, from SFU/ONU to HGU equipped with the latest Wi-Fi6E. To meet the new demands of enterprise-level wireless APs and home routers, it will also be upgraded from Wi-Fi 6 to Wi-Fi 6E Dual-band/Tri-band. In the 5G enterprise private network, we will continue to deeply cooperate with telecom companies and develop the next generation of CU, DU, CDU and RU to provide a complete end-to-end solution.

C. Digital Multimedia BU

Development trends in security surveillance and AI have generated needs in IP-Cams and edge computing (Edge AI) applications. The Company's digital multimedia network product line will continue to focus on the development of IP-Cams, edge computing image recognition and analysis applications. In the home security surveillance market, outdoor battery-powered IP-Cam, and smart doorbell surveillance application will provide the most momentum for growth. Besides continuing to focus on smart home applications, the Company will develop enterprise security surveillance solutions to provide our clients with competitive and differentiated products.

D. Mobile Enterprise Solutions LOB

With the development of the advanced driver assistance system (ADAS) and autonomous vehicles (Autonomous Vehicles) markets, the Company will continue to develop 77GHz and 79GHz mm Wave radar sensors, combined with automotive AVM surround-view imaging systems, to improve sensing accuracy. This year, we have made great progress in industrial applications. We will discuss the application of Traffic Monitoring with major Japanese customers, and jointly develop new products for Radar vehicle flow detection; and plan to transform the patented technology of Radome into a new business model in the security camera application. Close. In addition, we are more actively discussing cooperation with Radar & AVM Key Accounts, looking forward to using the capacity of the new car factory to generate more benefits from ODM/OEM.

2. Expected R&D expenses: R&D expenses are estimated at 5-10% of revenues in 2021.
- (IV) The impact of changes of domestic/international important policies and legal regulations on the Company's financial status and the related countermeasures:
The Company pays attention to changes in important domestic and international policies and laws at any time. The Company has not been affected by the changes of important domestic and international policy and legal regulations that affect the Company's finances and business in 2020 and as of the publication date of this Annual Report.
- (V) The impact of changes of technology and industry on the Company's financial status and the related countermeasures:
Despite technological updates continuously, the Company adheres to the focus and enthusiasm for R&D. It places great emphasis on the quality of R&D personnel, and recruits software and hardware development and design talents that master switches, wireless networks, mobile broadband, digital multimedia networks, millimeter wave radars with different core technology development capabilities. We can design suitable and user-friendly products according to the regulations and specifications of different countries, and adapt to the ever-changing market to provide the most needs.
- (VI) The impact of corporate image changes on corporate crisis management and the related countermeasures:
The Company has maintained good corporate image since it was incorporated in 2003. It remains persistent in its pursuit for technological advancement, invests pro-actively into the development of new products and technologies, and continues to provide customized hardware/software solutions for renowned international business partners. Owing to its extensive efforts in managing corporate image and risks, the Company encountered no change of corporate image in recent years that presented potential crisis to business management.
- (VII) Expected benefits and possible risks of M&A and the related countermeasures:
The Company currently has no ongoing merger or acquisition.
- (VIII) Expected benefits and possible risks of the expansion of factory and the related countermeasures:
Currently, the main focus of the Company and its subsidiaries in the factory and equipment is to fully utilize the existing production capacity and maximize the economy scale. Except for the Vietnam subsidiary that was planned to be established, there is no other major demand for plant expansion in the short-term.
Relevant plant expansion and major capital expenditures have undergone a prudent evaluation process, and after considering the investment benefits and possible risks, the Company submits the proposals to the board of directors for resolution.
- (IX) Risks of the concentration of procurement and sales and related countermeasures:
The Company mainly provides customers with network communication product design, research and development and manufacturing services. The customers are in Asia, Europe and the United States. The main customers are world-renowned manufacturers with good relationships for many years. There shall be no risk of excessive concentration of sales. In terms of procurement, no single supplier accounted for more than 10% of the Company's total purchases in 2020, and there shall be no risk of excessive concentration of purchases as well.
- (X) Risk of the transfer of shares by directors, supervisors, or major shareholders holding more than 10% of shares of the Company and related countermeasures:
The Company's institutional director D-Link Corporation signed a share transfer agreement with the Company's another institutional director Qisda Corporation to obtain the shares of the Company. Besides, the former chairman, Mr. John Lee, transferred all shares of the Company shares to Qisda Corporation. So, both the institutional director D-Link Corporation and the former chairman Mr. John Lee transferred more than one-half of the shares held at the time of the election, and the representatives are dismissed. The Company re-elected all directors at the extraordinary shareholders meeting held on January 28, 2021. It has no significant impact on the Company's operations.
- (XI) Impact and risks of changes in management on the Company and the related countermeasures:
Qisda Corporation, an institutional shareholder, acquired the shares of the Company. This management change has no significant impact on the Company's operations, but it has a more cohesive and centripetal force on the Company's entire team. Therefore, the management change is positive for the Company and shareholders.
- (XII) Disclosure of disputed contents:
1. Litigation, non-litigation or administrative dispute of the Company: None.
 2. Disclosure of disputed contents, amounts of the subject matters, commencement dates of the proceedings, parties involved in the proceedings of litigation or non-litigation events, major closed or ongoing lawsuits and litigation or non-litigation events involved with the Company and its directors, supervisors, president, substantive persons-in charge, major shareholders holding more than 10% of total shares and affiliates/subsidiaries with results of which may have a material impact on the shareholders' equity or the price of the marketable securities:
Qisda Corporation, the major shareholder holding more than 10% of total shares of the Company:
Several direct and indirect consumers in Canada filed a class action lawsuit of damage loss claim in January

2012, arguing that the Company and its subsidiary BQA were suspected to have been participating in the ODD (Optical Disk Drive) product pricing agreement, which violated the Canadian antitrust laws. The appointment of lawyers had been settled and the final results of the remaining related cases has not yet been reached.

(XIII) Other major risks and the related countermeasures:

The Company is committed to creating a secured environment. To provide assurance over the security of information assets owned by the Company, customers and business partners, the Company passed certification for ISO/IEC27001 - Information Security Management on December 14, 2018 and later established its own information security policy and organization based on the standard. Information security policies and risks are reviewed regularly, whereas internal audits are conducted with improvements made on an ongoing basis to ensure the confidentiality, integrity and availability of information assets.

The Company has information security policies in place to govern the use of information equipment, networking and communication, account access, off-premise use of computer equipment, printing of information, remote access and related processes. These policies provide robust control over the use of information at various stages, which in turn reduces information security risks.

VII. Other Material Issues: None

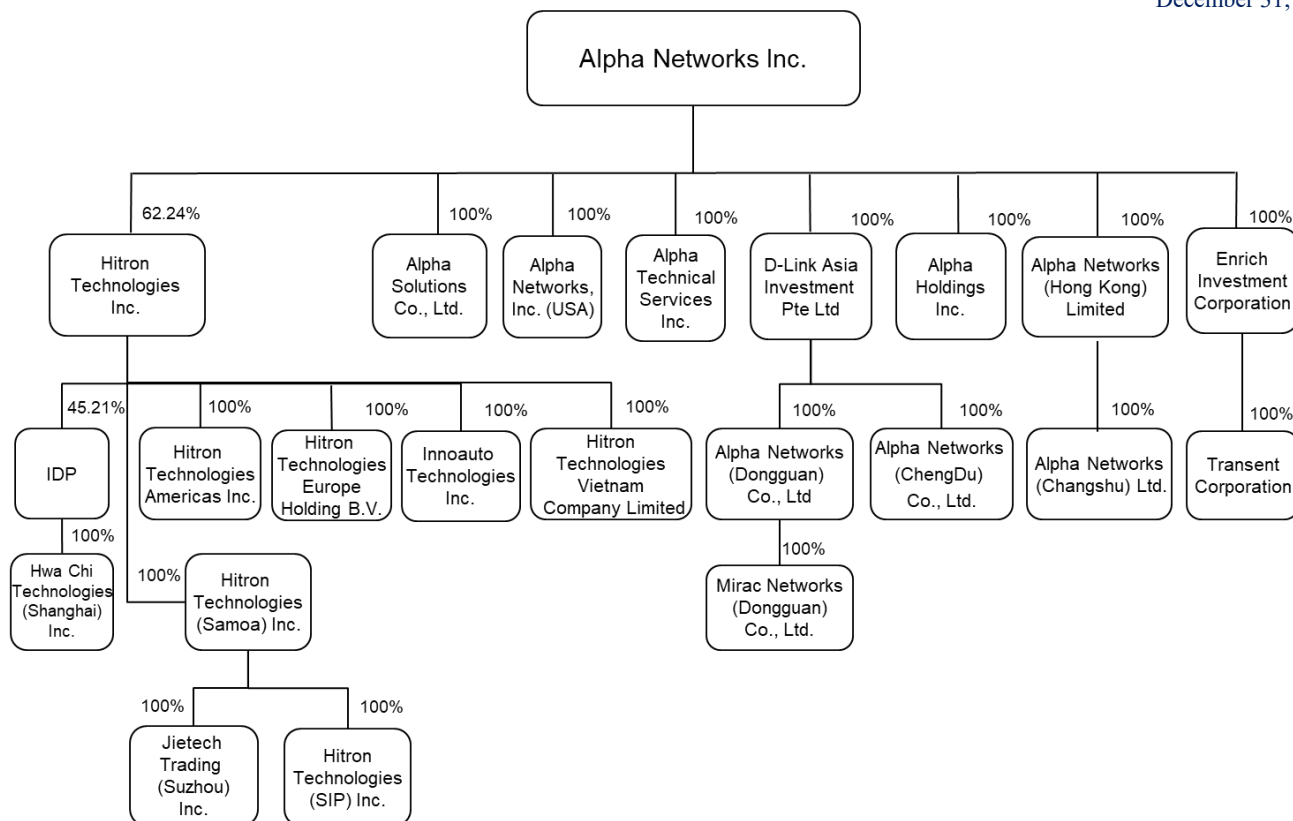
Special Notes

I. Information about Affiliates:

(I) Organization Chart of Affiliates.

Organization Chart of Affiliates

December 31, 2020



(II) Basic Information of Affiliates.

December 31, 2020; Unit: thousands

Company	Date of Incorporation	Address	Capital Stock	Business Activates
D-Link Asia Investment Pte, Ltd.	11/15/1995	No.1 International Business Park #03-12 , The Synergy, Singapore 609917	SIN 83,731	Investment in manufacturing businesses
Alpha Solutions Co., Ltd.	07/01/1997	10F, 8-8-15 Nishigotanda, Shinagawa-Ku, TOKYO 141-0031, Japan	JPY 40,000	Sale of network equipment, components and technical service
Alpha Networks (Dongguan) Co.,Ltd.	11/03/1997	Xingang Road, Xin'an Area, ChangAn, Dongguan City Guangdong Province, China	HKD185,260	Production and sale of network products
Alpha Holdings Inc. (Note 1)	06/27/2002	P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	USD 6,464	Investment holding
Alpha Networks, Inc.(USA)	07/12/2004	1551 McCarthy Blvd., Ste. 201, Milpitas, CA 95035	USD 1,500	Sale, marketing and procurement service in USA
Alpha Networks (ChengDu) Co., Ltd.	11/11/2004	Building D15, No.168, Guangfu Road, Industrial Centralization Development Zone, Chengfei Highway, QingYang Dist., Chengdu, China.	USD 13,000	Research and development of network products
Alpha Investment Pte, Ltd. (Note 2)	12/15/2005	P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	-	Investment holding
Mirac Networks (Dongguan) Co.,Ltd.	02/28/2006	Xin'an Area, Chang An, DongGuan City Guangdong Province, China	RMB 69,081	Production and sale of network products

Company	Date of Incorporation	Address	Capital Stock	Business Activates
Alpha Networks (Hong Kong) Limited	06/03/2008	Unit 701, 7/F., Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.	USD100,131	Investment holding
Alpha Technical Services Inc.	01/20/2009	7 Cushing , Irvine , CA 92618, USA	USD 8,100	Technical services
Alpha Networks (Changshu) Ltd.	02/19/2009	No.6, Yintong Road, National New & Hi-Tech Industrial Development Zone, Changshu, Jiangsu Province, China	USD 62,000	Research, production and sale of network products
Universal Networks Trading Limited (Note 3)	02/10/2011	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	-	Sale of electrical products
Global Networks Trading Limited (Note 4)	02/10/2011	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	-	Sale of electrical products
Enrich Investment Corporation	10/11/2018	7F., No.68, Ruiguang Rd., Neihu Dist., Taipei City , Taiwan	TWD 50,000	Investment holding
Transent Corporation	10/18/2018	5F.,No. 8, Li-shing 7th Road, Science-based Industrial Park, Hsinchu, Taiwan	TWD 50,000	Service of integration of various network communication products and systems and sale of network equipment
Hitron Technologies Inc.	03/24/1986	NO.1-8, Li-shing RD. I, Science-based Industrial Park, Hsinchu, Taiwan	TWD 3,289,862	Communications and telecom products
Interactive Digital Technologies Inc.	05/14/2003	No.38-1, Wugong 5th Rd., Wugu District, New Taipei City, Taiwan, R.O.C	TWD 377,178	Telecommunications and broadband network systems and services
Hitron Technologies (Samoa) Inc.	07/13/2006	TrustNet Chambers, P.O. Box 1225, Apia, Samoa.	USD 22,300	International trade
Hitron Technologies (SIP) Inc.	10/11/2006	No.158 Fengli Street, Suzhou Industrial Park	USD 20,500	Manufacture and sale of wireless and telecom products
Hwa Chi Technologies (Shanghai) Inc.	10/11/2001	Room 702, Block A, Shengnuoya Building, 1759 Jinshajiang Road, Putuo District, Shanghai	USD 200	Technical consulting, researching, maintenance and after sales service of electronic and telecom products
Jietech Trading (Suzhou) Inc.	07/20/2010	No.158 Fengli Street, Suzhou Industrial Park	USD 1,800	Manufacture and sale of wireless and telecom products
Hitron Technologies Europe Holding B.V.	07/01/2011	Kingsfordweg 151, 1043GR Amsterdam	EUR 1,500	International trade
Hitron Technologies Americas Inc.	10/21/2011	9000 E Nichols Ave Suite 103 Centennial, CO 80112	USD 3,000	International trade
Innoauto Technologies Inc.	06/11/2015	No. 1, 7th Floor, No. 1, Taiyuan Second Street, Zhubei City, Hsinchu County	TWD 50,000	Investment and automotive electronics products
Hitron Technologies Vietnam Company Limited	05/24/2019	No.15, Road No.17, VSIP Hai Phong, Thuy Trieu Commune, Thuy Nguyen District, Hai Phong City, Vietnam	USD 18,000	Manufacture and sales of wireless and telecom products

Note 1 : The procedures of capital reduction of Alpha Holdings Inc. was completed on December 2020.

Note 2 : The procedures of statutory dissolution of Alpha Investment Pte, Ltd. was completed on November 2020.

Note 3 : The procedures of statutory dissolution of Universal Networks Trading Limited was completed on July 2020.

Note 4 : The procedures of statutory dissolution of Global Networks Trading Limited was completed on June 2020.

(III) Presumed to be the Same Shareholder for Those with Relations of Control and Affiliation: None

(IV) Overall Business covered by the Affiliates and Subsidiaries:

The main business items of the Company and its affiliates are R&D, development, design, manufacturing and sales of broadband products, wireless network products, and computer network system equipment and components.

(V) Directors, Supervisors, and Presidents of Affiliates

December 31, 2020; Unit: thousand shares

Company	Title	Name	Shareholding	
			Shares	%
D-Link Asia Investment Ptd. Ltd.	Director	Representative of Alpha Holdings Inc.: Yao-Chuan, Yang	—	100
	Director	Representative of Alpha Holdings Inc.: Yu-Chin, Lin		
Alpha Solutions Co., Ltd.	Chairman	Representative of Alpha Networks Inc.: Yu-Chin, Lin	—	100
	Director	Representative of Alpha Networks Inc.: Yang-Chih, Chou		
	Director	Representative of Alpha Networks Inc.: Shao-Ling, Chen		
	Supervisors	Representative of Alpha Networks Inc.: Tsung-Pao, Liu		
Alpha Networks (Dongguan) Co., Ltd.	Chairman	Representative of D-Link Asia Investment Ptd. Ltd.: Chao-Fan, Ting,	—	100
	Director	Representative of D-Link Asia Investment Ptd. Ltd.: Hui-Jun, Li,		
	Director	Representative of D-Link Asia Investment Ptd. Ltd.: Ming-An, Lai		
Alpha Holdings Inc.	Director	Representative of Alpha Networks Inc. Yu-Chin, Lin	—	100
Alpha Networks Inc.(USA)	Chairman	Representative of Alpha Networks Inc.: Cheng-Guo, Ke	—	100
Alpha Networks (ChengDu) Co., Ltd.	Chairman	Representative of D-Link Asia Investment Ptd. Ltd.: Wei-Hung, Tsai	—	100
	Director	Representative of D-Link Asia Investment Ptd. Ltd.: Peng-Fei, Song		
	Director	Representative of D-Link Asia Investment Ptd. Ltd.: Feng-Qi, Ye		
	Supervisors	Representative of D-Link Asia Investment Ptd. Ltd.: Cheng, Chi-Chih		
Mirac Networks (Dongguan) Co., Ltd.	Chairman	Representative of Alpha Networks (Dongguan) Co., Ltd.: Chao-Fan, Ting,	—	100
	Director	Representative of Alpha Networks (Dongguan) Co., Ltd.: Shu-Chuan, Li		
	Director	Representative of Alpha Networks (Dongguan) Co., Ltd.: Shi-Gang, Zhao		
	Supervisor	Representative of Alpha Networks (Dongguan) Co., Ltd.: Jia-Bin, You		
Alpha Networks(Hong Kong) Limited	Director	Representative of Alpha Networks Inc.: Yu-Chin, Lin	—	100
Alpha Technical Services Inc.	Chairman	Representative of Alpha Networks Inc.: Chuan-Ming, Chien	—	100
Alpha Networks (Changshu) Ltd.	Chairman	Representative of Alpha Networks(Hong Kong) Limited: Chao-Fan, Ting,	—	100
	Director	Representative of Alpha Networks(Hong Kong) Limited: Chi-Chih, Cheng		
	Director	Representative of Alpha Networks(Hong Kong) Limited: Chih-Wen, Chen,		
	Supervisor	Representative of Alpha Networks(Hong Kong) Limited: Yang-Chih, Chou,		
Enrich Investment Corporation	Chairman	Representative of Alpha Networks Inc.: Wen-Fang Huang	5,000	100
	Director	Representative of Alpha Networks Inc.: Yu-Chin, Lin		
	Director	Representative of Alpha Networks Inc.: Chi-Chih, Cheng,		
	Supervisor	Representative of Alpha Networks Inc.: Shao-Ling, Chen,		
Transent Corporation	Chairman	Representative of Enrich Investment Corporation: Yu-Chin, Lin,	5,000	100
	Director	Representative of Enrich Investment Corporation: Yang-Chih, Chou,		
	Director	Representative of Enrich Investment Corporation: Jen- Sheng, Huang,		
	Supervisors	Representative of Enrich Investment Corporation: Shao-Ling, Chen		
Hitron Technologies Inc.	Chairman (Note1)	Yen-Wei, Cheng	200,000	62.24
	Chairman (Note1)	Representative of Alpha Networks Inc.: Wen-Fang, Huang		
	Director	Mei-Lan, Liu		
	Director	Representative of Alpha Networks Inc.: Yu-Chin, Lin		
	Director	Representative of Alpha Networks Inc.: Chi-Hong, Chen		
	Director	Representative of Alpha Networks Inc.: Yang-Chin, Chou		
	Director	Representative of Alpha Networks Inc.: Pei-Shun, Chiu		
	Director	Representative of Alpha Networks Inc.: Yu-Fa, Hsu		
	Independent Director	Mao-Chao, Lin		
	Independent Director	Ming-Fu, Huang		
	Independent Director	Le-Min, Chen		

Company	Title	Name	Shareholding	
			Shares	%
Interactive Digital Technologies Inc.	Chairman	Representative of Hitron Technologies Inc.: Yen-Wei, Cheng	16,703	44.28
	Director	Representative of Hitron Technologies Inc.: Mei-Lan, Liu		
	Director	Representative of Hitron Technologies Inc.: Yu-Chin, Lin		
	Director	Representative of Calais Development Ltd.: Jung-Huang, Wang		
	Independent Director	Chao-Fu, Shih		
	Independent Director	Hsiao-Chen, Chuang		
	Independent Director	Yu Cheng		
Hitron Technologies (Samoa) Inc.	Chairman	Representative of Hitron Technologies (Samoa) Inc.: Yen-Wei, Cheng	—	100
Hitron Technologies (SIP) Inc.	Chairman	Representative of Hitron Technologies (Samoa) Inc.: Yen-Wei, Cheng	—	100
	Director	Representative of Hitron Technologies (Samoa) Inc.: Mei-Lan, Liu		
	Director	Representative of Hitron Technologies (Samoa) Inc.: Pei-Shun, Chiu		
	Supervisor	Representative of Hitron Technologies (Samoa) Inc.: Jin-Jen, Hsue		
Hitron Technologies Americas Inc.	Chairman	Representative of Hitron Technologies Inc.: Mei-Lan, Liu	—	100
Hitron Technologies Europe Holding B.V.	Chairman	Representative of Hitron Technologies Inc.: Yen-Wei, Cheng	—	100
Hitron Technologies Vietnam Company Limited	Chairman	Representative of Hitron Technologies Inc.: Yen-Wei, Cheng	—	100
Innoauto Technologies Inc.	Chairman	Representative of Hitron Technologies Inc.: Yen-Wei, Cheng	5,000	100
	Director	Representative of Hitron Technologies Inc.: Mei-Lan, Liu		
	Director	Representative of Hitron Technologies Inc.: Jin-Jen, Hsue		
	Supervisor	Representative of Hitron Technologies Inc.: Ming-Hsin, Chen		
Jietech Trading (Suzhou) Inc.	Chairman	Representative of Hitron Technologies (Samoa) Inc.: Davis Cheng	—	100
Hwa Chi Technologies (Shanghai) Inc.	Chairman	Representative of Interactive Digital Technologies Inc.: Yen-Wei, Cheng	—	44.28 (Note2)
	Supervisors	Representative of Interactive Digital Technologies Inc.: Jeffrey Lee		

Note 1: Chairman of Hitron Technologies Inc., Yen-Wei, Cheng, transferred more than one-half of the shares of Hitron Technologies Inc. held at the time of the election on December 25, 2020, so he was dismissed as a director. And then, the board of directors elected a new Chairman on January 4, 2021.

Note 2: Shareholding ratio includes the direct and indirect investment of Hitron Technologies Inc.

(VI) Overview of Affiliates' Operations

December 31, 2020: NT\$1,000

Company	Capital Stock	Total Assets	Total Liabilities	Net Worth	Net Revenues	Income (Loss) from Operations	Net Income (Loss)	Earnings Per Share
D-Link Asia Investment Pte, Ltd.	1,692,805	6,834,640	5,077,315	1,757,325	-	(23,768)	51,172	0.59
Alpha Solutions Co., Ltd.	11,107	23,348	1,441	21,907	11,833	2,176	1,491	1,863
Alpha Networks (Dongguan) Co., Ltd.	787,496	4,471,488	3,427,681	1,043,807	8,960,187	64,765	41,052	-
Alpha Holdings Inc.(Note 1)	203,372	-	23,791	(23,791)	-	-	(12,344)	(0.17)
Alpha Networks, Inc.(USA)	51,609	1,295,483	1,157,564	137,919	5,430,910	12,125	8,539	5.69
Alpha Networks (Chengdu) Co., Ltd.	420,426	611,320	52,341	558,979	251,432	11,170	22,333	-
Alpha Investment Pte. Ltd. (Note 2)	-	-	-	-	-	-	(9,841)	-
Mirac Networks (Dongguan) Co., Ltd	307,326	590,547	294,096	296,451	813,714	11,648	11,086	-
Alpha Networks(Hong Kong) Limited	3,143,628	3,167,158	979,316	2,187,842	-	(593)	(44,310)	(0.06)
Alpha Technical Services Inc.	260,497	173,278	3,451	169,827	50,383	2,376	1,954	0.24
Alpha Networks (Changshu) Ltd.	1,925,920	3,766,552	2,537,112	1,229,439	7,463,378	(9,332)	42,575	-
Universal Networks Trading Limited (Note 3)	-	-	-	-	-	-	6,581	-
Global Networks Trading Limited (Note 4)	-	-	-	-	-	(0)	18,324	-
Enrich Investment Corporation	240,000	150,864	1	150,863	-	(28)	(3,807)	(0.16)
Transent Corporation	50,000	46,128	10,606	35,522	20,735	(11,049)	(10,616)	(2.12)
Hitron Technologies Inc.	3,289,862	8,739,727	3,794,578	4,945,149	8,526,047	115,946	280,010	0.87
Interactive Digital Technologies Inc.	377,178	2,966,296	1,810,575	1,155,721	1,853,959	270,554	234,242	6.33
Hitron Technologies (SAMOA) Inc.	669,031	752,846	0	752,846	0	0	(36,491)	-
Hitron Technologies (SIP) Inc.	641,763	2,109,289	1,393,101	716,188	6,238,056	(18,381)	(35,546)	-
Hitron Technologies Americas Inc.	90,082	1,699,596	1,575,737	123,859	6,562,788	56,192	62,380	-
Hitron Technologies Europe Holding B.V.	59,604	135,173	143,859	(8,686)	582,353	68,296	70,410	-
Hitron Technologies Vietnam Company Limited	550,355	2,892,570	2,457,656	434,914	3,090,061	(13,907)	(17,147)	-
Innoauto Technologies Inc.	50,000	4,948	12,864	(7,916)	9,270	(32,678)	(32,139)	-
Jietech Trading (Suzhou) Inc.	57,473	34,259	3,629	30,630	31,642	(727)	(945)	-
Hwa Chi Technologies (Shanghai) Inc.	5,814	5,973	81	5,892	6,602	2,374	2,255	-

Note 1: The procedures of capital reduction for Alpha Holdings Inc. was completed on December 2020.

Note 2 : The procedures of statutory dissolution for Alpha Investment Pte, Ltd. was completed on November 2020.

Note 3 : The procedures of statutory dissolution for Universal Networks Trading Limited was completed on July 2020.

Note 4 : The procedures of statutory dissolution for Global Networks Trading Limited was completed on June 2020.

- II. Privately Placement Securities in the Most Recent Year up to the Publication Date of this Annual Report: None
- III. Holding or Disposition of the Shares of the Company by Subsidiaries in the Most Recent Year up to the Publication Date of this Annual Report: None
- IV. Other Necessary Supplement: None
- V. Any Events in the Most Recent Year up to the Publication Date of this Annual Report that Had Substantial Impact on the Shareholders' Equity or Securities Prices as prescribed in Item 3 Paragraph 2 of Article 36 of the Securities and Exchange Act: None

Representation Letter

The entities that are required to be included in the combined financial statements of Alpha Networks Inc. and Subsidiaries as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements", endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Alpha Networks Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: Alpha Networks Inc.

Chairman: Wen-Feng Huang

Date: March 19, 2021

Independent Auditors' Report

To the Board of Directors of Alpha Networks Inc.:

Opinion

We have audited the consolidated financial statements of Alpha Networks Inc. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, based on our audit and the report of other auditor (Please refer to the paragraph on Other Matter of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Alpha Networks Inc. and its subsidiaries as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audit results and other CPA's audit report We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition from contracts with customers

Please refer to note 4 (14) and note 6 (25) for accounting policy and detailed disclosure of revenue, respectively.

In explanation of key audit matters:

The Group's major revenue is derived from the sales of goods to its customers. Revenue is recognized when the control over a product has been transferred to the customer as specified in each individual contract with customers. The Group recognizes revenue depending on the various sales terms in each individual contract with customers to ensure its performance obligation has been satisfied by transferring its control over a product to its customer. Consequently, revenue recognition is one of our key audit matters.

How the matter was addressed in our audit

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Group's internal controls surrounding the revenue process and cash collection transaction process; understanding the terms and types of the major sales transactions and assessing whether they were recorded in the proper period; selecting samples and inspecting customers' orders, bills of lading, raw data on e-commerce transactions, and outsourced transportation delivery orders, to assess the adequacy of the Group's timing on revenue recognition; understanding the rationale for any identified significant sales fluctuations which incurred within a certain period before or after the balance sheet date; inspecting customers' orders, bill of lading, and outsourcing transportation delivery orders, to determine whether they have been recorded in a proper period.

2. Valuation of inventories

Please refer to the note 4(8) for the accounting policy, note 5 for significant accounting assumptions and judgments, and major sources of estimation uncertainty, and note 6(4) for summary of inventory.

In explanation of key audit matters:

Inventories are measured at the lower of cost or net realizable value at the reporting date. The net realizable value of the inventory is determined by the Group based on the assumptions of the estimated selling price of the products. Due to the rapid development of technology and introduction of new products, the old models produced by the Group may be replaced by new ones, which may result to product obsolescence and the cost of inventory to be higher than the net realizable value. Therefore, the valuation of inventory is one of our key audit matters.

How the matter was addressed in our audit

In relation to the key audit matter above, our principal audit procedures included evaluating the reasonableness of the management's assessment and judgment on the method used in calculating the net realizable value, including data used, assumption, and formula; inspecting the appropriate supporting documentation to determine whether the estimation of provision for inventory obsolescence is accurate; testing the accuracy of the ageing of inventory and net realizable value through sampling and testing the report generated from system, evaluating the accuracy and reasonableness of the Group in providing inventory loss allowances based on the run rate and disposal of slow-moving inventory.

Other Matter

We did not audit the financial statements of certain subsidiary of the Group. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the subsidiary, is based solely on the report of another auditor. The financial statements of the subsidiary reflected the total assets amounting to \$362,527 thousand, constituting 1.34% of the consolidated total assets at December 31, 2020, and the total operating revenue amounting to \$582,353 thousand, constituting 1.81% of the consolidated total operating revenues for the year ended December 31, 2020.

The Group has additionally prepared its parent-company only financial statement as of and for the year ended December 31, 2020 and 2019, on which we have issued an unmodified opinion with other matter section.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien Chen and Hai-Ning Huang.

KPMG

Taipei, Taiwan (Republic of China)

March 19, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (note 6(1))	\$ 5,710,004	21	5,918,331	24
1110 Current financial assets at fair value through profit or loss (note 6(2))	82,311	-	99,705	-
1136 Current financial assets at amortized cost (notes 6(1), (5) and 8)	226,577	1	3,146,690	13
1170 Notes and accounts receivable, net (note 6(3))	6,801,078	25	3,764,696	15
1180 Accounts receivable due from related parties, net (notes 6(3) and 7)	-	-	528,144	2
130x Inventories (note 6(4))	7,029,370	26	5,089,181	20
1470 Other current assets (note 6(13))	856,997	3	601,754	2
	<u>20,706,337</u>	<u>76</u>	<u>19,148,501</u>	<u>76</u>
Non-current assets:				
1517 Non-current financial assets at fair value through other comprehensive income (note 6(6))	21,245	-	161,614	1
1535 Non-current financial assets at amortized cost (notes 6(3), (5) and 8)	156,475	1	39,745	-
1600 Property, plant and equipment (note 6(10))	3,936,709	15	3,231,397	13
1755 Right-of-use asset (note 6(11))	427,337	2	473,667	2
1780 Intangible assets (note 6(12))	1,435,575	5	1,529,044	6
1840 Deferred tax assets (note 6(21))	250,836	1	209,124	1
1990 Other non-current assets (note 6(13) and (20))	71,069	-	207,276	1
	<u>6,299,246</u>	<u>24</u>	<u>5,851,867</u>	<u>24</u>
Total assets	<u>\$ 27,005,583</u>	<u>100</u>	<u>25,000,368</u>	<u>100</u>
Liabilities and Equity				
Current liabilities:				
2100 Short-term borrowings (note 6(14))	\$ 2,842,762	11	952,701	4
2120 Current financial liabilities at fair value through profit or loss (note 6(2))	10,517	-	377	-
2170 Accounts payable (including related parties) (note 7)	6,828,103	25	4,310,745	17
2209 Accrued expenses	417,384	2	556,416	2
2230 Current tax liabilities	267,687	1	130,756	1
2250 Current provisions (note 6(15))	358,850	1	393,041	2
2321 Bonds payable, current portion (note 6(18))	526,507	2	-	-
2322 Long-term borrowings (note 6(17))	-	-	120,000	-
2399 Other current liabilities (note 6(16) and 7)	2,463,391	9	3,120,572	12
	<u>13,715,201</u>	<u>51</u>	<u>9,584,608</u>	<u>38</u>
Non-Current liabilities:				
2500 Non-current financial liabilities at fair value through profit or loss (note 6(18))	-	-	1,560	-
2530 Bonds payable (note 6(18))	-	-	571,047	2
2540 Long-term borrowings (note 6(17))	-	-	150,000	1
2580 Non-current lease liabilities (note 6(19))	201,065	1	224,639	1
2640 Net defined benefit liability (note 6(20))	220,367	1	288,999	1
2670 Other non-current liabilities (notes 6(15) and (21))	130,619	-	132,221	-
	<u>552,051</u>	<u>2</u>	<u>1,368,466</u>	<u>5</u>
Total liabilities	<u>14,267,252</u>	<u>53</u>	<u>10,953,074</u>	<u>43</u>
Equity (note 6(22)):				
3110 Ordinary share capital	5,417,185	20	5,427,273	23
3170 Share capital awaiting retirement	-	-	(1,372)	-
	<u>5,417,185</u>	<u>20</u>	<u>5,425,901</u>	<u>23</u>
Capital surplus	<u>3,004,591</u>	<u>11</u>	<u>3,001,756</u>	<u>12</u>
Retained earnings:				
3310 Legal reserve	1,127,420	4	1,107,188	4
3320 Special reserve	731,766	3	627,926	3
3350 Unappropriated retained earnings (Deficit to be compensated)	(127,976)	-	566,846	2
	<u>1,731,210</u>	<u>7</u>	<u>2,301,960</u>	<u>9</u>
Total equity attributable to owners of parent:	<u>(448,804)</u>	<u>(2)</u>	<u>(748,819)</u>	<u>(3)</u>
36XX Non-controlling interests (note 6(7))	9,704,182	36	9,980,798	41
Total equity	<u>3,034,149</u>	<u>11</u>	<u>4,066,496</u>	<u>16</u>
Total liabilities and equity	<u>\$ 27,005,583</u>	<u>100</u>	<u>25,000,368</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(25) and 7)	\$ 32,170,649	100	15,825,808	100
5000	Operating costs (notes 6(4) and 7)	27,164,356	84	13,211,807	83
	Gross profit	5,006,293	16	2,614,001	17
	Operating expenses (notes 6(3) and 7):				
6100	Selling expenses	1,276,014	4	444,241	3
6200	Administrative expenses	1,254,842	4	575,166	4
6300	Research and development expenses	1,604,780	5	1,353,111	9
6450	Expected credit loss (gain) (note 6(3))	(26,950)	-	9,378	-
	Total operating expenses	4,108,686	13	2,381,896	16
	Net operating income	897,607	3	232,105	1
	Non-operating income and expenses:				
7010	Other income (note 6(28))	118,256	-	55,985	-
7020	Other gains and losses, net (note 6(29))	(85,636)	-	(5,656)	-
7050	Finance costs (note 6(30))	(44,010)	-	(3,487)	-
7100	Interest income (note 6(27))	33,289	-	60,846	1
	Total non-operating income and expenses	21,899	-	107,688	1
	Profit from continuing operations before tax	919,506	3	339,793	2
7950	Less: Income tax expenses (note 6(21))	194,403	1	100,890	1
	Profit	725,103	2	238,903	1
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans (note 6(20))	55,193	-	(18,919)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (note 6(22))	92,512	-	13,193	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	147,705	-	(5,726)	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss				
8361	Exchange differences on translation (note 6(22))	(25,497)	-	(146,291)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(21))	2,295	-	29,258	-
	Components of other comprehensive loss that will be reclassified to profit or loss	(23,202)	-	(117,033)	(1)
8300	Other comprehensive income (loss)	124,503	-	(122,759)	(1)
8500	Total comprehensive income	\$ 849,606	2	116,144	
	Income (loss), attributable to:				
8610	Shareholder of Alpha Network Inc.	\$ 556,997	1	238,903	1
8620	Non-controlling interests	168,106	1	-	-
8700		\$ 725,103	2	238,903	1
8700	Comprehensive income attributable to:				
8710	Shareholder of Alpha Network Inc.	\$ 695,527	2	116,144	-
8720	Non-controlling interests	154,079	-	-	-
		\$ 849,606	2	116,144	-
	Earnings per share (New Taiwan dollars) (note 6(24))				
	Basic earnings per share	\$ 1.03		0.44	
	Diluted earnings per share	\$ 1.03		0.44	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Share capital	Total other equity interest									
		Unrealized									
		(losses) on financial assets									
	Ordinary shares	Shares awaiting retirement	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Deficit to be compensated)	Total retained earnings	Exchange differences on translation of foreign financial statements	Deferred compensation cost arising from issuance of restricted stock awards	Total other equity interest	Total equity
Balance at January 1, 2019	\$ 5,435,172	-	3,557,356	1,107,188	226,968	765,485	2,099,641	(322,596)	(305,330)	(698,418)	10,393,751
Effects of retrospective application	-	-	-	-	-	(17,665)	(17,665)	-	-	-	(17,665)
Equity at beginning of period after adjustments	5,435,172	-	3,557,356	1,107,188	226,968	747,820	2,081,976	(322,596)	(305,330)	(698,418)	10,376,086
Profit	-	-	-	-	-	238,903	238,903	-	-	-	238,903
Other comprehensive income	-	-	-	-	-	(18,919)	(18,919)	(117,033)	13,193	(103,840)	(122,759)
Total comprehensive income	-	-	-	-	-	219,984	219,984	(117,033)	13,193	(103,840)	116,144
Appropriation and distribution of retained earnings:											
Special reserve	-	-	-	-	400,958	(400,958)	-	-	-	-	-
Due to donated assets received	-	-	66	-	-	-	-	-	-	-	66
Cash dividends from capital surplus	-	-	(543,262)	-	-	-	-	-	-	-	(543,262)
Compensation cost of issued restricted stock awards	-	-	(21,675)	-	-	-	-	-	53,439	31,764	31,764
Non-controlling interests generated from acquisition	-	-	-	-	-	-	-	-	-	-	4,066,496
Share retirement for expiration of restricted stock awards	(7,899)	-	7,899	-	-	-	-	-	-	-	-
Share awaiting retirement for expiration of restricted stock awards	-	(1,372)	1,372	-	-	-	-	-	-	-	-
Balance at December 31, 2019	5,427,273	(1,372)	3,001,756	1,107,188	627,926	566,846	2,301,960	(439,629)	(292,137)	(748,819)	9,980,798
Profit	-	-	-	-	-	556,997	556,997	-	-	-	556,997
Other comprehensive income	-	-	-	-	-	55,193	55,193	(9,175)	92,512	83,337	138,530
Total comprehensive income	-	-	-	-	-	612,190	612,190	(9,175)	92,512	83,337	695,527
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	-	20,232	-	(20,232)	-	-	-	-	-
Special reserve	-	-	-	-	103,840	(103,840)	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	-	(238,692)	(238,692)	-	-	(238,692)	(238,692)
Disposal of FVTOCI financial asset	-	-	-	-	-	(199,625)	(199,625)	-	199,625	-	-
Due to donated assets received	-	-	60	-	-	-	-	-	-	-	60
Acquisition of non-controlling interests	-	-	(39)	-	-	(744,623)	(744,623)	-	-	(744,662)	(1,012,411)
Changes in ownership interests in subsidiaries	-	-	10,208	-	-	-	-	-	-	10,208	14,115
Compensation cost of issued restricted stock awards	-	-	(16,110)	-	-	-	-	-	17,053	943	943
Share retirement for expiration of restricted stock awards	(10,088)	1,372	8,716	-	-	-	-	-	-	-	-
Distribution cash dividend by subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(218,069)
Changes in the investee's capital surplus	-	-	-	-	-	-	-	-	-	-	32,408
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	7,739
Balance at December 31, 2020	5,417,185	-	3,004,491	1,127,420	731,766	(127,976)	1,731,210	(448,804)	-	(448,804)	9,704,182
											3,034,149
											12,738,331

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 919,506	339,793
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	515,152	264,375
Amortization expense	193,604	65,255
Expected credit loss (gain)	(26,950)	9,378
Net gain on financial assets or liabilities at fair value through profit or loss	(2,900)	(6,462)
Interest expense	44,010	3,487
Interest income	(33,289)	(60,846)
Dividend income	(4,259)	(2,111)
Share-based payments	943	31,764
Loss on disposal of property, plant and equipment	3,327	445
Provisions (reversal) for inventory obsolescence and devaluation loss	211,384	(41,161)
Other	32,028	-
Total adjustments to reconcile profit (loss)	<u>933,050</u>	<u>264,124</u>
Changes in operating assets and liabilities:		
Increase in notes and accounts receivable	(2,481,288)	(803,087)
Decrease in financial assets mandatorily at fair value through profit or loss	11,612	1,696
Decrease (increase) in inventories	(2,151,573)	442,149
Increase in other current assets	(444,163)	(20,826)
Total changes in operating assets	<u>(5,065,412)</u>	<u>(380,068)</u>
Decrease in financial liabilities held for trading	(1,937)	(97)
Increase in accounts payable	2,517,358	158,320
Decrease in other payable to related parties	(1,103)	(3,594)
Increase in other current liabilities	821,980	30,060
Decrease in net defined benefit liability	(13,439)	(24,803)
Total changes in operating liabilities	<u>3,322,859</u>	<u>159,886</u>
Total changes in operating assets and liabilities	<u>(1,742,553)</u>	<u>(220,182)</u>
Total adjustments	<u>(809,503)</u>	<u>43,942</u>

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows(Continued)

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash inflow generated from operations	110,003	383,735
Interest received	32,439	60,961
Dividends received	4,259	2,111
Interest paid	(32,406)	(3,487)
Income taxes paid	(127,824)	(51,004)
Net cash flows from (used in) operating activities	(13,529)	392,316
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(606,737)	(6,834,950)
Proceeds from repayments of financial assets at amortized cost	3,533,836	7,654,349
Acquisition of financial assets at fair value through profit or loss	(26,382)	-
Proceeds from disposal of financial assets at fair value through profit or loss	45,581	-
Consideration paid to non-controlling interests	(3,389,967)	-
Disposal of financial assets at fair value through other comprehensive income	232,881	-
Net cash from acquisition of subsidiaries	-	2,996,008
Acquisition of property, plant and equipment	(1,234,953)	(79,274)
Proceeds from disposal of property, plant and equipment	67,787	1,428
Decrease (increase) in refundable deposits	13,439	(2,062)
Acquisition of intangible assets	(99,969)	(47,819)
Decrease (increase) in other non-current assets	136,705	(35,309)
Net cash flows from (used in) investing activities	(1,327,779)	3,652,371
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,890,061	-
Repayments of long-term debt	(270,000)	-
Increase (decrease) in guarantee deposits received	(1,377)	1,740
Payment of lease liabilities	(64,269)	(7,584)
Cash dividends paid distributed to shareholders	(238,692)	(543,262)
Donation received	60	66
Cash dividends paid to non-controlling interest	(218,069)	-
Net cash flows from (used in) financing activities	1,097,714	(549,040)
Effect of exchange rate changes on cash and cash equivalents	35,267	(106,599)
Net increase (decrease) in cash and cash equivalents	(208,327)	3,389,048
Cash and cash equivalents at beginning of period	5,918,331	2,529,283
Cash and cash equivalents at end of period	\$ 5,710,004	5,918,331

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history

ALPHA NETWORKS INC. (“Alpha”) was established by a spin-off arrangement whereby on August 16, 2003, D-Link Corporation (“D-Link”) separated its operation business unit of original design manufacturing and original equipment manufacturing (“ODM/OEM”) and had transferred its related transferred related operating assets and liabilities to Alpha. Alpha was then incorporated on September 4, 2003, through obtained the registration approval from the Hsinchu Science Park Bureau (HSPB). The registered address of Alpha is No. 8, Li-shing 7th Road, Science-based Park, Hsinchu, Taiwan (R.O.C.). As of December 31, 2020, the consolidated financial statements comprise Alpha and its subsidiaries (together referred to as the “Group”) and Alpha’s interest in associates.

The Group’s main activities include the research, development, design, production and sale of broadband products, computer network systems, wireless local area networks (“LANs”), related accessories.

On July 23, 2020, Qisda Corporation (“Qisda”) acquired 19.02% of Alpha’s ordinary shares, resulting in its shares to increase from 23.84% to 42.86%. Thereafter, Qisda became the parent company of Alpha.

2. Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the Board of Directors on March 19, 2021.

3. New standards, amendments and interpretations adopted:

- (1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

(Continued)

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (2) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

- (3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”

(Continued)

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

● Amendments to IAS 8 “Definition of Accounting Estimates”

4. Summary of significant accounting policies:

The significant accounting policies applied in the preparation of these consolidated financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to as the IFRSs endorsed by FSC).

(2) Basis of preparation

A. Basis of measurement

Except for the following significant account, the consolidated financial statements have been prepared on a historical cost basis:

- (a) Financial assets measured at fair value through profit or loss are measured at fair value;
- (b) Financial assets measured at fair value through other comprehensive income are measured at fair value;
- (c) The net defined benefit liability is measured at the fair value of the plan assets less the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of each Group’s entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars (NTD), which is Alpha’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise Alpha and its subsidiaries. Alpha controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

(Continued)

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, income and expenses are eliminated in the consolidated financial statements. Total comprehensive income (loss) in a subsidiary is allocated to the shareholders of Alpha and the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Group.

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

B. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Main Business Activities	Shareholding	
			December 31, 2020	December 31, 2019
Alpha	Alpha Holdings Inc. (Alpha Holdings)	Investment holding	100.00%	100.00%
Alpha	Alpha Solutions Co., Ltd. (Alpha Solutions)	Sale of network equipment, components and technical services	100.00%	100.00%
Alpha	Alpha Networks Inc. (Alpha USA)	Sale, marketing and procurement service in USA	100.00%	100.00%
Alpha	Alpha Networks (Hong Kong) Limited (Alpha HK)	Investment holding	100.00%	100.00%
Alpha	Alpha Technical Services Inc. (ATS)	Post-sale service	100.00%	100.00%
Alpha	Global Networks Trading Limited (Global)(note 1)	Sale of network equipment	-%	100.00%
Alpha	Enrich Investment Corporation (Enrich Investment)	Investment holding	100.00%	100.00%
Alpha	D-Link Asia Investment Pte. Ltd. (D-Link Asia) (note 2)	Investment in manufacturing business	100.00%	-%
Alpha Holdings	D-Link Asia (note 2)	Investment in manufacturing business	-%	100.00%
Alpha Holdings	Alpha Investment Pte, Ltd. (Alpha Investment) (note 3)	Investment holding	-%	100.00%
Alpha Holdings	Universal Networks Trading Limited (Universal) (note 4)	Sale of electrical products	-%	100.00%
D-Link Asia	Alpha Networks (Chengdu) Co., Ltd. (Alpha Chengdu)	Research and development of network products	100.00%	100.00%
D-Link Asia	Alpha Networks (Dongguan) Co., Ltd. (Alpha Dongguan)	Production and sale of network products	100.00%	100.00%

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business Activities	Shareholding	
			December 31, 2020	December 31, 2019
Alpha Dongguan	Mirac Networks (Dongguan) Co., Ltd. (Mirac)	Production and sale of network products	100.00%	100.00%
Alpha HK	Alpha Networks (Changshu) Co., Ltd. (Alpha Changshu)	Production and sale of network products	100.00%	100.00%
Enrich Investment	Transnet Corporation (Transnet)	Operating in network communication products, provide system support services, integrated supply and import and export of network equipment	100.00%	100.00%
Alpha	Hitron Technologies Inc. (Hitron Technologies)	Marketing on system integration of communication product and telecommunication products	62.24%	47.00%
Hitron Technologies	Hitron Technologies (samoa) Inc (Hitron Samoa)	International trade	100.00%	100.00%
Hitron Technologies	Interactive Digital Technologies Inc. (Interactive Digital) (note 5)	Telecommunication and broadband network system services	44.28%	45.21%
Hitron Technologies	Hitron Technologies Europe Holding B.V. (Hitron Europe)	International trade	100.00%	100.00%
Hitron Technologies	Hitron Technologies (Americas) Inc. (Hitron Americas)	International trade	100.00%	100.00%
Hitron Technologies	Innoauto Technologies Inc. (Innoauto Technologies)	Investment and automotive electronics products	100.00%	100.00%
Hitron Technologies	Hitron Technologies (Vietnam) Inc. (Hitron Vietnam)	Production and sale of broadband telecommunication products	100.00%	100.00%
Hitron Samoa	Hitron Technologies (SIP) Inc (Hitron Suzhou)	Production and sale of broadband telecommunications products	100.00%	100.00%
Hitron Samoa	Jietech Trading (Suzhou) Inc. (Jietech Suzhou)	Sale of broadband network products and related services	100.00%	100.00%
Interactive Digital	Hwa Chi Technologies (Shanghai) Inc. (Hwa Chi Technologies)	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	100.00%	100.00%

(Continued)

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business Activities	Shareholding	
			December 31, 2020	December 31, 2019
Enrich Investment	Interactive Digital	Telecommunication and broadband network system services	6.83%	-%

Note 1 : The liquidation procedures of Global had been completed in June 2020 based on the resolution approved during the shareholders' meeting.

Note 2 : In response to the organization restructure of Alpha Holdings, a resolution was approved during the board meeting held on December 31, 2020 for the capital reduction of Alpha Holdings, whose assets including other assets, other receivables and 100% shares of D Link Asia will be transferred to Alpha Networks Inc. to offset its share capital payable.

Note3: The liquidation procedures of Alpha Investment had been completed in November 2020 based on the resolution approved during its shareholders' meeting held on July 2020.

Note4: The liquidation procedures of Universal had been completed in July 2020 based on the resolution approved during its shareholders' meeting held on June 2020.

Note5: The convertible bonds issued by Interactive Digital in November 2019 were converted into common stocks in December 2020, wherein Hitron Technologies did not subscribe.

C. Subsidiaries excluded from the consolidated financial statements: None.

(4) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currencies at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are retranslated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date when fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (a) an investment in equity securities designated as at fair value through other comprehensive income; or

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (b) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations, are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. For a partial disposal of the Company's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or
- D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:

- A. It is expected to be settled in its normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting period; or
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(6) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(7) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Financial assets measured at fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income derived from equity investment is recognized in profit or loss on the date on which the Group's right to receive payment is established (usually the ex dividend date)

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(d) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivables, leases receivables, guarantee deposits paid and other financial assets) and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment, as well as forward-looking information. The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset is breached of contract when the financial asset is more than 270 days past due, or the borrower is unlikely to pay its credit obligations to the Group in full.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-months ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(e) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

(d) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(e) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are Dismissed or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(f) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(9) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(a) Buildings and improvements: 5 to 56 years

(b) Machinery and equipment: 1 to 10 years

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and adjusted if appropriate.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(10) Lessee

A. Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- (a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- (b) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (c) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

When the lease is established or the contract is reassessed whether consists of lease, the Group allocates the consideration in the contract to individual lease components on the basis of respective individual prices. However, when leasing land and buildings, the Group elected not to distinguish between non-lease components, and treat the lease components and non-lease components as a single lease component.

B. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

ALPHA NETWORKS INC. AND SUBSIDIARIES

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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments, including in-substance fixed payments;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (d) there is a change of its assessment on whether it will exercise a extension or termination option; or
- (e) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office, warehouse, parking space, staff dormitory and printer that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

C. As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(11) Intangible assets

A. Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including core-technology, brand name and customers relationship, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The estimated useful lives for current and comparative periods are as follows:

- (a) Trademarks and patents: 7 years
- (b) Brand name: 10 years
- (c) Customer relationships: 9 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(12) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(13) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(14) Revenue for contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

A. Sale of goods

The Group involves in research, develop, design, manufacture and sale of broadband products, wireless networking products, and computer network system equipment and components. The Group recognizes the revenue when the control of the product is transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The Group's broadband products, wireless network products and computer network system equipment and its components are subject to standard warranty and are therefore subject to refund obligations.

The warranty liabilities have been recognized for this obligation, please refer to Note 6 (15).

B. Product development services

The Group provides enterprise product development and recognizes the relevant income during the financial reporting of the labor service. Fixed price contracts are based on the proportion of services actually provided as a percentage of total services as of the reporting date. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. Under the fixed price contract, the customer pays a fixed amount in accordance with the agreed time schedule.

When the services provided exceed the payment, the contract assets are recognized; if the payment exceeds the services provided, the contract liabilities are recognized.

If the contract includes an hourly fee, revenue is recognized in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

C. Financial component

The Group expects that all customer contracts will transfer goods or services to customers for a period of no more than one year from the customer's payment for the goods or services. Therefore, the Group does not adjust the currency time value of the transaction price.

(15) Government grants and government assistance

The Group recognizes an unconditional government grant related to the research in profit or loss as other income when the grant becomes receivable. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(17) Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions, and there is no true up for differences between expected and actual outcomes.

Grant date of share-based payment award is the date which the Board of Directors authorized the price and number of a new award.

(18) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the below:

- A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. The Group has a legal enforceable right to setoff current tax assets against current tax liabilities and
- B. The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (a) the same taxable entity; or
 - (b) different taxable entity which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(19) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group's financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period will not exceed one year from the acquisition date.

(20) Earnings per share

The Group discloses basic and diluted earnings per share attributable to ordinary shareholders of Alpha. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of Alpha divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of Alpha, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee remuneration through the issuance of shares and unvested restricted stock awards.

(21) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRS endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follow:

Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, the Group uses judgments and estimates to determine the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. However, due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(4) for further description of the valuation of inventories.

The Group's financial division conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial division also periodically adjusts valuation models, conducts retrospective testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data.

Please refer to note 6(31) of the financial instruments.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 4,545	3,647
Checking and savings accounts	2,991,447	4,202,501
Time deposits	<u>2,714,012</u>	<u>1,712,183</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 5,710,004</u>	<u>5,918,331</u>

Please refer to note 6(31) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

As of December 31, 2020 and 2019, deposits with original maturities of more than three months were \$138,680 thousand and \$1,054,394 thousand, respectively, and were recorded in financial assets measured at amortized cost.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(2) Financial assets and liabilities at fair value through profit or loss

	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss – current		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 12,874	6,839
Non-derivative financial assets		
Stocks listed on domestic markets	68,894	92,866
Derivatives instrument – Convertible Bonds	543	-
Total	\$ 82,311	99,705
Financial liabilities hold for trading – current		
Forward exchange contracts	\$ 10,517	377

The Group uses derivative financial instruments to hedge the certain currency risk arising from its operating activities. The derivative financial instrument at fair value through profit or loss and financial liabilities held for trading as the Group did not apply hedge accounting are as follows:

December 31, 2020				
	Amount (in thousands)	Currency	Maturity date	
Forward exchange contracts	USD 42,000	USD to NTD	January 2021~February 2021	
Forward exchange contracts	USD 17,000	USD to CNY	January 2021	
Forward exchange contracts	USD 3,590	USD to EUR	January 2021~March 2021	
Forward exchange contracts	EUR 7,130	EUR to NTD	February 2021~March 2021	
December 31, 2019				
	Amount (in thousands)	Currency	Maturity date	
Forward exchange contracts	USD 33,000	USD to NTD	January 2020 ~ February 2020	

(3) Notes and accounts receivable, and other receivable, net

	December 31, 2020	December 31, 2019
Notes and accounts receivable	\$ 6,844,859	3,809,465
Less: loss allowances	(43,781)	(44,769)
	\$ 6,801,078	3,764,696

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The overdue accounts receivable was reclassified to overdue receivables under financial assets measured at amortized cost– non-current and loss allowances are fully provided as follows:

	December 31, 2020	December 31, 2019
Financial assets measured at amortized cost– non-current	\$ 68,113	73,342
Less: loss allowances	<u>(68,113)</u>	<u>(73,342)</u>
	<u>\$ -</u>	<u>-</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
Current	\$ 6,504,010	0.002%	151
1 to 30 days past due	250,177	0.66%	1,642
31 to 120 days past due	1,380	0.51%	7
121 to 365 days past due	11,331	100%	11,331
More than 365 days past due	<u>146,074</u>	67.61%	<u>98,763</u>
	<u>\$ 6,912,972</u>		<u>111,894</u>

	December 31, 2019		
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
Current	\$ 3,893,392	0.01%	495
1 to 30 days past due	312,274	0.19%	587
31 to 120 days past due	41,777	1.99%	832
121 to 365 days past due	12,205	100%	12,205
More than 365 days past due	<u>172,036</u>	72.50%	<u>124,725</u>
	<u>\$ 4,431,684</u>		<u>138,844</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The movement in the allowance for notes and trade receivables (including over due receivables and accounts receivable due from related parties) were as follows:

	2020	2019
Balance at January 1	\$ 138,844	97,701
Impairment losses recognized (reversal)	(26,950)	9,378
Acquired through business combination	-	31,765
Balance at December 31	<u>\$ 111,894</u>	<u>138,844</u>

As of December 31, 2019, impairment allowance accounts with respect to account receivables from related parties was \$20,733 thousand. For more information please refer to note 7.

(4) Inventories

	December 31, 2020	December 31, 2019
Raw materials	\$ 3,344,384	2,431,190
Work in progress and semi-finished products	736,198	684,576
Finished goods and merchandises	2,948,788	1,973,415
	<u>\$ 7,029,370</u>	<u>5,089,181</u>

Component of operating cost were as below:

	2020	2019
Cost of goods sold	\$ 26,952,972	13,252,968
Provision (reversal) for inventory obsolescence and devaluation loss	211,384	(41,161)
	<u>\$ 27,164,356</u>	<u>13,211,807</u>

As of December 31, 2020 and 2019, the Group's inventories were not pledged.

(5) Financial assets measured at amortized cost current and non-current

	December 31, 2020	December 31, 2019
Current:		
Time deposits	\$ 138,680	1,054,394
Restricted deposits	14,227	2,029,959
Other receivables	73,670	62,337
	<u>\$ 226,577</u>	<u>3,146,690</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2020	December 31, 2019
Non-current:		
Restricted deposits	\$ 20,900	20,602
Refundable deposits	135,575	19,143
Overdue receivables	68,113	73,342
Less: loss allowances	(68,113)	(73,342)
	<u>\$ 156,475</u>	<u>39,745</u>

The Group has assessed that these financial assets are held-to-maturity to collect contractual cashflows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

The Group held bank time deposits with variable interest rates, and the average interest rates ranged between 0.12%~2.40% and 0.22%~2.98% for the years ended December 31, 2020 and 2019, respectively.

For the restricted cash in banks please refer to note 8.

(6) Non-current financial assets at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Equity instrument at fair value through other comprehensive income:		
Publicly traded stock – D-Link	\$ -	140,369
Non-publicly traded – CHAO LONG	21,245	21,245
	<u>\$ 21,245</u>	<u>161,614</u>

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes. These investments were classified as fair value through other comprehensive income.

Based on the consideration of factors such as the recovery of original investment funds and the enrichment of working capital, the Group disposed its entire 10,554 shares in D-Link which were financial assets measured at fair value through other comprehensive profits and losses between November 11th to 30th, 2020, at the average price of \$22.07, wherein the fair value at the time of disposition was \$232,881 thousand, resulting in a cumulative disposition loss of \$199,625 thousand, which had been reclassified from other equity to retained earnings.

As of December 31, 2020 and 2019, the Group's financial assets above were not pledged.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(7) Business combination

The Board of Directors of the Group resolved to subscribe for 100,000 thousand ordinary shares of Hitron Technologies' private shares at NTD16.11 per share, and to acquire ordinary shares of Hitron Technologies' at NTD32 per share through tender offer. As of December 26, 2019, the tender offer criteria have been fulfilled in accordance with the Regulations Governing Public Tender Offers for Securities of Public Companies. The shareholders of Hitron Technologies may not revoke to sell the shares as the minimum number of shares acquired is achieved. As of December 31, 2019, total ordinary shares acquired privately and irrevocable shares of Hitron Technologies Inc held by the Group were 47% , thus, the management evaluated that the acquisition date was December 31, 2019, and included Hitron Technologies and its subsidiaries into the consolidated financial statements since then. As of December 31, 2019, the total ordinary shares acquired through tender offer were 51,028 thousand shares. The Group estimates the total amount of investment payable is \$1,632,894 thousand, please refer to note 6 (15).

Hitron Technologies has operated in network communication industry for many years and has expertise in communication network with good reputation, it may enhance the current technologies and products of the Group. This acquisition has been considered as the long-term development plan of the Group, industrial environment and market competition, the industry trend on the integration of the network communication application, as well as the demand from customers.

If the acquisition had occurred on January 1, 2019, management estimates that consolidated revenue and consolidated profit for the year would have been \$26,151,308 thousand and \$589,246 thousand, respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2019.

A. The following table summarizes the recognized amounts of assets acquired, liabilities assumed and goodwill at the acquisition date

(a) The following table summarizes the acquisition date fair value of major class of consideration transferred.

	Amount
Cash	\$ 1,611,000
Investment payable	1,632,894
Total	<u><u>\$ 3,243,894</u></u>

(Continued)

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (b) The following table summarizes the recognized amounts of assets acquired and liabilities assumed:

	<u>Amount</u>
Cash and cash equivalents	\$ 4,607,008
Financial assets at fair value through profit or loss-current	92,866
Financial assets measured at amortized cost-current	88,181
Notes and account receivables	1,330,627
Inventories	1,767,865
Other current assets	369,067
Equity instrument at fair value through other comprehensive income	21,245
Property, plant and equipment (note 6(10))	1,583,427
Right-of-use assets (note 6(11))	225,485
Intangible assets (note 6(12))	898,023
Deferred income taxes (note 6(21))	78,917
Financial assets measured at amortized cost- non-current	13,873
Other non-current assets	167,075
Short-term borrowing (note 6(14))	(952,701)
Accounts payables	(1,269,726)
Current tax liabilities	(62,654)
Provisions-current/non-current (note 6(15))	(230,807)
Lease liabilities -current/non-current	(68,626)
Accrued expenses	(110,838)
Other current liabilities	(826,196)
Financial liabilities at fair value through profit or loss-non-current	(1,560)
Bonds payable (note 6(18))	(571,047)
Long-term borrowings (note 6(17))	(270,000)
Deferred tax liabilities (note 6(21))	(7,070)
Other non-current liabilities(note 6(20))	(6,061)
Total identifiable net assets acquired	<u><u>\$ 6,866,373</u></u>

- (c) Goodwill arising from the acquisition has been recognized as follows:

	<u>Amount</u>
Consideration transferred	\$ 3,243,894
Non-controlling interest in the acquiree, if any (proportionate share of the fair value of the identifiable net assets)	4,066,496
Less: Fair value of identifiable net assets	<u>(6,866,373)</u>
Goodwill	<u><u>\$ 444,017</u></u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

B. Net cash inflow from acquisition of subsidiaries

The impact of the Group's acquisition of subsidiaries to cash flow in 2019 is as follows:

	Amount
Cash and cash equivalents	\$ 4,607,008
Current assets	3,648,606
Non-current assets	2,988,045
Goodwill	444,017
Current liabilities	(3,573,693)
Non-current liabilities	(803,593)
Non-controlling interest	<u>(4,066,496)</u>
Acquisition of the fair value of the subsidiaries' equity at the acquisition date	3,243,894
Less: cash from subsidiaries	(4,607,008)
Investment payables	<u>(1,632,894)</u>
Net cash inflow from acquisition of subsidiaries	<u>\$ (2,996,008)</u>

Goodwill arises primarily from the market shares and profit abilities of the product of Hitron Technologies and subsidiaries, which is expected to benefit from the synergies of the integration between the Group and Hitron Technologies. There is no tax impact expected on the goodwill recognition.

(8) Changes in a parent's ownership interest in a subsidiary

On January 6, 2020, the Group acquired the additional equity in Hitron Technologies for \$1,567,106 thousand in cash, increasing its ownership from 47% to 62.24%.

The effects of the changes in shareholdings were as follows:

	For the year ended December 31, 2020
Carrying amount of non-controlling interest on acquisition	\$ 905,331
Consideration paid to non-controlling interests	<u>(1,567,106)</u>
Retained earnings differences between consideration and carrying amounts subsidiaries acquired	<u>\$ (661,775)</u>

In 2020, the Group's subsidiary, Enrich Investment, acquired the equity of Interactive Digital for \$189,523 thousand in cash, increasing its ownership to 6.83%.

ALPHA NETWORKS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The effects of the changes in shareholdings were as follows:

	For the year ended December 31, 2020
Carrying amount of non-controlling interest on acquisition	\$ 107,080
Consideration paid to non-controlling interests	<u>(189,967)</u>
Capital surplus/Retained earnings incurred from the differences between the consideration and the carrying amounts subsidiaries acquired	<u>\$ (82,887)</u>

(9) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

		Percentage of non- controlling interests	
		December 31, 2020	December 31, 2019
<u>Subsidiaries</u>	<u>Main operation place</u>		
Hitron Technologies	Taiwan	37.76%	53.00%

The following information of the aforementioned subsidiaries have been prepared in accordance with the IFRSs endorsed by the FSC. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intragroup transactions were not eliminated in this information.

Hitron Technologies and subsidiaries' collective financial information:

	December 31, 2020	December 31, 2019
Current assets	\$ 10,109,051	8,255,614
Non-current assets	4,120,950	2,988,045
Current liabilities	(6,910,808)	(3,573,694)
Non-current liabilities	<u>(67,903)</u>	<u>(803,593)</u>
Net assets	<u>\$ 7,251,290</u>	<u>6,866,372</u>
Non-controlling interests	<u>\$ (929,643)</u>	<u>(912,379)</u>
Net assets of investees	<u>\$ 6,321,647</u>	<u>5,953,993</u>
Book value of non-controlling interests	<u>\$ 2,219,393</u>	<u>2,920,281</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the year ended December 31, 2020
Operating revenue	<u>\$ 10,278,461</u>
Profit	\$ 300,838
Other comprehensive income	(39,074)
Total Comprehensive income	<u>\$ 261,764</u>
Profit attributable to non-controlling interests	<u>\$ 98,556</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 122,659</u>
Net cash flows used in operating activities	\$ (453,232)
Net cash flows used in investing activities	(976,520)
Net cash flows from financing activities	765,564
Effect of exchange rate changes on cash and cash equivalents	(7,596)
Net decreased in cash and cash equivalents	<u>\$ (671,784)</u>
Dividends paid to non-controlling interests	<u>\$ (97,064)</u>

(10) Property, plant and equipment

	Land	Building	Machinery and equipment	Office, transportation and other facilities	Construction in progress	Total
Cost:						
Balance at January 1, 2020	\$ 444,290	3,485,532	2,019,398	425,515	199,219	6,573,954
Additions	205,246	414,629	527,540	87,538	-	1,234,953
Disposals	-	(16,164)	(101,529)	(37,865)	-	(155,558)
Reclassification	-	188,262	144	-	(188,262)	144
Effect of changes in exchange rates	(3,617)	(5,477)	(9,455)	(93)	(10,957)	(29,599)
Balance at December 31, 2020	<u>\$ 645,919</u>	<u>4,066,782</u>	<u>2,436,098</u>	<u>475,095</u>	<u>-</u>	<u>7,623,894</u>
Balance at January 1, 2019	\$ 64,228	2,913,255	1,943,087	312,527	-	5,233,097
Acquired through business combination	381,400	637,943	218,268	146,597	199,219	1,583,427
Additions	-	10,389	58,745	10,140	-	79,274
Disposals	-	(7,385)	(147,570)	(36,409)	-	(191,364)
Effect of changes in exchange rates	(1,338)	(68,670)	(53,132)	(7,340)	-	(130,480)
Balance at December 31, 2019	<u>\$ 444,290</u>	<u>3,485,532</u>	<u>2,019,398</u>	<u>425,515</u>	<u>199,219</u>	<u>6,573,954</u>

(Continued)

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Land	Building	Machinery and equipment	Office, transportation and other facilities	Construction in progress	Total
Depreciation and impairment loss:						
Balance at January 1, 2020	\$ -	1,641,127	1,467,776	233,654	-	3,342,557
Depreciation	-	136,305	203,759	106,451	-	446,515
Disposals	-	(14,509)	(46,120)	(23,815)	-	(84,444)
Effect of changes in exchange rates	-	(1,008)	(16,769)	334	-	(17,443)
Balance at December 31, 2020	<u>\$ -</u>	<u>1,761,915</u>	<u>1,608,646</u>	<u>316,624</u>	<u>-</u>	<u>3,687,185</u>
Balance at January 1, 2019	\$ -	1,570,694	1,548,788	254,026	-	3,373,508
Depreciation	-	122,292	110,995	20,986	-	254,273
Disposals	-	(7,147)	(147,480)	(34,864)	-	(189,491)
Effect of changes in exchange rates	-	(44,712)	(44,527)	(6,494)	-	(95,733)
Balance at December 31, 2019	<u>\$ -</u>	<u>1,641,127</u>	<u>1,467,776</u>	<u>233,654</u>	<u>-</u>	<u>3,342,557</u>
Carrying amounts:						
Balance at December 31, 2020	<u>\$ 645,919</u>	<u>2,304,867</u>	<u>827,452</u>	<u>158,471</u>	<u>-</u>	<u>3,936,709</u>
Balance at January 1, 2019	<u>\$ 64,228</u>	<u>1,342,561</u>	<u>394,299</u>	<u>58,501</u>	<u>-</u>	<u>1,859,589</u>
Balance at December 31, 2019	<u>\$ 444,290</u>	<u>1,844,405</u>	<u>551,622</u>	<u>191,861</u>	<u>199,219</u>	<u>3,231,397</u>

The amount and interest rate for the Group to capitalize the interest paid for the expenditure on the assets during the construction of PPE are as follows:

	For the year ended December 31, 2020
Amount of interest capitalization	<u>\$ 2,868</u>
Interest rate of interest capitalization	<u>1.5146%</u>

As of December 31, 2020 and 2019, the Group's property, plant and equipment were not pledged.

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(11) Right-of-use assets

The Group leases many assets including land, buildings and transportation. Information about leases for which the Group as a lessee was presented below:

		Land	Buildings	Transport-a tion and other equipment	Total
Cost:					
Balance at January 1, 2020	\$	408,399	70,388	4,879	483,666
Additions		-	31,971	4,810	36,781
Disposals		-	(7,891)	(1,195)	(9,086)
Effect of changes in exchange rates		(6,995)	(876)	(1,169)	(9,040)
Balance at December 31, 2020	\$	401,404	93,592	7,325	502,321
Balance at January 1, 2019	\$	-	-	-	-
Effects of retrospective application		249,999	7,901	-	257,900
Acquisitions through business combination		160,472	60,134	4,879	225,485
Additions		-	2,559	-	2,559
Effect of changes in exchange		(2,072)	(206)	-	(2,278)
Balance at December 31, 2019	\$	408,399	70,388	4,879	483,666
Accumulated depreciation and impairment losses:					
Balance at January 1, 2020	\$	7,426	2,573	-	9,999
Effects of retrospective application		-	-	-	-
Depreciation		18,815	46,371	3,451	68,637
Disposals		-	(1,907)	(1,163)	(3,070)
Effect of changes in exchange rates		(304)	207	(485)	(582)
Balance at December 31, 2020	\$	25,937	47,244	1,803	74,984
Balance at January 1, 2019	\$	-	-	-	-
Effect of retrospective application		-	-	-	-
Depreciation		7,471	2,631	-	10,102
Effect of changes in exchange rates		(45)	(58)	-	(103)
Balance at December 31, 2019	\$	7,426	2,573	-	9,999
Carrying amount:					
Balance at December 31, 2020	\$	375,467	46,348	5,522	427,337
Balance at December 31, 2019	\$	400,973	67,815	4,879	473,667
Balance at January 1, 2019	\$	-	-	-	-

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Notes to the Consolidated Financial Statements

As of December 31, 2020 and 2019, the right-of-use assets of the Group were not pledged.

(12) Intangible asset

	Core Technology	Brand Name	Customer relationship	Goodwill	Software application and other	Total
Cost:						
Balance at January 1, 2020	\$ 220,281	229,877	396,949	578,900	274,584	1,700,591
Additions	-	-	-	-	99,969	99,969
Disposals	-	-	-	-	(56,900)	(56,900)
Effect of changes in exchange rates	-	-	-	-	1,324	1,324
Balance at December 31, 2020	\$ 220,281	229,877	396,949	578,900	318,977	1,744,984
Balance at January 1, 2019	\$ -	-	-	134,883	267,781	402,664
Acquisitions through business combination	220,281	229,877	396,949	444,017	50,916	1,342,040
Additions	-	-	-	-	47,819	47,819
Derecognition	-	-	-	-	(89,411)	(89,411)
Effect of changes in exchange rates	-	-	-	-	(2,521)	(2,521)
Balance at December 31, 2019	\$ 220,281	229,877	396,949	578,900	274,584	1,700,591
Amortization and impairment:						
Balance at January 1, 2020	\$ -	-	-	-	171,547	171,547
Amortization	31,469	22,988	44,105	-	95,042	193,604
Disposals	-	-	-	-	(55,942)	(55,942)
Effect of changes in exchange rates	-	-	-	-	200	200
Balance at December 31, 2020	\$ 31,469	22,988	44,105	-	210,847	309,409
Balance at January 1, 2019	\$ -	-	-	-	197,945	197,945
Amortization	-	-	-	-	65,255	65,255
Derecognition	-	-	-	-	(89,411)	(89,411)
Effect of changes in exchange rates	-	-	-	-	(2,242)	(2,242)
Balance at December 31, 2019	\$ -	-	-	-	171,547	171,547
Carrying amount						
Balance at December 31, 2020	\$ 188,812	206,889	352,844	578,900	108,130	1,435,575
Balance at January 1, 2019	\$ -	-	-	134,883	69,836	204,719
Balance at December 31, 2019	\$ 220,281	229,877	396,949	578,900	103,037	1,529,044

A. The amortization of intangible assets is included in the statement of comprehensive income:

	For the years ended December 31,	
	2020	2019
Operating cost	\$ 1,046	650
Operating expense	192,558	64,605
Total	\$ 193,604	65,255

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

B. Impairment test for Goodwill

As of December 31, 2020 and 2019, the goodwill arising from business combination was allocated to the following cash-generating units (or groups of cash-generating units) because this CGU is expected to benefit from the synergies of the combination.

	December 31, 2020	December 31, 2019
Interactive Digital	\$ 354,656	354,656
Hitron Technologies	89,361	89,361
IP Camera	134,883	134,883
	<u>\$ 578,900</u>	<u>578,900</u>

As of December 31, 2020 and 2019, these cash-generating units determines the recoverable amount based on it's value in use, and the recoverable amount of these were greater than their carrying amount and no impairment loss were recognized.

The key assumptions used in the estimation of value in use were as follows:

	December 31, 2020	December 31, 2019
IP Camera		
Discount rate	7.13%	8.48%
Terminal value growth rate	3.74%	3.98%
Interactive Digital		
Discount rate	7.57%	
Terminal value growth rate	3.74%	
Hitron Technologies		
Discount rate	8.88%	
Terminal value growth rate	3.74%	

As of December 31, 2020 and 2019, the following is the key assumption of the estimation of value in use:

The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

Cash flow projection was based on a five-year financial projection which was approved by the management.

In addition, the Group has engaged experts to issue a purchase price allocation report when it acquired Hitron Technologies and subsidiaries on December 31, 2019, and the Group continues to evaluate goodwill impairment tests regularly.

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ALPHA NETWORKS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

C. Collateral

As of December 31, 2020 and 2019, the Group's intangible assets were not pledged.

(13) Other current assets and other non-current assets

The other current assets and other non-current assets of the Group were as follows:

	December 31, 2020	December 31, 2019
Advance payment	\$ 415,706	298,310
Prepayments for equipment	65,325	269,704
Business tax receivables	186,290	55,271
Others	<u>260,745</u>	<u>185,745</u>
	<u>\$ 928,066</u>	<u>809,030</u>

(14) Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured bank loans	<u>\$ 2,842,762</u>	<u>952,701</u>
Unused short-term and long-term credit lines	<u>\$ 5,759,213</u>	<u>5,965,876</u>
Range of interest rates	<u>0.60%~1.35%</u>	<u>1.15%~4.35%</u>

The financial commitment of transfer of short-term loans with Taipei Fubon Bank the current year (after the first transfer, the following financial ratios must be maintained:)

- A. A minimum current ratio of 100%
- B. A maximum financial debt ratio of 70%
- C. A minimum of 5 times of the Times Interest Earned

The above financial commitment ratio is calculated based on the annual and semi-annual consolidated financial statements audited/reviewed by the auditors semi-annually. If the financial ratio limit has not been improved after two consecutive periods, the credit lines will be examined again.

(15) Provisions

	Warranties
Balance at January 1, 2020	\$ 434,744
Provisions made during the year	259,006
Provisions used during the year	(288,481)
Effect of changes in foreign exchange rates	<u>(720)</u>
Balance at December 31, 2020	<u>\$ 404,549</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Warranties
Current	\$ 358,850
Non-current	45,699
	<u>\$ 404,549</u>
Balance at January 1, 2019	\$ 206,130
Assumed through business combination	230,807
Provisions made during the year	88,847
Provisions used during the year	(90,444)
Effect of changes in foreign rates	(596)
Balance at December 31, 2019	<u>\$ 434,744</u>
Current	393,041
Non-current	41,703
	<u>\$ 434,744</u>

The provision for warranties relates mainly to network product sold and professional services provide during the years ended 31 December 2020 and 2019. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next year.

(16) Other current liabilities

	December 31, 2020	December 31, 2019
Payroll and bonus payable	\$ 895,690	840,419
Contract liabilities (note6(25))	964,609	493,920
Lease payable (note6(19))	40,683	50,560
Investment payable (note6(7))	-	1,632,894
Other accounts payable-related parties (note7)	11	1,114
Others	562,398	101,665
	<u>\$ 2,463,391</u>	<u>3,120,572</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(17) Long-term borrowings

The details were as follows:

	Currency	Maturity year	December 31, 2020	December 31, 2019
Unsecured bank loans	NTD	Contract period from December 22, 2017 to December 22, 2020, it will be revolved during the credit period.	\$ -	120,000
Unsecured bank loans	NTD	Contract period from July 17, 2019 to October 7, 2024, it will be revolved during the credit period.	-	150,000
Total			-	270,000
Less: Expires within one year			-	(120,000)
Total			<u>\$ -</u>	<u>150,000</u>
Range of interest rate			<u>-</u>	<u>1.80%~2.89%</u>

The Group signed a joint credit agreement with the First Bank and other banks totaling \$2.2 billion to enhance the medium-term working capital and support its Vietnam's investment plan to set up factories. According to the contracts, the Group shall maintain the current ratio, debt ratio, interest protection multiple and tangible net financial ratio of the semiannual and annual ratios during the duration of the loan.

The borrowings above had been paid in 2020.

Unused long-term credit lines please refer to note 6(14).

(18) Bonds payable

A. The details of unsecured convertible corporate bonds assumed through business combination were as follows:

	December 31, 2020	December 31, 2019
Total convertible corporate bonds issued	\$ 600,000	600,000
Unamortized discounted payable	(17,393)	(28,953)
Cumulative converted amount	(56,100)	-
Subtotal	526,507	571,047
Less: Bonds payable due within one year	(526,507)	-
Total	<u>\$ -</u>	<u>571,047</u>
Embedded derivative – call and put options, included in financial assets (liabilities) at fair value through profit or loss	<u>\$ 543</u>	<u>(1,560)</u>

(Continued)

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The conversion price was set at NTD78.50 at the time of issue. As of December 31, 2020 and 2019, the conversion price were \$72.5 and \$78.5, respectively.

Interactive Digital, a subsidiary of Alpha issued the above convertible corporate bonds, the conversion options were separated from the liabilities, and the equity and liabilities components were recognized separately as follows:

<u>Subjects</u>	<u>Amount</u>
Total amounts of convertible corporate bonds issued	\$ 600,000
Fair value of embedded non-equity derivative issued	(2,040)
Cost of issuing	(5,000)
Fair value of bonds payable issued	(569,041)
Equity component – conversion options	<u>\$ 23,919</u>

After the separation of the above-mentioned embedded derivatives, the effective interest rate of Interactive Digital Technologies Inc.'s unsecured convertible corporate bonds was 1.7%.

- B. In response to future operational needs, Interactive Digital Technologies Inc. intends to purchase office buildings and warehouses. The Financial Supervision and Administration Commission of the Executive Yuan approved the issuance on November 6, 2019. The first unsecured convertible corporate bonds are issued under the following conditions:

Total amount issued	\$600 million
Date of issued	11.22.2019
coupon rate	0%
Period of issue	11.22.2019~11.22.2022
Repayment method	Other than converting as Interactive Digital's ordinary share in accordance to the regulation no.10, or exercising put option in accordance to the regulation no.19, or early redeeming in accordance to the regulation no.18, or repurchasing the written-off stock from Securities Dealers, Interactive Digital will repay the convertible bond one-off in cash at face value at maturity.
Redeem method	1.If the closing price for the Interactive Digital exceeds 30% of the conversion price for 30 consecutive days for the period 3 months after bond issuance until 40 days before maturity, Digital Interactive will redeem the outstanding bonds based on the face value. 2.If the balance of the outstanding bonds lower than \$60,000 thousand, Digital Interactive will redeem the outstanding bonds based on the face value.
Bond holder request for repurchase method	If the bond has issued for 2 years, the bond holder may request Interactive Digital to repurchase the bond at face value plus interest at 40 days before the maturity. Interest rate for the bond issued for 2 years is 0.5% at face value.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Conversion period	Other than the transfer restriction period, bond holder may request the shares agent of Interactive Digital to convert the bond to ordinary shares during the period 3 months after issuance until the maturity date.
Conversion price	The conversion price was set at \$78.5 at the time of issuance. As of July 27, the conversion price had been adjusted from \$78.5 to \$72.5.

(19) Lease liabilities

	December 31, 2020	December 31, 2019
Current	<u><u>\$ 40,683</u></u>	<u><u>50,560</u></u>
Non-current financial assets	<u><u>\$ 201,065</u></u>	<u><u>224,639</u></u>

For the maturity analysis, please refer to note 6(31).

The amounts recognized in profit or loss was as follows:

	For the year ended December 31, 2020	2019
Interest on lease liabilities	<u><u>\$ 4,600</u></u>	<u><u>3,120</u></u>
Expenses relating to short-term leases and leases of low-value assets	<u><u>\$ 37,162</u></u>	<u><u>12,733</u></u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the year ended December 31, 2020	2020
Total cash outflow for leases	<u><u>\$ 106,031</u></u>	<u><u>23,437</u></u>

A. Real estate leases

As of December 31, 2020 and 2019, the Group leases land for factory and office buildings use. The leases of land typically run for a period of 19 and 39 years. For office building, the terms range between 1 to 5 years, some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The lease payment of the land contract depends on the land price announced by the Science Park, plus adjustments for public facilities construction costs, which are adjusted after amortization. These costs usually occur once a year.

B. Other leases

The Group leases office, transportation equipment, and other with lease terms of 1 to 5 years. In some cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2020 and 2019, the Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office, warehouse, parking space, staff dormitories and printer that have a lease term of 12 months or less or leases of low-value assets.

(20) Employee benefits

A. Defined benefit plans

The recognized liabilities of the defined benefit obligations were consisted of as follows:

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	\$ 299,986	397,407
Fair value of plan assets	(80,382)	(109,278)
Net defined benefit liabilities	<u>\$ 219,604</u>	<u>288,129</u>

The Group's employee benefit liabilities were as follows:

	December 31, 2020	December 31, 2019
Other non-current assets	<u>\$ 763</u>	<u>870</u>
Net defined benefit liability	<u>\$ 220,367</u>	<u>288,999</u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

(a) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$80,382 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund, Ministry of Labor.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligation of the Group were as follows:

	For the years ended December 31,	
	2020	2019
Defined benefit obligations at January 1	\$ 397,407	382,871
Liabilities assumed through business combination	-	2,376
Benefits paid from the plan assets	(50,074)	(15,674)
Current service costs and interest cost	4,481	5,623
Re-measurements of net defined benefit liabilities (asset):		
- Actuarial gain (loss) arising from experience adjustment	(68,659)	5,755
- Actuarial loss arising from financial assumptions	16,831	16,456
Defined benefit obligation as of December 31	<u>\$ 299,986</u>	<u>397,407</u>

(c) Movements in the fair value of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets of the Group were as follows:

	For the years ended December 31,	
	2020	2019
Fair value of plan assets as of January 1	\$ 109,278	87,988
Asset assumed through business combination	-	3,246
Interest Income	29	-
Benefits paid from the plan assets	(50,074)	(15,674)
Re-measurements of the net defined benefit liabilities (asset):		
- Return on plan assets (excluding current Interest income)	3,365	3,292
Contribution made to plan assets	16,874	29,305
Expected return on plan assets	910	1,121
Fair value of plan assets as of December 31	<u>\$ 80,382</u>	<u>109,278</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	For the years ended December 31,	
	2020	2019
Current service costs	\$ 1,300	1,411
Net interest of net liabilities for defined benefit obligation	3,181	4,212
Expected return on plan assets	(910)	(1,121)
	\$ 3,571	4,502
Operating costs	\$ 1,412	1,088
Selling expenses	299	599
Administration expenses	461	517
Research and development expenses	1,399	2,298
	\$ 3,571	4,502
Actual return on plan assets	\$ 4,725	4,413

(e) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.40%	0.80%~0.90%
Future salary increase rate	1.00%~3.00%	1.00%~3.00%

The expected contribution to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$23,921 thousand.

The weighted average duration of the defined benefit plans is 14.2 years and 20 years, respectively.

(f) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Loss(gain) due from influences of defined benefit obligations	
December 31, 2020	Increase 0.25%	Decrease 0.25%
Discount rate	\$ (10,751)	11,226
Future salary increasing rate	\$ 10,166	(9,812)

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Influences of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2019		
Discount rate	\$ (13,904)	14,527
Future salary increasing rate	\$ 13,187	(12,721)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

B. Defined contribution plans

The domestic entities of Group contribute 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation. The Group's overseas subsidiaries establish their respective defined contribution plan and their contributions are made in accordance with their local regulations.

The pension costs under contribution plans amounted to \$111,156 thousand and \$117,618 thousand for the years ended December 31, 2020 and 2019, respectively.

(21) Income taxes

A. Income tax expenses

The components of income tax for the years ended December 31, 2020 and 2019, were as follows:

	For the years ended December 31,	
	2020	2019
Current tax expense		
Current period	\$ 236,425	74,787
Adjustment for prior periods	(5,531)	(5,855)
	230,894	68,932
Deferred tax expense (benefit)		
Origination and reversal of temporary differences and operating loss carryforward	(36,491)	31,958
Income tax expense	\$ 194,403	100,890

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Notes to the Consolidated Financial Statements

The amount of income tax expense / (benefit) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, was as follows:

	For the years ended December 31,	
	2020	2019
Exchange differences on translation of foreign financial statements	\$ (2,295)	(29,258)

Reconciliation of income tax expense and profit before tax for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Profit before income tax	\$ 919,506	339,793
Income tax at Alpha's domestic tax rate	183,901	67,959
Effect of tax rates variances in foreign jurisdictions	156,819	14,265
Tax effect of permanent difference	(48,111)	2,595
Tax incentives	(38,111)	(7,187)
Change in unrecognized temporary differences	17,010	(60,274)
Others	(77,105)	83,532
	\$ 194,403	100,890

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax asset

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2020	December 31, 2019
Tax effect of deductible temporary differences	\$ 354,093	337,083
The carry forwards of unused tax losses	2,816	26,538
	\$ 356,909	363,621

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2020, the information of Transnet Corporation's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Expiry date</u>	<u>Unutilized business loss</u>
2018	2028	\$ 654
2019	2029	2,808
2020	2030	10,617
		<u><u>\$ 14,079</u></u>

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

Deferred tax assets:

	<u>January 1, 2019</u>	<u>Acquisition of subsidiaries</u>	<u>Recognized in profit and loss</u>	<u>Recognized in other comprehensive income</u>	<u>Effect of change in exchange rate</u>	<u>December 31, 2019</u>	<u>Recognized in profit and loss</u>	<u>Recognized in other comprehensive income</u>	<u>Effect of change in exchange rate</u>	<u>December 31, 2020</u>
Provision for inventory devaluation	\$ 10,727	3,605	(5,343)	-	-	8,989	(5,142)	-	-	3,847
Provision for warranties	24,504	43,528	400	-	-	68,432	(11,050)	-	-	57,382
Exchange different on transaction of foreign financial statement	34,574	-	-	29,258	-	63,832	-	2,295	-	66,127
Carry forward of tax losses	42,245	-	(26,388)	-	-	15,857	(840)	-	-	15,017
Others	<u>18,710</u>	<u>31,784</u>	<u>7,733</u>	<u>-</u>	<u>(6,213)</u>	<u>52,014</u>	<u>55,079</u>	<u>-</u>	<u>1,370</u>	<u>108,463</u>
	<u>\$ 130,760</u>	<u>78,917</u>	<u>(23,598)</u>	<u>29,258</u>	<u>(6,213)</u>	<u>209,124</u>	<u>38,047</u>	<u>2,295</u>	<u>1,370</u>	<u>250,836</u>

Deferred tax liabilities

	<u>January 1, 2019</u>	<u>Acquisition of subsidiaries</u>	<u>Recognized in profit and loss</u>	<u>Recognized in other comprehensive income</u>	<u>Effect of change in exchange rate</u>	<u>December 31, 2019</u>	<u>Recognized in profit and loss</u>	<u>Recognized in other comprehensive income</u>	<u>Effect of change in exchange rate</u>	<u>December 31, 2020</u>
Investment accounted for using equity method	\$ (39,267)	-	(2,595)	-	-	(41,862)	(2,860)	-	-	(44,722)
Goodwill	(26,976)	-	-	-	-	(26,976)	-	-	-	(26,976)
Others	<u>(320)</u>	<u>(7,070)</u>	<u>(5,765)</u>	<u>-</u>	<u>-</u>	<u>(13,155)</u>	<u>1,304</u>	<u>-</u>	<u>-</u>	<u>(11,851)</u>
	<u>\$ (66,563)</u>	<u>(7,070)</u>	<u>(8,360)</u>	<u>-</u>	<u>-</u>	<u>(81,993)</u>	<u>(1,556)</u>	<u>-</u>	<u>-</u>	<u>(83,549)</u>

As of December 31, 2020, the Company's tax returns for the years through 2018 were assessed by the R.O.C. income tax authorities.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(22) Capital and other equity

Reconciliation of shares outstanding for the years ended December 31, 2020 and 2019 was as follows (in thousands of shares):

	Ordinary share capital	
	2020	2019
Balance on January 1	539,349	536,983
Vested of restricted stock awards	2,289	2,366
Balance on December 31	541,638	539,349

A. Ordinary share capital

As of December 31, 2020 and 2019, the authorized capital of Alpha amounted to \$6,600,000 thousand, of which included the amount of \$500,000 thousand reserved for employee share options; the issued capital amounted to \$5,417,185 thousand and \$5,427,273 thousand, respectively.

A resolution was approved during the Board of Directors' meeting held on March 19, May 3, August 14 and November 6, 2019, to cancel 256 thousand shares, 133 thousand shares, 238 thousand shares and 163 thousand shares, respectively, of employee restricted stocks. The aforementioned capital reductions were completed on March 25, June 17, August 20 and November 11, 2019, respectively, through the statutory registration procedures.

A resolution was approved during the Board of Directors' meeting held on March 17, May 20, August 10 and November 9, 2020, to cancel 245 thousand shares, 235 thousand shares, 430 thousand shares and 99 thousand shares, respectively, of employee restricted stocks. The aforementioned capital reductions were completed on March 18, May 21, August 11 and November 10, 2020, respectively, through the statutory registration procedures.

As of December 31, 2020 and 2019, a total of 0 thousand shares and 137 thousand shares, respectively of employee restricted stock were rescinded and subjected to cancel due to employee turnover or the performance issues.

B. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2020	December 31, 2019
Capital surplus – premium	\$ 2,979,208	2,949,233
Capital surplus – investments under equity method	10,198	29
Employee restricted stock	-	37,369
Other	15,185	15,125
	\$ 3,004,591	3,001,756

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ALPHA NETWORKS INC. AND SUBSIDIARIES

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According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

Based on resolutions approved during the shareholders' meetings on June 14, 2019, the cash dividends of \$543,262 thousand, represents NTD1 payout per share, will be distributed out of capital surplus. The above-mentioned distribution was consistent with the resolution approved by the Board of Directors. Related information is available at the Market Observation Post System website.

C. Retained earnings

The Company's articles of incorporation stipulated that Company's earnings before tax, if any, shall be distributed in the following order:

- (a) payment of all taxes;
- (b) offset prior years' operating losses;
- (c) of the remaining balance, 10% to be appropriated as legal reserve;
- (d) set aside special reserve in accordance with the Securities and Exchange Act or reverse special reserve previously provided; and
- (e) after the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to decide on this matter.

According to the R.O.C. Company Act, the Company shall distribute the legal reserve and capital reserve as cash dividends fully or partially, if the resolution is passed in majority with two third of attendance in Board of Directors' meeting and is submitted to the stockholders' meeting.

According to the Company's dividend policy, the Company shall first take into consideration its investing environment, capital management and industry developments, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. The cash dividends shall not be less than 10% of total dividends.

ALPHA NETWORKS INC. AND SUBSIDIARIES

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(a) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(b) Special reserve

In accordance with Ruling issued by the FSC a portion of current-period earnings and undistributed prior—period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior period. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

D. Earnings distribution

Earnings distribution for the years 2019 was approved by the shareholders during their meeting on March 17, 2020 as follows:

	<u>2019</u>
Dividends distributed to ordinary shareholders	
Cash (dividends per share was \$0.44)	<u>\$ 238,692</u>

The above-mentioned earnings distribution was consistent with the resolutions approved by the Board of Directors. Related information would be available at the Market Observation Post System website.

The no appropriation of earnings in 2018 was proposed in the annual shareholders' meeting on June 14, 2019. The above-mentioned was consistent with the resolutions approved by the Board of Directors. Related information would be available at the Market Observation Post System website.

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Notes to the Consolidated Financial Statements

E. Other equity

	Differences on translation of foreign operation financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Deferred compensation cost arising from issuance of restricted stock awards	Non-controlling interests	Total
Balance at 1 January 2020	(439,629)	(292,137)	(17,053)	4,066,496	3,317,677
Differences on translation of foreign operation financial statements	(9,175)	-	-	(14,027)	(23,202)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	92,512	-	-	92,512
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	199,625	-	-	199,625
Compensation cost of restricted stock awards	-	-	17,053	-	17,053
Non controlling interests generated from acquisition	-	-	-	(1,012,411)	(1,012,411)
Changes in ownership interests in subsidiaries	-	-	-	3,907	3,907
Distribution cash dividend by subsidiaries to non-controlling interest	-	-	-	(218,069)	(218,069)
Changes in the investee's capital surplus	-	-	-	32,408	32,408
Increase in non-controlling interests	-	-	-	175,845	175,845
Balance at 31 December 2020	<u><u>\$ (448,804)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,034,149</u></u>	<u><u>2,585,345</u></u>
Balance at 1 January 2019	\$ (322,596)	(305,330)	(70,492)	-	(698,418)
Differences on translation of foreign operation financial statements	(117,033)	-	-	-	(117,033)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	13,193	-	-	13,193
Compensation cost of restricted stock awards	-	-	53,439	-	53,439
Non controlling interests generated from acquisition	-	-	-	4,066,496	4,066,496
Balance at 31 December 2019	<u><u>\$ (439,629)</u></u>	<u><u>(292,137)</u></u>	<u><u>(17,053)</u></u>	<u><u>4,066,496</u></u>	<u><u>3,317,677</u></u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(23) Share-based payment

A. As of December 31, 2020, Alpha's equity settled share-based payment transactions were as follows:

	Restricted stock awards Issued in 2018
Grant date	September 27, 2017
Granted units (thousands)	10,000
Contractual life	1~3 years
Vesting condition	Note
Price per share (NTD)	0
Adjusted exercise price (NTD)	0

Note: Employees are entitled to receive restricted stock in the first, second and third year (from the grant date) of their service. The proportion of the shares granted are 30%, 30% and 40%, respectively.

B. The closing price of Alpha's ordinary share on the grant date is the fair value of the share-based payment.

C. Restricted stock awards

On June 16, 2017, pursuant to the resolutions of its shareholders' meeting, Alpha issued 10,000 shares of restricted stock awards to those full time employees who meet Alpha's requirements. These restricted stock awards have been registered and approved by the Securities and Futures Bureau of the FSC. On September 21, 2017, the Board of Directors approved a resolution to issue all of restricted stock awards to its employees. The effective date of the capital increase was October 2, 2017, and the registrations of the increase of share capital have been completed. The restricted stock is kept by a trust, which is appointed by Alpha, before the vesting condition is met. These shares shall not be sold, pledged, transferred, gifted, hypothecated or disposed of by any other means to third parties during the custody period. The shareholders of these restricted stock are entitled to the same rights as Alpha's existing ordinary shareholders except for the fact that the restricted stocks are held with trust and have vesting conditions. If the employees failed to comply the vesting conditions, Alpha will take back all the unvested shares without compensation and cancel the shares thereafter.

Details of the restricted stock of Alpha are as follows:

	For the years ended December 31,	
	2020	2019
Number at January 1(unit in thousand)	3,241	6,534
Vested during the year (unit in thousand)	(2,289)	(2,366)
Forfeited during the year (unit in thousand)	(872)	(790)
Forfeited, to be cancelled at year end (unit in thousand)	-	(137)
Number of shares at December 31	80	3,241

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The compensation costs recognized for the years ended December 31, 2020 and 2019 were \$943 thousand and \$31,764 thousand, respectively.

(24) Earnings per share

A. Basic earnings per share

	For the years ended December 31,	
	2020	2019
Net income attributable to Alpha's ordinary shareholders	\$ 556,997	238,903
Weighted-average number of shares outstanding (in thousands of shares)	540,017	537,673
Basic earnings per share (NTD)	\$ 1.03	0.44

B. Diluted earnings per share

	For the years ended December 31,	
	2020	2019
Net income attributable to ordinary shareholders	\$ 556,997	238,903
Weighted average number of shares outstanding (in thousands of shares) (basic)	540,017	537,673
Effect of employee remuneration in shares	398	1,410
Effect of restricted stock awards unvested	\$ 2,689	4,567
Weighted average number of shares outstanding (in thousands of shares) (diluted)	543,104	543,650
Diluted earnings per share (NTD)	\$ 1.03	0.44

(25) Revenues for contracts with customers

A. The details of Revenues were as follows:

	For the year ended December 31,	
	2020	2019
Primary geographical markets:		
United States	\$ 21,170,158	7,986,117
Taiwan	3,653,720	835,245
Singapore	1,583,698	2,426,697
China	1,222,879	1,760,227
Others	4,540,194	2,817,522
	\$ 32,170,649	15,825,808

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	For the year ended December 31,	
	2020	2019
Major products / services lines:		
LAN/MAN	\$ 8,728,792	9,995,703
Wireless Broadband	13,760,423	3,449,129
Digital Multimedia	7,832,242	2,282,417
Others	1,849,192	98,559
	<u>\$ 32,170,649</u>	<u>15,825,808</u>

B. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Trade receivables (including related parties)	<u>\$ 6,801,078</u>	<u>4,292,840</u>	<u>2,168,504</u>
Contract liabilities - product	<u>\$ 964,609</u>	<u>493,920</u>	<u>86,068</u>

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$258,637 thousand and \$53,934 thousand, respectively.

The contract liabilities are primarily related due to the advance receipts from the Group's product sales contracts, wherein the Group will recognize the revenue when the product is transferred to the customer.

(26) Remuneration to employees and directors

In accordance with the Articles of incorporation, Alpha should contribute 10% to 22.5% of the profit as employee compensation and less than 1% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Alpha's affiliated companies who meet certain conditions.

For the year ended December 31, 2020, the Alpha's net profit of current period is not sufficient to compensate the cumulative loss, therefore, no remuneration to employees and directors was estimated. For the year ended December 31, 2019, Alpha accrued and recognized its remuneration to employees and directors amounting to \$33,198 thousand and \$2,753 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of the period, multiplied by the percentage of remuneration to employees and directors as specified in the Alpha's articles. These remunerations were expensed under operating costs or operating expenses. If there is any change on the actual amount incurred and estimated amount, this shall be accounted for change in accounting estimates and recognize as profit or loss in the following year. However, if the Board of Directors resolved that the employee remuneration to be distributed through stock dividends, the closing price of the ordinary share on the day before the Board of Directors' meeting is used in the calculation for stock remuneration. Related information would be available at the Market Observation Post System website.

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The abovementioned remuneration for employees and directors resolved through Board of Directors' meeting is consistent with the estimated amount as stated in the consolidated financial statements for the years 2020 and 2019.

(27) Interest income

The details of the Group's interest income of 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Interest income from bank deposits and others	<u>\$ 33,289</u>	<u>60,846</u>

(28) Other income

The details of the Group's other income of 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Dividend income	\$ 4,259	2,111
Government grants income	79,294	30,507
Others	34,703	23,367
	<u>\$ 118,256</u>	<u>55,985</u>

(29) Other gains and losses

The details of the Group's other gains and losses of 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Gain on financial asset (liabilities) at fair value through profit or loss, net	\$ 48,588	(1,653)
Foreign exchange loss, net	(76,510)	(1,454)
Others	(57,714)	(2,549)
	<u>\$ (85,636)</u>	<u>(5,656)</u>

(30) Finance costs

The details of the Group's finance costs of 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Interest expense of borrowings, etc.	\$ 39,233	367
Interest expense of lease liability	4,777	3,120
	<u>\$ 44,010</u>	<u>3,487</u>

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Notes to the Consolidated Financial Statements

(31) Financial instruments

A. Credit risk

(a) Credit risk exposure

The carrying amounts of financial assets represents the maximum amount exposed to credit risk.

(b) Concentration of credit risk

The major customers of the Group are centralized in the networking related industries. The Group generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Group is mainly influenced by the networking industry. As of December 31, 2020 and 2019, 64% and 60%, respectively, of the Group's accounts receivable (including related parties) were from the top 7 customers. Although there is a potential in concentration of credit risk, the Group routinely assesses the collectability of its accounts receivable and makes a corresponding allowance for doubtful accounts.

(c) Credit risk of receivable

Risk exposure information for notes receivable and accounts receivable, please refer to note 6(3).

Other financial assets measured at amortized cost include time deposits with maturities of more than three months and restricted bank deposits, please refer to note 6(5) for details of relevant investments.

All of these financial assets are considered to have low credit risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(7).

B. Liquidity risk

The following are the contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of netting agreements.

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Notes to the Consolidated Financial Statements

	Carrying amount	Contractual cash flows	Within 1 years	1 to 5 years	More than 5 years
December 31, 2020					
Non-derivative financial liabilities					
Short-term borrowings	\$ 2,842,762	(2,849,071)	(2,849,071)	-	-
Accounts payable (Included related-parties)	6,828,103	(6,828,103)	(6,828,103)	-	-
Other payables to related parties (other current liabilities)	11	(11)	(11)	-	-
Accrued expenses	417,384	(417,384)	(417,384)	-	-
Bond payables due within one year	526,507	(600,000)	(600,000)	-	-
Lease liabilities	241,748	(282,398)	(44,051)	(45,084)	(193,263)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	10,517	(2,025,890)	(2,025,890)	-	-
Inflows	(12,874)	2,028,247	2,028,247	-	-
	<u>\$ 10,854,158</u>	<u>(10,974,610)</u>	<u>(10,736,263)</u>	<u>(45,084)</u>	<u>(193,263)</u>
December 31, 2019					
Non-derivative financial liabilities					
Accounts payable (Included related-parties)	\$ 4,310,745	(4,310,745)	(4,310,745)	-	-
Other payables to related parties (other current liabilities)	1,114	(1,114)	(1,114)	-	-
Accrued expenses	556,416	(556,416)	(556,416)	-	-
Short-term borrowings	952,701	(960,159)	(960,159)	-	-
Long term borrowings (Included maturity within 1 year)	270,000	(278,868)	(123,468)	(155,400)	-
Bonds Payables	571,047	(600,000)	-	(600,000)	-
Lease Liabilities	275,199	(319,881)	(55,093)	(63,663)	(201,125)
Investment Payables (Other current liabilities)	1,632,894	(1,632,894)	(1,632,894)	-	-
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	377	(990,121)	(990,121)	-	-
Inflows	(6,839)	996,583	996,583	-	-
	<u>\$ 8,563,654</u>	<u>(8,653,615)</u>	<u>(7,633,427)</u>	<u>(819,063)</u>	<u>(201,125)</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

C. Currency risk

(a) Exposure to currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2020				December 31, 2019		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	371,513	28.35	10,532,394	119,521	30.08	3,595,192
CNY		62,190	4.3216	268,760	19,349	4.3220	83,626

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	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Non-Monetary items</u>						
USD	38,590	28.35	Note	24,000	30.08	Note
EUR	7,130	34.956	Note	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	331,965	28.35	9,411,208	92,171	30.08	2,772,504
<u>Non-Monetary items</u>						
USD	24,000	28.35	Note	9,000	30.08	Note

Note : Please refer to note 6(2) for the information on forward exchange contracts at fair value.

(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign currency exchange gains and losses resulted from the translation of cash and cash equivalents, trade receivables, other receivables, short-term borrowings, trade payables and other payables which are denominated in foreign currencies. A strengthening (weakening) of 1% of the NTD against the USD and the CNY at December 31, 2020 and 2019, would have increased or decreased the profit before tax by \$13,899 thousand and \$9,063 thousand, respectively. The analysis assumed that all other variables remain constant, and is performed on the same basis for both periods.

(c) Exchange gains and losses on monetary items

Since the Group has different functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed in aggregate amount. For the years 2020 and 2019, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(73,540) thousand and \$(1,454) thousand, respectively.

D. Interest rate analysis

Please refer to the notes on liquidity risk management for interest rate exposure of the Group's financial assets and liabilities. The following sensitivity analysis is based on the exposure to the interest rate risk. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year.

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If the interest rate had increased or decreased by 0.25%, the Group's net income before tax would have increased or decreased by \$7,524 thousand and \$2,372 thousand, respectively for the years ended December 31, 2020 and 2019 with all other variable factors remaining constant. The change is mainly due to the Group's cash and cash equivalents, financial assets at amortized cost (non-current) and borrowings with variable rates.

E. Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at the reporting date	For the years ended December 31,	
	2020	2019
Increasing 5%	<u>\$ 1,062</u>	<u>8,081</u>
Decreasing 5%	<u>\$ (1,062)</u>	<u>(8,081)</u>

F. Fair value of financial instruments

(a) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for lease liabilities, disclosure of fair value information is not required:

	December 31, 2020				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss	<u>\$ 82,311</u>	<u>68,894</u>	<u>13,417</u>	<u>-</u>	<u>82,311</u>
Non-current financial assets at fair value through other comprehensive income-non-current	<u>\$ 21,245</u>	<u>-</u>	<u>-</u>	<u>21,245</u>	<u>21,245</u>

ALPHA NETWORKS INC. AND SUBSIDIARIES

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December 31, 2020					
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 5,710,004	-	-	-	-
Notes and accounts receivable (including related parties)	6,801,268	-	-	-	-
Financial assets measured at amortized cost – current and non-current	383,052	-	-	-	-
Total	<u>\$ 12,894,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liability measured at fair value under repetitive basis					
Financial liability at fair value through profit or loss-derivative	<u>\$ 10,517</u>	<u>-</u>	<u>10,517</u>	<u>-</u>	<u>10,517</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 6,828,103	-	-	-	-
Payable to related parties	11	-	-	-	-
Short-term borrowings	2,842,762	-	-	-	-
Bond payables (due within one year)	526,507	-	-	-	-
Lease liabilities – current and non-current	241,748	-	-	-	-
Total	<u>\$ 10,439,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2019					
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss-derivative financial assets	<u>\$ 99,705</u>	<u>92,866</u>	<u>6,839</u>	<u>-</u>	<u>99,705</u>
Non-current financial assets at fair value through other comprehensive income - Non current					
	<u>\$ 161,614</u>	<u>140,369</u>	<u>-</u>	<u>21,245</u>	<u>161,614</u>

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	December 31, 2019				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	5,918,331	-	-	-	-
Notes and accounts receivable (including related parties)	4,292,840	-	-	-	-
Financial assets measured at amortized cost – current and non-current	3,186,435	-	-	-	-
Total	<u>\$ 13,397,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liability measured at fair value under repetitive basis					
Financial liabilities at fair value through profit or loss-derivative \$	377	-	377	-	377
Financial liabilities at fair value through profit or loss-Non current	1,560	-	1,560	-	1,560
Total	<u>\$ 1,937</u>	<u>-</u>	<u>1,937</u>	<u>-</u>	<u>1,937</u>
Financial liabilities measured at amortized cost					
Accounts payable	4,310,745	-	-	-	-
Other Payable to related parties	1,114	-	-	-	-
Short-term borrowings	952,701	-	-	-	-
Long-term borrowings (Included maturity within 1 year)	270,000	-	-	-	-
Bonds Payable	571,047	-	-	-	-
Lease Liabilities (Current and non-current)	275,199	-	-	-	-
Total	<u>\$ 6,380,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Fair value measured on non-recurring basis refers to occurrences in specific condition. The Company does not have any financial assets and liabilities measured on non-recuring basis.

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(b) Valuation techniques for financial instruments measured at fair value

i. Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The categories and nature of the fair value for the Group's financial instruments which have active market are as below:

Publicly traded stock, bank draft and bond with standard terms, conditions and traded in active market. The fair value is based on quoted market prices.

Except for the above-mentioned financial instruments traded in active markets, the fair value of other financial instruments is based on the valuation techniques or refer to quoted price from counterparties. The fair value using valuation techniques refers to the current fair value of other financial instruments with similar conditions and characteristics, or using a discounted cash flow method, or other valuation techniques which include model calculating with observable market data at the reporting date (such as yield curve from Taipei Exchange, average interest rate from Reuters' commercial paper).

The categories and nature of the fair value for the Group's financial instruments which without an active market are as below:

The fair value for equity instruments which do not have public quoted price is measured based on net asset value of comparable companies. The main assumption is based on the market multiples derived from the net value per share of investees and quoted price of EV/EBIT's comparable listed companies. The estimated amount has adjusted the discounted effect due to the lack of liquidity in market for equity security.

ii. Derivative financial instruments

Measurement on fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Foreign currency forward contract is measured based on the current forward exchange rate. Structured interest rate derivative products are measured based on appropriate option pricing model.

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- (c) There was no transfer between the different levels of fair value hierarchy for the years ended December 31, 2020 and 2019.

- (d) Reconciliation of Level 3 fair values

	At fair value through profit or loss
Opening Balance, January 1, 2020 (same as December 31, 2020)	\$ 21,245
Opening Balance, January 1, 2019	\$ -
Acquired through business combination	21,245
Ending Balance, December 31, 2019	\$ 21,245

- (e) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets at fair value through other comprehensive income – equity investments" .

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income-equity investments without an active market	Net Asset Value Method	As of December 31, 2020 and 2019, net asset value of comparable companies at 1.88 times and 1.77 times, respectively. As of December 31, 2020 and 2019, discount for lack of marketability of 21.14% and 17.85%, respectively.	Not applicable The fair value would decrease if lack of marketability with higher discount rate.

(32) Financial risk management

A. Overview

The Group have exposures to the following risks from its financial instruments:

- (a) credit risk

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(b) liquidity risk

(c) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

B. Structure of risk management

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee, which is responsible for monitoring the compliance of the Group's risk management policies and procedures. Risk management policies and systems are also reviewed regularly by the Audit Committee to reflect the changes in market conditions and the Group's activities. Internal auditors are assisting Audit Committee in performing the monitoring role through periodic and ad hoc review procedures to risk management relevant control and process. The committee reports regularly to the Board of Directors on its activities.

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

(a) Accounts receivable and other receivables

The Group has established a credit policy, under which, each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer and represent the maximum open amount; these limits are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group did not have any collateral on accounts receivable and other receivable.

(b) Investment

The credit risk of bank deposits, fixed income investments, and other financial instruments, is measured and monitored by the financial department of the Group. There is no significant credit risk because the Group used to transact with or deal with counterparty with good credit ratings financial institutions, corporate organizations and government agencies.

(c) Guarantee

The Group's policy provides only financial security to fully owned subsidiaries. At December 31, 2020 and 2019, the Group did not provide any endorsement guarantee.

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D. Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Bank borrowing is an essential liquidity source for the Group. For the years ended December 31, 2020 and 2019, the Group did not utilize any credit line for both long-term and short-term bank borrowing. Please refer to note 6(14) for details.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices that will affect the Group's income or the value of its holdings on financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives instruments, and also incurs financial liabilities, in order to manage market risks. All such transactions are executed in accordance with the Group's procedures for conducting derivative transactions which were approved by the Board of Directors.

(a) Foreign currency risk

The Group's exposure to the risk of fluctuation in foreign currency exchange rates relates primarily to the Group's sales, purchases, and borrowings transactions, and those are denominated in a currency different from the functional currencies of the Group. These transactions are denominated in New Taiwan dollar (NTD), US dollar (USD) and Chinese Yuan (CNY).

The derivative financial products traded by the Group adopts economic hedging to avoid the exchange rate risk of foreign currency assets or liabilities held by the Group. The gains and losses arising from exchange rate changes will offset the hedged items, therefore, the market risk is usually low.

(b) Other market price risk

The Group is exposed to equity price risk due to its investments in equity securities. This is a strategic investment and is not held for trading. The Group does not actively trade in these investments. Therefore, the Group will be exposed to the risk of market price changes in its equity securities.

(33) Capital management

The Group's objective for managing its capital is to safeguard the capacity to continue as a going concern, to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

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In order to maintain or adjust its capital structure, the Group may adjust the dividend payment to its shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell its assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the total net debt divided by the total capital.

The net debt from the balance sheet is derived from the total liabilities, less, cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity.

The Group's debt-to-equity ratio at the end of the reporting period was as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 14,267,252	10,953,074
Less: Cash and cash equivalents	<u>(5,710,004)</u>	<u>(5,918,331)</u>
Net debt	<u>\$ 8,557,248</u>	<u>5,034,743</u>
Total equity	<u>\$ 12,738,331</u>	<u>14,047,294</u>
Debt-to-equity ratio	<u>67.18%</u>	<u>35.84%</u>

The debt to equity ratio was increased on December 31, 2020 due to the promising operating conditions of the Group, the increase in demand for raw materials, the increased of \$2,517,358 thousand in accounts payable (including related parties), and the increase of \$1,890,061 thousand in bank borrowings to increase working capital.

As of December 31, 2020, the Group had not changed its capital management method.

(34) Non-cash investing and financing activities

The Group's investing and financing activities which did not affect the current cash flow in the year ended December 31, 2020, were as follows:

A. For right of use assets obtained due to lease, please refer to note 6(11).

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B. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Acquisition	Effect of changes in exchange rates and other	December 31, 2020
Short-term borrowings	\$ 952,701	1,890,061	-	-	2,842,762
Long-term borrowings (including maturity within 1 year)	270,000	(270,000)	-	-	-
Bonds payable (including maturity within 1 year)	571,047	-	-	(44,540)	526,507
Lease liabilities	<u>275,199</u>	<u>(64,269)</u>	<u>-</u>	<u>30,818</u>	<u>241,748</u>
Total liabilities from financing activities	<u>\$ 2,068,947</u>	<u>1,555,792</u>	<u>-</u>	<u>(13,722)</u>	<u>3,611,017</u>

	January 1, 2019	Cash flows	Acquisition	Effect of changes in exchange rates and other	December 31, 2020
Short-term borrowings	\$ -	-	952,701	-	952,701
Long-term borrowings (including maturity within 1 year)	-	-	270,000	-	270,000
Bonds payable	-	-	571,047	-	571,047
Lease liabilities	<u>211,757</u>	<u>(7,584)</u>	<u>68,626</u>	<u>2,400</u>	<u>275,199</u>
Total liabilities from financing activities	<u>\$ 211,757</u>	<u>(7,584)</u>	<u>1,862,374</u>	<u>2,400</u>	<u>2,068,947</u>

7. Related-party transactions:

- (1) Parent company and ultimate controlling company

On July 23, 2020, Qisda acquired 19.02% of the Alpha's common shares, increasing its ownership from 23.84% to 42.86%. Qisda is the ultimate controlling party of the Group, and has issued the consolidated financial statements available for public use.

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- (2) Names and relationship with related parties. The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statement:

Name of related party	Relationship with the Group
Qisda	Parent Company
AEWIN Technologies Co., Ltd. (AEWIN Technologies)	Qisda's subsidiary
DAWNING Technology Inc. (DAWNING Technology)	Qisda's subsidiary
SYSAGE Technology Co.,Ltd. (SYSTEM Technology)	Qisda's subsidiary
Unictron Technologies Corporation (Unictron Technologies)	Qisda's subsidiary
D-Link Corporation (D-Link) (Note)	The entity with significant influence over the Group
D-Link International Pte. Ltd. (D-Link International) (Note)	D-Link Corporation and its subsidiary co-holding subsidiaries
D-Link (Shanghai) Ltd. (D-Link Shanghai) (Note)	D-Link Corporation and its subsidiary co-holding subsidiaries

Note: D-Link, the director of Alpha, transferred more than one half of its shares held at the time of the election, wherein its representative was dismissed. Therefore, D Link was no longer a related party of the Group since December 1, 2020.

- (35) Significant related-party transactions

A. Sales

The amounts of sales from related parties were as follows:

	2020	2019
Entities with significant influence over the Group	\$ 117,074	228,644
Other related parties — D-Link International	1,154,429	2,032,855
Other related parties — other	813	87
	<u><u>\$ 1,272,316</u></u>	<u><u>2,261,586</u></u>

The price for sales to the above related parties was determined by general market conditions and adjusted by considering the geographic sales area and sales volumes.

The collection terms for third parties were 30 to 90 days, while those for related parties were 90 days.

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B. Purchases

The amounts of purchases by the Group from related parties were as follows:

	For the years ended December 31,	
	2020	2019
Parent Company	\$ 484	-
Entities with significant influence over the Group	-	161
Other related parties	80,827	-
	<u>\$ 81,311</u>	<u>161</u>

The payment terms for purchase from related parties were 30 to 90 days after purchase. The payment terms with related parties and the amounts of purchases from related parties were not materially different from those with third parties.

C. Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2020	December 31, 2019
Accounts receivable from related parties	Entities with significant influence over the Group	\$ -	82,324
Other related parties:			
Accounts receivable from related parties	D-Link International (Note)	-	445,820
		<u>\$ -</u>	<u>528,144</u>

Note: Balances as of December 31, 2019 was deducted \$20,733 thousand of allowance for impairment.

D. Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2020	December 31, 2019
Accounts payable to related parties	Parent Company	\$ -	147
Accounts payable to related parties	Other related parties	51,112	-

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\$ 51,112 147

E. Rendering of services and other expenses

The Group obtained service from related parties, including product warranty and maintenance service, research and other service expense, as follows:

	For the years ended December 31,	
	2020	2019
Parent Company	\$ 660	-
Entities with significant influence over the Group	378	940
Other related parties	3,937	10,708
	\$ 4,975	11,648

The payables to related parties were as follows:

Account	Related Party Category	December 31, 2020	December 31, 2019
Other payable to related parties	Parent Company	\$ 11	-
Other payable to related parties	Entities with significant influence over the Group	-	160
Other payable to related parties	Other related party	-	846
		\$ 11	1,006

F. Transactions of property, plant and equipment

	For the years ended December 31,	
	2020	2019
Parent Company	\$ -	650
Entities with significant influence over the Group	-	103
	\$ -	753

The payables to related parties were as follows:

Account	Related Party Category	December 31, 2020	December 31, 2019
Other payable to related parties	Entities with significant influence over the Group	\$ -	108

G. Rental income

The Group rented out an office to D-Link (shanghai) and the rental income for the years ended December 31, 2020 and 2019 was \$135 thousand and \$431 thousand, respectively. As of December 31, 2020 and 2019, the amounts had been collected.

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H. Various advances

As of December 31, 2020 and 2019, the receivable from related parties due to the payment on behalf of the Group by other current assets were as follows:

	December 31, 2020	December 31, 2019
Other related party	<u>\$ 44</u>	<u>-</u>

(36) Key management personnel compensation

	2020	2019
Short-term employee benefits	\$ 104,780	20,813
Share-based payment	<u>3,584</u>	<u>11,080</u>
	<u>\$ 108,364</u>	<u>31,893</u>

8. Pledged assets:

Pledged assets	Object	December 31, 2020	December 31, 2019
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Import guarantee for Customs	\$ 7,550	7,500
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for land lease	8,000	8,000
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for construction project	2,968	2,720
Time deposit (recorded in financial assets measured at amortized cost–current)	Guarantee for open tender of Hitron Technologies Inc.	-	2,029,959
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for forward exchange contracts	14,227	-
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee to land lease	2,382	2,382
Refundable deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee to local authority for sales to abroad customers	11,547	11,491
Refundable deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for construction project	80,144	-
Refundable deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee to lawsuits	24,000	-

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<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Refundable deposit (recorded in other non-current assets)	Guarantee for construction project	-	95,224
Refundable deposit (recorded in other non-current assets)	Guarantee to lawsuits	-	24,000
		<u>\$ 150,818</u>	<u>2,181,276</u>

9. Significant commitments and contingencies:

- (1) As of December 31, 2020 and 2019, the Group deposited notes in the bank amounting to \$4,439,397 thousand and \$3,986,675 thousand, respectively in order to obtain the credits limit of bank financing and foreign exchange facilities.
- (2) The Group had entered into technology license agreement with suppliers. According to the agreement, the Group is obligated to make payments for technology license fee and royalty based on the total sales of products by using such technology.
- (3) The Group had entered into a performance bond arrangement with a bank for the acquisition of 100,000 thousand ordinary shares of Hitron Technologies Inc.. According to the arrangement, the Group is obligated to make a payment of \$3,200,000 thousand within five working days after the acquisition due date. As of December 31, 2020, the amounts had been paid.
- (4) As of December 31, 2020, the contingent items assumed due to business combination transaction are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Guarantee notes payables due to business combination arrangement	\$ 8,938	8,256
Guarantee for construction projects	189,874	175,190
Guarantee on tax advance for Taipei Customs	-	3,000
Guarantee on tax advance for Taipei Tax Authority	7,825	-

Hitron Technologies, Inc (Hitron) had entered a contract on “Development of Wireless sharing platform at Kaohsiung” with eASPNet Taiwan Inc. (eASPNet). The contract has been terminated due to the failure of check and accept by Kaohsiung City Government. eASPNet has thus terminated the contract with Hitron. However, Hitron disagreed with the termination without reason by eASPNet, thus filed a lawsuit against eASPNet for a claim amounting to \$86,619 thousand. On February 27, 2011, Taipei Shilin District Court rendered judgment against eASPNet and imposed a claim to eASPNet amounting to \$72,916 thousand with interest of 5% per annum from April 12, 2008, until the claim is fully settled. eASPNet disagreed with the judgment and lodged an appeal as well as paid a guarantee fee amounting to \$72,916 thousand for preliminary injunction. On May 31, 2013, Taiwan High Court Civil Appeal rendered judgment against eASPNet, and the defendant lodged an appeal to the Supreme Court. The Supreme Court revoked the original decision and reversed the case to Taiwan High Court for rehearing. Hitron won the lawsuit at the first hearing at Taiwan High Court on March 29, 2016, and eASPNet should pay Hitron a claim amounting to \$71,115 thousand. Both parties have lodged an appeal for the first hearing.

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Taiwan High Court overturned the initial preliminary injunction, and the lawsuit had proceeded to the Supreme Court for second hearing on January 5, 2017. However, the Supreme Court handed the case back to the Taiwan High Court on November 18, 2013 for reconsideration. On October 20, 2020, the Taiwan High Court dismissed the decision made in the first hearing. According to the opinions of experts, despite the situation above, Hitron still has the right to appeal. On November 17, 2020, Hitron filed an appeal to the Taiwan High Court, who then handed the case over to the Supreme Court on January 25, 2021.

10. Losses Due to Major Disasters: None

11. Subsequent Events: None

12. Other:

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	2020			2019		
	Cost of sales	Operation expenses	Total	Cost of sales	Operation expenses	Total
Employee benefits						
Salaries	960,224	2,280,311	3,240,535	607,072	1,364,279	1,971,351
Labor and health insurance	53,293	146,329	199,622	34,152	103,314	137,466
Pension	31,661	83,066	114,727	37,889	84,231	122,120
Remuneration of directors	-	45,266	45,266	-	7,247	7,247
Others	63,544	100,625	164,169	42,815	62,324	105,139
Depreciation	228,549	286,603	515,152	119,536	144,839	264,375
Amortization	1,615	191,989	193,604	650	64,605	65,255

13. Other disclosures:

(1) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- A. Loans to other parties: Please refer to Table 1.
- B. Guarantees and endorsements for other parties: Please refer to Table 2.
- C. Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20% of the capital stock: Please refer to Table 4.

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- E. Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: Please refer to Table 5.
- F. Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None.
- G. Related-party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock: Please refer to Table 6.
- H. Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock: Please refer to Table 7.
- I. Trading in derivative instruments: Please refer to note 6(2).
- J. Business relationships and significant intercompany transactions: Please refer to Table 8.
- (2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 9.
- (3) Information on investment in mainland China:
- A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 10.
- B. Limitation on investment in Mainland China: Please refer to Table 10.
- C. Significant transactions:
- The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions" .
- (4) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Qisda Corporation		295,163,126	54.48%

- A. The information on major shareholders who hold 5 percent or more of the issuer's common stocks and preferred stocks, including treasury stocks, is quarterly provided by Taiwan Depository and Clearing Corp. The share capital disclosed on the financial report, and the actual numbers of dematerialized securities, may be different due to their discrepancies in calculation.

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- B. If the shareholder entrusts the shares to the trust, the shareholding will be disclosed by the trustee's account individually. As for those shareholders who are responsible for the declaration of insiders' shareholding with more than 10 percent in accordance with the Securities and Exchange Act, their shareholdings shall include their own shares and the trust in which they have the authority to decide the allocation of their trust assets. Please refer to the Market Observation Post System for information on the insiders' shareholding.

14. Segment information:

(1) Operating segment information

The Group has two reportable segments based on the Group's operating units. Every operating unit provides different types of products and services which require different type of technologies and marketing strategies as well as management. The Group's management decision maker will review the internal management report for each operating unit quarterly. The operation descriptions of each operating unit are as below:

- A. Network related products: Involved in design, research, production and sales of LAN/MAN, wireless related products, computer network system and related components.
- B. Others: Involved in research, production and sales of telecommunication system and multimedia related products.

(2) Information about reportable segments and their measurement and reconciliations

	2020			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	<u>\$ 30,412,295</u>	<u>1,859,423</u>	<u>(101,069)</u>	<u>32,170,649</u>
Interest expenses	<u>\$ 33,975</u>	<u>10,040</u>	<u>(5)</u>	<u>44,010</u>
Depreciation and amortization	<u>\$ 648,425</u>	<u>60,578</u>	<u>(247)</u>	<u>708,756</u>
Reportable segment profit or loss	<u>\$ 760,727</u>	<u>190,268</u>	<u>(101,389)</u>	<u>849,606</u>
Reportable segment assets	<u>\$ 23,338,652</u>	<u>3,673,979</u>	<u>(7,048)</u>	<u>27,005,583</u>
Reportable segment liabilities	<u>\$ 12,457,580</u>	<u>1,810,759</u>	<u>(1,087)</u>	<u>14,267,252</u>

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	2019			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	<u>\$ 15,825,803</u>	<u>-</u>	<u>-</u>	<u>15,825,803</u>
Interest expenses	<u>\$ 3,487</u>	<u>-</u>	<u>-</u>	<u>3,487</u>
Depreciation and amortization	<u>\$ 329,630</u>	<u>-</u>	<u>-</u>	<u>329,630</u>
Reportable segment profit or loss	<u>\$ 238,903</u>	<u>-</u>	<u>-</u>	<u>238,903</u>
Reportable segment assets	<u>\$ 21,372,315</u>	<u>3,628,053</u>	<u>-</u>	<u>25,000,368</u>
Reportable segment liabilities	<u>\$ 9,339,654</u>	<u>1,613,420</u>	<u>-</u>	<u>10,953,074</u>

(3) Products and services information

Details of customers contract revenue for 2020 and 2019, please refer to note 6 (25).

(4) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and assets are based on the geographical location of the assets.

Non-current assets include property, plant, and equipment, intangible asset, long-term prepaid rents and other assets, not including financial instruments and deferred tax assets.

	December 31, 2020	December 31, 2019
Non-current assets:		
China	\$ 1,206,084	1,482,824
Taiwan	3,432,992	3,642,280
Others	<u>1,231,614</u>	<u>316,280</u>
	<u>\$ 5,870,690</u>	<u>5,441,384</u>

Non-current assets include property, plant, and equipment, right of use asset, intangible asset and other assets, not including financial instruments and deferred tax assets.

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Notes to the Consolidated Financial Statements

(5) Major customer information

Sales to individual customers representing greater than 10% of consolidated revenue were as follows:

	2020	2019
V Company	\$ 4,573,644	-
L Company	3,795,202	3,214,661
Z Company	3,452,918	-
U Company	3,263,804	1,168,895
W Company	1,580,507	2,524,699
Y Company	<u>1,304,762</u>	<u>2,032,855</u>
	<u>\$ 17,970,837</u>	<u>8,941,110</u>

Alpha Networks Inc. and Subsidiaries
Loans to other parties
For the year ended December 31, 2020

Table 1

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Alpha HK	Alpha Changshu	Other receivable from related parties	Yes	1,504,602 (USD51,000 thousand)	921,375 (USD32,500 thousand)	921,375 (USD32,500 thousand)	-	2	-	Operating capital	-	-	-	6,563,526 (note 4)	6,563,526 (note 4)
2	Mirac	Alpha Changshu	Same as above	Yes	130,089 (RMB30,000 thousand)	129,648 (RMB30,000 thousand)	129,648 (RMB30,000 thousand)	2.5%	2	-	Operating capital	-	-	-	889,353 (note 4)	889,353 (note 4)
3	Alpha Chengdu	Alpha Changshu	Same as above	Yes	173,452 (RMB40,000 thousand)	86,432 (RMB20,000 thousand)	86,432 (RMB20,000 thousand)	2.5%	2	-	Operating capital	-	-	-	1,676,938 (note 4)	1,676,938 (note 4)
4	Hiron Technologies	Hiron Europe	Same as above	Yes	31,801	-	-	-	1	576,582	-	-	-	-	576,582 (note 5)	1,978,060 (note 5)
4	Hiron Technologies	Hiron Americas	Same as above	Yes	16,936	-	-	-	1	6,585,643	-	-	-	-	1,978,060 (note 5)	1,978,060 (note 5)
4	Hiron Technologies	Hiron Suzhou	Same as above	Yes	454,800	425,250	170,100	1-2%	2	-	Operating capital	-	-	-	494,515 (note 5)	1,978,060 (note 5)
4	Hiron Technologies	Hiron Vietnam	Same as above	Yes	454,800	425,250	425,250	1-2%	2	-	Operating capital	-	-	-	494,515 (note 5)	1,978,060 (note 5)
5	Uietech Suzhou	Hiron Suzhou	Same as above	Yes	21,682	21,608	21,608	2%	2	-	Operating capital	-	-	-	30,646 (note 5)	30,646 (note 5)

Note 1: The method of filling out the capital loan and nature is as follows:

- (1) relate business relationship, please fill in 1.
- (2) relate short-term financing, please fill in 2.

Note 2: The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of Alpha.

Note 3: The total amount lendable to any such subsidiary of Alpha shall not exceed forty percent (40%) of the net worth of Alpha.

Note 4: Alpha HK、Mirac、Alpha Chengdu、Global and D-Link Asia, the subsidiaries whose voting shares are 100% owned, directly or indirectly, by Alpha, which are not located in Taiwan, the lending will not be subject to the restriction set forth in the above paragraph of this Article. Notwithstanding the foregoing, the aggregate amount available for lending to such borrowers and the total amount lendable to each of such borrowers still shall not exceed 300% of the net worth of Alpha.

Note 5: The total amount of lending to a company by Hitron Technologies and its subsidiaries shall not exceed forty percent (40%) of the net worth of the audited or reviewed financial statement for both parties. The lending reason and limit for each type of party is stated as below:

- a. For entities who have business transactions with the Company, the lending amount shall not exceed the total transaction amount in the nearest 12 months. The transaction referring to the higher of sales or purchase amount.
- b. For entities who have a need in short term financing, the lending amount shall not exceed ten percent (10%) of the net worth of Hitron Technologies' latest audited or reviewed financial statements.
- c. For foreign subsidiaries which Hitron Technologies has 100% of direct or indirect voting rights, the financing total amount and the limit shall not exceed forty percent (40%) of the net worth of the Company.

Alpha Networks Inc. and Subsidiaries
Guarantees and endorsements for other parties
For the year ended December 31, 2020

Table 2

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note 2)	Parent company endorses to third parties on behalf of subsidiary	Subsidiary endorses to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	Alpha	Alpha Dongguan	note 3	2,911,255	60,600	56,700	25,560	-	0.58%	4,852,091	Y	N	Y
0	Alpha	Alpha Changshu	note 3	2,911,255	212,100	198,450	3,462	-	2.05%	4,852,091	Y	N	Y
1	Hitron Technologies	Innoauto Technologies	note 3	4,945,149	75,000	50,000	6,000	-	1.01%	7,417,724	Y	N	N
1	Hitron Technologies	Hitron Europe	note 3	4,945,149	454,250	451,674	129,337	-	9.13%	7,417,724	Y	N	N
1	Hitron Technologies	Hitron Americas	note 3	4,945,149	1,057,875	595,350	-	-	12.04%	7,417,724	Y	N	N
1	Hitron Technologies	Hitron Vietnam	note 3	4,945,149	1,502,800	1,417,500	595,350	-	28.66%	7,417,724	Y	N	N
1	Hitron Technologies	Hitron Suzhou	note 3	4,945,149	1,235,554	514,446	-	-	10.40%	7,417,724	Y	N	Y

Note 1: The total amount of guarantee provided by Alpha to any individual entity shall not exceed thirty percent of Alpha's equity.

Note 2: The total amount of guarantee provided by Alpha shall not exceed fifty percent of Alpha's equity.

Note 3: The Company directly and indirectly holds more than 50% of the shares with voting rights.

Note 4: The total amount of Hitron Technologies' endorsement in security shall not exceed 150% of the net value of Hitron Technologies' latest financial statements; the amount of endorsement in security for a single enterprise shall not exceed 10% of the net value of Hitron Technologies' latest financial statements. However, there is no restriction for those directly or indirectly held subsidiaries with more than 50% of the voting shares and for those directly and indirectly hold 100% of the voting shares are indirectly endorsed and guaranteed, but it shall not exceed Hitron 100% of the net value of the latest financial statements.

Alpha Networks Inc. and Subsidiaries

Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures) December 31, 2020

Table 3

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account	Ending balance			Highest Percentage of ownership during the year (%)	Note
				Shares/ Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Alpha	TGC, Inc.	-	Non-current financial assets measured at fair value through profit and loss	500	-	1.83	-	1.83
Hitron Technologies	TRANSCEND	-	Current financial assets at fair value through profit or loss	441	28,665	-	28,665	-
Hitron Technologies	SENAO	-	Current financial assets at fair value through profit or loss	207	7,349	-	7,349	-
Hitron Technologies	FUBON FINANCIAL	-	Current financial assets at fair value through profit or loss	200	9,350	-	9,350	-
Interactive Digital	TRANSCEND	-	Current financial assets at fair value through profit or loss	362	23,530	0.08	23,530	-
Hitron Technologies	CHAO LONG MOTOR PARTS CORP	-	Non-current financial assets at fair value through other comprehensive income	668	21,245	2.10	19,335	2.10
Hitron Technologies	IMAGETECH CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	120	-	1.20	-	1.20
Hitron Technologies	TSUNAMI VISUAL TECHNOLOGIES, INC.	-	Non-current financial assets at fair value through other comprehensive income	1,220	-	9.34	-	9.34
Hitron Technologies	PIVOT TECHNOLOGY CORP.	-	Non-current financial assets at fair value through other comprehensive income	198	-	10.94	-	10.94
Hitron Technologies	CARDTEK TECHNOLOGY CO.,LTD	-	Non-current financial assets at fair value through other comprehensive income	1,000	-	6.45	-	6.45
Hitron Technologies	YESMOBILE HOLDINGS COMPANY LTD.	-	Non-current financial assets at fair value through other comprehensive income	294	-	0.75	-	0.75
Hitron Technologies	CODENT NETWORKS (CAYMAN) LTD. (SPECIAL SHARES)	-	Non-current financial assets at fair value through other comprehensive income	1,570	-	-	-	-

Alpha Networks Inc. and Subsidiaries

**Individual securities acquired or disposed of with accumulated amounts exceeding the lower of than \$300 million or 20% of the capital stock
For the year ended December 31, 2020**

Table 4

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount (note)
Alpha	Hitron Technologies	Equity method	Hitron Technologies	Parent and subsidiary	151,028	3,243,894	48,972	1,567,106	-	-	-	-	200,000	4,102,254

Note: The ending balance is the include the amount of investment gains and losses of long-term equity investment recognized in the current period, cumulative translation adjustments, cash dividends and other adjustments.

Alpha Networks Inc. and Subsidiaries

Acquisition of individual real estate with amount exceeding the lower than NT\$300 million or 20% of the capital stock

For the year ended December 31, 2020

Table 5

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Hitron Vietnam	Machinery	2020.01~12	371,796	Fully paid up Pay in installments Pay in installments Pay in installments Pay in installments Pay in installments	Jietech Suzhou Interactive Digital DAIICHI KURTZ AJT LITAO TRI					-	Inquiry and Bargaining	Machinery	N/A
Hitron Vietnam	Building	2020.01~12	355,392	Based on the progress of construction	SAI GON of VISICONS ASEMCO VSIP SHENG HUEI ENGINEERING TECHNOLOGY COMPANY LIMITED JIUH JIANG LONG CO.,LTD					-	Open bid	Building	N/A

Alpha Networks Inc. and Subsidiaries

Related-party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock For the year ended December 31, 2020

Table 6

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)	Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	
Alpha	D-Link International	D-LINK Corporation and subsidiaries	(Sales)	(1,154,429)	(5)%	90 days	-		-	Note 3
Alpha	Alpha USA	Subsidiary of Alpha	(Sales)	(5,725,298)	(27)%	90 days	-		1,133,768	Note 2
Alpha	D-Link Asia	Subsidiary of Alpha	Purchase	8,840,443	46%	90 days	-		(2,736,037)	Note 2
Alpha	Alpha Changshu	Subsidiary of Alpha	Purchase	6,844,340	35%	90 days	-		(1,040,052)	Note 2
Alpha Changshu	Mirac	Subsidiary company to subsidiary	(Sales)	(509,098)	(7)%	90 days	-		157,163	Note 2
Alpha HK	Alpha Changshu	Subsidiary company to subsidiary	(Sales)	(433,894)	(7)%	90 days	-		969,204	Note 2
D-Link Asia	Alpha Dongguan	Subsidiary company to subsidiary	Purchase	8,840,443	56%	90 days	-		(2,752,044)	Note 2
Hitron Technologies	Hitron Suzhou	Subsidiary company to subsidiary	Purchase	4,664,226	36%	90 days	-		(468,186)	Note 2
Hitron Technologies	Hitron Americas	Subsidiary company to subsidiary	(Sales)	(6,585,634)	(64)%	90 days	-		1,884,630	Note 2
Hitron Technologies	Hitron Europe	Subsidiary company to subsidiary	(Sales)	(576,582)	(6)%	90 days	-		251,033	Note 2
Hitron Technologies	Hitron Vietnam	Subsidiary company to subsidiary	Purchase	3,046,968	24%	90 days	-		(1,053,347)	Note 2
Hitron Suzhou	Hitron Vietnam	Subsidiary company to subsidiary	(Sales)	(1,559,411)	(15)%	90 days	-		430,133	Note 2

Note 1: please refer Note 7 for the detail of Significant related-party transactions.

Note 2: The relevant transactions and ending balance were eliminated in the comprehensive financial reports.

Note 3: Subsidiaries jointly held by D-Link and its subsidiaries.

Alpha Networks Inc. and Subsidiaries

Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock December 31, 2020

Table 7

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period(note 1)	Loss Allowance	Note
					Amount	Action taken			
Alpha	Alpha USA	Subsidiary of Alpha	1,133,768	6.66	-	-	130,788	-	note 2
Alpha	Alpha HK	Subsidiary of Alpha	173,978	-	5,127	-	146,218	-	note 2
D-Link Asia	Alpha	Subsidiary company to parent	2,736,037	5.65	167,044	-	1,157,358	-	note 2
Alpha Changshu	Alpha	Subsidiary company to parent	1,040,052	5.66	515	-	626,530	-	note 2
Alpha Dongguan	D-Link Asia	Subsidiary company to subsidiary	2,752,044	5.59	550,122	-	1,157,358	-	note 2
Alpha Changshu	Mirac	Subsidiary company to subsidiary	157,163	0.37	-	-	154,135	-	note 2
Alpha HK	Alpha Changshu	Subsidiary company to subsidiary	969,204	0.70	68,825	-	596,110	-	note 2
D-Link Asia	Alpha Dongguan	Subsidiary company to subsidiary	2,320,215	5.58	2,239	-	828,673	-	note 2
Hitron Technologies	Hitron Americas	Subsidiary company to subsidiary	1,884,630	4.32	-	-	1,276,172	-	note 2
Hitron Technologies	Hitron Europe	Subsidiary company to subsidiary	251,033	3.97	-	-	162,168	-	note 2
Hitron Suzhou	Hitron Technologies	Subsidiary company to subsidiary	468,186	7.11	-	-	468,186	-	note 2
Hitron Suzhou	Hitron Vietnam	Subsidiary company to subsidiary	430,133	7.25	-	-	430,133	-	note 2
Hitron Vietnam	Hitron Technologies	Subsidiary company to subsidiary	1,053,347	5.79	-	-	1,053,347	-	note 2

Note 1: The collection situation as of February 15, 2021.

Note 2: The relevant transactions and ending balance were eliminated in the comprehensive financial reports.

Alpha Networks Inc. and Subsidiaries
Business relationships and significant intercompany transactions
For the year ended December 31, 2020

Table 8

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account	Amount	Payment terms	Percentage of the consolidated net revenue or total assets
0	Alpha	Alpha USA	Parent company to Subsidiary	Sales	5,725,298	-	17.80%
0	Alpha	Alpha USA	Parent company to Subsidiary	Accounts receivable from related parties	1,133,768	90 days	4.20%
0	Alpha	Alpha Changshu	Parent company to Subsidiary	Purchase	6,844,340	-	21.28%
0	Alpha	Alpha Changshu	Parent company to Subsidiary	Accounts payable to related parties	1,040,052	90 days	3.85%
0	Alpha	D-Link Asia	Parent company to Subsidiary	Purchase	8,840,443	-	27.48%
0	Alpha	D-Link Asia	Parent company to Subsidiary	Accounts payable to related parties	2,736,037	90 days	10.13%
1	Alpha HK	Alpha Changshu	Subsidiary company to Subsidiary	Sales	433,894	-	1.35%
1	Alpha HK	Alpha Changshu	Subsidiary company to Subsidiary	Accounts receivable from related parties	969,204	90 days	3.59%
2	D-Link Asia	Alpha Dongguan	Subsidiary company to Subsidiary	Purchase	8,840,443	-	27.48%
2	D-Link Asia	Alpha Dongguan	Subsidiary company to Subsidiary	Accounts payable to related parties	2,752,044	90 days	10.19%
3	Alpha Dongguan	D-Link Asia	Subsidiary company to Subsidiary	Purchase	7,028,308	-	21.85%
3	Alpha Dongguan	D-Link Asia	Subsidiary company to Subsidiary	Accounts payable to related parties	2,320,215	90 days	8.59%
4	Alpha Changshu	Mirac	Subsidiary company to Subsidiary	Sales	509,068		1.58%
4	Alpha Changshu	Mirac	Subsidiary company to Subsidiary	Accounts receivable from related parties	157,163	90 days	0.58%
4	Hitron Technologies	Hitron Suzhou	Subsidiary company to Subsidiary	Purchase	4,664,226	-	14.50%
4	Hitron Technologies	Hitron Suzhou	Subsidiary company to Subsidiary	Operating expense	2,988	-	0.01%
4	Hitron Technologies	Hitron Suzhou	Subsidiary company to Subsidiary	Other operating cost	9,327		0.03%
4	Hitron Technologies	Hitron Suzhou	Subsidiary company to Subsidiary	Other receivable from related parties	248,508	60 days	0.92%

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account	Amount	Payment terms	
4	Hitron Technologies	Hitron Suzhou	Subsidiary company to Subsidiary	Accounts payable	468,186	90 days	1.73%
4	Hitron Technologies	Hitron Europe	Subsidiary company to Subsidiary	Sales	576,415	-	1.79%
4	Hitron Technologies	Hitron Europe	Subsidiary company to Subsidiary	Accounts receivable from related parties	251,033	60 days	0.93%
4	Hitron Technologies	Hitron Americas	Subsidiary company to Subsidiary	Sales	6,579,563	-	20.45%
4	Hitron Technologies	Hitron Americas	Subsidiary company to Subsidiary	Other operating revenue	6,072	-	0.02%
4	Hitron Technologies	Hitron Americas	Subsidiary company to Subsidiary	Accounts receivable from related parties	1,884,630	60 days	6.98%
4	Hitron Technologies	Hitron Vietnam	Subsidiary company to Subsidiary	Other receivable from related parties	1,047,134	60 days	3.88%
4	Hitron Technologies	Hitron Vietnam	Subsidiary company to Subsidiary	Interest income	4,609		0.01%
4	Hitron Technologies	Hitron Vietnam	Subsidiary company to Subsidiary	Purchase	3,046,968		9.47%
4	Hitron Technologies	Hitron Vietnam	Subsidiary company to Subsidiary	Accounts payable	1,053,347	90 days	3.90%

Note: The significant intercompany transactions in this table reach 1% of Group revenue or total assets.

Alpha Networks Inc. and Subsidiaries
Information on investees (excluding information on investees in Mainland China)
For the year ended December 31, 2020

Table 9

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020		Highest Percentage of ownership	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership				
Alpha	Alpha Holdings	Cayman Islands	Investment holding	203,372	2,346,489	6,464	100.00%	(23,791)	(12,344)	(11,355)	note 6
Alpha	Alpha Solutions	Japan	Sale of network equipment, components and technical services	5,543	5,543	1	100.00%	21,907	1,491	1,491	
Alpha	Alpha USA	CA USA	Sale, marketing and procurement service in USA	51,092	51,092	1,500	100.00%	137,919	8,539	8,539	
Alpha	Alpha HK	Hong Kong	Investment holding	3,143,628	3,143,628	780,911	100.00%	2,176,698	(44,310)	(40,749)	
Alpha	ATS	CA USA	Post-sale service	260,497 (USD8,100 thousand)	260,497 (USD8,100 thousand)	8,100	100.00%	169,827	1,954	1,954	
Alpha	Global	Samoa	Sale of electrical equipment	-	185,880 (USD6,000 thousand)	-	- %	-	18,324	18,324	note 3
Alpha	Enrich Investmen	Taiwan	Investment holding	240,000	50,000	24,000	100.00%	150,863	(3,808)	(3,808)	
Alpha	Hitron Technologies	Taiwan	Marketing on system integration of communication product and telecommunication products	4,811,000	3,243,894	200,000	62.24%	4,102,254	280,010	125,900	
Alpha	D-Link Asia	Singapore	Investment in manufacturing business	1,692,805 (note 2)	-	86,946	100.00%	1,754,563	51,171	29,604	
Alpha Holdings	D-Link Asia	Singapore	Investment in manufacturing business	-	1,692,805 (note 2)	-	- %	-	-	note 6	
Alpha Holdings	Alpha Investment	Cayman Islands	Investment holding	-	308,625 (USD10,040 thousand)	-	- %	-	(9,841)	note 1	note 4

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value				
Alpha Holdings	Universal	Samoa	Sale of electrical products	-	616,200 (USD20,000 thousand)	-	- %	-	100%	6,581	note 1	note 5
Enrich Investment	Interactive Digital	Taiwan	Telecommunication and broadband network system services	189,523	-	2,575	6.83%	114,887	6.83%	234,242	note 1	
Enrich Investment	Transnet	Taiwan	Operating network communication products, provide support system services, integrated supply and import and export of network equipment	50,000	50,000	5,000	100.00%	35,522	100%	(10,617)	note 1	
Hitron Technologies	Hitron Samoa	Samoa	International trade	669,031	669,031	22,300	100.00%	752,845	100%	(36,491)	note 1	
Hitron Technologies	Interactive Digital	Taiwan	Telecommunication and broadband network system services	167,026	167,026	16,703	44.28%	510,567	45.21%	234,242	note 1	
Hitron Technologies	Hitron Europe	Netherlands	International trade	59,604	59,604	-	100.00%	(8,686)	100%	70,410	note 1	
Hitron Technologies	Hitron Americas	USA	International trade	90,082	90,082	300	100.00%	123,859	100%	62,380	note 1	
Hitron Technologies	Innoauto Technologies	Taiwan	Investments and automotive electronics product	50,000	80,000	50,000	100.00%	(7,917)	100%	(32,139)	note 1	
Hitron Technologies	Hitron Vietnam	Vietnam	Production and sale of broadband telecommunication products	550,355	220,905	-	100.00%	434,914	100%	(17,147)	note 1	

Note 1: Recognized by subsidiary.

Note 2: This includes the previous that D-link corporation investment in D-Link Asia by \$218,631 thousand.

Note 3: The liquidation procedures of Global had been completed in June 2020 based on the resolution approved during the shareholders' meeting.

Note 4: The liquidation procedures of Alpha Investment had been completed in November 2020 based on the resolution approved during its shareholders' meeting held on July 2020.

Note 5: The liquidation procedures of Universal had been completed in July 2020 based on the resolution approved during its shareholders' meeting held on June 2020.

Note 6: In response to the organization restructure of Alpha Holdings, a resolution was approved during the board meeting held on December 31, 2020 for the capital reduction of Alpha Holdings, whose assets including other assets, other receivables and 100% shares of D Link Asia will be transferred to Alpha Networks Inc. to offset its share capital payable.

Alpha Networks Inc. and Subsidiaries

The names of investees in Mainland China, the main businesses and products, and other information

For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Table 10

(1) The names of investees in Mainland China, the main businesses and products, and other information

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses) (note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Alpha Chengdu	Research and development of network products	420,426	note 1	420,426	-	-	420,426	22,333	100.00%	100.00%	22,333	558,979	-
Alpha Dongguan	Production and sale of network products	787,496	note 1	741,084	-	-	741,084 (note 6)	41,052	100.00%	100.00%	41,052	1,043,807	-
Mirac	Production and sale of network products	307,326	note 1	307,326	-	-	307,326	11,086	100.00%	100.00%	11,086	296,451	-
Alpha Changshu	Production and sale of network products	1,925,920	note 1	1,925,920	-	-	1,925,920	42,575	100.00%	100.00%	42,575	1,229,439	-
Hitron Suzhou	Production and sale of broadband network products	641,763	note 1	641,763	-	-	641,763	(35,546)	100.00% (note 9)	100.00%	(35,546)	716,188	-
Jietech Suzhou	Sale of broadband network products and related services	57,473	note 1	57,473	-	-	57,473	(945)	100.00% (note 9)	100.00%	(945)	30,630	-
Hwa Chi Technologies	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	5,814 (USD200 thousands)	note 1	12,048	-	-	12,048	2,255	44.28% (notes 8 and 9)	100.00%	1,018	5,892	21,314

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
3,261,784 note 3,4,7	4,123,685	note 5
711,284	711,284	2,967,089

Note 1: Investment in companies in Mainland China through the existing companies in the third regions.

Note 2: Amount was recognized based on the audited financial statements.

Note 3: Accumulated investments in Alpha Dongguan did not include the previously invested by D-Link Corporation HKD63,387 thousand (equivalent to approximately \$303,055 thousand).

Note 4: Alpha indirectly investment the subsidiary Tongying Trading (Shenzhen) Co., Ltd., has liquidated all rights and obligations in March 2008 and cancelled the registration. Accumulated investments \$9,828 thousand in Tongying Trading (Shenzhen) Co., Ltd., deducted the remittance amount of \$4,367 thousand equals \$5,461 thousand. It is still necessary to calculate the amount by the principle of Investment Commission, MOEA.

Note 5: As the Company has obtained the certificate of being qualified for operating headquarters issued by Industrial Development Bureau, MOEA on March 2008, the upper limit on investment in mainland China pursuant to “Principle of investment or Technical Cooperation in Mainland China” is not applicable.

Note 6: The investment of \$46,412 thousand by D-Link Asia's own funds, so it does not count the accumulated investment amount from Taiwan at the end of the period.

Note 7: The investment of \$164,622 thousand by Alpha HK's own funds, so it does not count the accumulated investment amount from Taiwan at the end of the period. Maintrend shareholders' meeting approved the dissolution and liquidation on January 12, 2016. The dissolution and liquidation procedures were completed on July 23, 2018.

Note 8: Hwa Chi is a China based investment company which invested Hitron (Samoa) through Alpha, however, it has switched to invest through Interactive Digital due to the Group's restructuring decision resolved in year 2012.

Note 9: This refers to the direct or indirect shares holding by Hitron technologies.

Independent Auditors' Report

To the Board of Directors of Alpha Networks Inc.:

Opinion

We have audited the parent-company-only financial statements of Alpha Networks Inc. (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the parent-company-only financial statements including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other audits (please refer to the paragraph on “Other Matter” of our reports), the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent-company-only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition from contracts with customers

Please refer to note 4 (14) and note 6 (22) for accounting policy and detailed disclosure of revenue, respectively, of the notes to the parent-company-only financial statements.

In explanation of key audit matters:

The Company's major revenue is derived from the sales of goods to its customers. Revenue is recognized when the control over a product has been transferred to the customer as specified in each individual contract with customers. The Company recognizes revenue depending on the various sales terms in each individual contract with customers to ensure its performance obligation has been satisfied by transferring its control over a product to its customer. Consequently, revenue recognition is one of our key audit matters.

How the matter was addressed in our audit

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Company's internal controls surrounding the revenue process and cash collection transaction process; understanding the terms and types of the major sales transactions and assessing whether they were recorded in the proper period; selecting samples and inspecting customers' orders, bills of lading, raw data on e-commerce transactions, and outsourced transportation delivery orders, to assess the adequacy of the Company's timing on revenue recognition; understanding the rationale for any identified significant sales fluctuations which incurred within a certain period before or after the balance sheet date; inspecting customers' orders, bill of lading, and outsourcing transportation delivery orders, to determine whether they have been recorded in a proper period.

2. Valuation of inventories

Please refer to the note 4(7) for the accounting policy, note 5 for significant accounting assumptions and judgments, and major sources of estimation uncertainty, and note 6(4) for summary of inventory, of the notes to the parent-company-only financial statements.

In explanation of key audit matters:

Inventories are measured at the lower of cost or net realizable value at the reporting date. The net realizable value of the inventory is determined by the Company based on the assumptions of the estimated selling price of the products. Due to the rapid development of technology and introduction of new products, the old models produced by the Company may be replaced by new ones, which may result to product obsolescence and the cost of inventory to be higher than the net realizable value. Therefore, the valuation of inventory is one of our key audit matters.

How the matter was addressed in our audit

In relation to the key audit matter above, our principal audit procedures included evaluating the reasonableness of the management's assessment and judgment on the method used in calculating the net realizable value, including data used, assumption, and formula; inspecting the appropriate supporting documentation to determine whether the estimation of provision for inventory obsolescence is accurate; testing the accuracy of the ageing of inventory and net realizable value through sampling and testing the report generated from system, evaluating the accuracy and reasonableness of the Company in providing inventory loss allowances based on the run rate and disposal of slow-moving inventory.

3. Evaluation of investments accounted for using equity method

Please refer to note 4(8) investment in subsidiary-company, for the accounting policies of investments accounted for using equity method; as well as note 6(7) investments in equity-accounted investees and note 6(9) changes in parent's ownership interest in a subsidiary for the evaluation description of the investments accounted for using equity method.

In explanation of key audit matters:

The Company holds 62.24% shares of Hitron Technologies Inc. Due to the significant amount of investment and the fluctuation in selling price subject to market competition of Netcom products, as well as the rapid development of product functions, revenue recognition and inventory valuation of subsidiaries are our key audit matters.

How the matter was addressed in our audit:

We reviewed the audit workpapers to evaluate the main audit procedures of revenue recognition and the valuation of inventories of Investments accounted for using equity method, which included analysis of the the policies on revenue recognition, the sampling test used to support the appropriateness of revenue recognition, and the execution of period-end cut-off tests used to confirm the attribution period of significant sales revenue. The main audit procedures for inventory evaluation included the understanding of the accounting treatment for inventory measurement; sampling test of market information, evaluation of the rationality of the net realizable value of inventory, and observation of the slow-moving inventory.

Other Matter

We did not audit the financial statements of certain investees accounted for using equity method of Hitron Technology Inc. Therefore, the opinion on the financial report regarding the amount of Hitron's reinvestment and the relevant information disclosed in Note 6 are based on the audit reports of other auditors. Hitron's amounts of investments in equity accounted investees and investment income from investment accounted for using equity method amounted to \$8,685 thousand and \$70,410 thousand, constituting 0.05% and 10.12% of the total assets and comprehensive income, respectively, as of December 31, 2020.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien Chen and Hai-Ning Huang.

KPMG

Taipei, Taiwan (Republic of China)

March 19, 2021

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
ALPHA NETWORKS INC.

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019			December 31, 2020		December 31, 2019	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (note 6(1))	\$ 816,860	5	468,844	3	2100 Short-term borrowings (note 6(13))	\$ 425,250	3	-	-
1110 Current financial assets at fair value through profit or loss (note 6(2))	7,406	-	6,839	-	2120 Current financial liabilities at fair value through profit or loss (note 6(2))	7,067	-	377	-
1136 Current financial assets at amortized cost (notes 6(1), (5) and 8)	2,947	-	2,627,118	16	2170 Accounts payable	584,039	4	528,390	3
1170 Accounts receivable, net (note 6(3))	3,977,928	24	1,950,531	12	2180 Accounts payable to related parties (note 7)	3,787,357	23	2,493,441	15
1180 Accounts receivable due from related parties, net (notes 6(3) and 7)	1,310,765	8	1,291,368	8	2209 Accrued expenses	285,281	2	255,194	2
1210 Other receivables due from related parties (note 7)	260,810	2	-	-	2220 Other payables to related parties (note 7)	188,462	1	163,150	1
130x Inventories (note 6(4))	514,133	3	524,900	4	2230 Current tax liabilities	67,884	-	17,861	-
1470 Other current assets	35,644	-	57,824	-	2250 Current provisions (note 6(14))	176,617	1	186,779	1
	6,926,493	42	6,927,424	43	2280 Current lease liabilities (note 6(16))	11,121	-	5,321	-
	-	-	-	-	2399 Other current liabilities (notes 6(15) and 7)	716,823	4	2,042,160	13
Non-current assets:						6,249,901	38	5,692,673	35
1517 Non-current financial assets at fair value through other comprehensive income (note 6(6))	-	-	140,369	1	Non-Current liabilities:				
1535 Non-current financial assets at amortized cost (notes 6(5) and 8)	17,369	-	18,590	-	2570 Deferred tax liabilities (note 6(18))	71,766	1	70,131	-
1550 Investments in equity-accounted investees (note 6(7))	8,381,735	51	8,030,522	49	2580 Non-current lease liabilities (note 6(16))	187,804	1	193,195	1
1600 Property, plant and equipment (note 6(10))	625,500	4	591,134	4	2640 Net defined benefit liability (note 6(17))	220,367	1	288,999	2
1755 Right-of-use asset (note 6(11))	180,117	1	180,296	1		479,937	3	552,325	3
1780 Intangible assets (note 6(12))	176,486	1	179,097	1	Total liabilities	6,729,838	41	6,244,998	38
1840 Deferred tax assets (note 6(18))	108,569	1	128,527	1	Equity (note 6(19)):				
1990 Other non-current assets	17,751	-	29,837	-	3110 Ordinary shares	5,417,185	33	5,427,273	33
	9,507,527	58	9,298,372	57	3170 Shares awaiting retirement	-	-	(1,372)	-
						5,417,185	33	5,425,901	33
					3200 Capital surplus	3,004,591	18	3,001,756	19
					Retained earnings:				
					3310 Legal reserve	1,127,420	7	1,107,188	7
					3320 Special reserve	731,766	5	627,926	4
					3350 Unappropriated retained earnings (accumulated deficit)	(127,976)	(1)	566,846	3
						1,731,210	11	2,301,960	14
					3400 Other equity interest	(448,804)	(3)	(748,819)	(4)
					Total equity	9,704,182	59	9,980,798	62
Total assets	\$ 16,434,020	100	16,225,796	100	Total liabilities and equity	\$ 16,434,020	100	16,225,796	100

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

ALPHA NETWORKS INC.**Statements of Comprehensive Income****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(22) and 7)	\$ 21,358,901	100	14,813,691	100
5000	Operating costs (notes 6(4) and 7)	18,858,410	88	12,621,591	85
	Gross profit	2,500,491	12	2,192,100	15
	Add: Net changes in unrealized profit on sales to subsidiaries and associates (note 7)	(51,491)	-	(2,983)	-
5920	Gross profit	2,449,000	12	2,189,117	15
	Operating expenses (notes 7):				
6100	Selling expenses	477,353	2	369,891	3
6200	Administrative expenses	310,867	1	336,936	2
6300	Research and development expenses	1,224,028	6	1,361,599	9
6450	Expected credit loss (gain) (note 6(3))	(27,629)	-	9,378	-
	Total operating expenses	1,984,619	9	2,077,804	14
	Net operating income	464,381	3	111,313	1
	Non-operating income and expenses:				
7010	Other income (note 6(25))	41,135	-	47,021	-
7020	Other gains and losses, net (note 6(26))	(5,217)	-	(12,243)	-
7050	Finance costs (notes 6(27))	(9,206)	-	(2,771)	-
7070	Share of profit of subsidiaries (note 6(7))	129,901	-	94,290	1
7100	Interest income (note 6(24))	5,432	-	41,022	-
	Total non-operating income and expenses	162,045	-	167,319	1
	Profit before income tax	626,426	3	278,632	2
7950	Less: Income tax expense (note 6(18))	69,429	-	39,729	-
	Profit	556,997	3	238,903	2
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans (note 6(17))	55,193	-	(18,919)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (note 6(19))	92,512	-	13,193	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	147,705	-	(5,726)	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign operations (note 6(19))	(11,470)	-	(146,291)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(18))	2,295	-	29,258	-
	Components of other comprehensive loss that will be reclassified to profit or loss	(9,175)	-	(117,033)	(1)
	Other comprehensive income (loss)	138,530	-	(122,759)	(1)
8500	Total comprehensive income	\$ 695,527	3	116,144	1
	Earnings per share (New Taiwan dollars) (note 6(21))				
	Basic earnings per share	\$ 1.03		0.44	
	Diluted earnings per share	\$ 1.03		0.44	

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
ALPHA NETWORKS INC.

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings					Total other equity interest		
	Ordinary shares	Shares awaiting retirement	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets	
									measured at value through other comprehensive income	Deferred compensation cost arising from issuance of restricted stock awards
Balance at January 1, 2019	\$ 5,435,172	-	3,557,356	1,107,188	226,968	765,485	2,099,641	(322,596)	(305,330)	(70,492)
Effects of retrospective application	-	-	-	-	-	(17,665)	(17,665)	-	-	-
Equity at beginning of period after adjustments	5,435,172	-	3,557,356	1,107,188	226,968	747,820	2,081,976	(322,596)	(305,330)	(70,492)
Profit	-	-	-	-	-	238,903	238,903	-	-	-
Other comprehensive income	-	-	-	-	-	(18,919)	(18,919)	(117,033)	13,193	-
Total comprehensive income	-	-	-	-	-	219,984	219,984	(117,033)	13,193	-
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	400,958	(400,958)	-	-	-	-
Due to donated assets received	-	-	66	-	-	-	-	-	-	-
Cash dividends from capital surplus	-	-	(543,262)	-	-	-	-	-	-	-
Compensation cost of issued restricted stock awards	-	-	(21,675)	-	-	-	-	-	-	53,439
Share retirement for expiration of restricted stock awards	(7,899)	-	7,899	-	-	-	-	-	-	-
Share awaiting retirement held for expiration of restricted stock awards	-	(1,372)	1,372	-	-	-	-	-	-	-
Balance at December 31, 2019	\$ 5,427,273	(1,372)	3,001,756	1,107,188	627,926	566,846	2,301,960	(439,629)	(292,137)	(17,053)
Profit	-	-	-	-	-	556,997	556,997	-	-	-
Other comprehensive income	-	-	-	-	-	55,193	55,193	(9,175)	92,512	-
Total comprehensive income	-	-	-	-	-	612,190	612,190	(9,175)	92,512	-
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	-	20,232	-	(20,232)	-	-	-	-
Special reserve appropriated	-	-	-	-	103,840	(103,840)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(238,692)	(238,692)	-	-	-
Disposal of FVTOCI financial asset	-	-	-	-	-	(199,625)	(199,625)	-	199,625	-
Due to donated assets received	-	-	60	-	-	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired	-	-	(39)	-	-	(744,623)	(744,623)	-	-	-
Changes in ownership interests in subsidiaries	-	-	10,208	-	-	-	-	-	-	-
Compensation cost of issued restricted stock awards	-	-	(16,110)	-	-	-	-	-	-	17,053
Share retirement for expiration of restricted stock awards	(10,088)	1,372	8,716	-	-	-	-	-	-	-
Balance at December 31, 2020	\$ 5,417,185	-	3,004,591	1,127,420	731,766	(127,976)	1,731,210	(448,804)	-	(448,804)
										9,980,798
										556,997
										138,530
										695,527
										-
										-
										(238,692)
										-
										60
										-
										(744,662)
										10,208
										943
										-
										(448,804)
										9,704,182

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
ALPHA NETWORKS INC.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities:		
Profit before income tax	\$ 626,426	278,632
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	89,931	75,008
Amortization expense	55,544	59,431
Expected credit loss (gain)	(27,629)	9,378
Net gain on financial assets or liabilities at fair value through profit or loss	(339)	(6,462)
Interest expense	9,206	2,771
Interest income	(5,432)	(41,022)
Dividend income	-	(2,111)
Share-based payments	943	31,764
Share of profit of equity-accounted investees	(129,901)	(94,290)
Loss (gain) on disposal of property, plant and equipment	1,880	(284)
Provisions for inventory obsolescence and devaluation loss	103,581	39,137
Unrealized profit from sales	51,491	2,983
Total adjustments to reconcile profit	149,275	76,303
Changes in operating assets and liabilities:		
Increase in notes and accounts receivable	(2,020,501)	(1,145,898)
Decrease in accounts receivable due from related parties	1,336	552,727
Decrease in financial assets mandatorily at fair value through profit or loss	6,839	1,696
Increase in inventories	(92,814)	(123,300)
Decrease in other current assets	13,042	38,412
Total changes in operating assets	(2,092,098)	(676,363)
Decrease in financial liabilities held for trading	(377)	(97)
Increase in accounts payable	55,649	332,374
Increase in accounts payable to related parties	1,293,916	239,096
Increase in other payable to related parties	25,312	21,737
Increase in other current liabilities	453,159	32,118
Decrease in net defined benefit liability	(13,439)	(24,803)
Total changes in operating liabilities	1,814,220	600,425
Total changes in operating assets and liabilities	(277,878)	(75,938)
Total adjustments	(128,603)	365

(Continued)

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
ALPHA NETWORKS INC.

Statements of Cash Flows (Continued)

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash inflow generated from operations	497,823	278,997
Interest received	5,432	38,015
Dividends received	-	2,111
Interest paid	(8,844)	(2,771)
Income taxes paid	(310)	(1,801)
Net cash flows from operating activities	494,101	314,551
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(8,613)	(5,601,606)
Proceeds from repayments of financial assets at amortized cost	2,631,512	6,684,345
Acquisition of investments accounted for using equity method	(3,390,000)	(1,611,000)
Proceeds from disposal of investments accounted for using equity method	193,315	-
Cash dividends from investments in equity-accounted investees	160,000	-
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	232,881	-
Acquisition of property, plant and equipment	(116,246)	(48,044)
Proceeds from disposal of property, plant and equipment	1,504	2,598
Decrease in refundable deposits	1,271	143
Acquisition of intangible assets	(52,933)	(44,859)
Decrease (increase) in other non-current assets	25,630	(25,152)
Net cash flows used in investing activities	(321,679)	(643,575)
Cash flows from (used in) financing activities:		
Increase in short-term loans	425,250	-
Payment of lease liabilities	(11,024)	(5,252)
Cash dividends paid	(238,692)	(543,262)
Donation received	60	66
Net cash flows from (used in) financing activities	175,594	(548,448)
Net increase (decrease) in cash and cash equivalents	348,016	(877,472)
Cash and cash equivalents at beginning of period	468,844	1,346,316
Cash and cash equivalents at end of period	\$ 816,860	468,844

(Continued)

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history

ALPHA NETWORKS INC. (the “Company”) was established by a spin-off arrangement whereby on August 16, 2003, D-Link Corporation (“D-Link”) separated its operation business unit of original design manufacturing and original equipment manufacturing (“ODM/OEM”) and had transferred its related transferred related operating assets and liabilities to the Company. The Company was then incorporated on September 4, 2003, through obtained the registration approval from the Hsinchu Science Park Bureau (HSPB). The registered address of the Company is No. 8, Li-shing 7th Road, Science-based Park, Hsinchu, Taiwan (R.O.C.).

The Company's main activities include the research, development, design, production and sale of broadband products, computer network systems, wireless local area networks (“LANs”), related accessories.

On July 23, 2020, Qisda Corporation (“Qisda”) acquired 19.02% of the Company’s ordinary shares, resulting in its shares to increase from 23.84% to 42.86%. Thereafter, Qisda became the parent company of the Company.

2. Approval date and procedures of the financial statements:

These parent-company-only financial statements were authorized for issuance by the Board of Directors on March 19, 2021.

3. New standards, amendments and interpretations adopted:

- (1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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- (2) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

- (3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

4. Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently to all periods presented in these financial statements.

(1) Statement of compliance

The Company's accompanying parent-company-only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as “the Regulations”).

The financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers ” (hereinafter referred to as “ the Regulations”).

(2) Basis of preparation

A. Basis of measurement

Except for the following significant account, the statements have been prepared on a historical cost basis:

- (a) Financial assets and liabilities measured at fair value through profit or loss are measured at fair value;
- (b) Financial assets measured at fair value through other comprehensive income are measured at fair value;
- (c) The net defined benefit liability is measured at the fair value of the plan assets less the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand, unless otherwise noted.

(3) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currencies at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are retranslated into the functional currencies using the exchange rate at that date.

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Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date when fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (a) an investment in equity securities designated as at fair value through other comprehensive income; or
- (b) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations, are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. For a partial disposal of the Company's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

(4) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or
- D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:

- A. It is expected to be settled in its normal operating cycle;
- B. It is held primarily for the purpose of trading;

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

- C. It is due to be settled within twelve months after the reporting period; or
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(6) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – equity investment or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Financial assets measured at fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income derived from equity investment is recognized in profit or loss on the date on which the Company's right to receive payment is established (usually the ex-dividend date).

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(d) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, assets at amortized costs, notes and accounts receivable, other receivables, guarantee deposits paid and other financial assets) and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment, as well as forward-looking information. The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset is breached of contract when the financial asset is more than 270 days past due, or the borrower is unlikely to pay its credit obligations to the Company in full.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-months ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

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- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(e) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

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Notes to the Parent Company Only Financial Statements

(c) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(d) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are Dismissed or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(e) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(7) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(8) Investment in subsidiaries

The investees which are controlled by the Company are measured under equity method in preparing the parent company only financial statement. The profit, other comprehensive income and equity in the parent company only financial statement are equal to the profit, other comprehensive income and equity attributable to the shareholders of parent in the consolidated financial statement.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing of control over the subsidiary are accounted for as equity transaction.

(9) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(a) Buildings and improvements: 6 to 49 years

Buildings and building improvements constitute mainly buildings, mechatronic engineering and hydropower engineering, etc. Each such part depreciates based on its useful life of 47 to 49 years, 6 years and 6 years.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

- (b) Machinery and equipment: 1 to 6 years
- (c) Transportation and equipment: 6 years
- (d) Office equipment and others: 2 to 6 years

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(10) Lessee

A. Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- (a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- (b) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (c) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

When the lease is established or the contract is reassessed whether consists of lease, the Company allocates the consideration in the contract to individual lease components on the basis of respective individual prices. However, when leasing land and buildings, the Company elected not to distinguish between non-lease components, and treat the lease components and non-lease components as a single lease component.

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Notes to the Parent Company Only Financial Statements

B. As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments, including in-substance fixed payments;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (d) there is a change of its assessment on whether it will exercise an extension or termination option; or
- (e) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

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When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheet.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office, warehouse, parking space, staff dormitory and printer that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

C. As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(11) Intangible assets

A. Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(Continued)

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C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets of 1 to 3 years, other than goodwill, from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(12) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(13) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

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(14) Revenue for contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

A. Sale of goods

The Company involves in research, develop, design, manufacture and sale of broadband products, wireless networking products, and computer network system equipment and components. The Company recognizes the revenue when the control of the product is transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. The Company's broadband products, wireless network products and computer network system equipment and its components are subject to standard warranty and are therefore subject to refund obligations.

The warranty liabilities have been recognized for this obligation, please refer to Note 6 (13).

B. Product development services

The Company provides enterprise product development and recognizes the relevant income during the financial reporting of the labor service. Fixed price contracts are based on the proportion of services actually provided as a percentage of total services as of the reporting date. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. Under the fixed price contract, the customer pays a fixed amount in accordance with the agreed time schedule.

When the services provided exceed the payment, the contract assets are recognized; if the payment exceeds the services provided, the contract liabilities are recognized.

If the contract includes an hourly fee, revenue is recognized in the amount to which the Company has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

C. Financial component

The Company expects that all customer contracts will transfer goods or services to customers for a period of no more than one year from the customer's payment for the goods or services. Therefore, the Company does not adjust the currency time value of the transaction price.

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(15) Government grants

The Company recognizes an unconditional government grant related to research and development in profit or loss as non-operating income when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

(17) Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions, and there is no true up for differences between expected and actual outcomes.

Grant date of share-based payment award is the date which the Board of Directors authorized the price and number of a new award.

(18) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the below:

- A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

Deferred tax assets and liabilities are offset-if the following criteria are met:

- A. The Company has a legal enforceable right to setoff current tax assets against current tax liabilities and
- B. The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (a) the same taxable entity; or
 - (b) different taxable entity which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(19) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Company measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Company's financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period will not exceed one year from the acquisition date.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

(20) Earnings per share

The Company discloses basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee remuneration through the issuance of shares and unvested restricted stock awards.

(21) Operating segments

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent-company-only financial statements in conformity with the Regulations requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follow:

Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, the Company uses judgments and estimates to determine the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. However, due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(4) for further description of the valuation of inventories.

The Company's financial division conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial division also periodically adjusts valuation models, conducts retrospective testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data.

Please refer to note 6(28) of the financial instruments.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 1,106	935
Checking and savings accounts	812,716	350,416
Time deposits	3,038	117,493
Cash and cash equivalents in the statement of cash flows	<u>\$ 816,860</u>	<u>468,844</u>

Please refer to note 6(28) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

As of December 31, 2020 and 2019, deposits with original maturities of more than three months were \$0 thousand and \$592,990 thousand, respectively, and were recorded in financial assets measured at amortized cost.

(2) Financial assets and liabilities at fair value through profit or loss

	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss – current		
Forward exchange contracts	<u>\$ 7,406</u>	<u>6,839</u>
Financial liabilities held for trading - current		
Forward exchange contracts	<u>\$ 7,067</u>	<u>377</u>

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

The Company uses derivative financial instruments to hedge certain currency risk arising from its operating activities. The derivative financial instrument at fair value through profit or loss and financial liabilities held for trading as the Company did not apply hedge accounting are as follows:

December 31, 2020			
	Amount	Currency	Maturity date
	(in thousands)		
Forward exchange contracts	USD 37,000	USD to NTD	January 2021 ~ February 2021
December 31, 2019			
	Amount	Currency	Maturity date
	(in thousands)		
Forward exchange contracts	USD 33,000	USD to NTD	January 2020 ~ February 2020

(3) Notes and accounts receivable, and other receivable, net

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 3,989,266	1,963,535
Less: loss allowances	(11,338)	(13,004)
	<u>\$ 3,977,928</u>	<u>1,950,531</u>

The overdue accounts receivable was reclassified to overdue receivables under financial assets measured at amortized cost– non-current and loss allowances are fully provided as follows:

	December 31, 2020	December 31, 2019
Financial assets measured at amortized cost– non-current	\$ 67,957	73,187
Less: loss allowances	(67,957)	(73,187)
	<u>\$ -</u>	<u>-</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

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ALPHA NETWORKS INC.
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	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 5,141,923	0%	-
1 to 30 days past due	146,570	0.0048%	7
31 to 120 days past due	207	0%	-
121 to 365 days past due	11,331	100%	11,331
More than 365 days past due	67,957	100%	67,957
	<u>\$ 5,367,988</u>		<u>79,295</u>

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 2,941,474	0%	-
1 to 30 days past due	277,769	0%	-
31 to 120 days past due	23,169	2.39%	553
121 to 365 days past due	12,491	99.68%	12,451
More than 365 days past due	93,920	100%	93,920
	<u>\$ 3,348,823</u>		<u>106,924</u>

The movement in the allowance for notes and trade receivables (including the over due receivable and accounts receivable due from related parties) were as follows:

	For the years ended December 31,	
	2020	2019
Balance at January 1	\$ 106,924	97,546
Impairment losses recognized (reversal)	(27,629)	9,378
Balance at December 31	<u>\$ 79,295</u>	<u>106,924</u>

As of December 31, 2020 and 2019, impairment allowance accounts with respect to account receivables from related parties were \$0 and \$20,733 thousand. For more information please refer to note 7.

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ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

(4) Inventories

	December 31, 2020	December 31, 2019
Raw materials	\$ 243,300	270,211
Work in progress and semi-finished products	90,615	139,492
Finished goods and merchandises	180,218	115,197
	<u>\$ 514,133</u>	<u>524,900</u>

Component of operating cost were as below:

	For the years ended December 31, 2020	2019
Cost of goods sold	\$ 18,754,829	12,582,454
Provision for inventory obsolescence and devaluation loss	103,581	39,137
	<u>\$ 18,858,410</u>	<u>12,621,591</u>

As of December 31, 2020 and 2019, the Company's inventories were not pledged.

(5) Financial assets measured at amortized cost — current and non-current

	December 31, 2020	December 31, 2019
Current:		
Time deposits	\$ -	592,990
Restricted deposits	-	2,029,959
Other receivables	2,947	4,169
	<u>\$ 2,947</u>	<u>2,627,118</u>
Non-current:		
Restricted deposits	\$ 15,550	15,500
Refundable deposits	1,819	3,090
Overdue receivables	67,957	73,187
Less: loss allowances	(67,957)	(73,187)
	<u>\$ 17,369</u>	<u>18,590</u>

The Company has assessed that these financial assets are held-to-maturity to collect contractual cashflows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

The Company held bank time deposits with variable interest rates, and the average interest rates ranged between 0.12%~2.20% and 0.22%~2.98% for the years ended December 31, 2020 and 2019, respectively.

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ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

For the restricted cash in banks please refer to note 8.

(6) Non-current financial assets at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Equity instrument at fair value through other comprehensive income:		
Publicly traded stock – D-Link	<u>\$ -</u>	<u>140,369</u>

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes. These investments were classified as fair value through other comprehensive income.

Based on the consideration of factors such as the recovery of original investment funds and the enrichment of working capital, the Group disposed all of the 10,554 shares of D-Link Technology Co., Ltd., which were financial assets measured at fair value through other comprehensive profits and losses from November 11th to 30th, 2020. The average price of disposition was \$22.07, the fair value at the time of disposition was \$232,881 thousand, and the cumulative disposition loss was \$199,625 thousand. The foregoing cumulative disposition gains and losses have been transferred from other equity to retained earnings.

As of December 31, 2020 and 2019, the Company's financial assets above were not pledged.

(7) Investment in equity-accounted investees

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 8,490,241	8,087,714
Unrealized profit (loss) from sales (downstream transactions)	(108,506)	(57,015)
Unrealized profit (loss) from assets sold (downstream transactions)	<u>-</u>	<u>(177)</u>
	<u>\$ 8,381,735</u>	<u>8,030,522</u>

A. Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2020.

B. The Company's share of the net income of subsidiaries were as follows:

	For the years ended December 31,	
	2020	2019
Subsidiaries	\$ 129,901	94,290

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

The Company did not provide any investments accounted for using the equity methods as collateral for its loans.

(8) Business combination

The Board of Directors of the Company resolved to subscribe for 100,000 thousand ordinary shares of Hitron Technologies' private shares at NTD16.11 per share, and to acquire ordinary shares of Hitron Technologies' at NTD32 per share through tender offer. As of December 26, 2019, the tender offer criteria have been fulfilled in accordance with the Regulations Governing Public Tender Offers for Securities of Public Companies. The shareholders of Hitron Technologies may not revoke to sell the shares as the minimum number of shares acquired is achieved. As of December 31, 2019, total ordinary shares acquired privately and irrevocable shares of Hitron Technologies Inc held by the Company were 47%, thus, the management evaluated that the acquisition date was December 31, 2019, and included Hitron Technologies and its subsidiaries into the consolidated financial statements since then. As of December 31, 2019, the total ordinary shares acquired through tender offer were 51,028 thousand shares. The Company estimates the total amount of investment payable is \$1,632,894 thousand, please refer to note 6 (14).

Hitron Technologies has operated in network communication industry for many years and has expertise in communication network with good reputation, it may enhance the current technologies and products of the Company. This acquisition has been considered as the long-term development plan of the Company, industrial environment and market competition, the industry trend on the integration of the network communication application, as well as the demand from customers.

If the acquisition had occurred on January 1, 2019, management estimates that revenue and profit for the year would have been \$4,852,985 thousand and \$589,246 thousand, respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2019.

Please refer to the consolidated financial statements for details on the consideration transferred and recognized amounts of assets acquired and liabilities assumed at acquisition date.

(9) Changes in a parent's ownership interest in a subsidiary

On January 6, 2020, the Company acquired the additional equity in Hitron Technologies for \$1,567,106 thousand in cash, increasing its ownership from 47% to 62.24%.

The effects of the changes in shareholdings were as follows:

	For the years ended December 31, 2020
Carrying amount of non-controlling interest on acquisition	\$ 905,331
Consideration paid to non-controlling interests	<u>(1,567,106)</u>
Retained earnings differences between consideration and carrying amounts subsidiaries acquired	<u><u>\$ (661,775)</u></u>

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

In the year of 2020, the Company's subsidiary-Enrich Investment Corporation acquired the equity in Interactive Digital Technologies Inc. for \$189,523 thousand in cash, increasing its ownership to 6.83%.

The effects of the changes in shareholdings were as follows:

	For the years ended December 31, 2020
Carrying amount of non-controlling interest on acquisition	\$ 107,080
Consideration paid to non-controlling interests	(189,967)
Capital surplus/retained earnings differences between consideration and carrying amounts subsidiaries acquired	<u><u>\$ (82,887)</u></u>

(10) Property, plant and equipment

	Building	Machinery and equipment	Office, transportation and other facilities	Total
Cost:				
Balance at January 1, 2020	\$ 768,402	191,001	57,545	1,016,948
Additions	21,828	73,611	20,807	116,246
Disposals	(16,164)	(39,877)	(22,274)	(78,315)
Balance at December 31, 2020	<u><u>\$ 774,066</u></u>	<u><u>224,735</u></u>	<u><u>56,078</u></u>	<u><u>1,054,879</u></u>
Balance at January 1, 2019	\$ 769,662	240,684	87,173	1,097,519
Additions	3,739	38,432	5,873	48,044
Disposals	(4,999)	(88,115)	(35,501)	(128,615)
Balance at December 31, 2019	<u><u>\$ 768,402</u></u>	<u><u>191,001</u></u>	<u><u>57,545</u></u>	<u><u>1,016,948</u></u>
Depreciation and impairment loss:				
Balance at January 1, 2020	\$ 281,187	107,668	36,959	425,814
Depreciation	22,695	43,889	11,735	78,319
Disposals	(14,509)	(39,838)	(20,407)	(74,754)
Balance at December 31, 2020	<u><u>\$ 289,373</u></u>	<u><u>111,719</u></u>	<u><u>28,287</u></u>	<u><u>429,379</u></u>
Balance at January 1, 2019	\$ 264,249	159,711	58,689	482,649
Depreciation	21,937	34,932	12,244	69,113
Disposals	(4,999)	(86,975)	(33,974)	(125,948)
Balance at December 31, 2019	<u><u>\$ 281,187</u></u>	<u><u>107,668</u></u>	<u><u>36,959</u></u>	<u><u>425,814</u></u>
Carrying amounts:				
Balance at December 31, 2020	<u><u>\$ 484,693</u></u>	<u><u>113,016</u></u>	<u><u>27,791</u></u>	<u><u>625,500</u></u>
Balance at January 1, 2019	<u><u>\$ 505,413</u></u>	<u><u>80,973</u></u>	<u><u>28,484</u></u>	<u><u>614,870</u></u>
Balance at December 31, 2019	<u><u>\$ 487,215</u></u>	<u><u>83,333</u></u>	<u><u>20,586</u></u>	<u><u>591,134</u></u>

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ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

As of December 31, 2020 and 2019, the Company's property, plant and equipment were not pledged.

(11) Right-of-use assets

The Company leases many assets including land and buildings. Information about leases for which the Company as a lessee was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance at January 1, 2020	\$ 186,191	-	186,191
Additions	-	11,433	11,433
Balance at December 31, 2020	<u>\$ 186,191</u>	<u>11,433</u>	<u>197,624</u>
Balance at January 1, 2019	\$ -	-	-
Effects of initial application of IFRS16	186,191	-	186,191
Balance at December 31, 2019	<u>\$ 186,191</u>	<u>-</u>	<u>186,191</u>
Accumulated depreciation:			
Balance at January 1, 2020	\$ 5,895	-	5,895
Depreciation for the year	5,895	5,717	11,612
Balance at December 31, 2020	<u>\$ 11,790</u>	<u>5,717</u>	<u>17,507</u>
Balance at January 1, 2019	\$ -	-	-
Depreciation	5,895	-	5,895
Balance at December 31, 2019	<u>\$ 5,895</u>	<u>-</u>	<u>5,895</u>
Carrying amount:			
Balance at December 31, 2020	<u>\$ 174,401</u>	<u>5,716</u>	<u>180,117</u>
Balance at December 31, 2019	<u>\$ 180,296</u>	<u>-</u>	<u>180,296</u>

(12) Intangible assets

	<u>Goodwill</u>	<u>Software application and other</u>	<u>Total</u>
Cost:			
Balance at January 1, 2020	\$ 134,883	147,969	282,852
Additions	-	52,933	52,933
Disposal	-	(23,583)	(23,583)
Balance at December 31, 2020	<u>\$ 134,883</u>	<u>177,319</u>	<u>312,202</u>

(Continued)

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

	Goodwill	Software application and other	Total
Balance at January 1, 2019	\$ 134,883	192,327	327,210
Additions	-	44,859	44,859
Disposal	-	(89,217)	(89,217)
Balance at December 31, 2019	<u>\$ 134,883</u>	<u>147,969</u>	<u>282,852</u>
Amortization and impairment:			
Balance at January 1, 2020	\$ -	103,755	103,755
Amortization	-	55,544	55,544
Disposal	-	(23,583)	(23,583)
Balance at December 31, 2020	<u>\$ -</u>	<u>135,716</u>	<u>135,716</u>
Balance at January 1, 2019	\$ -	133,541	133,541
Amortization	-	59,431	59,431
Disposal	-	(89,217)	(89,217)
Balance at December 31, 2019	<u>\$ -</u>	<u>103,755</u>	<u>103,755</u>
Carrying amount			
Balance at December 31, 2020	<u>\$ 134,883</u>	<u>41,603</u>	<u>176,486</u>
Balance at January 1, 2019	<u>\$ 134,883</u>	<u>58,786</u>	<u>193,669</u>
Balance at December 31, 2019	<u>\$ 134,883</u>	<u>44,214</u>	<u>179,097</u>

A. The amortization of intangible assets is included in the statement of comprehensive income:

	For the years ended December 31,	
	2020	2019
Operating cost	\$ 614	403
Operating expense	54,930	59,028
Total	<u>\$ 55,544</u>	<u>59,431</u>

B. Impairment test for Goodwill

For purpose of impairment testing, the goodwill was allocated to the IP Camera cash generating unit.

As of December 31, 2020 and 2019, IP Camera cash generating unit determines the recoverable amount based on it's value in use, and the recoverable amount of IP Camera was greater than its carrying amount and no impairment loss was recognized.

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ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

The key assumptions used in the estimation of value in use were as follows:

	December 31, 2020	December 31, 2019
Discount rate	7.13%	8.48%
Terminal value growth rate	3.74%	3.98%

The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

Cash flow projection was based on a five-year financial projection which was approved by the management.

C. Collateral

As of December 31, 2020 and 2019, the Company's intangible assets were not pledged.

(13) Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured bank loans	<u><u>\$ 425,250</u></u>	<u><u>-</u></u>
Unused short-term and long-term credit lines	<u><u>\$ 3,508,200</u></u>	<u><u>2,014,560</u></u>
Range of interest rates	<u><u>0.60%</u></u>	<u><u>-</u></u>

The financial commitment of short-term loans with Taipei Fubon Bank (after the first transfer, the following financial ratios must be maintained) as follows:

- A. The current ratio is not less than 100%
- B. The financial debt ratio is not higher than 70%
- C. The times interest earned is not less than 5 times

The above financial commitment ratio is calculated based on the annual audited consolidated financial statements and semi-annual reviewed consolidated financial statements once every six months. If the Company violates the related financial ratios, the Company could not mend it in two consecutive periods, and then the credit lines will be examined again.

(14) Provisions

	Warranties
Balance at January 1, 2020	\$ 186,779
Provisions made during the year	75,107
Provisions used during the year	<u>(85,269)</u>
Balance at December 31, 2020	<u><u>\$ 176,617</u></u>

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

	Warranties
Balance at January 1, 2019	\$ 183,779
Provisions made during the year	93,444
Provisions used during the year	<u>(90,444)</u>
Balance at December 31, 2019	<u>\$ 186,779</u>

The provision for warranties relates mainly to network product sold during the years ended December 31, 2020 and 2019. The provision is based on estimates made from historical warranty data associated with similar products and services. The Company expects to settle the majority of the liability over the next year.

(15) Other current liabilities

	December 31, 2020	December 31, 2019
Investment payable (refer to note 6(8))	\$ -	1,632,894
Payroll and bonus payable	386,569	373,524
Contract liabilities	285,680	22,530
Others	<u>44,574</u>	<u>13,212</u>
	<u>\$ 716,823</u>	<u>2,042,160</u>

(16) Lease liabilities

	December 31, 2020	December 31, 2019
Current	<u>\$ 11,121</u>	<u>5,321</u>
Non-current	<u>\$ 187,804</u>	<u>193,195</u>

For the maturity analysis, please refer to note 6(27).

The amounts recognized in profit or loss was as follows:

	For the years ended December 31, 2020	2020
Interest on lease liabilities	<u>\$ 2,585</u>	<u>2,609</u>
Expenses relating to short-term leases and leases of low-value assets	<u>\$ 5,500</u>	<u>9,923</u>

The amounts recognized in the statement of cash flows for the Company was as follows:

	2020	2019
Total cash outflow for leases	<u>\$ 19,109</u>	<u>17,784</u>

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

A. Real estate leases

As of December 31, 2019, the Company leases land for factory and office buildings use. The leases of land typically run for a period of 19, some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The lease payment of the land contract depends on the land price announced by the Science Park, plus adjustments for public facilities construction costs, which are adjusted after amortization. These costs usually occur once a year.

B. Other leases

As of December 31, 2020 and 2019, the Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office, warehouse, parking space, staff dormitories and printer that have a lease term of 12 months or less or leases of low-value assets.

(17) Employee benefits

A. Defined benefit plans

The recognized liabilities of the defined benefit obligations were consisted of as follows:

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	\$ 297,474	395,031
Fair value of plan assets	(77,107)	(106,032)
Net defined benefit liabilities	<u>\$ 220,367</u>	<u>288,999</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

(a) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$77,107 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund, Ministry of Labor.

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Notes to the Parent Company Only Financial Statements

(b) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligation of the Company were as follows:

	For the years ended December 31,	
	2020	2019
Defined benefit obligations at January 1	\$ 395,031	382,871
Benefits paid from the plan assets	(50,074)	(15,674)
Current service costs and interest cost	4,345	5,623
Re-measurements of net defined benefit liabilities:		
- Actuarial losses (gain) arising from experience adjustment	(68,659)	5,755
- Actuarial loss arising from financial assumptions	16,831	16,456
Defined benefit obligation at December 31	\$ 297,474	395,031

(c) Movements in the fair value of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets of the Company were as follows:

	For the years ended December 31,	
	2020	2019
Fair value of plan assets at January 1	\$ 106,032	87,988
Benefits paid from the plan assets	(50,074)	(15,674)
Re-measurements of the net defined benefit liabilities (asset):		
- Return on plan assets (excluding current interest income)	3,365	3,292
Contribution made to plan assets	16,874	29,305
Expected return on plan assets	910	1,121
Fair value of plan assets at December 31	\$ 77,107	106,032

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

(d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	For the years ended December 31,	
	2020	2019
Current service costs	\$ 1,185	1,411
Net interest of net liabilities for defined benefit obligation	3,160	4,212
Expected return on plan assets	(910)	(1,121)
	\$ 3,435	4,502
Operating costs	\$ 1,412	1,088
Selling expenses	299	599
Administration expenses	325	517
Research and development expenses	1,399	2,298
	\$ 3,435	4,502
Actual return on plan assets	\$ 4,275	4,413

(e) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.4%	0.8%
Future salary increase rate	3.00%	3.00%

The expected contribution to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$23,921 thousand.

The weighted average duration of the defined benefit plans is 14.2 years.

(f) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2020		
Discount rate	\$ (10,655)	11,125
Future salary increasing rate	\$ 10,065	(9,717)

(Continued)

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

	Influences of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2019		
Discount rate	\$ <u>(13,773)</u>	<u>14,387</u>
Future salary increasing rate	\$ <u>13,048</u>	<u>(12,589)</u>

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

B. Defined contribution plans

The domestic entities of the Company contribute 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs under defined contribution plans amounted to \$54,849 thousand and \$57,886 thousand for the years ended December 31, 2020 and 2019, respectively.

(18) Income taxes

A. Income tax expenses (benefit)

The components of income tax expense for the years ended December 31, 2020 and 2019, were as follows:

	For the years ended December 31,	
	2020	2019
Current tax expense (benefit)		
Current period	\$ 63,402	16,769
Adjustment for prior periods	<u>(17,861)</u>	<u>(8,998)</u>
	<u>45,541</u>	<u>7,771</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences and tax loss	<u>23,888</u>	<u>31,958</u>
Income tax expense	<u>\$ 69,429</u>	<u>39,729</u>

(Continued)

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

The amount of income tax expense recognized in other comprehensive income for the years ended December 31, 2020 and 2019, were as follows:

	For the years ended December 31,	
	2020	2019
Exchange differences on translation of foreign financial statements	\$ (2,295)	(29,258)

Reconciliation of income tax expense and profit before income tax for the years ended December 31, 2020 and 2019 were as follows:

	For the years ended December 31,	
	2020	2019
Profit before income tax	\$ 626,426	278,632
Income tax at the Company's domestic tax rate	125,285	55,726
Domestic investment (income) loss	(24,419)	641
Tax incentives	(27,172)	(7,187)
Change in unrecognized temporary differences	3,273	(23,815)
Others	(7,538)	14,364
	\$ 69,429	39,729

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax asset

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2020	December 31, 2019
Tax effect of deductible temporary differences	\$ 302,524	299,251
The carry forwards of unused tax losses	-	26,538
	\$ 302,524	325,789

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

Deferred tax assets:

	January 1, 2019	Recognized in profit and loss	Recognized in other comprehensive income	December 31, 2019	Recognized in profit and loss	Recognized in other comprehensive income	December 31, 2020
Provision for inventory devaluation	\$ 10,727	(5,343)	-	5,384	(5,384)	-	-
Provision for warranties	24,504	400	-	24,904	(7,232)	-	17,672
Exchange difference on translation of foreign financial statement	34,574	-	29,258	63,832	-	2,295	66,127
Loss carryforward	42,245	(26,388)	-	15,857	(15,857)	-	-
Others	15,609	2,941	-	18,550	6,220	-	24,770
	<u>\$ 127,659</u>	<u>(28,390)</u>	<u>29,258</u>	<u>128,527</u>	<u>(22,253)</u>	<u>2,295</u>	<u>108,569</u>

Deferred tax liabilities:

	January 1, 2019	Recognized in profit and loss	Recognized in other comprehensive income	December 31, 2019	Recognized in profit and loss	Recognized in other comprehensive income	December 31, 2020
Investment in equity-accounted subsidiaries	\$ (39,267)	(2,595)	-	(41,862)	(2,860)	-	(44,722)
Goodwill	(26,976)	-	-	(26,976)	-	-	(26,976)
Others	(320)	(973)	-	(1,293)	1,225	-	(68)
	<u>\$ (66,563)</u>	<u>(3,568)</u>	<u>-</u>	<u>(70,131)</u>	<u>(1,635)</u>	<u>-</u>	<u>(71,766)</u>

(c) As of December 31, 2020, the Company's tax returns for the years through 2018 were assessed by the R.O.C. income tax authorities.

(19) Capital and other equity

Reconciliation of shares outstanding for 2020 and 2019 was as follows (in thousands of shares):

	Ordinary share capital	
	2020	2019
Balance at January 1	539,349	536,983
Vested of restricted stock awards	2,289	2,366
Balance at December 31	<u>541,638</u>	<u>539,349</u>

A. Ordinary share capital

As of December 31, 2020 and 2019, the authorized capital of Company amounted to \$6,600,000 thousand, of which included the amount of \$500,000 thousand reserved for employee share options; the issued capital amounted to \$5,417,185 thousand and \$5,427,273 thousand, respectively.

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Notes to the Parent Company Only Financial Statements

A resolution was approved during the Board of Directors' meeting held on March 19, May 3, August 14 and November 6, 2019, to cancel 256 thousand shares, 133 thousand shares, 238 thousand shares and 163 thousand shares, respectively, of employee restricted stocks. The aforementioned capital reductions were completed on March 25, June 17, August 20 and November 11, 2019, respectively, through the statutory registration procedures.

A resolution was approved during the Board of Directors' meeting held on March 17, May 20, August 10 and November 9, 2020, to cancel 245 thousand shares, 235 thousand shares, 430 thousand shares and 99 thousand shares, respectively, of employee restricted stocks. The aforementioned capital reductions were completed on March 18, May 21, August 11 and November 10, 2020, respectively, through the statutory registration procedures.

As of December 31, 2020 and 2019, a total of 0 thousand shares and 137 thousand shares, respectively of employee restricted stock were rescinded and subjected to cancel due to employee turnover or the performance issues.

B. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2020	December 31, 2019
Capital surplus – premium	\$ 2,979,208	2,949,233
Capital surplus – investments under equity method	10,198	29
Employee restricted stock	-	37,369
Other	<u>15,185</u>	<u>15,125</u>
	<u>\$ 3,004,591</u>	<u>3,001,756</u>

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

Based on resolutions approved during the shareholders' meetings on June 14, 2019, the cash dividends of \$543,262 thousand, represents NTD1 payout per share, will be distributed out of capital surplus. The above-mentioned distribution was consistent with the resolution approved by the Board of Directors. Related information is available at the Market Observation Post System website.

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Notes to the Parent Company Only Financial Statements

C. Retained earnings

The Company's articles of incorporation stipulated that Company's earnings before tax, if any, shall be distributed in the following order:

- (a) payment of all taxes;
- (b) offset prior years' operating losses;
- (c) of the remaining balance, 10% to be appropriated as legal reserve;
- (d) set aside special reserve in accordance with the Securities and Exchange Act or reverse special reserve previously provided; and
- (e) after the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to decide on this matter.

According to the R.O.C. Company Act, the Company shall distribute the legal reserve and capital reserve as cash dividends fully or partially, if the resolution is passed in majority with two third of attendance in Board of Directors' meeting and is submitted to the stockholders' meeting.

According to the Company's dividend policy, the Company shall first take into consideration its investing environment, capital management and industry developments, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. The cash dividends shall not be less than 10% of total dividends.

(a) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(b) Special reserve

In accordance with Ruling issued by the FSC a portion of current-period earnings and undistributed prior—period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior period. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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Notes to the Parent Company Only Financial Statements

D. Earnings distribution

The appropriation of 2019 earnings was approved by the shareholders at the meeting on March 17, 2020. The resolved appropriation of dividend per share was as follows:

	<u>2019</u>
Dividends distributed to ordinary shareholders	
Cash (dividends per share was NTD 0.44)	<u><u>\$ 238,692</u></u>

The above-mentioned earnings distribution was consistent with the resolutions approved by the Board of Directors. Related information would be available at the Market Observation Post System website.

The no appropriation of earnings in 2018 was proposed in the annual shareholders' meeting on June 14, 2019. The above mentioned was consistent with the resolutions approved by the Board of Directors. Related information would be available at the Market Observation Post System website.

E. Other equity

	Differences on translation of foreign operation financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Deferred compensation cost arising from issuance of restricted stock awards	Total
Balance at 1 January 2020	(439,629)	(292,137)	(17,053)	(748,819)
Differences on translation of foreign operation financial statements	(9,175)	-	-	(9,175)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	92,512	-	92,512
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	199,625	-	199,625
Compensation cost of restricted stock awards	-	-	17,053	17,053
Balance at 31 December 2020	<u><u>\$ (448,804)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(448,804)</u></u>

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ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Deferred compensation cost arising from issuance of restricted stock awards	Total
Balance at 1 January 2019	\$ (322,596)	(305,330)	(70,492)	(698,418)
Differences on translation of foreign operation financial statements	(117,033)	-	-	(117,033)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	13,193	-	13,193
Compensation cost of restricted stock awards	-	-	53,439	53,439
Balance at 31 December 2019	<u><u>\$ (439,629)</u></u>	<u><u>(292,137)</u></u>	<u><u>(17,053)</u></u>	<u><u>(748,819)</u></u>

(20) Share-based payment

- A. As of December 31, 2020, Company's equity settled share-based payment transactions were as follows:

	Restricted stock awards Issued in 2018
Grant date	September 27, 2017
Granted units (thousands)	10,000
Contractual life	1~3 years
Vesting condition	Note
Price per share (NTD)	0
Adjusted exercise price (NTD)	0

Note: Employees are entitled to receive restricted stock in the first, second and third year (from the grant date) of their service. The proportion of the shares granted are 30%, 30% and 40%, respectively.

- B. The closing price of Company's ordinary share on the grant date is the fair value of the share-based payment.

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Notes to the Parent Company Only Financial Statements

C. Restricted stock awards

On June 16, 2017, pursuant to the resolutions of its shareholders' meeting, Company issued 10,000 shares of restricted stock awards to those full time employees who meet Company's requirements. These restricted stock awards have been registered and approved by the Securities and Futures Bureau of the FSC. On September 21, 2017, the Board of Directors approved a resolution to issue all of restricted stock awards to its employees. The effective date of the capital increase was October 2, 2017, and the registrations of the increase of share capital have been completed. The restricted stock is kept by a trust, which is appointed by the Company, before the vesting condition is met. These shares shall not be sold, pledged, transferred, gifted, hypothecated or disposed of by any other means to third parties during the custody period. The shareholders of these restricted stock are entitled to the same rights as the Company's existing ordinary shareholders except for the fact that the restricted stocks are held with trust and have vesting conditions. If the employees failed to comply the vesting conditions, the Company will take back all the unvested shares without compensation and cancel the shares thereafter.

Details of the restricted stock of the Company are as follows:

	For the years ended December 31,	
	2020	2019
Number at 1 January (unit in thousand)	3,241	6,534
Vested during the year (unit in thousand)	(2,289)	(2,366)
Forfeited during the year (unit in thousand)	(872)	(790)
Forfeited, to be cancelled at year end (unit in thousand)	-	(137)
	<u>80</u>	<u>3,241</u>

The compensation costs recognized for the years ended December 31, 2020 and 2019 were \$943 thousand and \$31,764 thousand, respectively.

(21) Earnings per share

A. Basic earnings per share

	For the years ended December 31,	
	2020	2019
Net income attributable to the Company's ordinary shareholders	<u>\$ 556,997</u>	<u>238,903</u>
Weighted-average number of shares outstanding (in thousands of shares)	<u>540,017</u>	<u>537,673</u>
Basic earnings per share (NTD)	<u>\$ 1.03</u>	<u>0.44</u>

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ALPHA NETWORKS INC.
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B. Diluted earnings per share

	For the years ended December 31,	
	2020	2019
Net income attributable to the Company's ordinary shareholders	\$ 556,997	238,903
Weighted average number of shares outstanding (in thousands of shares) (basic)	\$ 540,017	537,673
Effect of employee remuneration in shares	398	1,410
Effect of restricted stock awards unvested	2,689	4,567
Weighted average number of shares outstanding (in thousands of shares) (diluted)	\$ 543,104	543,650
Diluted earnings per share (NTD)	\$ 1.03	0.44

(22) Revenues

A. The details of revenues were as follows:

	For the years ended December 31,	
	2020	2019
Primary geographical markets:		
United States	\$ 15,896,365	7,874,394
Singapore	1,583,698	2,426,697
Taiwan	1,422,111	836,895
Netherlands	479,531	1,012,742
Others	1,977,196	2,662,963
	\$ 21,358,901	14,813,691
Major products/services lines:		
LAN/MAN	\$ 8,480,900	9,015,797
Wireless Broadband	4,622,799	3,170,970
Digital Multimedia	7,708,015	2,151,653
Others	547,187	475,271
	\$ 21,358,901	14,813,691

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Notes to the Parent Company Only Financial Statements

B. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Accounts receivable (including related parties)	<u>\$ 5,288,693</u>	<u>3,241,899</u>	<u>2,658,106</u>
Contract liability — product	<u>\$ 285,680</u>	<u>22,530</u>	<u>81,467</u>

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liability balance at the beginning of the period were \$17,809 thousand and \$53,692 thousand, respectively.

The contract liabilities are primarily related due to the advance receipts from the Company's product sales contracts, wherein the Group will recognize the revenue when the product is transferred to the customer.

(23) Remuneration to employees and directors

In accordance with the articles of incorporation, the Company should contribute 10% to 22.5% of the profit as employee compensation and less than 1% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the year ended December 31, 2020, the Company's net profit of current period is not sufficient to compensate the cumulative loss, therefore, no remuneration to employees and directors was estimated. For the year ended December 31, 2019, the Company accrued and recognized its remuneration to employees and directors amounting to \$33,198 thousand and \$2,753 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of the period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses. If there is any change on the actual amount incurred and estimated amount, this shall be accounted for change in accounting estimates and recognize as profit or loss in the following year. However, if the Board of Directors resolved that the employee remuneration to be distributed through stock dividends, the closing price of the ordinary share on the day before the Board of Directors' meeting is used in the calculation for stock remuneration. Related information would be available at the Market Observation Post System website. The abovementioned remuneration for employees and directors resolved through Board of Directors' meeting is consistent with the estimated amount as stated in the consolidated financial statements for the years 2020 and 2019.

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(24) Interest income

	For the years ended December 31,	
	2020	2019
Interest income from bank deposits and others	<u>\$ 5,432</u>	<u>41,022</u>

(25) Other income

	For the years ended December 31,	
	2020	2019
Dividend income	\$ -	2,111
Government grants income	25,281	30,507
Others	<u>15,854</u>	<u>14,403</u>
	<u>\$ 41,135</u>	<u>47,021</u>

(26) Other gains and losses

	For the years ended December 31,	
	2020	2019
Gain (loss) on financial asset at fair value through profit or loss, net	34,337	(1,653)
Foreign exchange gain (loss), net	(34,704)	(10,874)
Others	<u>(4,850)</u>	<u>284</u>
	<u>\$ (5,217)</u>	<u>(12,243)</u>

(27) Finance costs

	For the years ended December 31,	
	2020	2019
Interest expense of borrowings, etc.	\$ 6,621	162
Interest expense of lease liability	<u>2,585</u>	<u>2,609</u>
	<u>\$ 9,206</u>	<u>2,771</u>

(28) Financial instruments

A. Credit risk

(a) Credit risk exposure

The carrying amounts of financial assets represents the maximum amount exposed to credit risk.

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(b) Concentration of credit risk

The major customers of the Company are centralized in the networking related industries. The Company generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Company is mainly influenced by the networking industry. As of December 31, 2020 and 2019, 74% and 63%, respectively, of the Company's accounts receivable (including related parties) were from the top 3 customers. Although there is a potential in concentration of credit risk, the Company routinely assesses the collectability of its accounts receivable and makes a corresponding allowance for doubtful accounts.

(c) Credit risk of receivable

Risk exposure information for notes receivable and accounts receivable, please refer to note 6(3).

Other financial assets measured at amortized cost include time deposits with maturities of more than three months and restricted bank deposits, please refer to note 6(5) for details of relevant investments.

All of these financial assets are considered to have low credit risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(6).

B. Liquidity risk

The following are the contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
December 31, 2020					
Non-derivative financial liabilities					
Short-term borrowings	\$ 425,250	425,611	425,611	-	-
Accounts payable	584,039	(584,039)	(584,039)	-	-
Payables to related parties	3,787,357	(3,787,357)	(3,787,357)	-	-
Other payables to related parties	188,462	(188,462)	(188,462)	-	-
Accrued expenses	285,281	(285,281)	(285,281)	-	-
Lease liabilities	198,925	(238,317)	(13,608)	(31,446)	(193,263)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	(7,406)	(1,055,659)	(1,055,659)	-	-
Inflows	7,067	1,055,998	1,055,998	-	-
	<u>\$ 5,468,975</u>	<u>(4,657,506)</u>	<u>(4,432,797)</u>	<u>(31,446)</u>	<u>5,265,123</u>

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Notes to the Parent Company Only Financial Statements

	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	More than 5 years
December 31, 2019					
Non-derivative financial liabilities					
Accounts payable	\$ 528,390	(528,390)	(528,390)	-	-
Payables to related parties	2,493,441	(2,493,441)	(2,493,441)	-	-
Other payables to related parties	163,150	(163,150)	(163,150)	-	-
Accrued expenses	255,194	(255,194)	(255,194)	-	-
Investment payable	1,632,894	(1,632,894)	(1,632,894)	-	-
Lease liabilities	198,516	(240,433)	(7,862)	(31,446)	(201,125)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	377	(990,121)	(990,121)	-	-
Inflows	(6,839)	996,583	996,583	-	-
	<u>\$ 5,265,123</u>	<u>(5,307,040)</u>	<u>(5,074,469)</u>	<u>(31,446)</u>	<u>(201,125)</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

C. Currency risk

(a) Exposure to currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 207,885	28.35	5,893,540	117,490	30.08	3,534,099
CNY	60,869	4.3216	263,051	17,986	4.3220	77,735
<u>Non-Monetary items</u>						
USD	16,000	28.35	Note	24,000	30.08	Note
<u>Investment accounted for using equity method</u>						
USD	140,134	28.35	4,215,217	158,813	30.08	4,777,084
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	169,750	28.35	4,812,413	99,909	30.08	3,005,263
CNY	29,811	4.3216	128,831	25,175	4.3220	108,806
<u>Non-Monetary items</u>						
USD	21,000	28.35	Note	9,000	30.08	Note

Note : Please refer to note 6(2) for the information on forward exchange contracts measured at fair value.

(Continued)

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

(b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the foreign currency exchange gains and losses resulted from the translation of cash and cash equivalents, trade receivables, other receivables, trade payables and other payables which are denominated in foreign currencies. A strengthening (weakening) of 1% of the NTD against the USD and the CNY at December 31, 2020 and 2019, would have increased or decreased the profit before income tax by \$12,153 thousand and \$4,978 thousand, respectively. The analysis assumed that all other variables remain constant, and is performed on the same basis for both periods.

(c) Foreign exchange gains or losses on monetary items

Information on the foreign exchange gains or losses, including these realized and unrealized by the Company's monetary items, were as follows:

	For the years ended December 31,			
	2020		2019	
	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate
USD	\$ (37,775)	29.6114	(5,143)	30.8611
CNY	4,128	4.2709	(5,521)	4.4476
Others	(1,057)		(210)	
	<u><u>\$ (34,704)</u></u>		<u><u>(10,874)</u></u>	

D. Interest rate analysis

Please refer to the notes on liquidity risk management for interest rate exposure of the Company's financial assets and liabilities. The following sensitivity analysis is based on the exposure to the interest rate risk. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year.

If the interest rate had increased or decreased by 0.25%, the Company's net income before income tax would have increased or decreased by \$2,071 thousand and \$915 thousand, respectively for the years ended December 31, 2020 and 2019 with all other variable factors remaining constant. The change of ratio is mainly due to the Company's cash and cash equivalents and financial assets at amortized cost (non-current).

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

E. Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at the reporting date	For the years ended December 31,	
	2020	2019
Increasing 5%	<u>\$ -</u>	<u>7,018</u>
Decreasing 5%	<u>\$ -</u>	<u>(7,018)</u>

F. Fair value of financial instruments

(a) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for lease liabilities, disclosure of fair value information is not required:

	Carrying amount	December 31, 2020			
		Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss – derivative financial assets	<u>\$ 7,406</u>	<u>-</u>	<u>7,406</u>	<u>-</u>	<u>7,406</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 816,860	-	-	-	-
Notes and accounts receivable (including related parties)	5,288,693	-	-	-	-
Other receivables due from related parties	260,810	-	-	-	-
Financial assets measured at amortized cost – current and non-current	<u>20,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,386,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

December 31, 2020					
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liability measured at fair value under repetitive basis					
Financial liability at fair value through profit or loss — derivative	<u>\$ 7,067</u>	<u>-</u>	<u>7,067</u>	<u>-</u>	<u>7,067</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 4,371,396	-	-	-	-
Payable to related parties	188,462	-	-	-	-
Lease liabilities — current and non-current	<u>198,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,758,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2019					
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss— derivative financial assets	<u>\$ 6,839</u>	<u>-</u>	<u>6,839</u>	<u>-</u>	<u>6,839</u>
Non-current financial assets at fair value through other comprehensive income	<u>\$ 140,369</u>	<u>140,369</u>	<u>-</u>	<u>-</u>	<u>140,369</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	468,844	-	-	-	-
Notes and accounts receivable (including related parties)	3,241,899	-	-	-	-
Financial assets measured at amortized cost – current and non-current	<u>2,645,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,356,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liability measured at fair value under repetitive basis					
Accounts payable	<u>\$ 377</u>	<u>-</u>	<u>377</u>	<u>-</u>	<u>377</u>

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ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

	December 31, 2019				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Accounts payable	\$ 3,021,831	-	-	-	-
Accounts payable (including related parties)	163,150	-	-	-	-
Investment payable	1,632,894	-	-	-	-
Lease liabilities — current and non-current	198,516	-	-	-	-
Total	5,016,391	-	-	-	-

Fair value measured on non-recurring basis refers to occurrences in specific condition. The Company does not have any financial assets and liabilities measured on non-recurring basis.

(b) Valuation techniques for financial instruments measured at fair value

i. Non-derivative financial instruments

Publicly traded stock with standard terms, conditions and traded in active market. The fair value is based on quoted market prices.

ii. Derivative financial instruments

Measurement on fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Foreign currency forward contract is measured based on the current forward exchange rate. Structured interest rate derivative products are measured based on appropriate option pricing model.

There was no transfer between the different levels of fair value hierarchy for the years ended December 31, 2020 and 2019.

(29) Financial risk management

A. Overview

The Company have exposures to the following risks from its financial instruments:

- (a) credit risk
- (b) liquidity risk
- (c) market risk

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying parent company only financial statements.

B. Structure of risk management

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee, which is responsible for monitoring the compliance of the Company's risk management policies and procedures. Risk management policies and systems are also reviewed regularly by the Audit Committee to reflect the changes in market conditions and the Company's activities. Internal auditors are assisting Audit Committee in performing the monitoring role through periodic and ad hoc review procedures to risk management relevant control and process. The committee reports regularly to the Board of Directors on its activities.

C. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in securities.

(a) Accounts receivable and other receivables

The Company has established a credit policy, under which, each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer and represent the maximum open amount; these limits are reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company did not have any collateral on accounts receivable and other receivable.

(b) Investment

The credit risk of bank deposits, fixed income investments, and other financial instruments, is measured and monitored by the financial department of the Company. There is no significant credit risk because the Company used to transact with or deal with counterparty with good credit ratings financial institutions, corporate organizations and government agencies.

(c) Guarantee

The Company's policy provides only financial security to fully owned subsidiaries. At December 31, 2020 and 2019, except for its subsidiaries the Company did not provide any endorsement guarantee.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

D. Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Bank borrowing is an essential liquidity source for the Company. As of December 31, 2020 and 2019, the Company's unutilized credit line for long-term and short-term bank borrowing, please refer to note 6(13) for details.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices that will affect the Company's income or the value of its holdings on financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives instruments, and also incurs financial liabilities, in order to manage market risks. All such transactions are executed in accordance with the Company's procedures for conducting derivative transactions which were approved by the Board of Directors.

(a) Foreign currency risk

The Company's exposure to the risk of fluctuation in foreign currency exchange rates relates primarily to the Company's sales, purchases, and borrowings transactions, and those are denominated in a currency different from the functional currencies of the Company. These transactions are denominated in New Taiwan dollar (NTD), US dollar (USD), and Chinese Yuan (CNY).

The derivative financial products traded by the Company adopts economic hedging to avoid the exchange rate risk of foreign currency assets or liabilities held by the Company. The gains and losses arising from exchanges rate changes will offsets the hedged items, therefore, the market risk is usually low.

(b) Other market price risk

The Company is exposed to equity price risk due to its investments in equity securities. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments. Therefore, the Company will be exposed to the risk of market price changes in this equity securities.

(30) Capital management

The Company's objective for managing its capital is to safeguard the capacity to continue as a going concern, to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

In order to maintain or adjust its capital structure, the Company may adjust the dividend payment to its shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell its assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the net debt divided by the total equity.

The net debt from the balance sheet is derived from the total liabilities, less, cash and cash equivalents. The total equity include share capital, capital surplus, retained earnings, and other equity.

The Company's debt-to-equity ratio at the end of the reporting period was as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 6,729,838	6,244,998
Less: Cash and cash equivalents	(816,860)	(468,844)
Net debt	<u>\$ 5,912,978</u>	<u>5,776,154</u>
Total equity	<u>\$ 9,704,182</u>	<u>9,980,798</u>
Debt-to-equity ratio	<u>60.93%</u>	<u>57.87%</u>

The increase in debt to equity ratio as of December 31, 2020 was mainly due to the acquisition of a subsidiary amounting to \$744,662 thousand, resulting in a decrease in capital surplus and retained earnings. Please refer to note 6(9).

As of December 31, 2020, the Company had not changed its capital management method.

(31) Non-cash investing and financing activities

The Company's investing and financing activities which did not affect the current cash flow in the year ended December 31, 2020 and 2019, were as follows:

A. For right of use assets obtained due to lease, please refer to note 6(11).

B. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	Effect of changes in exchange rates and other	December 31, 2020
Short-term borrowings	\$ -	425,250	-	425,250
Lease liabilities	198,516	(11,024)	11,433	198,925
Total liabilities from financing activities	<u>\$ 198,516</u>	<u>414,226</u>	<u>11,433</u>	<u>624,175</u>

(Continued)

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

	January 1, 2019	Cash flows	Effect of changes in exchange rates and other	December 31, 2019
Lease liabilities	<u>\$ 203,768</u>	<u>(5,252)</u>	<u>-</u>	<u>198,516</u>

7. Related-party transactions:

- (1) Parent company and ultimate controlling company

On July 23, 2020, Qisda acquired the Company's 19.02% percent of common shares, increasing its ownership from 23.84% to 42.86%. Qisda is the ultimate controlling party of the Company, and has issued the Consolidated Financial Statements Available for Public Use.

- (2) Names and relationship with subsidiaries and other related parties which have transaction with the Company during the periods covered in the parent-company-only financial statements were as follows:

Name of related party	Relationship with the Group
Qisda	Parent of the Company
Aewin Technologies Co., Ltd.	Qisda's subsidiary
D-Link Corporation (D-Link) (Note1)	The entity with significant influence over the Company
D-Link International Pte. Ltd. (D-Link International) (Note1)	D-Link's subsidiary
Alpha Holdings Inc. (Alpha Holdings)	The Company's subsidiary
Alpha Solutions Co., Ltd. (Alpha Solutions)	The Company's subsidiary
Alpha Networks Inc. (Alpha USA)	The Company's subsidiary
Alpha Networks (Hong Kong) Limited (Alpha HK)	The Company's subsidiary
Alpha Technical Services Inc. (ATS)	The Company's subsidiary
Universal Networks Trading Limited (Universal) (Note3)	The Company's subsidiary
Global Networks Trading Limited (Global) (Note4)	The Company's subsidiary
D-Link Asia Investment Pte. Ltd. (D-Link Asia)	The Company's subsidiary
Alpha Networks (Chengdu) Co., Ltd. (Alpha Chengdu)	The Company's subsidiary
Alpha Investment Pte, Ltd. (Alpha Investment) (Note5)	The Company's subsidiary
Alpha Networks (Dongguan) Co., Ltd.(Alpha Dongguan)	The Company's subsidiary
Mirac Networks (Dongguan) Co., Ltd (Mirac)	The Company's subsidiary
Alpha Networks (Changshu) Co., Ltd (Alpha Changshu)	The Company's subsidiary

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Notes to the Parent Company Only Financial Statements

Name of related party	Relationship with the Group
Enrich Investment Corporation (Enrich Investment)	The Company's subsidiary
Transnet Corporation (Transnet)	The Company's subsidiary
Hitron Technologies Inc. (Hitron Technologies) (Note2)	The Company's subsidiary
Interactive Digital Technologies Inc. (Interactive) (Note2)	The Company's subsidiary
Hitron Technologies (SIP), Inc. (Hitron Suzhou) (Note2)	The Company's subsidiary
Hitron Technologies (Samoa), Inc. (Hitron Samoa) (Note2)	The Company's subsidiary
Jietech Trading (Suzhou) Inc. (Jietech Suzhou) (Note2)	The Company's subsidiary
Hitron Technologies Europe Holding B.V. (Hitron Europe) (Note2)	The Company's subsidiary
Hitron Technologies Americas Inc. (Hitron Americas) (Note2)	The Company's subsidiary
Innoauto Technologies Inc. (Innoauto Technologies) (Note2)	The Company's subsidiary
Hitron Technologies Vietnam. (Hitron Vietnam) (Note2)	The Company's subsidiary
Hwa Chi Technologies (Shanghai), Inc. (Hwa Chi Technologies) (Note2)	The Company's subsidiary

Note 1: D Link, the director of the Company, transferred more than one half of its shares held at the time of the election, wherein its representative was dismissed. Therefore, D Link was no longer a related party of the Company since December 1, 2020.

Note 2: In year 2019, the Company acquired the shareholdings of Hitron Technologies and obtained control over Hitron Technologies. For the year ended December 31, 2019, Hitron Technologies and its subsidiaries were included in the consolidation financial statements.

Note 3: The liquidation procedures of Universal had been completed in July 2020 based on the resolution approved during its shareholders' meeting held on June 2020.

Note 4: The liquidation procedures of Global had been completed in June 2020 based on the resolution approved during the shareholders' meeting.

Note 5: The liquidation procedures of Alpha Investment had been completed in November 2020 based on the resolution approved during its shareholders' meeting held on July 2020.

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Notes to the Parent Company Only Financial Statements

(3) Significant related-party transactions

A. Sales

The amount of sales to related parties were as follows:

	For the years ended December 31,	
	2020	2019
Entities with significant influence over the Company	\$ 117,074	228,644
Other related parties	213	-
Other related parties — D-Link International	1,154,429	2,032,855
Subsidiaries — Alpha USA	5,725,298	4,650,388
Subsidiaries — others	7,926	6,384
	<u>\$ 7,004,940</u>	<u>6,918,271</u>

The price for sales to the above related parties was determined by general market conditions and adjusted by considering the geographic sales area and sales volumes.

The collection terms for third parties were 30 to 90 days, while those for related parties were 90 days.

For the years ended December 31, 2020 and 2019, due to sales transactions between the Company and investments in equity-accounted investees, net changes in unrealized profit on sales amounting to \$(51,491) thousand and \$(2,983) thousand, respectively, were recognized.

B. Purchases

The amounts of purchases by the Company from related parties were as follows:

	For the years ended December 31,	
	2020	2019
Parent of the Company	\$ 484	-
Entities with significant influence over the Company	-	161
Subsidiaries — Alpha Changshu	6,844,340	7,561,064
Subsidiaries — Universal	-	3,326,041
Subsidiaries — D-Link Asia	8,840,443	410,031
Subsidiaries — Others	1,583	2,248
Other related parties	17,369	-
	<u>\$ 15,704,219</u>	<u>11,299,545</u>

The payment terms for purchase from related parties were 30 to 90 days after purchase. The payment terms with related parties were not materially different from those with third parties.

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Notes to the Parent Company Only Financial Statements

From December 2019 onwards, the Company purchases raw materials through Alpha HK on behalf of Alpha Changshu. After the production by Alpha Changshu, the Company will buy back the finished products produced by Alpha Changshu and sell the products to customers of the Company. For the years ended December 31, 2020 and 2019, the Company purchased raw materials through Alpha HK on behalf of Alpha Changshu amounting to \$911,926 thousand and \$112,380 thousand, respectively, at cost. The revenue and cost of goods sold are not recognized in the parent company only financial statements.

The Company purchases raw materials through Global on behalf of Alpha Changshu. After the production by Alpha Changshu, the Company will buy back the finished products produced by Alpha Changshu and sell the products to customers of the Company. For the years ended December 31, 2019, the Company purchased raw materials through Global on behalf of Alpha Changshu amounting to \$541,011 thousand, respectively, at cost. The revenue and cost of goods sold are not recognized in the parent-company-only financial statements.

From December 2019 onwards, the Company purchases raw materials through D-link Asia on behalf of Alpha Dongguan. After the production by Alpha Dongguan, the Company will buy back the finished products produced by Alpha Dongguan and sell the products to customers of the Company. For the years ended December 31, 2020 and 2019, the Company purchased raw materials through D-link Asia on behalf of Alpha Dongguan amounting to \$127,649 thousand and \$12,666 thousand, respectively, at cost. The revenue and cost of goods sold are not recognized in the parent-company-only financial statements.

The Company purchases raw materials through Universal on behalf of Alpha Dongguan. After the production by Alpha Dongguan, the Company will buy back the finished products produced by Alpha Dongguan and sell the products to customers of the Company. For the years ended December 31, 2019, the Company purchased raw materials through Universal on behalf of Alpha Dongguan amounting to \$25,265 thousand, respectively, at cost. The revenue and cost of goods sold are not recognized in the parent-company-only financial statements.

The accounts receivable and accounts payable arising from the abovementioned transactions are settled on a net basis.

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Notes to the Parent Company Only Financial Statements

C. Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable from related parties	Entities with significant influence over the Company	\$ -	82,324
Accounts receivable from related parties	Other related parties — D-Link International (Note)	-	445,820
Accounts receivable from related parties	Subsidiaries — Alpha USA	1,133,768	584,484
Account receivable from related parties	Subsidiaries — Alpha HK	173,978	111,169
Account receivable from related parties	Subsidiaries — Others	3,019	67,571
		<u><u>\$ 1,310,765</u></u>	<u><u>1,291,368</u></u>

Note: As of December 31, 2019, \$20,733 thousand of allowance for impairment was deducted on the balances.

D. Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable to related parties	Entities with significant influence over the Company	\$ -	147
Accounts payable to related parties	Subsidiaries — Alpha Changshu	1,040,052	1,376,885
Accounts payable to related	Subsidiaries — Universal	-	722,365

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parties

Accounts payable to
related
parties

Subsidiaries — D-Link Asia

2,736,037

394,044

Accounts payable to
related
parties

Subsidiaries — Others

55

-

Accounts payable to
related
parties

Other related parties

11,213

-

\$ 3,787,357

2,493,441

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Notes to the Parent Company Only Financial Statements

E. Commission costs

The commission paid to related parties for developing market business were as follows:

		For the years ended December 31,	
		2020	2019
Subsidiaries — Alpha Solutions		\$ 11,788	12,800
Account	Related Party Category	December 31, 2020	December 31, 2019
Other payable to related parties	Subsidiaries	\$ 2,955	3,119

F. Rendering of services and other expenses

The Company obtained service from related parties, including product warranty and maintenance service, research and other service expense, as follows:

		For the years ended December 31,	
		2020	2019
Parent of the Company		\$ 660	-
Entities with significant influence over the Company		378	940
Subsidiaries — Alpha Chengdu		253,759	308,403
Subsidiaries — ATS		49,491	62,232
Subsidiaries — Others		1,011	-
Other related parties		3,798	10,708
		\$ 309,097	382,283

The payables to related parties were as follows:

Account	Related Party Category	December 31, 2020	December 31, 2019
Other payable to related parties	Parent of the Company	\$ 11	-
Other payable to related parties	Entities with significant influence over the Company	-	160
Other payable to related parties	Subsidiaries — Alpha Chengdu	128,827	100,659
Other payable to related parties	Subsidiaries — Others	56,669	48,739
Other payable to related parties	Other related parties	-	846
		\$ 185,507	150,404

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Notes to the Parent Company Only Financial Statements

G. Transactions of property, plant and equipment

	For the years ended December 31,	
	2020	2019
Entities with significant influence over the Company	\$ -	753
Subsidiaries — Alpha Changshu	209	8,108
Subsidiaries — Alpha Dongguan	266	-
	<u>\$ 475</u>	<u>8,861</u>

The payables to related parties were as follows:

Account	Related Party Category	December 31, 2020	December 31, 2019
Other payable to related parties	Entities with significant influence over the Company	\$ -	108
Other payable to related parties	Subsidiaries	-	8,144
		<u>\$ -</u>	<u>8,252</u>

H. Endorsement guarantees

The endorsement guarantees to related parties were as follow:

	December 31, 2020	December 31, 2019
Subsidiaries	<u>USD 9,000</u>	<u>USD 9,000</u>

I. Other income

The Company is the Director appointed by the corporate shareholder of the subsidiary, Hitron Technologies, wherein the remuneration to directors amounting to \$4,591 was recognized as other income for the year ended December 31, 2020. The above balances had been fully paid as of the period.

The Company leased out an office to Transnet, with the rent income of \$57 thousand and \$29 thousand for the year ended December 31, 2020 and 2019 respectively, resulting in the Company to incur the unearned revenue of \$14 thousand, recognized as other current liabilities, for both years.

J. Other receivables

In response to the organization restructure of Alpha Holdings, a resolution was approved during the board meeting held on December 31, 2020 for the capital reduction of Alpha Holdings, whose assets including other assets, other receivables and 100% shares of D Link Asia will be transferred to Alpha Networks Inc. to offset its share capital payable.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

As of December 31, 2020, the account receivable from Alpha Dongguan amounting to \$260,810 thousand was recognized as other receivables due from related parties.

K. Various advances

The payable to related parties due to the payment on behalf of the Company by the related parties were as follows:

	December 31, 2020	December 31, 2019
Subsidiaries	\$ -	<u>1,375</u>

(4) Key management personnel compensation

	For the years ended December 31, 2020	2019
Short-term employee benefits	\$ 35,176	20,813
Share-based payment	3,584	11,080
	<u>\$ 38,760</u>	<u>31,893</u>

8. Pledged assets:

Pledged assets	Object	December 31, 2020	December 31, 2019
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Import guarantee for customs	\$ 7,550	7,500
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for land lease	8,000	8,000
Time deposit (recorded in financial assets measured at amortized cost–current)	Guarantee for public tender of Hitron Technologies	-	2,029,959
		<u>\$ 15,550</u>	<u>2,045,459</u>

9. Significant commitments and contingencies:

- (1) As of December 31, 2020 and 2019, the Company deposited notes in the bank amounting to \$4,227,160 thousand and \$3,986,675 thousand, respectively in order to obtain the credits limit of bank financing and foreign exchange facilities.
- (2) The Company had entered into technology license agreement with suppliers. According to the agreement, the Company is obligated to make payments for technology license fee and royalty based on the total sales of products by using such technology.
- (3) Please refer to note 7(2) for further details related to endorsement guarantees.

(Continued)

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

10. Losses Due to Major Disasters: None

11. Subsequent Events: None

12. Other:

The summary of employee benefits, depreciation, and amortization, by function, are as follows:

By item	By function	2020			2019		
		Cost of sales	Operation expenses	Total	Cost of sales	Operation expenses	Total
Employee benefits							
Salaries		349,176	969,270	1,318,446	257,819	1,048,233	1,306,052
Labor and health insurance		31,412	70,413	101,825	23,821	79,546	103,367
Pension		12,675	45,609	58,284	12,297	50,091	62,388
Remuneration of directors		-	10,155	10,155	-	7,247	7,247
Others		26,313	44,290	70,603	14,687	47,673	62,360
Depreciation		25,280	64,651	89,931	14,211	60,797	75,008
Amortization		614	54,930	55,544	403	59,028	59,431

Additional information on the number of employees and employee benefit costs are as follows:

	For the years ended December 31,	
	2020	2019
The number of employees	\$ 1,396	1,356
The number of directors who are not holding as a position of employee	\$ 5	7
The average of employee benefits	\$ 1,114	1,137
The average of salaries	\$ 948	968
The average of salary adjustment rate	(2)%	
Remuneration of supervisors	\$ -	-

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

- The remuneration of the Company's directors and supervisors is determined by reference to the Company's overall operating performance, value and development trends of the industry. Furthermore, the remunerations are in accordance with the Company's articles of incorporation and the managerial salary standards, which are reviewed by the Remuneration Committee and approved by the board of directors.

(Continued)

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

- (2) The remuneration of the managers and employees includes salary, bonus and employee remuneration. The wages of the employees are paid based on their position, the complexity of their work value, the trends of the industry and the Company's overall financial status. In addition to the fixed remuneration, the variable remuneration is distributed based on operating performance and employee contribution in order to motivate employees. Remuneration for employees is in accordance with the company's articles of association and implemented by the approval of the Board of Directors' meeting and reported to the shareholders' meeting.

13. Other disclosures:

- (1) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

- A. Loans to other parties: Please refer to Table 1.
 - B. Guarantees and endorsements for other parties: Please refer to Table 2.
 - C. Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.
 - D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20% of the capital stock: Please refer to Table 4.
 - E. Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: Please refer to Table 5.
 - F. Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None.
 - G. Related-party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock: Please refer to Table 6.
 - H. Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock: Please refer to Table 7.
 - I. Trading in derivative instruments: Please refer to note 6(2).
- (2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 8.

(Continued)

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

(3) Information on investment in mainland China:

- A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 9.
- B. Limitation on investment in Mainland China: Please refer to Table 9.
- C. Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions” .

(4) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Qisda Corporation		295,163,126	54.48%

- A. The main shareholder information in this table is calculated on the last business day at the end of each quarter by the Taiwan Depository & Clearing Corporation, based on those who held more than 5% of the company's ordinary shares and preferred shares and have completed unregistered non-physical securities delivered (including treasury shares). As for the share capital recorded in the company's financial report and the company's actual number of shares delivered without physical registration, there may be differences due to different basis of calculation.
- B. In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider's equity declaration, please refer to Market Observation Post System website.

14. Segment information:

Please refer to consolidated financial statements for the year ended December 31, 2020.

Alpha Networks Inc.

Loans to other parties

For the year ended December 31, 2020

Table 1

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Alpha HK	Alpha Changshu	Other receivable from related parties	Yes	1,504,602 (USD51,000 thousand)	921,375 (USD32,500 thousand)	921,375 (USD32,500 thousand)	-	2	-	Operating capital	-	-	-	6,563,526 (note 4)	6,563,526 (note 4)
2	Mirac	Alpha Changshu	Same as above	Yes	130,089 (RMB30,000 thousand)	129,648 (RMB30,000 thousand)	129,648 (RMB30,000 thousand)	2.5%	2	-	Operating capital	-	-	-	889,353 (note 4)	889,353 (note 4)
3	Alpha Chengdu	Alpha Changshu	Same as above	Yes	173,452 (RMB40,000 thousand)	86,432 (RMB20,000 thousand)	86,432 (RMB20,000 thousand)	2.5%	2	-	Operating capital	-	-	-	1,676,938 (note 4)	1,676,938 (note 4)
4	Hiron Technologies	Hiron Europe	Same as above	Yes	31,801	-	-	-	1	576,582	-	-	-	-	576,582 (note 5)	1,978,060 (note 5)
4	Hiron Technologies	Hiron Americas	Same as above	Yes	16,936	-	-	-	1	6,585,634	-	-	-	-	1,978,060 (note 5)	1,978,060 (note 5)
4	Hiron Technologies	Hiron Suzhou	Same as above	Yes	454,800	425,250	170,100	1-2%	2	-	Operating capital	-	-	-	494,515 (note 5)	1,978,060 (note 5)
4	Hiron Technologies	Hiron Vietnam	Same as above	Yes	454,800	425,250	425,250	1-2%	2	-	Operating capital	-	-	-	494,515 (note 5)	1,978,060 (note 5)
5	Jietech Suzhou	Hiron Suzhou	Same as above	Yes	21,682	21,608	21,608	2%	2	-	Operating capital	-	-	-	30,646 (note 5)	30,646 (note 5)

Note 1: The method of filling out the capital loan and nature is as follows:

(1) relate business relationship, please fill in 1.

(2) relate short-term financing, please fill in 2.

Note 2: The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of the company.

Note 3: The total amount lendable to any such subsidiary of Alpha shall not exceed forty percent (40%) of the net worth of the company.

Note 4: Alpha HK 、Mirac 、Alpha Chengdu 、Global and D-Link Asia, the subsidiaries whose voting shares are 100% owned, directly or indirectly, by Alpha, which are not located in Taiwan, the lending will not be subject to the restriction set forth in the above paragraph of this Article. Notwithstanding the foregoing, the aggregate amount available for lending to such borrowers and the total amount lendable to each of such borrowers still shall not exceed 300% of the net worth of the Company.

Note 5: The total amount of lending to a company by Hitron Technologies and its subsidiaries shall not exceed forty percent (40%) of the net worth of the audited or reviewed financial statement for both parties. The lending reason and limit for each type of party is stated as below:

- a. For entities who have business transactions with the Company, the lending amount shall not exceed the total transaction amount in the nearest 12 months. The transaction referring to the higher of sales or purchase amount.
- b. For entities who have a need in short term financing, the lending amount shall not exceed ten percent (10%) of the net worth of Hitron Technologies' latest audited or reviewed financial statements.
- c. For foreign subsidiaries which Hitron Technologies has 100% of direct or indirect voting rights, the financing total amount and the limit shall not exceed forty percent (40%) of the net worth of the Company.

Alpha Networks Inc.

Guarantees and endorsements for other parties For the year ended December 31, 2020

Table 2

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note 2)	Parent company guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Alpha Dongguan	note 3	2,911,255	60,600	56,700	25,560	-	0.58%	4,852,091	Y	N	Y
0	The Company	Alpha Changshu	note 3	2,911,255	212,100	198,450	3,462	-	2.05%	4,852,091	Y	N	Y
1	Hitron Technologies	Innoauto Technologies	note 3	4,945,149	75,000	50,000	6,000	-	1.01%	7,417,724	Y	N	N
1	Hitron Technologies	Hitron Europe	note 3	4,945,149	454,250	451,674	129,337	-	9.13%	7,417,724	Y	N	N
1	Hitron Technologies	Hitron Americas	note 3	4,945,149	1,057,875	595,350	-	-	12.04%	7,417,724	Y	N	N
1	Hitron Technologies	Hitron Vietnam	note 3	4,945,149	1,502,800	1,417,500	595,350	-	28.66%	7,417,724	Y	N	N
1	Hitron Technologies	Hitron Suzhou	note 3	4,945,149	1,235,554	514,446	-	-	10.40%	7,417,724	Y	N	Y

Note 1: The total amount of guarantee provided by the company to any individual entity shall not exceed thirty percent of the company's equity.

Note 2: The total amount of guarantee provided by the company shall not exceed fifty percent of the company's equity.

Note 3: The Company directly and indirectly holds more than 50% of the shares with voting rights.

Note 4: The total amount of Hitron Technologies' endorsement in security shall not exceed 150% of the net value of Hitron Technologies' latest financial statements; the amount of endorsement in security for a single enterprise shall not exceed 10% of the net value of Hitron Technologies' latest financial statements. However, there is no restriction for those directly or indirectly held subsidiaries with more than 50% of the voting shares and for those directly and indirectly hold 100% of the voting shares are indirectly endorsed and guaranteed, but it shall not exceed Hitron 100% of the net value of the latest financial statements.

Alpha Networks Inc.

Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures)

December 31, 2020

Table 3

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account	Ending balance			Note
				Shares/ Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value
The Company	TGC, Inc.		Non-current financial assets measured at fair value through profit and loss	500	-	1.83	-
Hitron Technologies	TRANSCEND	-	Current financial assets at fair value through profit or loss	441	28,665	-	28,665
Hitron Technologies	SENAO	-	Current financial assets at fair value through profit or loss	207	7,349	-	7,349
Hitron Technologies	FUBON FINANCIAL	-	Current financial assets at fair value through profit or loss	200	9,350	-	9,350
Interactive Digital	TRANSCEND	-	Current financial assets at fair value through profit or loss	362	23,530	0.08	23,530
Hitron Technologies	CHAO LONG MOTOR PARTS CORP.	-	Non-current financial assets at fair value through other comprehensive income	668	21,245	2.10	19,335
Hitron Technologies	IMAGETECH CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	120	-	1.20	-
Hitron Technologies	TSUNAMI VISUAL TECHNOLOGIES, INC.	-	Non-current financial assets at fair value through other comprehensive income	1,220	-	9.34	-
Hitron Technologies	PIVOT TECHNOLOGY CORP.	-	Non-current financial assets at fair value through other comprehensive income	198	-	10.94	-
Hitron Technologies	CARDTEK TECHNOLOGY CO.,LTD	-	Non-current financial assets at fair value through other comprehensive income	1,000	-	6.45	-
Hitron Technologies	YESMOBILE HOLDINGS COMPANY LTD.		Non-current financial assets at fair value through other comprehensive income	294	-	0.75	-
Hitron Technologies	CODENT NETWORKS (CAYMAN) LTD.(SPECIAL SHARES)		Non-current financial assets at fair value through other comprehensive income	1,570	-	-	-

Alpha Networks Inc.

**Individual securities acquired or disposed of with accumulated amounts exceeding the lower of than \$300 million or 20% of the capital stock
For the year ended December 31, 2020**

Table 4

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares (thousands)
The Company	Hitron Technologies	Equity method	Hitron Technologies	-	151,028	3,243,894	48,972	1,567,106	-	-	-	200,000	4,102,254

Note : The ending balance includes the amount of investment gains and losses of long-term equity investment recognized in the current period, cumulative translation adjustments, cash dividends and other adjustments.

Alpha Networks Inc.

**Acquisition of individual real estate with amount exceeding the lower than NT\$300 million or 20% of the capital stock
For the year ended December 31, 2020**

Table 5

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Hitron Vietnam	Machinery	2020.01~12	371,796	Fully paid up	Jietech Suzhou					-	Inquiry and Bargaining	Machinery	N/A
				Pay in installments	Interactive Digital								
				Pay in installments	DAIICHI								
				Pay in installments	KURTZ								
Hitron Vietnam	Building	2020.01~12	355,392	Based on the progress of construction	SAI GON VISICONS ASEMCO VSIP SHENG HUEI ENGINEERING TECHNOLOGY COMPANY LIMITED JUHU JIANG LONG CO.,LTD					-	Open bid	Building	N/A

Alpha Networks Inc.

Related-party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock For the year ended December 31, 2020

Table 6

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	D-Link International	D-LINK Corporation and subsidiaries	(Sales)	(1,154,429)	(5)%	90 days	-	Note 1	-	- %	Note 2
The Company	Alpha USA	Subsidiary of the Company	(Sales)	(5,725,298)	(27)%	90 days	-	Note 1	1,133,768	21%	
The Company	D-Link Asia	Subsidiary of the Company	Purchase	8,840,443	46%	90 days	-	Note 1	(2,736,037)	(63)%	
The Company	Alpha Changshu	Subsidiary of the Company	Purchase	6,844,340	35%	90 days	-	Note 1	(1,040,052)	(24)%	
Universal	Mirac	Subsidiary company to subsidiary	(Sales)	(509,098)	(7)%	90 days	-		157,163	13%	
Alpha HK	Alpha Changshu	Subsidiary company to subsidiary	(Sales)	433,894	7%	90 days	-		969,204	100%	
D-Link Asia	Alpha Dongguan	Subsidiary company to subsidiary	Purchase	8,840,443	56%	90 days	-		(2,752,044)	(54)%	
Hitron Technologies	Hitron Suzhou	Subsidiary company to subsidiary	Purchase	4,664,226	36%	90 days	-		(468,186)	(21)%	
Hitron Technologies	Hitron Americas	Subsidiary company to subsidiary	(Sales)	(6,585,634)	(64)%	90 days	-		1,884,630	85%	
Hitron Technologies	Hitron Europe	Subsidiary company to subsidiary	(Sales)	(576,582)	(6)%	90 days	-		251,033	11%	
Hitron Technologies	Hitron Vietnam	Subsidiary company to subsidiary	Purchase	3,046,968	24%	90 days	-		(1,053,347)	(47)%	
Hitron Suzhou	Hitron Vietnam	Subsidiary company to subsidiary	(Sales)	(1,559,411)	(15)%	90 days	-		430,133	19%	

Note 1: Significant related-party transactions please refer Note 7.

Note 2: The company's legal person director, D-Link Corporation, has transferred more than one-half of the shares held at the time of the election, and its representative is dismissed. Therefore, D-Link has not been a related party of the Company since December 1, 2020.

Alpha Networks Inc.

Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock

December 31, 2020

Table 7

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note)	Loss Allowance	Note
					Amount	Action taken			
The Company	Alpha USA	Subsidiary of the company	1,133,768	6.66	-	-	130,788	-	note 2
The Company	Alpha HK	Subsidiary of the company	173,978	-	5,127	-	146,218	-	note 2
D-Link Asia	The Company	Subsidiary company to parent	2,736,037	5.65	167,044	-	1,157,358	-	note 2
Alpha Changshu	The Company	Subsidiary company to parent	1,040,052	5.66	515	-	626,530	-	note 2
Alpha Dongguan	D-Link Asia	Subsidiary company to subsidiary	2,752,044	5.59	550,122	-	1,157,358	-	note 2
Alpha Changshu	Alpha Dongguan	Subsidiary company to subsidiary	157,163	0.37	-	-	154,135	-	note 2
Alpha HK	Alpha Changshu	Subsidiary company to subsidiary	969,204	0.70	68,825	-	596,110	-	note 2
D-Link Asia	Alpha Dongguan	Subsidiary company to subsidiary	2,320,215	5.58	2,239	-	828,673	-	note 2
Hitron Technologies	Hitron Americas	Subsidiary company to subsidiary	1,884,630	4.32	-	-	1,276,172	-	note 2
Hitron Technologies	Hitron Europe	Subsidiary company to subsidiary	251,033	3.97	-	-	162,168	-	note 2
Hitron Suzhou	Hitron Technologies	Subsidiary company to subsidiary	468,186	7.11	-	-	468,186	-	note 2
Hitron Suzhou	Hitron Americas	Subsidiary company to subsidiary	430,133	7.25	-	-	430,133	-	note 2
Hitron Vietnam	Hitron Technologies	Subsidiary company to subsidiary	1,053,347	5.79	-	-	1,053,347	-	note 2

Note 1: The collection situation as of February 15, 2021.

Note 2: The relevant transactions and ending balance were eliminated in the comprehensive financial reports.

Alpha Networks Inc.

Information on investees (excluding information on investees in Mainland China)

For the year ended December 31, 2020

Table 8

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020		Carrying value	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership				
The Company	Alpha Holdings	Cayman Islands	Investment holding	203,372	2,346,489	6,464	100.00%	(23,791)	(12,344)	(11,355)	note 6
The Company	Alpha Solutions	Japan	Sale of network equipment, components and technical services	5,543	5,543	1	100.00%	21,907	1,491	1,491	
The Company	Alpha USA	CA USA	Sale, marketing and procurement service in USA	51,092	51,092	1,500	100.00%	137,919	8,539	8,539	
The Company	Alpha HK	Hong Kong	Investment holding	3,143,628	3,143,628	780,911	100.00%	2,176,698	(44,310)	(40,749)	
The Company	ATS	CA USA	Post-sale service	260,497 (USD0 thousand)	260,497 (USD0 thousand)	8,100	100.00%	169,827	1,954	1,954	
The Company	Global	Samoa	Sale of electrical equipment	-	185,880 (USD0 thousand)	-	- %	-	18,324	18,324	note 3
The Company	Enrich Investment	Taiwan	Investment holding	240,000	50,000	24,000	100.00%	150,863	(3,808)	(3,808)	
The Company	Hiron Technologies	Taiwan	Marketing on system integration of communication product and telecommunication products	4,811,000	3,243,894	200,000	62.24%	4,102,254	280,010	125,900	
The Company	D-Link Asia	Singapore	Investment in manufacturing business	1,692,805 (note 2)	-	86,946	100.00%	1,754,563	51,171	29,604	
Alpha Holdings	D-Link Asia	Singapore	Investment in manufacturing business	-	1,692,805 (note 2)	-	- %	-	-	note 6	
Alpha Holdings	Alpha Investment	Cayman Islands	Investment holding	-	308,625 (USD0 thousand)	-	- %	-	(9,841)	note 1	note 4

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
Alpha Holdings	Universal	Samoa	Sale of electrical products	-	616,200 (USD0 thousand)	-	- %	-	6,581	note 1	note 5
Enrich Investment	Interactive Digital	Taiwan	Telecommunication and broadband network system services	189,523	-	2,575	6.83%	114,887	234,242	note 1	
Enrich Investment	Transnet	Taiwan	Operating network communication products, provide support system services, integrated supply and import and export of network equipment	50,000	50,000	5,000	100.00%	35,522	(10,616)	note 1	
Hitron Technologies	Hitron Samoa	Samoa	International trade	669,031	669,031	22,300	100.00%	752,845	(36,491)	note 1	
Hitron Technologies	Interactive Digital	Taiwan	Telecommunication and broadband network system services	167,026	167,026	16,703	44.28%	510,567	234,242	note 1	
Hitron Technologies	Hitron Europe	Netherlands	International trade	59,604	59,604	-	100.00%	(8,686)	70,410	note 1	
Hitron Technologies	Hitron Americas	USA	International trade	90,082	90,082	300	100.00%	123,859	62,380	note 1	
Hitron Technologies	Innoauto Technologies	Taiwan	Investments and automotive electronics products	50,000	80,000	5,000	100.00%	(7,917)	(32,139)	note 1	
Hitron Technologies	Hitron Vietnam	Vietnam	Production and sale of broadband telecommunication products	550,355	220,905	-	100.00%	434,914	(17,147)	note 1	

Note 1: Recognized by subsidiary.

Note 2: This includes the previous that D-link corporation investment in D-Link Asia by \$218,631 thousand.

Note 3: The liquidation procedures of Global had been completed in June 2020 based on the resolution approved during the shareholders' meeting.

Note 4: The liquidation procedures of Alpha Investment had been completed in November 2020 based on the resolution approved during its shareholders' meeting held on July 2020.

Note 5: The liquidation procedures of Universal had been completed in July 2020 based on the resolution approved during its shareholders' meeting held on June 2020.

Note 6: In response to the organization restructure of Alpha Holdings, a resolution was approved during the board meeting held on December 31, 2020 for the capital reduction of Alpha Holdings, whose assets including other assets, other receivables and 100% shares of D Link Asia will be transferred to Alpha Networks Inc. to offset its share capital payable.

Alpha Networks Inc.

The names of investees in Mainland China, the main businesses and products, and other information

For the year ended December 31, 2020

(In Thousands of New Taiwan Dollars)

Table 9

(1) The names of investees in Mainland China, the main businesses and products, and other information

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Alpha Chengdu	Research and development of network products	420,426	note 1	420,426	-	-	420,426	22,333	100.00%	22,333	558,979	-
Alpha Dongguan	Production and sale of network product	787,496	note 1	741,084	-	-	741,084 (note 6)	41,052	100.00%	41,052	1,043,807	-
Mirac	Production and sale of network products	307,326	note 1	307,326	-	-	307,326	11,086	100.00%	11,086	296,451	-
Alpha Changshu	Production and sale of network products	1,925,920	note 1	1,925,920	-	-	1,925,920	42,575	100.00%	42,575	1,229,439	-
Hitron Suzhou	Production and sale of broadband network products	641,763	note 1	641,763	-	-	641,763	(35,546)	100.00% (note 9)	(35,546)	716,188	-
Jietech Suzhou	Sale of broadband network products and related services	57,473	note 1	57,473	-	-	57,473	(945)	100.00% (note 9)	(945)	30,630	-
Hwa Chi Technologies	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	5,814 (USD200 thousands)	note 1	12,048	-	-	12,048	2,255	44.28% (notes 8 and 9)	1,018	5,892	21,314

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
3,261,784 note 3,4,7	4,123,685	note 5
711,284	711,284	2,967,089

Note 1: Investment in companies in Mainland China through the existing companies in the third regions.

Note 2: Amount was recognized based on the audited financial statements.

Note 3: Accumulated investments in Alpha Dongguan did not include the previously invested by D-Link Corporation HKD63,387 thousand (equivalent to approximately \$303,055 thousand).

Note 4: The company indirectly investment the subsidiary Tongying Trading (Shenzhen) Co., Ltd., has liquidated all rights and obligations in March 2008 and cancelled the registration. Accumulated investments \$9,828 thousand in Tongying Trading (Shenzhen) Co., Ltd., deducted the remittance amount of \$4,367 thousand equals \$5,461 thousand. It is still necessary to calculate the amount by the principle of Investment Commission, MOEA.

Note 5: As the Company has obtained the certificate of being qualified for operating headquarters issued by Industrial Development Bureau, MOEA on March 2008, the upper limit on investment in mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" is not applicable.

Note 6: The investment of \$46,412 thousand by D-Link Asia's own funds, so it does not count the accumulated investment amount from Taiwan at the end of the period.

Note 7: The investment of \$164,622 thousand by Alpha HK's own funds, so it does not count the accumulated investment amount from Taiwan at the end of the period. Maintrend shareholders' meeting approved the dissolution and liquidation on January 12, 2016. The dissolution and liquidation procedures were completed on July 23, 2018.

Note 8: Hwa Chi is a China based investment company which invested Hitron (Samoa) through the company, however, it has switched to invest through Interactive Digital due to the Company's restructuring decision resolved in year 2012.

Note 9: This refers to the direct or indirect shares holding by Hitron technologies.

Alpha Networks Inc.

Summary of cash and cash equivalents

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Cash on hand (note) TWD:100,000、HKD:6,140、USD:20,627、 JPY:542,000、GBP:1,930、EUR:2,595、 RMB:19,595	\$ 1,106
Bank deposits	Checking and saving accounts (note) TWD:314,058,467、EUR:17,494.38、 USD:17,332,769.25、HKD:464,488.66、 JPY:18,039,487、RMB:806.76、GBP:18.99	812,716
Bank deposits	Time deposits	<u>3,038</u>
	Total	<u><u>\$ 816,860</u></u>

Note: Exchange rates at the balance sheet date are as follows:

USD : 28.35	HKD : 3.657	RMB : 4.3216	JPY : 0.2749
EUR : 34.96	GBP : 38.718		

**Summary of financial assets and liabilities
at fair value through profit or loss — current**

Please refer to note 6(2) for further information on financial assets and liabilities
at fair value through profit or loss — current.

Alpha Networks Inc.
Summary of account receivables
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Name of Customer</u>	<u>Amount</u>
V Company	\$ 2,287,381
U Company	498,330
Y Company	353,198
Others (individual amount does not exceed 5% of the account balance)	<u>850,357</u>
	3,989,266
Less: Loss allowance	<u>(11,338)</u>
Total	<u><u>\$ 3,977,928</u></u>

Note 1: All accounts receivables are generated by operating activities

Note 2: Accounts receivables from related parties are not included in the above accounts, please refer to note 7 for relevant information.

Alpha Networks Inc.

Summary of inventories

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net Realizable Value	
Finished goods and merchandises	\$ 184,343		Note: Please refer to note 4(7) for further information of the net realizable value of inventories in the parent-company-only financial statements.
Less: loss allowance	<u>(4,125)</u>		
Total	<u>180,218</u>	196,442	
Work in progress and semi-finished products	93,217		
Less: loss allowance	<u>(2,602)</u>		
Total	<u>90,615</u>	148,432	
Raw materials	324,140		
Less: loss allowance	<u>(80,840)</u>		
Total	<u>243,300</u>	244,667	
Total	<u>\$ 514,133</u>	<u>589,541</u>	

**Summary of financial assets measured
at amortized cost**

Please refer to note 6(5) for further information on financial assets measured at amortized cost
— current and non-current.

Alpha Networks Inc.

Summary of changes in investments in equity accounted subsidiaries

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Investee Company	Beginning Balance		Addition		Retained earnings differences between consideration and carrying amounts subsidiaries acquired	Cash dividends	Investment Gain (Loss)	Cumulative Translation Adjustment	Other	Ending Balance		Market Value or Net Assets Value			
	Shares	Amount	Shares	Amount						Shares	Percentage of Ownership	Amount	Unit Price	Total Amount	Collateral
Subsidiaries :															
Alpha Holdings	74,377	\$ 2,064,770	(67,913)	(2,113,205) (Note 1)	-	-	(11,355)	35,999	-	100.00	(23,791)	-	(23,971)	None	
Alpha Solutions	1	20,597	-	-	-	-	1,491	(181)	-	100.00	21,907	-	21,907	None	
Alpha USA	1,500	139,290	-	-	-	-	8,539	(9,910)	-	100.00	137,919	-	137,919	None	
Alpha HK	780,911	2,217,657	-	-	-	-	(40,748)	(211)	-	100.00	2,176,698	-	2,176,698	None	
ATS	8,100	178,198	-	-	-	-	1,954	(10,325)	-	100.00	169,827	-	169,827	None	
D-Link Asia	-	-	86,946	1,731,148 (Note 1)	-	-	29,604	(6,189)	-	100.00	1,754,563	-	1,754,563	None	
Global	7,000	177,169	(7,000)	(193,315) (Note 2)	-	-	18,324	2,483	(4,661)	-	-	-	-	None	
Enrich Investment	5,000	46,139	19,000	190,000	(82,887)	-	(3,808)	-	1,420	100.00	150,864	-	150,864	None	
Hitron Technologies	151,028	3,243,894	48,972	1,567,106	(661,775)	(160,000)	125,900	(23,136)	10,265	200,000	4,102,254	24.45	4,890,000	None	
		<u>8,087,714</u>		<u>1,181,734</u>	<u>(744,662)</u>	<u>(160,000)</u>	<u>129,901</u>	<u>(11,470)</u>	<u>7,024</u>		<u>8,490,241</u>		<u>9,277,807</u>		
Unrealized profit (loss) on sales to subsidiaries (Downstream transaction)		(57,015)		-	-	-	(51,491)	-	-		(108,506)				
Unrealized profit (loss) on property sales to subsidiaries (Downstream transaction)		(177)		-	-	-	177	-	-		-				
		<u>\$ 8,030,522</u>		<u>1,181,734</u>	<u>(744,662)</u>	<u>(160,000)</u>	<u>78,587</u>	<u>(11,470)</u>	<u>7,024</u>		<u>8,381,735</u>				

Note 1 : In response to the organization restructuring of Alpha Holdings, a resolution was approved during the board meeting held on December 31, 2020 for the capital reduction of Alpha Holdings, whose assets including other assets, other receivables and 100% shares of D Link Asia will be transferred to Alpha Networks Inc. to offset its share capital payable.

Note 2 : The liquidation procedures of Global had been completed in June 2020 based on the resolution approved during the shareholders' meeting.

Alpha Networks Inc.

**Summary of changes in non-current financial assets at fair value through other
comprehensive income**

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name	Beginning Balance		Addition		Deduction		Unrealized gains (losses) on financial products	Ending Balance		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount	
D-Link.	10,544	\$ 140,369	-	-	(10,544)	(232,881)	92,512	-	-	None

Alpha Networks Inc.
**Summary of changes in property,
plant and equipment**
For the year ended December 31, 2020

Please refer to note 6(10) for further information on property, plant and equipment.

Summary of changes in right-of-use assets

Please refer to note 6(11) for further information on right-of use assets.

Summary of changes in intangible assets

Please refer to note 6(12) for further information on intangible assets.

Alpha Networks Inc.
Summary of accounts payable
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Filial piety Company	\$ 41,546
Benevolence Company	36,715
Loyalty Company	29,896
Others (individual amount does not exceed 5% of the account balance)	<u>475,882</u>
	<u>\$ 584,039</u>

Summary of other accrued expenses

<u>Item</u>	<u>Amount</u>
Export expenses	\$ 29,580
Miscellaneous purchases	27,902
Service fees	21,466
Others (individual amount does not exceed 5% of the account balance)	<u>206,333</u>
	<u>\$ 285,281</u>

Alpha Networks Inc.

**Summary of lease liabilities — current
and non-current**

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Summary	Lease Period	Discount Rate	Ending Balance	Note
Land	Science Park Land	2019/1/1~2050/7/31	1.30%	\$ 193,194	
Building	Office at Neihu	2020/1/1~2022/12/31	0.51%	<u>5,731</u>	
				<u>\$ 198,925</u>	

Alpha Networks Inc.
Summary of other current liabilities
December 31, 2020

Please refer to note 6(15) for further information on other current liabilities.

Statement of current provision

Please refer to note 6(14) for further information on current provision.

Summary of operating revenue
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

Item	Quantity	Amount
LAN/MAN	1,334,176	\$ 8,480,900
Wireless Broadband	5,259,676	4,622,799
Digital Multimedia	5,533,448	7,708,015
Others		547,187
Total		<u>\$ 21,358,901</u>

Alpha Networks Inc.
Summary of operating costs
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw material inventory, January 1	\$ 317,265
Add: Raw material purchased	2,545,463
Inventory surplus	313
Deduct: Raw material sold	61,610
Movement of expenses between departments	27,158
Raw material scrapped	47,450
Raw material inventory, December 31	<u>324,140</u>
Raw material used	2,402,683
Direct labor	102,570
Manufacturing expenses	<u>634,660</u>
Manufacturing costs	3,139,913
Add: Work in progress and semi-finished products, January 1	141,619
Work in progress and semi-finished products purchased	1,681,762
Deduct: Work in progress and semi-finished products, December 31	93,217
Semi-finished products sold	92,963
Movement of expenses between departments	20,326
Scrapped	6,640
Inventory loss	<u>5</u>
Work in progress and semi-finished products costs	4,750,143
Add: Finished goods, January 1	119,853
Finished goods purchased	14,094,249
Deduct: Finished goods, December 31	184,343
Movement of expenses between departments	163,577
Scrapped	<u>16,069</u>
Cost of finished goods	18,600,256
Add: Raw material and semi-finished products sold	154,573
Cost of scrapped inventory	70,159
Provisions for inventory obsolescence and devaluation loss	33,730
Inventory surplus	<u>(308)</u>
Cost of goods sold	<u>\$ 18,858,410</u>

Alpha Networks Inc.

Summary of selling expenses

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Salaries	\$ 199,227
Export expenses	113,364
Commmission costs	74,595
Sampling fees	26,580
Others (individual amount does not exceed 5% of the account balance)	63,587
	<u>\$ 477,353</u>

Summary of administrative expenses

Item	Amount
Salaries	\$ 161,621
Amortization expenses	30,514
Service fees	29,672
Others (individual amount does not exceed 5% of the account balance)	89,060
	<u>\$ 310,867</u>

Alpha Networks Inc.

Summary of research and development expenses

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Salaries	\$ 608,422
Research and testing expenses	348,781
Royalty fee	62,888
Others (individual amount does not exceed 5% of the account balance)	203,937
	<u>\$ 1,224,028</u>

Summary of interest income

Please refer to note 6(24) for further information on interest income.

Summary of other income

Please refer to note 6(25) for further information on other income.

Alpha Networks Inc.
Summary of other gains and losses
For the year ended December 31, 2020

Please refer to note 6(26) for further information on other gains and losses.

Summary of finance costs

Please refer to note 6(27) for further information on finance costs.

**Summary of employee benefits, depreciation
and amortization**

Please refer to note 12 for further information on employee benefits, depreciation and amortization.



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