

Stock Code: 3380

Alpha Networks Inc.

2021 ANNUAL REPORT

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Letter to Shareholders

Dear Shareholders,

I. Business Results in 2021

(I) Implementation Results of Business Plan in 2021

Looking back over the past year, due to the continuous raging and spread of COVID-19, the impact of labor shortages and material shortages has intensified, resulting in the decline of operating performance in 2021 compared with that of 2020. However, with the optimization of the product portfolio, the gross margin improved compared with that of 2020. Also, the development of new products and the expansion of new customers continued to bring profits. The momentum of customer orders can be visible and without issues, which prepared the Company for a rebound and breakthrough at any time in the post-epidemic era.

Looking forward to this year, with the launch of new businesses in 5G enterprise networks and telematics, as well as the momentum of major products such as network switches, Wi-Fi 6 and 5G, it is expected that the revenue and profit in 2022 will improve compared with that of 2021, enabling the overall operation return to the growth track.

(II) Budget Implementation Status

The Company did not disclose its financial forecast for 2021.

(III) Analysis of Financial Results and Profitability

In 2021, the consolidated revenue was NT\$ 27,862 million, which was 13.4% lower compared with the number recorded in the last year; the consolidated gross margin was 16.5%, which was about 0.9% higher than the previous year's 15.6%; the consolidated net operating profit was NT\$708 million; the net profit attributable to the owners of the parent company was NT\$434 million, equivalent to NT\$0.8 per share.

(IV) Research and Development Status

The Company has complete network communication software/hardware technologies and its research and development focuses in 2021 were as follows:

1. The three main fields in technology research and product development are 5G/6G, Fiber & MEC & AI, as well as the key technologies and products derived from the three main fields.
 - (1) For 5G, the focus was on the development of Radio Unit (RU), Distributed Unit (DU) and Centralized Unit (CU), Sub-6G, Millimeter Wave 5G CPE of base station for private 5G network, 5G Small Cell devices, along with Wi-Fi 6/Wi-Fi 6E wireless network technology to enter into the enterprise and family markets.
 - (2) For 6G, the focus was on the development of ground communication equipment for low-Earth-orbit satellites.
 - (3) For Fiber, the focus was on the development of OLT (local end) and ONT (customer end) equipment for 10G-PON optical network, 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.
2. The Company took advantage of the integration of 5G, Fiber and MEC & AI to provide 5G end-to-end solutions high price-performance ratio. Smart factory, smart health and smart building are the key focused market sectors.

3. The Company continually developed telecommunication-grade switches and industry-grade switches due to the trend in 5G and IoT.
4. The Company 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.
5. The Company integrated 24GHz millimeter-wave radar into home monitoring equipment for motion detection; in addition, edge computing was introduced to improve the accuracy of image recognition.
6. The Company developed side blind spot detection radar, AI Dashcams above L3, Radar+AVM Sensor Fusion and industrial embedded radars that comply with UN regulations UN/ECE R151.

II. Summary of Business Plan for 2021

(I) Business Direction

1. Commit to group integration for the synergy effect.
2. Improve the Company's service quality and strengthen the core competitive advantages.
3. Continue to develop strategic partnership with customers and suppliers.
4. Accelerate the development and mass production schedule of new products, contributing to the Company's profitability and competitiveness.
5. 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 tiers, enterprise tiers, telecom tiers and industrial tiers. The huge data flow of the data center will continue to drive the increase of the penetration of 100G and 400G switches and the demand for 800G high-speed switches will gradually increase. The continuously evolving Wi-Fi technology and speed will drive the increase of the demand of Multi-Gigabit switches. In addition, interface bandwidth will also be improved, along with Power over Ethernet with high-power (PoE++). All of these will make the deployment of Wi-Fi easier, increasing the growth rate of switches of power supply type. The Company continues to develop 5G xHaul transmission switches in telecom tiers and OLT optical cable central office equipment to meet the requirements of high bandwidth and low latency and to improve our competitiveness when it comes to the demands of the customers.

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 ir retrievable 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 also has developed customized end-to-end solutions which can be flexibly applied in various fields. We also actively develop 5G fixed wireless access (5G FWA) and 5G small cell and 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 such as router and extender 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. In addition, due to the huge changes in the supply of semiconductor production capacity in 2021, the communication industry experienced serious shortages of materials and it was impossible to meet the substantially growing demands caused by the above factors in time. It is estimated that the demands of related Netcom products such as wireless, optical fiber and mobile in 2022 will continue to be just as strong as in 2021.

3. Digital Multimedia Business Unit

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/JDM competitiveness. Besides IP Cam, the Digital Multimedia BU will also continue to increase the proportion of the deployment of smart home and home safety surveillance in the product portfolio.

4. Mobile Enterprise Solutions Business Unit

With the market trend of electric and smart/self-driving vehicles, the Company complies with the United Nations regulations for commercial vehicle. At present, the Company has started to develop UN/ECE R151 side blind spot detection radar and blind spot monitoring alert system for rear-approaching vehicle for the increasingly popular heavy-duty locomotive. Meanwhile, the Company also has improved its design capacity and has begun to plan high-standard front and rear anti-collision radar and long-range radar suitable for commercial/passenger vehicles, combined with AI image recognition function and 360-degree vehicle around view monitoring. Additionally, the Company has also developed its own 4D radar algorithm to prepare for the future L2+ self-driving functions. Besides the automotive ADAS market, the Company has also entered the industrial embedded radar market and applied it to the embedded radar module of surveillance camera to reduce the false alarm rate with the traditional infrared surveillance camera.

(III) Major Production and Marketing Strategies of the Year 2022

1. Strengthen the relationship with suppliers and develop substitute materials to stabilize the material sources and delivery momentum.
2. Collaborate with the Vietnam subsidiary that will join mass production in 2022 to optimize the capacity allocation and improve the overall manufacturing quality of products and the competitive advantages in cost.
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, due to the facts that the impact of COVID-19 is still severe, lingering supply chain bottlenecks, coupled with factors such as the inflation crisis and early lift off interest rate, there is a high degree of uncertainty in the global economy. However, with the accelerated development of new drugs for the COVID-19 vaccine, the successive mandatory vaccinations plan in various countries and the fact that people are getting used to coexisting with the virus, the atmosphere of panic and overreaction will be greatly reduced, which will provide potential supports for the economic recovery and prospects in 2022. In addition, the development of technology applications in 5G, telematics and AI, as well as work-from-home lifestyle is now an unavoidable trend, which bring growth opportunities to the network communication industry.

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

Alpha wish you good health and all the best!

Sincerely!

Chairperson: 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.

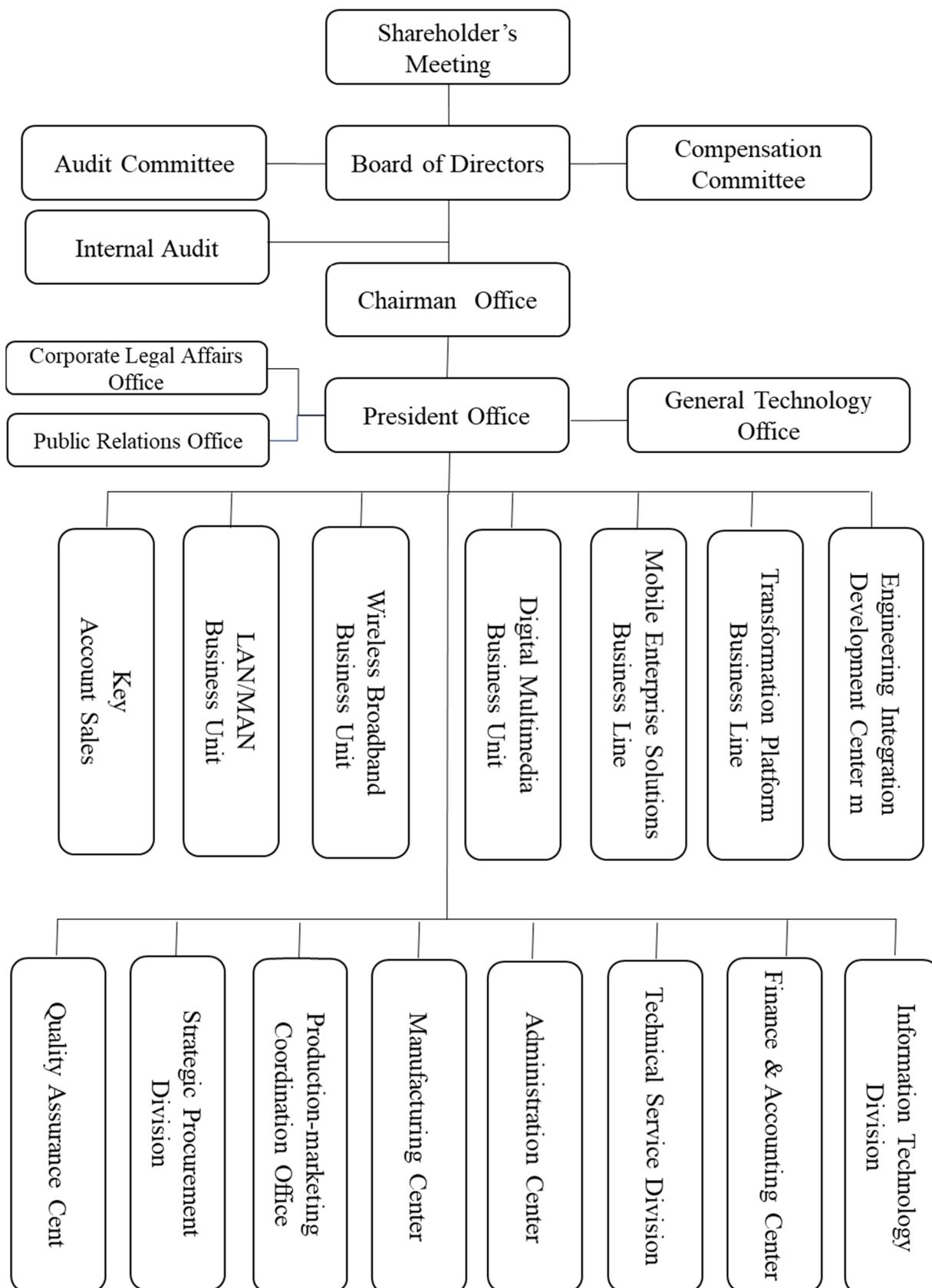
April 2012	The development and testing of IEEE802.11ac router, IEEE802.11ac network adapter and IEEE802.11ac USB Dongle was completed.
May 2012	The Company was ranked 146 th among 2011 Taiwan Manufacturing Top 1000 in Commonwealth Magazine issue No. 496 and 8 th in the communication and networking category.
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 were 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 were 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 radars to Thai automakers.
December 2020	The Company shipped more than 6 million units of IP Camera.
January 2021	The Company developed independent 5G enterprise network end-to-end solutions successfully.
August 2021	The Company invested in Aespula Technology Inc. a company with industry-leading 5G PHY technology.
December 2021	The Company entered the field of low-orbit satellite communication equipment development officially.

Corporate Governance

I. Organization Structure:

(I) Organization Chart



(II) Business Scope for Main Departments

Departments	Functions and Responsibilities
Internal Audit	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.
Corporate Legal Affairs Office	Ensure the legal status of the Company's investment, technology, procurement, marketing, creditor's rights, intellectual property rights and other related businesses. To safeguard the Company's maximum rights and interests.
Public Relations Office	Shape corporate image and manage public relations, including duration, 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.
Transformation Platform Business Line	Execute the Company's established business goals and complete the business promotion, product planning, product development and testing of the development of 5G multi-access edge computing and cloud native platform technology application products
Mobile Enterprise Solutions Business Line	Execution of operational goals; promotion, planning, research, development and testing of mobile enterprise solution products.
Technical Service Division	Planning and execution of cabling works, safety standards and EMC technology for network-related hardware.
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.
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.
Production-marketing Coordination Office	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.
Strategic Procurement Division	In response to the raw material market and the Company's product trends, formulate procurement strategies and plan, implement and supervise the processes related to supplier management and procurement operations.
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, 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

1. Directors Information

April 2, 2022; unit: shares, %

Title	Nationality or Place of Registration	Name	Gender & Age	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 2)
							Shares	%	Shares	%	Shares	%	Shares	%		
Chairperson and CEO (Note1)	Republic of China	Representative of Qisda Corporation	-	01/28/2021	3	06/15/2018	295,163,126	54.49%	295,797,126	54.60%	0	0.00%	0	0.00%	-	-
	Republic of China	Wen-Fang Huang	Female 51~60	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 Vice President & General Manager, Commercial & Industrial Products of Qisda Corp Director of Qisda Optromics Corp.	Director, Chairperson and CEO, Alpha Networks, Inc. Chairperson, Hitron Technologies Inc. Director, Innoauto Technologies Inc. Director, BenQ Foundation Chairperson, Alpha Foundation
Director and President (Note1)	Republic of China	Representative of Qisda Corporation	-	01/28/2021	3	06/15/2018	295,163,126	54.49%	295,797,126	54.60%	0	0.00%	0	0.00%	-	-
	Republic of China	Yu-Chin Lin	Male 51~60	01/28/2021	3	06/18/2015	1,068,339	0.20%	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.	President, Alpha Networks Inc. Vice Chairperson, Hitron Technologies Inc. Director, Interactive Digital Technologies Inc. Director, Alpha Foundation
Director and Vice Chairperson (Note1)	Republic of China	Representative of Qisda Corporation	-	01/28/2021	3	06/15/2018	295,163,126	54.49%	295,797,126	54.60%	0	0.00%	0	0.00%	-	-

Title	Nationality or Place of Registration	Name	Gender & Age	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 2)
							Shares	%	Shares	%	Shares	%	Shares	%		
Director (Note 1)	Republic of China	Chi-Hong Chen	Male 61~70	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.	Chairperson, Qisda Corporation Director, Darfon Electronics Corp. Chairperson, DFI Inc. Director, Hitron Technologies Inc. Chairperson, BenQ Medical Technology Corporation Chairperson, Partner Tech Corp Director, BenQ Materials Corp. Director, BenQ corporation Director, Darly Venture Inc Director, Darly2 Venture, Inc. Director, Darly Consulting Corporation. Director, BenQ Healthcare Consulting Corporation Director, BenQ Hospital Management Consulting (Nanjing) Co., LTD. Director, NANJING BenQ Hospital Co., Ltd Director, Suzhou BenQ Hospital Co., Ltd. Director, Qisda Corporation Director, BenQ BM Holding Corp. Director, BenQ BM Holding Cayman Corp. Director, Qisda (L) Corp. Director, Darly Venture (L) Ltd. Director, BenQ Foundation Director, Phoenix Venture Capital Co., Ltd. Director, Phoenix 2 Venture Capital Co., Ltd. Director, Phoenix 3 Venture Capital Co., Ltd.
							295,163,126	54.49%	295,797,126	54.60%	0	0.00%	0	0.00%	-	-

Title	Nationality or Place of Registration	Name	Gender & Age	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 2)
							Shares	%	Shares	%	Shares	%	Shares	%		
	Republic of China	Chiu-Chin Hung	Female 51~60	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.	Chief Financial Officer, Qisda Corp. Director, Darfon Electronics Corp. Director, Sysage Technology Co., Ltd Director, Simula Technology Inc. Director, Data Image Corporation Director, K2 International Medical Inc. Director, BenQ corporation. Chairperson, Darly Venture Inc. Chairperson, Darly Consulting Corporation. Director, BenQ Healthcare Consulting Corporation Director, BenQ Hospital Management Consulting (Nanjing) Co., LTD. Director, NANJING BenQ Hospital Co., Ltd. Director, Suzhou BenQ Hospital Co., Ltd. Director, Suzhou BenQ Investment Co., Ltd. Director, BenQ Biotech (Shanghai) Co., Ltd. Director, Shanghai Filter Technology Co., Ltd. Director, Qisda Corporation. Director, BenQ Co.,Ltd Director, BenQ BM Holding Corp. Director, BenQ BM Holding Cayman Corp. Director, Qisda Sdn. Bhd. Director, Qisda (L) Corp. Director, Darly Venture (L) Ltd.
Independent Director (Note 1)	Republic of China	Shu-Hsing Li	Male 61~70	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 President, Taiwan Accounting Association	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.

Title	Nationality or Place of Registration	Name	Gender & Age	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 2)
							Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director (Note 1)	Republic of China	Cheng-Jung Chiang	Male 61~70	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.	Chairperson and General Manager, Taiwan-Asahi Environmental Technology Co., Ltd Chairperson and General Manager, Diamond Technical & Trading Corp. Independent Director, Sampo Corporation Independent Director, Chernan Metal Industrial Corp. Independent Director, FIT Holding Co., Ltd. Adjunct Professor, Dept. of Aerospace Engineering, Tamkang University
Independent Director (Note 1)	Republic of China	Ming-Der Hsieh	Male 51~60	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 Chairperson, Taiwan IC Design Society Chairperson, Department of Electrical Engineering, National Cheng Kung University Deputy General Director, Information and Communications Research Laboratories, Industrial Technology Research Institute	Miin Wu School of Computing, National Cheng Kung University Professor, Department of Electrical Engineering, National Cheng Kung University Director, Innovation Technology Service Foundation.

Note: 1. Directors holding shares of the Company in the name of others: None.

2. The director has a spouse or second-degree kinship with other executives or directors: None

3. Chairperson 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

Note 1: Elected as director in the 2021 1st Special Shareholders' Meeting held on January 28, 2021.

Note 2: Please refer to the section "Directors, Supervisors and Presidents of Affiliates" in the annual report.

2. 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%
	Konly Venture Corporation.	2.55%
	Taishin International Bank entrusted with the Qisda Corporation Employee Stock Ownership Trust Account	2.08%
	Darfon Electronics Corp.	2.03%
	Citibank Taiwan in Custody for Norges Bank.	1.03%
	Citibank Taiwan in Custody for Polumin Developing Countries fund LLC.	1.03%
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds.	0.96%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.93%
	Taishin International Bank in Custody for Creo Venture Corp. Trust Account.	0.87%

Note: The shareholding reference date was April 1, 2022.

3. 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%
	Quanta Computer Inc.	4.61%
	Bank SinoPac in Custody for the Employees Stock Ownership Trust account for the Committee of Employees Stock Ownership Trust of AU Optronics Corp.	4.58%
	ADR of AU Optronics Corp.	4.19%
	Fubon Life Assurance Co., Ltd.	3.93%
	Tong Hwei Enterprise Co., Ltd.	1.58%
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.26%
	Citibank Taiwan in Custody for Norges Bank.	0.97%
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	0.94%
	New Labor Pension Fund.	0.79%
Acer Incorporated (Note2)	Hung Rouan Investment Corp.	2.42%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Universities Superannuation Scheme Limited	1.53%
	ANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	1.33%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.21%
	Standard Chartered Bank in Custody for Credit Suisse International	1.20%
	J.P. MORGAN SECURITIES PLC	1.16%
	Stan Shih	1.15%
	Standard Chartered Bank in Custody for iShares MSCI TAIWAN ETF	1.01%
	Saudi Arabian Monetary Authority - fund manager Amundi Asset Management - Mandate: Emerging Market Equity	0.97%
	Citibank Taiwan in Custody for Acer GDR	0.95%
Konly Venture Corporation. (Note 3)	AU Optronics Corporation	100%
Darfon Electronics Corp. (Note4)	Qisda Corporation	20.72%
	BenQ Corporation	5.01%

Name of Institutional Shareholders	Substantial Shareholders of the Institutional Shareholders	Shareholding Percentage (%)
	Citibank Taiwan in Custody for Norges Bank	2.06%
	Qing-Rui, Zhang	1.66%
	Mega International Commercial Bank Co., Ltd.	1.62%
	Standard Chartered Bank in Custody for Credit Suisse International	1.48%
	Kai-Chien Su	1.45%
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	1.08%
	J.P. MORGAN SECURITIES PLC	1.07%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.95%

Note 1: The shareholding reference date was April 19, 2020.

Note 2: The shareholding reference date was April 13, 2021.

Note 3: MOEA registration publicity materials.

Note 4: The shareholding reference date was April 25, 2021.

4. Professional Qualifications and Independence Analysis of Directors

Criteria Name	Professional qualifications and experience (Note)	Independence situation	Number of Other Public Companies Concurrently Serving as an Independent Director
Representative of Qisda Corporation: Wen-Fang Huang	<ol style="list-style-type: none"> Specializing in technology, management and business fields and serving as chairperson/board member of other listed companies There is no one of the circumstances of Article 30 of the Company Law 	<ol style="list-style-type: none"> The number and proportion of the Company's shares not held by the person, spouse, or relatives within the second degree of kinships (or in the name of others) The spouse, relatives within the second-degree kinships, not serving as directors, supervisors or employees of the Company or its affiliated companies It is not providing remuneration for business, legal, financial, accounting and other services to the Company or its affiliates in the last 2 years. The nomination and election of members of the board of directors of the Company follows the provisions of the Company's articles of association and adopts a candidate nomination system. In addition to evaluating the academic qualifications of each candidate, it also abides by the "Rules for Election of Directors" and "Corporate Governance Code of Practice" to ensure that the board members diversity and independence. 	0
Representative of Qisda Corporation: Chi-Hong Chen	<ol style="list-style-type: none"> Specializing in technology, leadership, decision-making ability, international perspective, operational judgment, business management, business and economics and crisis management and serves as the Chairperson/board member of other listed companies. There is no one of the circumstances of Article 30 of the Company Law 	<ol style="list-style-type: none"> The number and proportion of the Company's shares not held by the person, spouse, or relatives within the second degree of kinships (or in the name of others) The spouse, relatives within the second-degree kinships, not serving as directors, supervisors or employees of the Company or its affiliated companies It is not providing remuneration for business, legal, financial, accounting and other services to the Company or its affiliates in the last 2 years. The nomination and election of members of the board of directors of the Company 	0

		follows the provisions of the Company's articles of association and adopts a candidate nomination system. In addition to evaluating the academic qualifications of each candidate, it also abides by the "Rules for Election of Directors" and "Corporate Governance Code of Practice" to ensure that the board members diversity and independence.	
Representative of Qisda Corporation: Chen Yu-Chin Lin	<ol style="list-style-type: none"> 1. Specializes in technology, management and business fields and serves on the boards of other listed companies. 2. There is no one of the circumstances of Article 30 of the Company Law 	<ol style="list-style-type: none"> 1. The spouse, relatives within the second-degree kinships , not serving as directors, supervisors or employees of the Company or its affiliated companies 2. It is not providing remuneration for business, legal, financial, accounting and other services to the Company or its affiliates in the last 2 years. 3. The nomination and election of members of the board of directors of the Company follows the provisions of the Company's articles of association and adopts a candidate nomination system. In addition to evaluating the academic qualifications of each candidate, it also abides by the "Rules for Election of Directors" and "Corporate Governance Code of Practice" to ensure that the board members diversity and independence. 	0
Representative of Qisda Corporation: Chiu-Chin Hung	<ol style="list-style-type: none"> 1. Specializes in business and economics and management and serves on the boards of other listed companies. 2. There is no one of the circumstances of Article 30 of the Company Law 	<ol style="list-style-type: none"> 1. The number and proportion of the Company's shares not held by the person, spouse, or relatives within the second degree of kinships (or in the name of others) 2. The spouse, relatives within the second-degree kinships , not serving as directors, supervisors or employees of the Company or its affiliated companies 3. It is not providing remuneration for business, legal, financial, accounting and other services to the Company or its affiliates in the last 2 years. 4. The nomination and election of members of the board of directors of the Company follows the provisions of the Company's articles of association and adopts a candidate nomination system. In addition to evaluating the academic qualifications of each candidate, it also abides by the "Rules for Election of Directors" and "Corporate Governance Code of Practice" to ensure that the board members diversity and independence. 	0
Shu-Hsing Li	<ol style="list-style-type: none"> 1. Specialized in accounting and business fields and taught at National Taiwan University and served as an independent director of other listed companies. 2. There is no one of the circumstances of Article 30 of 	<ol style="list-style-type: none"> 1. The number and proportion of the Company's shares not held by the person, spouse, or relatives within the second degree of kinships (or in the name of others) 2. The spouse, relatives within the second-degree kinships, not serving as directors, supervisors or employees of the Company or its affiliated companies. 	3

	the Company Law	<p>3. It is not providing remuneration for business, legal, financial, accounting and other services to the Company or its affiliates in the last 2 years.</p> <p>4. Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company (in compliance with the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)</p> <p>5. The nomination and election of members of the board of directors of the Company follows the provisions of the Company's articles of association and adopts a candidate nomination system. In addition to evaluating the academic qualifications of each candidate, it also abides by the "Rules for Election of Directors" and "Corporate Governance Code of Practice" to ensure that the board members diversity and independence.</p>	
Cheng-Jung Chiang	<p>1. Specializing in aerospace engineering and teaching at Tamkang University and serving as an independent director of other listed companies</p> <p>2. There is no one of the circumstances of Article 30 of the Company Law</p>	<p>1. The number and proportion of the Company's shares not held by the person, spouse, or relatives within the second degree of kinships (or in the name of others)</p> <p>2. The spouse, relatives within the second-degree kinships , not serving as directors, supervisors or employees of the Company or its affiliated companies</p> <p>3. It is not providing remuneration for business, legal, financial, accounting and other services to the Company or its affiliates in the last 2 years.</p> <p>4. Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company (in compliance with the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)</p> <p>5. The nomination and election of members of the board of directors of the Company follows the provisions of the Company's articles of association and adopts a candidate nomination system. In addition to evaluating the academic qualifications of each candidate, it also abides by the "Rules for Election of Directors" and "Corporate Governance Code of Practice" to ensure that the board members diversity and independence.</p>	3
Ming-Der Hsieh	<p>1. Specialized in the field of electrical engineering and taught at NCKU.</p> <p>2. There is no one of the circumstances of Article 30 of</p>	<p>1. The number and proportion of the Company's shares not held by the person, spouse, or relatives within the second degree of kinships (or in the name of others)</p> <p>2. The spouse, relatives within the second-</p>	0

	the Company Law	<p>degree kinships , not serving as directors, supervisors or employees of the Company or its affiliated companies</p> <p>3. It is not providing remuneration for business, legal, financial, accounting and other services to the Company or its affiliates in the last 2 years.</p> <p>4. Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company (in compliance with the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)</p> <p>5. The nomination and election of members of the board of directors of the Company follows the provisions of the Company's articles of association and adopts a candidate nomination system. In addition to evaluating the academic qualifications of each candidate, it also abides by the "Rules for Election of Directors" and "Corporate Governance Code of Practice" to ensure that the board members diversity and independence.</p>	
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Note: Educational experience, gender and work experience of each director (please refer to P11-P14 of this annual report)

5. Diversification and Independence of Board

(1) Diversification of Board of Directors

The Company advocates and respects the policy of diversity of directors. In order to strengthen corporate governance and promote the development of the composition and structure of the board of directors, it is believed that the policy of diversity will help improve the overall performance of the Company. The election and appointment of board members are based on the principle of employing talents and they have multiple complementary capabilities across industries, including basic composition (such as age, gender, etc.), as well as industry experience and related skills (such as environmental engineering, technology, accounting and charitable organizations, etc.), as well as business judgment, business management, leadership decision-making and crisis management capabilities. In order to strengthen the functions of the board of directors and achieve the ideal goals of corporate governance, Article 20 of the Company's "Code of Practice on Corporate Governance" states that the board of directors should have the following capabilities as follows:

- | | |
|------------------------|--|
| 1.Operational Judgment | 2.Accounting and financial analysis skills |
| 3.Management ability | 4.Crisis management capabilities |
| 5.Industry knowledge | 6.International perspective |
| 7.Leadership | 8.Decision-making capacity |

The Company's current board member diversification policy and implementation are as follows

Diversified Core Name	Component							Professional background	Industry experience								
	Nationality	Gender	Employee	Age			Tenure of independent directors		Operational Judgment	Accounting and financial analysis skills	Management ability	Crisis management capabilities	Industry knowledge	International perspective	Leadership	Decision-making capacity	
				41~50	51~60	61~70	Below 3 years										Above 3 years
Representative of Qisda Corporation: Wen-Fang Huang	R.O.C	Female	V		V				Business Management, Economics	V		V		V	V	V	
Representative of Qisda Corporation: Chi-Hong Chen	R.O.C	Male				V			Business Management, Electrical Engineering	V	V	V	V	V	V	V	
Representative of Qisda Corporation: Yu-Chin Lin	R.O.C	Male	V		V				Business Management, Electronic Communications	V		V		V	V	V	
Representative of Qisda Corporation: Chiu-Chin Hung	R.O.C	Female			V				Corporate Finance		V	V		V	V	V	
Shu-Hsing Li	R.O.C	Male				V		V	Accounting, Financial Management		V	V			V		
Cheng-Jung Chiang	R.O.C	Male				V		V	Business Management, Aerospace Engineering			V		V	V		
Ming-Der Hsieh	R.O.C	Male			V		V		Electrical Engineering	V				V	V		

- The 7th board of directors of the Company has 7 directors (including 3 independent directors), of which 4 are appointed by Qisda Corporation. And 4 professional managers come to Alpha to serve as directors. Except for 2 women, they are good at leadership. , The overall ability of Operational judgment, leadership decision-making, operation management, international market outlook, crisis management, etc. and has industrial experience and professional ability, including directors Chi-Hong Chen, Wen-Fang Huang, Yu-Chin Lin, Ming-Der Hsieh and Cheng-Jung Chiang; good at accounting, Director Shu-Hsing Li and Chiu-Chin Hung with extensive experience in finance and management.
- The independent director of the Company has not served for more than 3 consecutive terms. The members of the board of directors are all from their own countries and the composition structure is 43% of 3 independent directors and 29% of 2 directors with employee status. According to the age distribution range of directors, there are 4 directors in the age range of 51-60 and 3 directors in the age range of 61-70. In addition to the above, the Company also pays attention to gender equality in the composition of the board of directors. The current board members include 2 female members and the proportion of female directors is as high as 29%.
- The orientation, complementarity and implementation of directors' diversity have been included and better than the standards set out in Article 20 of "Corporate Governance Practices". The diversification policy will be revised in a timely based on the operation of the board of directors, the type of operation and the development needs, including but not limited to the two major standards of basic conditions and values, professional knowledge and skills, to ensure that members of the board of directors should generally have the knowledge, skills and qualities necessary to perform their duties in the future.

(2) Independence of Board of Directors

The board of directors of the Company is composed of professionals with diverse backgrounds, sufficient professional knowledge, experience and outstanding insight and high ethical standards. In addition, the Company attaches great importance to the independence of directors and complies with relevant laws and regulations to judge and evaluate the independence of independent directors. Spouse and relatives within the second degree of kinship.

The election of directors of the Company adopts the candidate nomination system stipulated in Article 192-1 of the Company Law. The term of office of directors is three years. The independence of candidates for independent directors must also comply with the provisions of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies ". According to relevant laws and regulations, shareholders who hold more than 1% of the Company's total issued shares may submit a list of candidates to the Company, so that shareholders can also participate in the nomination process for director candidates. All candidates for directors will be voted on by shareholders at the general meeting of shareholders.

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

April 2, 2022

Title	Nationality	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 2)	Spouse or Relatives of Second Degree or Closer Acting as Managers			Remark (Note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation ship	
CEO (Note1)	Republic of China	Female	Wen-Fang Huang	03/19/2021	0	0.00%	0	0.00%	0	0.00%	B.S. Economic, NTU EMBA, NTU Vice President & General Manager, Commercial & Industrial Products of Qisda Corp Director of Qisda Optronics Corp. 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.	Chairperson, Hitron Technologies Inc. Director, Innoauto Technologies Inc. Director, BenQ Foundation Chairperson, 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.	Director and Vice Chairperson, Hitron Technologies Inc. Director, Interactive Digital Technologies Inc. Director, Alpha Foundation	None	None	None	-
Associate Vice President	Republic of China	Male	David Chou	05/03/2016	140,000	0.03%	18,000	0.00%	0	0.00%	MSEE, Polytechnic University Manager at Industrial Technology Research Institute Master, Texas State University	Director, Alpha Foundation 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 Master of Graduate Institute of HRM, NCU Vice President, Altek Corporation	-	None	None	None	-
Associate Vice President (Note 2)	Republic of China	Male	Morgan Chiu	09/01/2020	0	0.00%	0	0.00%	0	0.00%	Ph.D., University of Massachusetts Master, Arizona State University Bachelor of Electronic Engineering, NCTU	-	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%	Associate Vice President, Arcadyan Technology Corporation Chairperson and CEO, Airdio Wireless Inc. CTO, AboCom Corporation Vice President, Giga Solution	-	None	None	None	-

Title	Nationality	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 2)	Spouse or Relatives of Second Degree or Closer Acting as Managers			Remark (Note 3)
					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, UTStarcom Inc., Asia Pacific. Finance Manager, WorldCom Inc.	–	None	None	None	–

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

Note 2: Please refer to the section "Directors, Supervisors and Presidents of Affiliates" in annual report.

Note 3: President (or someone with an equivalent job responsibility, i.e. the highest ranking manager of the Company) and the Chairperson are the same person, or in a marital relationship with each other, or within one degree of consanguinity: None.

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 (10)	The Company	From parent Company and all subsidiaries and investees (11)
Less than NT\$ 1,000,000	Wen-Fang Huang, Yu-Chin Lin, Chiu-Chin Hung, Ming-Fu Huang, Mao-Chao Lin	Wen-Fang Huang, Yu-Chin Lin, Chiu-Chin Hung, Ming-Fu Huang, Mao-Chao Lin	Chiu-Chin Hung, Ming-Fu Huang, Mao-Chao Lin	Ming-Fu Huang, Mao-Chao Lin
NT\$ 1,000,000 (included) ~ 2,000,000 (excluded)	Chi-Hong Chen, Ming-Der Hsieh, Shu-Hsing Li, Cheng-Jung Chiang	Chi-Hong Chen, Ming-Der Hsieh, Shu-Hsing Li, Cheng-Jung Chiang	Chi-Hong Chen, Ming-Der Hsieh, Shu-Hsing Li, Cheng-Jung Chiang	Ming-Der Hsieh, Shu-Hsing Li, Cheng-Jung Chiang
NT\$ 2,000,000 (included) ~ 3,500,000 (excluded)	—	—	—	—
NT\$ 3,500,000 (included) ~ 5,000,000 (excluded)	—	—	—	—
NT\$ 5,000,000 (included) ~ 10,000,000 (excluded)	Qisda Corporation	Qisda Corporation	Qisda Corporation	Qisda Corporation
NT\$ 10,000,000 (included) ~ 15,000,000 (excluded)	—	—	Wen-Fang Huang	Wen-Fang Huang, Chiu-Chin Hung
NT\$ 15,000,000 (included) ~ 30,000,000 (excluded)	—	—	Yu-Chin Lin	Yu-Chin Lin
NT\$ 30,000,000 (included) ~ 50,000,000 (excluded)	—	—	—	—
NT\$ 50,000,000 (included) ~ 100,000,000 (excluded)	—	—	—	Chi-Hong Chen
NT\$ 100,000,000 and above	—	—	—	—
Total	10	10	10	10

Note 1: The Company re-elected directors and independent directors. Ming-Fu Huang and Mao-Chao Lin resigned as independent directors and Shu-Hsing Li and Cheng-Jung Chiang were elected as independent directors in the special shareholders meeting on January 2021.

Note 2: Refer to compensation paid to directors in 2020, including base compensations, allowances, severance pays, bonuses and incentives.

Note 3: The amount of provisions and payments comply with regulations in 2021.

Note 4: Directors' Remuneration in 2021.

Note 5: Refer to directors' allowances in 2021 (including provisions of base compensation, travel fees, special allowances, various 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 6: Profit refers to the profit for the year in the 2021 parent company only financial statements of Alpha Networks Inc.

Note 7: Refers to compensation paid to directors who also served as president, vice president, other managers or employees in 2021 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 8: Refers to compensation paid to directors who also served as president, vice president, other managers or employees in 2021 those who obtain employee compensation (including stock and cash), the amount of employee compensation shall be distributed according to the proposal approved by the board of directors on March 4, 2021.

Note 9: Remuneration (including remuneration of employees, directors and supervisors) and business execution fees and other related remunerations received by directors, supervisors or managers of the subsidiary's foreign investment business in 2021.

Note 10: All companies included in the consolidated statements include the Company.

Note 11: The total amount of remuneration paid by the parent company and all invested enterprises (including the Company) to the directors of the Company.

(II) 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.

(III) Compensation Paid to the President and Vice Presidents

Title	Name	Salary (A) (Note 2)		Pension (B) (Note 3)		Bonus and Special Allowances (C) (Note 4)		Employee Remuneration (D) (Note 5)				(A+B+C+D) as a % of Profit (Note 6)		Compensation from Non-consolidated Affiliates (Note 7)
		The Company	From All Consolidated Entities (Note 8)	The Company	From All Consolidated Entities (Note 8)	The Company	From All Consolidated Entities (Note 8)	The Company		From All Consolidated Entities (Note 8)		The Company	From All Consolidated Entities (Note 8)	
								Cash	Stock	Cash	Stock			
CEO	Wen-Fang Huang (Note 1)	11,700	11,700	—	—	5,829	5,829	10,842	—	10,842	—	6.54	6.54	2,851
President	Yu-Chin Lin													

December 31, 2021; Unit: NTD thousand; thousand shares

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) (Note 9)
Less than NT\$ 1,000,000	—	—
NT\$ 1,000,000 (included) ~ 2,000,000 (excluded)	—	—
NT\$ 2,000,000 (included) ~ 3,500,000 (excluded)	—	—
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)	Wen-Fang Huang	Wen-Fang Huang
NT\$ 15,000,000 (included) ~ 30,000,000 (excluded)	Yu-Chin Lin	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 1: The board of directors approved Chairperson Wen-Fang Huang as CEO on March 19, 2021.

Note 2: Refer to compensation paid to President and Vice Presidents in 2021, including base compensations, allowances and severance pays.

Note 3: The amount of provisions and payments comply with regulations in 2021.

Note 4: Refer to President and Vice Presidents' allowances in 2021 (including provisions of base compensation, travel fees, special allowances, various 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 5: Employee remuneration in 2021, according to the Company's board of directors approved the proposed distribution of employee remuneration amount on March 4, 2021.

Note 6: Profit refers to the profit for the year in the 2021 parent company only financial statements of Alpha Networks Inc.

Note 7: Refers to the remuneration, remuneration (including the remuneration of employees, directors and supervisors) and business execution expenses received by the general manager and deputy general managers as directors, supervisors or managers of the subsidiary's foreign investment business or the parent company in 2021 and other related remuneration.

Note 8: All companies included in the consolidated statements include the Company.

Note 9: The total amount of remuneration paid by the parent company and all invested enterprises (including the Company) to the President and Vice Presidents of the Company

(IV) If the listed company has the following circumstances, it shall disclose the remuneration of the top five top executives individually:

1. The Company that has posted after-tax deficits in the parent company only financial reports or individual financial reports within the three most recent fiscal years shall disclose the remuneration paid to individual directors and supervisors. This requirement, however, shall not apply if the Company has posted net income after tax in the parent company only financial report or individual financial report for the most recent fiscal year and such net income after tax is sufficient to offset the accumulated deficits: not applicable.
2. Those listed on the companies whose corporate governance evaluation results in the most recent year are at the last level: no such situation.

(V) Employees' Profit Sharing Paid to Managers:

December 31, 2021; Unit: NTD thousand

Title (Note 1)	Name (Note 1)	Stock (Note 2)	Cash (Note 2)	Total	Total as a % of Profits (Note 3)
Chairperson	Wen-Fang Huang	0	15,004	15,004	4.68%
President	Yu-Chin Lin				
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 1: Incumbent as of December 31, 2021.

Note 2: It is employee compensation in 2021.

Note 3: Refers to the net profit after tax in the 2021 standalone financial report.

(VI) 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:

Items Title	The Company				All Consolidated Entities			
	2020		2021		2020		2021	
	Amount	Total Compensation as a % of Profits	Amount	Total Compensation as a % of Profits	Amount	Total Compensation as a % of Profits	Amount	Total Compensation as a % of Profits
Directors	10,155	1.82	12,286	2.83	10,155	1.82	12,916	2.98
President and Vice Presidents	37,357	6.71	28,371	6.54	37,357	6.71	28,371	6.54
Net Income	556,997	-	433,888	-	556,997	-	433,888	-

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

- A. The remuneration of the directors of the Company is paid by the board of directors in accordance with the authorization of the Company's articles of incorporation, according to the director's participation in the Company's operation and contribution and with reference to the "remuneration rules for directors and functional committee members" stipulated by domestic and foreign industry standards. 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. The Company regularly evaluates the remuneration of directors in accordance with the "Measures for the Performance Evaluation of the Board of Directors" and the relevant performance evaluation and the reasonableness of the remuneration are reviewed by the Remuneration Committee and the Board of Directors.
- B. The Company's managers' remuneration is handled in accordance with the Company's articles of incorporation and relevant regulations on remuneration (salary) management and is submitted to the remuneration committee for review and approval by the board of directors. Its relevant evaluation items include its overall consideration of the

Company's operational participation and performance evaluation. Considerations include the Company's core values of practice and operational management capabilities, financial and business operation performance and comprehensive management indicators, continuous learning and participation in sustainable operations and measurement of other special contributions or major negative events, which are included in performance evaluation. Work allowances and bonuses are clearly stipulated to understand with and reward to managers for their hard work. Relevant bonuses are also based on the Company's annual operating performance, financial status, operating conditions and personal work performance. According to Article 30 of the Articles of Incorporation of the Company, more than 10% to 22.5% shall be allocated as employee compensation (including managers). The performance evaluation results carried out by the Company in accordance with relevant regulations are used as a reference for the issuance of managers' bonuses. The performance evaluation items for managers are divided into:

■ Financial indicators

According to the Company's management profit and loss statement, the contribution of each business group to the Company's profit is allocated and the target achievement rate of the manager is considered.

■ Non-Financial indicators

The practice of the Company's core values, the ability of operation and management and the participation in sustainable operations, etc., calculate the remuneration for its business performance and review the remuneration system at any time according to the actual operating conditions and relevant laws and regulations

■ The combination of remuneration paid by the Company is determined in accordance with the organizational regulations of the compensation and remuneration committee, including cash compensation, stock options, dividends, retirement benefits or resignation payments, various allowances and other measures with substantial incentives. The remuneration of directors and managers is consistent with Regulations Governing Information to be published in Annual Reports of Public Companies.

(2) Procedure for setting remuneration:

- A. In order to regularly evaluate the salaries and remuneration of directors and managers, the evaluation results of the Company's "Board of Directors Performance Evaluation Regulation" and the "Performance Management Regulation" applicable to managers and employees are used as the basis respectively.
- B. The performance self-assessment results of the Board of Directors, members of directors and members of various functional committees in 2021 are all "Excellent", which is enough to show that the well functions and operational efficiency of the Board of Directors and other functional committees of the Company.
- C. The performance appraisal and the rationality of the remuneration of the directors and managers of the Company are regularly evaluated and reviewed by the remuneration committee and the board of directors every year. Refer to the individual's performance achievement rate and contribution to the Company; it also takes into account the Company's overall operational performance and industry future. Risks and development trends and review the remuneration system at any time in accordance with the actual operating conditions and relevant laws and regulations. Besides, after comprehensively considering the current corporate governance trends, reasonable remunerations are given to achieve a balance between the Company's sustainable operation and risk control. The actual amount of remuneration for directors and managers in 2021 shall be reviewed by the Remuneration Committee and submitted to the Board of Directors for approval.

(3) Correlation with operating performance and future risks

- A. The review of the Company's remuneration policy-related payment standards and systems takes the Company's overall operating conditions as its main consideration and determines the payment standards based on the performance achievement rate and contribution, so as to improve the overall organizational team effectiveness of the board of directors and management departments.
Refer to the industry salary standard to ensure that the salary of the Company's management is competitive in the industry, so as to retain excellent management talents.
- B. The Company's managers' performance goals are combined with "risk control" to ensure that possible risks within the scope of responsibility can be managed and prevented and the results of the rating based on actual performance are linked to relevant human resources and related salary and remuneration policies. The important decisions of the management level of the Company are made after balancing various risk factors. The performance of the relevant decisions is reflected in the Company's profitability and the compensation of the management level is related to the performance of risk control.

IV. Implementation of Corporate Governance

(I) Operations of the Board of Directors:

The board of directors convened 5 (A) regular meetings in 2021 with the following attendance status:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks
Chairperson	Representative of Qisda Corporation: Wen-Fang (April) Huang	5	0	100%	Re-elected on 28 January, 2021
Director	Representative of Qisda Corporation: Chi-Hong (Peter) Chen	5	0	100%	Re-elected on 28 January, 2021
Director	Representative of Qisda Corporation: Yu-Chin, Lin	5	0	100%	Re-elected on 28 January, 2021
Director	Representative of Qisda Corporation: Chiu-Chin Hung	5	0	100%	New appointment of re-election on 28 January, 2021
Independent Director	Shu-Hsing Li	5	0	100%	New appointment of re-election on 28 January, 2021
Independent Director	Ming-Der, Hsieh	5	0	100%	Re-elected on 28 January, 2021
Independent Director	Cheng-Jung Chiang	5	0	100%	New appointment of re-election on 28 January, 2021

Other items shall be recorded:

- 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 listed in Article 14-3 of the Securities and Exchange Act: The Company has established an audit committee and the provisions of Article 14-3 of the Securities and Exchange Act are not applicable. For relevant information, please refer to the “Operation of the Audit Committee” in this annual report.
 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 2021	Name	Contents of Proposals	Reasons for Abstentions and the Results of Voting Counts
01/28/2021	1 st	Shu-Hsing Li Ming-Der, Hsieh Cheng-Jung Chiang	Appointment of members of the Remuneration Committee	Except for the three independent directors Shu-Hsing Li, Ming-Der, Hsieh and Cheng-Jung Chiang, who did not participate in the discussion and voting of the case in accordance with Article 206 of the Company Law and Article 178 of the same law, all the other attending directors agreed to approve.
03/19/2021	2 nd	Chi-Hong Chen	Donated NT\$2 million to BenQ Foundation	Except for Vice Chairperson Chi-Hong (Peter) Chen, the board of directors of the foundation, who did not participate in the discussion and voting of the case in accordance with Article 206 of the Company Law and Article 178 of the same law mutatis mutandis, all the other attending directors agreed to approve the case.
		Wen-Fang Huang Yu-Chin, Lin	Donated NT\$1 million to Alpha Foundation	Except for Chairperson Wen-Fang (April) Huang and Director Yu-Chin, Lin who serve as the chairperson and director of the foundation, in accordance with Article 206 of the Company Law and Article 178 of the same law, they did not participate in the discussion and voting of the case. All the directors present agreed to approve the case.
		Wen-Fang Huang	Appointment of Mrs.	Except for Mrs. Wen-Fang (April) Huang, the

			Wen-Fang Huang as CEO of the Company	chairperson of the board of directors, because she is an appointed person in this case, in accordance with Article 206 of the Company Law, the provisions of Article 178 of the same law shall be applied mutatis mutandis and she did not participate in the discussion and voting of the case. All the other attending directors agreed to approve the case.
08/10/2021	4 th	Wen-Fang Huang Yu-Chin, Lin	Capital increase in subsidiary Enrich Investment Corporation for NT\$80 million	Except that Chairperson Wen-Fang (April) Huang and Director Yu-Chin, Lin served as the chairperson and director of Enrich Investment Corporation respectively, in accordance with Article 206 of the Company Law, the provisions of Article 178 of the same law shall be applied mutatis mutandis and they did not participate in the discussion and voting of the case. All the attending directors agreed to approve the case.

■ 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 evaluation of the board of directors at the end of 2021 and the evaluation results of the board of directors report held in March 2022. The evaluation results of the board of directors, directors and two functional committees were all "excellent", which is enough to indicating that the Company's board of directors and functional the committee functions and operates efficiently and well.

Evaluation Cycles	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Items
Annual	From January 1, 2021 to December 31, 2021	The Board of Directors and members	Internal assessment of the board and self-assessment by each board member.	<ol style="list-style-type: none"> 1. Understanding of the goals and tasks of the Company. 2. The participation degree of the Company's operations 3. Internal relationship management and communication 4. The decision-making quality of the board. 5. The composition and structure of the board. 6. Awareness of the responsibilities of directors. 7. Selection and appointment of directors, professional qualification and continuous education. 8. Internal control
		The audit committee	Internal assessment and self-assessment made by the members of the audit committee	<ol style="list-style-type: none"> 1. The participation degree of the Company's operations 2. Acknowledgement of responsibilities of the audit committee 3. Improve the decision-making quality of the audit committee 4. Composition of the audit committee and election of members 5. Internal control
		The remuneration committees	Internal assessment and self-assessment made by the members of the remuneration committee	<ol style="list-style-type: none"> 1. The participation degree of the Company's operations 2. Acknowledgement of responsibilities of the remuneration committee 3. Improve the decision-making quality of the remuneration committee 4. Composition of the remuneration committee and election of members

■ 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. According to Article 26-3 Article 8 of the Securities and Exchange Law, the Company has established "rules of procedure for the board of directors", the content of the board of directors, operating procedures, matters to be stated in the minutes, announcements and other matters to be complied with, all of which are handled in accordance with the

rules and exercise power with a high degree of self-discipline and prudence.

3. In order to implement corporate governance, enhance the functions of the board of directors and strengthen the operation efficiency of the board of directors, the board of directors has passed the "performance evaluation management of the board of directors" on November 09, 2020, including "functional committees" and stipulated that the performance evaluation should be carried out once a year.
4. The Company's directors were re-elected on January 28, 2021 and the original 1 female director was increased to 2 female directors.
5. The Company has approved the resolution of the board of directors since March 17, 2020 to set up a corporate governance supervisor to be responsible for corporate governance related affairs.
6. Please refer to (2) Operation of Audit Committee, (3) Operation of Corporate Governance and Governance Practices of Listed and OTC Companies in "Corporate Governance Operation" of this annual report for the Company's current and most recent years to strengthen the objectives and implementation of the functions of the Board of Directors Circumstances and reasons for discrepancies in the codes and (4) If the Company has set up a remuneration committee, it shall disclose its composition, responsibilities and operation.

The Company adheres to the consistent attitude of information transparency and immediately publishes important resolutions on the public information observatory after the meeting of the board of directors to maintain shareholders' rights and interests and regularly holds legal person briefings to enhance investors' recognition of the Company.

(II) Status of the Audit Committee:

The Company has set up an audit committee, which is composed of all independent directors and convened at least once a quarter and may be convened at any time as needed. The annual focus of the audit committee is

1. Regularly communicate the audit report results with the internal audit officer according to the annual audit.
2. Regularly communicate with the Company's certified accountants on financial statement review or audit results.
3. Review financial reports.
4. Assess the effectiveness of the internal control system.
5. Pre-review of the appointment, dismissal, remuneration and service matters of the certified public accountant.
6. Review the cases of "procedures for acquiring or disposing of assets", "procedures for lending funds to others" and "procedures for endorsement guarantees".

The internal audit department sending the audit report to the independent directors for review every month, the audit officer will also report the major findings of the Company's internal control management to the members and directors in the audit committee and board meetings. A single communication with the audit officer on the important findings of the Company's internal control management. The relevant communication, including communication methods, matters and results, are also displayed on the Company's website "Communications between Independent Directors, Internal Audit Supervisors and Accountants".

Status of the Audit Committee Meetings:

The audit committee convened 4 (A) regular meetings in 2021 with the following attendance status:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks (Note3)
Independent Director (Note1)	Shu-Hsing Li	4	0	100%	New appointed
Independent Director (Note2)	Ming-Der Hsieh	4	0	100%	Re-elected
Independent Director (Note1)	Cheng-Jung Chiang	4	0	100%	New appointed

Note1: Mr. Shu-Hsing Li and Cheng-Jung Chiang were newly elected as independent directors of the Company at the special shareholders' meeting on January 28, 2021.

Note 2: Mr. Ming-Der Hsieh was re-elected as an independent director of the Company at the special shareholders' meeting on January 28, 2021.

Note 3: The Audit Committee of the Company consists of 3 independent directors and independent director Mr. Li Shu-Hsing is elected as the convener.

■ Other items that shall be recorded:

Professional qualifications of members of the audit committee of the Company

Member	Professional qualifications and experience
Shu-Hsing Li	1. Mr. Shu-Hsing Li holds a Ph.D. in Accounting from New York University. He has taught at National Taiwan University for 28 years. He has served as Vice President of Finance and Dean of the School of Management. 2. He is also an independent director of Fubon Financial Holdings Co., Ltd., Healthconn Corp. and ShareHope Medicine Co., Ltd. 3. He is currently a director of PWC Education Foundation, a director of the Ernst & Young Culture and Education Foundation and a director of the National Taiwan University Business and Accounting Alumni Association.
Cheng-Jung Chiang	1. Mr. Cheng-Jung Chiang holds a Ph.D. in business management from the State University of Maryland and established Taiwan-Asahi Environmental Technology Co., Ltd. as the chairperson and president. 2. He is also an independent director of Sambo Inc., Chernan Metal Industrial Corp. and FIT Holding Co., Ltd. 3. He is currently an adjunct professor of the Department of Aerospace Engineering, Tamkang University, director and honorary academic advisor of Commerce Development Research Institute, a supervisor of The General

	Chamber of Commerce of the Republic of China, a supervisor of the Monte Jade Science and Technology Association of Taiwan, the chairperson of the Tamkang University Elite Association and the enterprise of the NCCU. Honorary President of the Entrepreneur Class Alumni Association of the Institute, Founding President of the National Chengchi University EMBA Alumni Association, Honorary President of the Taiwan Environmental Protection Equipment Industry Association, President of Taiwan Environmental Certified LAB Commercial Association (6 th), Vice Chairperson of Taiwan PM2.5 Control Association, Vice Chairperson of Taiwan Association for Low-Carbon Society and Green Economy, Chairperson of Taiwan Soil and Groundwater Industry Strategy Alliance, National Association of Small & Medium Enterprises, R.O.C. Consultant, New Taipei City Industrial Association Consultant, Consultant of Chinese Environmental Analytical Society.
Ming-Der Hsieh	<p>1. Mr. Ming-Der Hsieh holds a Ph.D. in Electrical Engineering from Michigan State University. He taught at NCKU for 13 years and served as the Dean of the Miin Wu School of Computing, National Cheng Kung University.</p> <p>2. He has served as the chair of the Department of Electrical Engineering, NCKU, chief reviewer of the Office of Board of Science and Technology, Executive Yuan, chairperson of Taiwan IC Design Association (TICD), chair professor of Himax Technologies, Inc. and "Intelligent Networking Technology and Applied Talent Cultivation" of the Ministry of Education's Department of Information Technology. Convenor of the General Alliance of the Pilot Project, Deputy Director of the Information and Communication Research Institute of the Industrial Technology Research Institute, Director of the Semiconductor Promotion Office of the Industrial Bureau of the Ministry of Economic Affairs, etc.</p> <p>3. He is currently a director of Innovation Technology Service Foundation.</p>

- 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.
1. Items specified in Article 14-5 of the Securities and Exchange Act:
 2. 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.

The resolutions of each board meeting are in accordance with the above 1. and 2. The list is summarized as follows:

Date	Terms of 2021	Contents of Proposals	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolutions approved by 2/3 of the board of directors without the approval of the audit committee	
03/19/2021	2 nd	• Proposal of the 2020 "Internal Control System Effectiveness Assessment".	V	No such situation	
		• Proposal of 2020 consolidated financial statements.	V	No such situation	
		• Proposal of the service fees of CPAs in 2021.	V	No such situation	
		• To approve the amendment of the "Procedures for Acquisition or Disposal of Assets".	V	No such situation	
		• To approve the amendment of the "Procedures for Lending Funds to Other Parties".	V	No such situation	
		• To approve the amendment of the "Procedures for Endorsements and Guarantees".	V	No such situation	
		Resolution result (2021.3.19): All members of the audit committee agreed to approve. The Company's handling of the opinions of the audit committee: all members of the audit committee agreed to approve, so it is not applicable.			
05/07/2021	3 rd	• Proposal of The Company's 2020 Earnings Distribution	V	No such situation	
		• Proposal of 2021Q1 consolidated financial statements.	V	No such situation	
		Resolution result (2021.5.7): All members of the audit committee agreed to approve. The Company's handling of the opinions of the audit committee: all members of the audit committee agreed to approve, so it is not applicable.			
08/10/2021	4 th	• Proposal of 2021Q2 consolidated financial statements.	V	No such situation	
		• Proposal of capital increase of the subsidiary Enrich Investment Corporation.	V	No such situation	
		• Proposal of subsidiary Enrich Investment Corporation. invested in Aespula Technology Inc.	V	No such situation	
		Resolution result (2021.8.10): All members of the audit committee agreed to approve. The Company's handling of the opinions of the audit committee: all members of the audit committee agreed to approve, so it is not applicable.			
11/08/2021	5 th	• Proposal of the 2022 internal audit plan.	V	No such situation	

		• Proposal of 2021Q3 consolidated financial statements.	V	No such situation
		• Proposal of the appointment of CPAs for the audit of 2022 financial statements.	V	No such situation
		Resolution result (2021.11.8): All members of the audit committee agreed to approve.		
		The Company's handling of the opinions of the audit committee: all members of the audit committee agreed to approve, so it is not applicable.		

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

■ 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.):

The Audit Committee of the Company regular meets and discusses by quarterly and invites accountants, internal audit, financial accounting and other units to report or discuss the audit findings of the most recent financial statements (including the responsibility and independence of the lead accountant, audit or review) to the members of the Audit Committee. Scope and method, second quarter or annual financial report review or review results, analysis of important financial ratios, important accounting treatments, important regulatory updates and other related issues), internal audit results (including the report on audit matters in this period, the implementation of this period Post-period follow-up event report and update of important audit laws and regulations), major litigation case reports, financial business overview and other information.

All independent directors communicated well with internal audit officer and accountants. In order to let the members of the audit committee have a better understanding of the relevant laws and regulations and the actual operation of the Company, the Company also arranges meetings from time to time to conduct other special reports, such as risk management and other topics, so that the members of the audit committee can assist investors to ensure the Company's corporate governance and information. Transparency and other aspects of credibility to protect shareholders' rights.

1. 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 2021	Attendees	Key points of Communications	Suggestions and corrections
03/19/2021	1 st	Independent Director, Shu-Hsing Li	The 2020 Internal Control System Statement and Self-Assessment Implementation Result Report.	None
		Independent Director, Ming-Der Hsieh Independent Director, Cheng-Jung Chiang Audit Officer, He-Zheng Lin	The audit key report from December in 2020 and the follow-up situation after the period.	None
05/07/2021	2 nd	Independent Director, Shu-Hsing Li Independent Director, Ming-Der Hsieh Independent Director, Cheng-Jung Chiang Audit Officer, He-Zheng Lin	The audit key report from January to March in 2021 and the follow-up situation after the period.	None
08/10/2021	3 rd	Independent Director, Shu-Hsing Li Independent Director, Ming-Der Hsieh Independent Director, Cheng-Jung Chiang Audit Officer, He-Zheng Lin	The audit key report from April to June in 2021 and the follow-up situation after the period.	None
11/08/2021	4 th	Independent Director, Shu-Hsing Li Independent Director, Ming-Der Hsieh	The audit key report from July to September in 2021 and the follow-up situation after the period.	None
		Independent Director, Cheng-Jung Chiang Audit Officer, He-Zheng Lin	Review of the 2022 Audit Plan.	None

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

2. 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	Attendees	Communications between the Independent Directors and the CPAs	Suggestions and corrections
03/19/2021	Independent Director, Shu-Hsing Li Independent Director, Ming-Der Hsieh Independent Director, Cheng-Jung Chiang Audit Officer, He-Zheng Lin CPA Cheng-Chien, Chen	1. 2020 Financial Report Review Results Report. 2. The material regulatory changes and matters to be followed.	None
08/10/2021	Independent Director, Shu-Hsing Li Independent Director, Ming-Der Hsieh Independent Director, Cheng-Jung Chiang Audit Officer, He-Zheng Lin CPA Cheng-Chien, Chen	1. 2021 Q2 Financial Report Review Results Report. 2. The material regulatory changes and matters to be followed.	None

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 Company has established the "Code of Practice on Corporate Governance", which is related to protecting the rights and interests of shareholders, strengthening the functions of the board of directors, respecting the rights and interests of stakeholders and enhancing information transparency.	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 a spokesperson, proxy spokesperson and investor relations unit and fully discloses the contact information on the Company's website. Shareholders can respond to their opinions by telephone or email. The Company will handle it according to relevant operating procedures.	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 and implemented the firewall and risk control mechanism of affiliated companies in the Company's internal control system and "subsidiary management measures" according to the regulations.	No differences
(IV) Has the Company established the internal guidelines prohibiting insider trading on the undisclosed information?	✓		(IV) The Company has formulated the "Major Information Processing and Insider Trading Prevention Operational Procedures", which has regulated the insider trading prevention and other related matters and will also review from time to time that these measures are in correlation with the current laws and practical management needs. The relevant education and publicity for the current directors, managers and employees has been completed. The course content includes the confidential work of important information, as well as the reasons for the formation of insider trading, the identification process and the description of transaction examples to let relevant personnel know in 2021. There were 32 people in the annual education publicity course in 2021. Before the publication of quarterly operating results since 2022, the Company has conducted education and publicity on the provisions of Article 157-1 of the Securities and Exchange Act to insiders, supervisors and colleagues with specific positions, including reminders during the period of silence, insider trading The scope and object of the prohibition, the scope and disclosure method of information that has a significant impact on stock prices, penalties and legal regulations, etc., to specifically implement the prevention of insider trading. And cooperate with the competent authorities to promulgate the revised provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies ", the Company will advertise and remind insiders by email 30 days before the announcement of the annual financial report and 15 days before the announcement of the quarterly financial report and remind insiders not to dispose of shareholdings	No differences

Evaluation Item	Implementation Status			Differences and Reasons of the Differences
	Yes	No	Explanation	
			during this period since 2022.	
<p>III. Composition and Responsibilities of the Board of Directors</p> <p>(I) Has the board of directors established a diversification policy of the composition of the board of directors and has it been implemented accordingly?</p>	✓		<p>(I) According to the Company's "Code of Practice on Corporate Governance", Article 20, Paragraph 3 stipulates that the composition of the board of directors should be diversified, such as different professional backgrounds, work fields or genders, etc. and have the necessary knowledge, skills and qualities to perform their duties. . In order to achieve the ideal goals of corporate governance, the board of directors as a whole should have the following capabilities:</p> <ol style="list-style-type: none"> 1. Operational judgment. 2. Accounting and financial analysis skills. 3. Operation and management ability. 4. Crisis handling capacity. 5. Industry knowledge. 6. International perspective. 7. Leadership. 8. Decision making. <p>For the implementation of board diversity by individual directors, please refer to the specific management objectives and achievement of the Board Diversity and Independence and Director Diversity Policy in Section III, Corporate Governance Operation of this Annual Report, please refer to Note 1 (P38).</p> <p>The Board of Directors has formulated the "Director Nomination Regulations", which specifies the relevant procedures and standards for the nomination, qualification and evaluation of director candidates. The nomination of directors of the Company is through a rigorous selection process, which not only considers diverse backgrounds, professional abilities and experience, but also attaches great importance to their personal reputation for ethical behavior and leadership. At present, the board of directors of the Company consists of 7 directors with different professional backgrounds. Members include professors, industry leaders and professional managers, including two female directors and there are currently three independent directors, accounting for 43% of all director seats.</p> <p>Through the rich knowledge of the directors, the professional experience sharing of Qisda's Institutional Director, industry insight and business judgment, we strive to create good results for the Company.</p>	No differences
<p>(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?</p>	✓		<p>(II) The Company has established a risk management committee. For details of its operation, please refer to the special chapter on risk management in the annual report (P.97~P.98). In addition, although the Company does not have a nomination committee at present, the election of directors (including independent directors) of the Company in practical operation is based on candidate nomination system. The list of candidates for current directors (including independent directors) is proposed by shareholders who hold more than 1% of the Company's total shares or the board of directors.</p>	No differences
<p>(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?</p>	✓		<p>(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.</p> <p>The internal performance evaluation of the board of directors is carried out by the corporate governance director and the stock affairs unit and is carried out by means of internal questionnaires.</p> <p>The Company completed the board evaluation by the end of 2021. And the evaluation was presented in the board meeting held on March, 2022 as a reference for the continuous improvement of the functions of the board of directors.</p> <p>The board of directors are assessed on the following eight aspects:</p> <ol style="list-style-type: none"> (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 	No differences

Evaluation Item	Implementation Status			Differences and Reasons of the Differences
	Yes	No	Explanation	
(IV) Does the Company regularly evaluate the independence of CPAs?	✓		<p>(7) Election of board members and continuous knowledge development</p> <p>(8) Internal control The evaluation was conducted by means of internal questionnaires. The evaluation of the operation of the board of directors was based on two parts: the operation of the board of directors and the degree of participation of the directors.</p> <p>The evaluation result of the directors' evaluation of the operation of the board of directors is "excellent". Based on the evaluation results of the board of directors for 2021, the overall operation efficiency of the board of directors is good.</p> <p>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.</p> <p>(IV) The audit committee of the Company regularly evaluates the independence of the certified accountants every year and then reports the evaluation results to the board of directors. Please refer to Note 2 (P.39) for details on the assessment items on the independence and competence of accountants.</p> <p>After confirming that the accountants and the Company have no other financial interests and business relationships except for visa and tax cases and that the accountants' families and members do not violate their independence, the results of the most recent annual assessment were discussed and approved by the Audit Committee on November 8, 2021. After that and submitted to the resolution of the board of directors to approve the independent assessment of accountants on November 8, 2021.</p>	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 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>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 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>The execution in 2021 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. 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. 5. There were five meetings of the board of directors and four meetings of the audit committee convened in 2021. 6. There were one general shareholders' meeting was convened in 2021 and one special shareholders' meeting once was held on January 2021. 7. The all board members have completed continuous education. 8. The evaluation result of the performance evaluation of the board of directors showed excellence. 	No differences

Evaluation Item	Implementation Status			Differences and Reasons of the Differences
	Yes	No	Explanation	
			<p>9. Regularly arrange the annual investor conference and maintain the communication channels with investors.</p> <p>10. Please refer to Note 3 (P39) for the continuous education status of the corporate governance officer.</p> <p>11. The Company purchases liability insurance for directors and reports to the board of directors on insurance renewal matters.</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 (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.	No differences
(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.	No differences
(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 2021 first quarter, 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.	No differences
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.)? (I) Employee Rights and Employee Care	✓		(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. Please refer to this Annual Report Overview of Operation of Labor-Management Relations (P.82~P.83)	No differences
(II) Investor Relations	✓		(II) 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	No differences

Evaluation Item	Implementation Status			Differences and Reasons of the Differences
	Yes	No	Explanation	
(III)Supplier relationship	✓		is the investor contact information in the corporate website. (III)The Company has established a supplier review and evaluation process and the relevant internal departments will review the supplier's quality/service level, green products, environmental safety and health risks, ethical standards and social responsibility. Only those who pass the review can become partners.	No differences
(IV)Rights of interested parties	✓		(IV)The Company's website has an ESG section, which actively discloses the relevant measures and results of Alpha's sustainable development and provides communication and interaction channels for various interested parties on the ESG section [Interested parties] webpage. People interaction and communication. The identification of issues concerned by interested parties and the implementation effectiveness of various corporate sustainable development are also disclosed in the corporate sustainable development report every year and are reported to the board of directors on a regular basis (at least once a year).	No differences
(V)Situation of training for directors and supervisors	✓		(V)The Company's 2021 training for directors has been handled in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies " issued by the Taiwan Stock Exchange Corporation. For the training of directors of the Company in 2021, please refer to the latest annual director's training (P.55).	No differences
(VI)Implement risk management policies and risk measures	✓		(VI)The Company formally established the "Risk Management Committee" (hereinafter referred to as RMC) in accordance with the "Risk Management Vision, Policies and Procedures" passed by the board of directors. RMC regularly (quarterly) or irregularly identifies risks and outputs risks. The radar chart summarizes the identified risks into company-level major risks and proposes countermeasures in 2021. RMC collects, identifies and aggregates corporate risks according to four major dimensions (strategic risk, operational risk, financial risk and hazard risk)and manages risks through procedures such as risk identification, risk prevention and risk transfer. RMC's operation status and risk management results are reported to the board of directors by regularly (at least once a year)and relevant information is disclosed on the Company's website. The Company has set up a risk management committee to formulate risk management policies and regularly evaluate company risks to reduce corporate risks. For relevant information, please refer to the special chapter on risk management (P.95-P.97).	No differences
(VII)Implementation of Customer Policy	✓		(VII)The Company usually maintains close contact with customers, informs the products that meet their interests at any time and ensures that the products meet the expected reliability and quality.	No differences
(VIII)Purchase of Liability Insurance for Directors	✓		(VIII)The Company has purchased liability insurance for directors and managers, regularly assesses the insurance amount every year and reports the renewal of directors' liability insurance to the board of directors.	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 set up a section for interested parties on the Company website to understand and respond to important corporate social responsibility issues that interested parties are concerned about. Strengthen and improve projects such as corporate social responsibility. 2. The financial report of the Company is planned to be approved by the board of directors 7 days before the announcement and the financial report will be announced within 1 day after the approval date or the submission date from 2021. 3. After the annual evaluation results are announced, the Company will review the projects that have not yet met the standards and continue to improve to implement information disclosure and transparency, reduce information asymmetry and enhance shareholders' rights. 				

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

Date		Host by	Courses	Hours	Total Hours
From	To				
08/25/2020	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:

The board of directors of the Company has set up the remuneration committee and its organizational rules in accordance with the " Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange "and appointed Mr. Hsieh Ming-Der, an independent director, as the convener and chairperson of the meeting. The committee clearly defines the functions and powers of the committee and regularly reviews the performance evaluation and remuneration policies, systems, standards and structures of directors and managers and regularly evaluates and determines the remuneration of directors and managers. The committee faithfully performs its duties with the attention of good managers and submits its recommendations to the board of directors for discussion.

1. Information regarding the members of the remuneration committee

April 2, 2022

Position	Name	Criteria	Professional qualifications and experience	Independence situation	Number of Other Public Companies Concurrently Serving as a Remuneration Committee Member
Independent Director	Ming-Der Hsieh (convener)		<ol style="list-style-type: none"> Specialized in the field of electrical engineering and taught at NCKU There is no one of the circumstances of Article 30 of the Company Law 	<ol style="list-style-type: none"> The number and proportion of the Company's shares not held by the person, spouse, or relatives within the second degree of kinships (or in the name of others) The spouse, relatives within the second-degree kinships , not serving as directors, supervisors or employees of the Company or its affiliated companies It is not providing remuneration for business, legal, financial, accounting and other services to the Company or its affiliates in the last 2 years. Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company (in compliance with the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) The nomination and election of members of the board of directors of the Company follows the provisions of the Company's articles of association and adopts a candidate nomination system. In addition to evaluating the academic qualifications of each candidate, it also abides by the "Rules for Election of Directors" and "Corporate Governance Code of Practice" to ensure that the board members diversity and independence. 	0

Position / Name		Criteria	Professional qualifications and experience	Independence situation	Number of Other Public Companies Concurrently Serving as a Remuneration Committee Member
Independent Director	Shu-Hsing Li		<ol style="list-style-type: none"> 1. Specialized in accounting and business fields and taught at National Taiwan University and served as an independent director of other listed companies. 2. There is no one of the circumstances of Article 30 of the Company Law 	<ol style="list-style-type: none"> 1. The number and proportion of the Company's shares not held by the person, spouse, or relatives within the second degree of kinships (or in the name of others) 2. The spouse, relatives within the second-degree kinships, not serving as directors, supervisors or employees of the Company or its affiliated companies 3. It is not providing remuneration for business, legal, financial, accounting and other services to the Company or its affiliates in the last 2 years. 4. Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company (in compliance with the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) 5. The nomination and election of members of the board of directors of the Company follows the provisions of the Company's articles of association and adopts a candidate nomination system. In addition to evaluating the academic qualifications of each candidate, it also abides by the "Rules for Election of Directors" and "Corporate Governance Code of Practice" to ensure that the board members diversity and independence. 	3

Position Name		Criteria	Professional qualifications and experience	Independence situation	Number of Other Public Companies Concurrently Serving as a Remuneration Committee Member
Independent Director	Cheng-Jung Chiang		1. Specializing in aerospace engineering and teaching at Tamkang University and serving as an independent director of other listed companies 2. There is no one of the circumstances of Article 30 of the Company Law	1. The number and proportion of the Company's shares not held by the person, spouse, or relatives within the second degree of kinships (or in the name of others) 2. The spouse, relatives within the second-degree kinships, not serving as directors, supervisors or employees of the Company or its affiliated companies 3. It is not providing remuneration for business, legal, financial, accounting and other services to the Company or its affiliates in the last 2 years. 4. Not serving as a director, supervisor or employee of a company that has a specific relationship with the Company (in compliance with the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) 5. The nomination and election of members of the board of directors of the Company follows the provisions of the Company's articles of association and adopts a candidate nomination system. In addition to evaluating the academic qualifications of each candidate, it also abides by the "Rules for Election of Directors" and "Corporate Governance Code of Practice" to ensure that the board members diversity and independence.	3

Note: For information on the professional qualifications and experience of independent directors of the Company, please refer to the relevant content of Director Information (I) on page 13.

2. Information of Operations of the Remuneration Committee

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

(2) Term of the current Committee: From January 28, 2021 to January 27, 2024. Three meetings (A) of the remuneration committee are convened in 2021 and the attendance information is as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks
The convener	Ming-Der Hsieh	3	0	100	Re-elected on January 28, 2021
Member	Shu-Hsing Li	3	0	100	Re-elected on January 28, 2021
Member	Cheng-Jung Chiang	3	0	100	Re-elected 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 2021:

Date Meeting session	Contents of Resolutions	Results of Resolutions	Company's Response to the Opinions from the Remuneration Committee
03/19/2021 1 st of the 5 th term	1. The 2020 annual salary report for senior managers. 2. Proportion of employee and director compensation allocation. 3. Amendment to the "Remuneration Measures for	All attending members of the remuneration committee agreed.	The resolution of the board of directors was approved by all the attending directors.

	<p>Directors and Functional Committee Members".</p> <p>4. Amendment to the "Measures for the Payment of Consultant Fees for Representatives of Directors and Supervisors".</p> <p>5. It is proposed to propose the 2021 annual salary index plan for senior managers.</p> <p>6. Remuneration proposal for Chairperson and CEO.</p>		
08/11/2021 2 nd of the 5 th term	1. Report on the ratio of personnel expenses to revenue in 2019 and 2020.	All attending members of the remuneration committee agreed.	The resolution of the board of directors was approved by all the attending directors.
04/03/2022 3 rd of the 5 th term	<p>1. Remuneration distribution plan for employees and directors in 2021.</p> <p>2. It is proposed to propose the 2022 annual salary index for senior managers</p>	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.

(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:

Promotion Items	The Executions			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	
I. Whether the Company has established a governance structure to promote sustainable development and set up a (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle senior management and the supervision of the board of directors?	✓		<p>1. The Company has formulated a code of practice for the practice of sustainable development of enterprises and established the sustainable development policy of enterprises as: a. Implement corporate governance; b. Develop a sustainable environment; c. Provide a friendly workplace; d. Maintain society Public welfare; e. Strengthen the disclosure of sustainable development information.</p> <p>2. The Company has set up "CSR Committee" since 2018 and changed its name to "Sustainable Development Committee" (hereinafter referred to as ESG Committee) in 2021. The ESG Committee is responsible for condensing the Company's strategies for sustainable development and integrating internal Various organizations, including the Accounting Center, Business Units, Manufacturing Center, Quality Center, Labor Safety Department, Human Resources Department and Alpha Foundation, have invested in various tasks for the sustainable development of the enterprise and have provided information on the Company. The progress of the sustainable development of enterprise and the communication with interested parties shall be reported to the board of directors by regularly (at least once a year) and the board will review the relevant strategies and request the ESG committee to make adjustments if necessary (and reported to the board in 2022.3.4).</p> <p>3. In addition, following the principle of "strengthening the disclosure of sustainable development information", the ESG Committee has divided the "Sustainability Report Compilation Team" to strengthen "work item promotion" and "transparent disclosure" and divide the work. The report compilation team is based on the annual basis The operation method compiles and publishes the Company's Sustainability Report, which fully discloses the relevant information of the sustainable development of the Company. Moreover, before the sustainability report is issued, the content must be verified by an external third-party impartial organization and checked by the ESG committee before it is released to the public.</p> <p>4. For the governance structure and operation structure of the Company in the sustainable development of the enterprise, please refer to the ESG section of the Company website.</p>	No differences
II. 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>1. According to the five principles of interest parties (dependency, responsibility, tension, influence and multiple viewpoints), the Company's ESG Committee identifies important interest parties including: employees, customers, suppliers, investors, government agencies, etc. Issues of concern to important interest parties and by reviewing domestic and foreign research reports and literature, integrating and evaluating major ESG issues, formulating policies for effective identification, measurement, monitoring and control and taking specific action plans to reduce impact of related risks. As an important development direction basis for the sustainable development of enterprises.</p> <p>2. With reference to GRI Standards, the ESG Committee listed a total of 31 issues of concern to interest parties in terms of corporate governance, environmental protection and social responsibility and conducted a stakeholder survey. The total of 450 questionnaires were collected, of which 409 were valid questionnaires in 2021. By communicating with interest parties to understand their concerns on the environment, society and corporate governance and then appropriately planning sustainable development</p>	No differences

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			<p>strategies to respond to interest parties expectations and create the value of the Company to interest parties.</p> <p>3. Based on the evaluation, determine the relevant ESG strategy, environmental, social and corporate governance implementation projects and results, please refer to the ESG section of the Company's website, or the annual sustainability report issued by the Company (available in the ESG section 【 Sustainability Report Download 】 Website Download)</p>																								
<p>III. Environmental Issues</p> <p>(I) Does the Company establish an environmental management system according to industry characteristics?</p>	✓		<p>(I) All manufacturing plants of the Company have established an environmental management system to promote environmental management activities and have passed ISO14001:2015 certification by a third-party certification organization. At the same time, in order to effectively implement the management of hazardous substances and reduce the greenhouse gas emissions of the organization, establish a relevant management system and obtain IECQ QC080000:2017 and ISO 14064-1 certification and the relevant environmental management system can effectively reduce the impact and impact on the environment.</p> <ul style="list-style-type: none"> Environmental management system total achieved 5 Target Projects in 2021: <table border="1"> <thead> <tr> <th>Environmental policy</th> <th>Environmental target</th> <th>Achieve rate</th> </tr> </thead> <tbody> <tr> <td rowspan="2">1. Improve employees' awareness of environmental protection and implement participation in environmental protection work</td> <td>Alpha's green website update</td> <td rowspan="3">100%</td> </tr> <tr> <td>Biodiversity Practice Activities</td> </tr> <tr> <td rowspan="3">2. Save energy and improve energy efficiency</td> <td>Collection of related green regulations</td> </tr> <tr> <td>Carbon footprint checking</td> </tr> <tr> <td>The number of products that do not comply with international energy-related regulations (eg: ErP Directive, DoE, CEC, NRCan).</td> </tr> </tbody> </table> <ul style="list-style-type: none"> The hazardous substance management system total achieved 7 target items in 2021.: <table border="1"> <thead> <tr> <th>Environmental policy</th> <th>Environmental target</th> <th>Achieve rate</th> </tr> </thead> <tbody> <tr> <td rowspan="4">1. Comply with an environmental laws and regulations on the restriction of hazardous substances</td> <td>RoHS 2011/65 EU, EU2015/863, Packaging 94/62/EC, Battery 2013/56/EU are fully implemented, GPM system card control and maintenance management must be accurate.</td> <td rowspan="4">100%</td> </tr> <tr> <td>Date of expiry to exclusion clauses made preparations 1 year beforehand.</td> </tr> <tr> <td>The accuracy review of MCD data in GPM system.</td> </tr> <tr> <td>Collection of regulations</td> </tr> <tr> <td>2. Research and develop green</td> <td>The number of items controlled by the GPM system that do not in consonance with green materials is 0.</td> <td></td> </tr> </tbody> </table>	Environmental policy	Environmental target	Achieve rate	1. Improve employees' awareness of environmental protection and implement participation in environmental protection work	Alpha's green website update	100%	Biodiversity Practice Activities	2. Save energy and improve energy efficiency	Collection of related green regulations	Carbon footprint checking	The number of products that do not comply with international energy-related regulations (eg: ErP Directive, DoE, CEC, NRCan).	Environmental policy	Environmental target	Achieve rate	1. Comply with an environmental laws and regulations on the restriction of hazardous substances	RoHS 2011/65 EU, EU2015/863, Packaging 94/62/EC, Battery 2013/56/EU are fully implemented, GPM system card control and maintenance management must be accurate.	100%	Date of expiry to exclusion clauses made preparations 1 year beforehand.	The accuracy review of MCD data in GPM system.	Collection of regulations	2. Research and develop green	The number of items controlled by the GPM system that do not in consonance with green materials is 0.		No differences
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products to pursue the realm of complete HSF products	Regulatory requirements are communicated to colleagues through the platform									
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(II) Is the Company committed to enhancing resource efficiency and to the use of recycled materials with low environmental impact?	✓		<p>(II) All products of the Company are complied with EU RoHS, WEEE and other instructions in 2021 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"> 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. 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. 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. 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. <ul style="list-style-type: none"> Statistics on the number of products complying with environmental regulations in 2021 	No differences						

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(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 project includes the disclosure of projects such as climate change, water and supplier participation in 2021. The Company will continue to pay attention to global climate change and other related issues and work together to improve it. At the same time, effective power saving in 2021: (compared to 2020) Hsinchu Plant -2.7%, Dongguan Plant -10.0%, Changshu Plant -2.9%, reducing the potential impact of carbon dioxide emissions on climate change.</p> <p>The CDP result from 2019 to 2021.</p> <table border="1"> <thead> <tr> <th>Result \ Year</th> <th>2019</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Climate change</td> <td>C</td> <td>B-</td> <td>B-</td> </tr> <tr> <td>Saving water</td> <td>B-</td> <td>B</td> <td>B-</td> </tr> <tr> <td>Supplier engagement assessment</td> <td>B-</td> <td>C</td> <td>-</td> </tr> </tbody> </table>	Result \ Year	2019	2020	2021	Climate change	C	B-	B-	Saving water	B-	B	B-	Supplier engagement assessment	B-	C	-	No differences						
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(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 2021 are as follows:</p> <ol style="list-style-type: none"> The Company conducts greenhouse gas checking according to the ISO14064-1:2006 standard and has passed the TUV verification. In 2020, the total amount of GHG emission sources (Scope 1 and Scope 2) of the Company was 4,608.01 metric tons CO₂e and the direct greenhouse gas emission in Scope 1 was 117.24 metric tons CO₂e, accounting for 2.54% of the Company's emissions. Scope 2 indirect GHG emissions were 4,490.77 metric tons CO₂e, accounting for 97.46% of the Company's emissions. <ul style="list-style-type: none"> The statistics of the Company in the past two years (2019 ~2020) are as follows: <table border="1"> <thead> <tr> <th>Year</th> <th>Scope 1 (metric tons CO₂e/year)</th> <th>Scope 2 (metric tons CO₂e/year)</th> <th>Total (metric tons CO₂e/year)</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>158.67</td> <td>4,009.39</td> <td>4,168.06</td> </tr> <tr> <td>2020</td> <td>117.24</td> <td>4,490.77</td> <td>4,608.01</td> </tr> </tbody> </table>	Year	Scope 1 (metric tons CO ₂ e/year)	Scope 2 (metric tons CO ₂ e/year)	Total (metric tons CO ₂ e/year)	2019	158.67	4,009.39	4,168.06	2020	117.24	4,490.77	4,608.01	No differences										
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			<p>The Company (Hsinchu Factory) is in response to the requirements of the new version of ISO14064-1:2018 to identify greenhouse gases, including: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated Carbides (PFCs), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) and other seven greenhouse gases. The operating boundaries of the Company (Hsinchu Plant) include direct greenhouse gas emission sources (type 1), indirect greenhouse gas emission sources (type 2, type 3, type 4, type 5, type 6)</p> <ul style="list-style-type: none"> The statistics of the Company in 2021 as follows: <table border="1"> <thead> <tr> <th>Type</th> <th>Type 1</th> <th>Type 2</th> <th>Type 3</th> <th>Type 4</th> <th>Type 5</th> <th>Type 6</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>(ton CO2e)</td> <td>96.64</td> <td>4,327.42</td> <td>875.30</td> <td>14,537.48</td> <td>617,839.73</td> <td>0.00</td> <td>637,676.56</td> </tr> <tr> <td>(%)</td> <td>0.02%</td> <td>0.68%</td> <td>0.14%</td> <td>2.28%</td> <td>96.89%</td> <td>0.00%</td> <td>100.00%</td> </tr> </tbody> </table> <p>2. The sewage of the Company produced is sewage and kitchen sewage. It is not the waste water generated by the process, it is only self-disclosed sewage, including discharge water. Effluent Testing: the Company entrusts an environmental inspection and measurement agency approved by the Environmental Protection Administration of the Executive Yuan every year and test and save test report. Flowmeter calibration: Use a calibration ruler to measure and record the head overflow height actually in the triangular weir water tank pipeline on site. Water saving in 2021: (compared to 2020) Hsinchu Plant -12.1%, Dongguan Plant -27.7%, Changshu Plant -3.0%.</p> <ul style="list-style-type: none"> The statistics of the Company in the past two years (2020 ~2021) are as follows: <table border="1"> <thead> <tr> <th>Year</th> <th>Hsinchu Emissions (tons)</th> <th>Dongguan Emissions (tons)</th> <th>Changshu Emissions (tons)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>27,749</td> <td>71,805</td> <td>81,391</td> </tr> <tr> <td>2021</td> <td>22,193</td> <td>48,908</td> <td>79,787</td> </tr> </tbody> </table> <p>3. The Company formulates waste management procedures and establishes an internal effective waste management system to avoid environmental pollution due to improper waste management. Waste is divided into general waste, hazardous industrial waste and business waste. The Hsinchu Plant has set up a waste storage area that meets the regulations and entrusts the waste disposal company that has been approved by the government and has not been penalized in the past year to deal with it. To achieve waste reduction targets.</p> <ul style="list-style-type: none"> The statistics of the Company's Hsinchu, Dongguan and Changshu factories in the past two years from (2020~2021) are as follows <table border="1"> <thead> <tr> <th>Year</th> <th>general waste (Kilogram)</th> <th>hazardous industrial waste (Kilogram)</th> <th>business waste (Kilogram)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>695,335.19</td> <td>58,805.40</td> <td>147,900</td> </tr> <tr> <td>2021</td> <td>634,801.10</td> <td>48,544.00</td> <td>159,900</td> </tr> </tbody> </table> <p>Hazardous industrial waste in Hsinchu Plant reduced 34.96%, Changshu Plant reduced 2.32% , general waste in Dongguan Plant reduced 13.33% .</p> <p>The Sustainability Report of the Company can be downloaded from the ESG section 【Sustainability Report Download】 Website)</p>	Type	Type 1	Type 2	Type 3	Type 4	Type 5	Type 6	Total	(ton CO2e)	96.64	4,327.42	875.30	14,537.48	617,839.73	0.00	637,676.56	(%)	0.02%	0.68%	0.14%	2.28%	96.89%	0.00%	100.00%	Year	Hsinchu Emissions (tons)	Dongguan Emissions (tons)	Changshu Emissions (tons)	2020	27,749	71,805	81,391	2021	22,193	48,908	79,787	Year	general waste (Kilogram)	hazardous industrial waste (Kilogram)	business waste (Kilogram)	2020	695,335.19	58,805.40	147,900	2021	634,801.10	48,544.00	159,900	
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IV. Social Issues (I) Does the Company set up policies and procedures in compliance with laws and regulations as well as the international	✓		(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	No differences																																																

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recognized human rights principles?			<p>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. And adopt the standards consistent with the Responsible Business Alliance (RBA) code of conduct, abide by the regulations of each global operating base and protect the human rights of employees. In terms of policies, the Company has also formulated relevant policies and other internal management measures, clearly declaring to protect the rights of employees and take proper care of colleagues.</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>												
(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 employee remuneration?	✓		<p>(II) 1. Employee remuneration: The Company regularly measures the market salary level to formulate a reasonable salary and remuneration policy to ensure the overall salary competitiveness. It is stipulated in the Company's articles of incorporation that if the Company has a profit in the year, 10%~22.5% should be allocated as employee compensation and the Company's operation Linking performance and employee rewards.</p> <p>2. Employee benefits: 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 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.</p> <p>3. Workplace diversity and equality The Company focuses on gender equality, equal remuneration and promotion opportunities. 43.3% of employees were women and men and women were paid equally for equal work in 2021.</p> <p>The Company’s new recruits starting salary ratio</p> <table border="1"> <thead> <tr> <th>Area</th> <th>Type</th> <th>Female</th> <th>Male</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Taiwan</td> <td>direct personnel</td> <td>1</td> <td>1</td> </tr> <tr> <td>indirect personne</td> <td>1</td> <td>1</td> </tr> </tbody> </table> <p>Note: Ratio of starting salary of new recruits = starting salary of female new recruits / starting salary of male new recruits</p> <p>The average salary ratio of Alpha’s new recruits</p>	Area	Type	Female	Male	Taiwan	direct personnel	1	1	indirect personne	1	1	No differences
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Area	Type	Female	Male												
Taiwan	direct personnel	1.10	1.10												
	indirect personnel	1.66	1.66												
(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. 7. There was no occupational accident due to work and the frequency of disability injury was zero. The Company continued to strengthen work safety promotion, regularly carried out automatic inspections, paid attention to the physical and mental conditions of colleagues and ensured the safety of colleagues during work in 2020 and 2021. <p>The Company's industrial safety education training and promotion in the past two years</p> <table border="1"> <thead> <tr> <th>Year</th> <th>education training amount</th> <th>education training hours</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>770</td> <td>2,382</td> </tr> <tr> <td>2021</td> <td>995</td> <td>2,014</td> </tr> </tbody> </table>	Year	education training amount	education training hours	2020	770	2,382	2021	995	2,014	No differences		
Year	education training amount	education training hours													
2020	770	2,382													
2021	995	2,014													
(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>	No differences											
(V) Does the Company's products and services comply with relevant laws, regulations and international guidelines for	✓		<p>(V) Based on the E-CAN values, the Company puts the customer's value and needs in the first place and must achieve 【customer value】 with its mission and it is</p>	No differences											

Promotion Items	The Executions			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									
customers’ health and safety, privacy, sales, labeling and set policies to protect customers’ rights and consumer apple procedures?			<p>not false marketing to customers.</p> <p>Besides, the Company is the foundry of Netcom products and the sales activities of products to end consumers are the affairs of the OEM customers. The Company does not directly face end consumers. The content of product labels is produced and posted according to customer needs. In line with the relevant laws and regulations of various places, The Company has not violated the information and labeling regulations of products and services in 2021, nor has it violated relevant marketing communication (including advertising, promotion) regulations.</p> <p>Moreover, the Company uses an objective method through the questionnaire survey of customer satisfaction, hoping to understand from different customer groups whether the products and services provided can meet the needs of customers, as a basis for continuous improvement.</p> <p>The 【interest parties】 of the ESG section of the Company's website provides communication and interaction channels for various interest parties. For the issues raised by each interest parties, a special person is responsible for handling related matters.</p>									
(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) 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.</p> <p>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.</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 2021. 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> <p>The supplier management policy requires suppliers to follow relevant norms on issues such as environmental protection (ISO14001:2015 and QC080000:2017), occupational safety and health or labor rights and their implementation in 2021. The statistics of each factory are as follows</p> <p>• 2021 Annual Supplier Compliance Audit Statistics</p> <table border="1"> <thead> <tr> <th>Plant</th> <th>Supplier compliance audit achievement rate</th> </tr> </thead> <tbody> <tr> <td>Hsinchu</td> <td>100%</td> </tr> <tr> <td>Dongguan</td> <td>100%</td> </tr> <tr> <td>Changshu</td> <td>84%</td> </tr> </tbody> </table>	Plant	Supplier compliance audit achievement rate	Hsinchu	100%	Dongguan	100%	Changshu	84%	No differences
Plant	Supplier compliance audit achievement rate											
Hsinchu	100%											
Dongguan	100%											
Changshu	84%											
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 2021, there were five corporate social responsibility reports completed, all of which have been passed through AA1000 of Taiwan German Rhein Technology Guardianship Co., Ltd. Type I moderate assurance level verification.</p>	No differences								

Promotion Items	The Executions			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	
			The Sustainability Report of the Company can be downloaded from the ESG section【Sustainability Report Download】 Website)	
<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. 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> <ol style="list-style-type: none"> 1. For the operating procedures of daily business activities, the Company designs appropriate internal control mechanisms for operations that may have potential corruption risks, so as to reduce the possibility of corruption and prevent it before it happens. The Company's audit unit regularly evaluates the management effect of the internal control mechanism and collects suggestions on various potential risks (including fraud and corruption) from senior managers of various departments, formulates appropriate audit plans and executes relevant audits accordingly. The committee and the board of directors report the audit results, so that the management can understand the current situation of corporate governance and achieve the purpose of management. 2. 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. 				

(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 Conducts" 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 Conducts" and introduced the importance of integrity during internal training. Moreover, it is committed to following the (RBA) Responsible Business Alliance, publicizing and practicing the Company's concept of integrity management and regularly cooperates with auditing, reviewing and revising. All employees of the Company should absolutely abide by the "Integrity Management Code", "Ethics Code of Conducts" 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 polices 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 Conducts" and introduced the importance of integrity during internal training. Moreover, the Company is also committed to complying with the Responsible Business Alliance (RBA), 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 for directors on its ethical management policy, prevention programs of unethical behavior and implementation status?	✓		(II) The Company has established an integrity management working group, which is implemented by the assistant manager of the administrative management center as the chairperson. Rules formulation, education and training, complaint channels and integrity risk inspection, etc., to ensure the implementation of the integrity management code and regularly (at least once a year) report the implementation situation to the board of directors, the latest report date is March 4, 2022.	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 Conducts" 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?	✓		<p>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.</p> <p>(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 Conducts" and each newcomer is required to sign a letter of integrity ensure that every colleague knows and complies with it.</p> <p>The "Integrity" education and training of the employee code of conduct was held. The course time was 20 minutes and 2,796 people were taken in 2021.</p>	No differences
<p>III. Implementation of Complaint Procedures</p> <p>(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?</p> <p>(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?</p> <p>(III) Does the Company adopt the measures to prevent a complainant from retaliation for filing a complaint?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(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."</p> <p>(II) The Company's human resources department has established complete investigation procedures and related confidentiality mechanisms.</p> <p>(III) The Company has measures to protect complainants from being improperly handled due to complaints.</p>	<p>No differences</p> <p>No differences</p> <p>No differences</p>
<p>IV. Information Disclosure</p> <p>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)?</p>	✓		<p>The Company already discloses the "Integrity Management Code" in Market Observation Post System.</p> <p>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)</p>	No differences
<p>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 and revised in November 2020; 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."</p>				
<p>VI. Other important information to facilitate better understanding of the Company's corporate conduct and ethics compliance practices:</p> <p>(I) 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.</p> <p>(II) 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.</p> <p>(III) 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.</p> <p>(IV) 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.</p> <p>(V) 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)</p>				

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

1. 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.

- The directors of the Company uphold a high self-discipline and refrain from discussing and voting on proposals in the board of directors that have an interest in themselves or the legal person they represent. The Company's internal audit personnel also regularly check the compliance with the accounting system and internal control system and prepare audit reports for submission to the board of directors.
- The Company's managers and employees signed a confidentiality agreement at the beginning of their employment and publicized it.

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

- 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.
- 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.
- The Company approved the resolution of the board of directors to formulate the "major information processing and insider trading prevention operation procedures" on November 9, 2020, which will be promoted to directors and employees from time to time.
- The Company regularly arranges for directors to attend corporate governance courses. Please see the following table for corporate governance training undertaken by directors in 2021:

Title	Name	Date	Host by	Course Name	Hours
CEO and Representative of Institutional Chairperson of Qisda Corp.	Wen-Fang Huang	08/19/2021	Securities and Futures Institute	Discussion on employee reward strategies and tools application	3
		01/19/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum-Morning session	3
President and Representative of Institutional Director of Qisda Corp.	Yu-Chin Lin	01/19/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum-Morning and Afternoon session	6
Vice Chairperson and Representative of Institutional Director of Qisda Corp.	Chi-Hong Chen	03/15/2021	Taiwan Listed Companies Association	50 years ahead in Taiwan: Talent cultivation and disaster prevention	2
		08/19/2021	Securities and Futures Institute	Discussion on employee reward strategies and tools application	3
		11/18/2021	Digital Governance Association	Corporate integrity governance and insider transaction control	3
Representative of Institutional Director of Qisda Corp.	Chiu-Chin Hung	08/19/2021	Securities and Futures Institute	Discussion on employee reward strategies and tools application	3
		01/19/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum-Morning session	3
Independent Director	Shu-Hsing Li	01/19/2021	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum-Morning and Afternoon session	6
		10/22/2021	Taiwan Corporate Governance Association	Changes in the 5G era: industrial upgrading, future business applications and the new normal situation in the post-epidemic era	3
Independent Director	Ming-Der, Hsieh	08/19/2021	Securities and Futures Institute	Discussion on employee reward strategies and tools application	3
		10/22/2021	Securities and Futures Institute	Insider equity transaction regulations compliance propaganda instructions in 2021.	3
Independent Director	Cheng-Jung Chiang	05/12/2021	Taiwan Institute of Directors	Learning from a century-old enterprise, transforming and transforming	3
		08/19/2021	Securities and Futures Institute	Discussion on employee reward strategies and tools application	3

(IX) Status of Implementation of Internal Control System

1. Statement of Internal Control System

Alpha Networks Inc.
Statement of Internal Control System

Date: March 4, 2022

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 2021.

- I. 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.
- II. 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.
- III. 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.
- IV. Alpha has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- V. Base on the findings of such evaluation, Qisda believes that, on December 31, 2021, 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.
- VI. 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.
- VII. This statement was passed by the board of directors in their meeting held on March 4, 2022, with seven attending directors all affirming the content of this Statement.

Alpha Networks Inc.

Chairperson: 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 2021	Resolutions and follow-up
01/28/2021	2021 1 st Special Shareholders' Meeting	<ol style="list-style-type: none"> 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. 2.To revise the "Procedures for Acquisition or Disposal of Assets". Status: Proposal approved 3.To revise the "Procedures for Lending Funds to Other Parties". Status: Proposal approved 4.To revise the "Procedures for Endorsements and Guarantees". Status: Proposal approved 5.To release the newly elected directors and their representatives from non-competition restrictions. Status: Proposal approved
01/28/2021	2021 1 st BOD Meeting	<ol style="list-style-type: none"> 1.Approval of the proposal of electing a new Chairperson 2.Approval of the proposal of electing a new Vice-Chairperson 3.Approval of the proposal of appointing members of the Remuneration Committee
03/19/2021	2021 2 nd BOD Meeting	<ol style="list-style-type: none"> 1.Approval of the 2020 Internal Control System Statement and Self-assessment Implementation Results Report 2.Approval of the 2021 Business Report and Consolidated Financial Statements. 3.Approval of the amendments of the "Articles of Incorporation". 4.Approval of the amendments of the "Procedures for Acquisition or Disposal of Assets". 5.Approval of the amendments of the "Procedures for Lending Funds to Other Parties". 6.Approval of the amendments of the "Procedures for Endorsements and Guarantees". 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.
05/07/2021	2021 3 rd BOD Meeting	<ol style="list-style-type: none"> 1.The proposal of the distribution of 2020 earnings. 2.Approval of the cash dividend distribution of 2020 earnings. 3.Approval of 2020 capital surplus distribution. 4.Approval of Supplementary date and agenda for the 2021 Annual General Shareholders Meeting. 5.Approval of the proposal of financial statement of Q1, 2021. 6.Approval of the amendments of the "Code of Procedures for Board Meetings". 7.Approval of the amendments of the "Audit Committee Organizational Regulations". 8.Approval of the amendments of the "Remuneration Committee Organizational Regulations".
08/10/2021	2021 4 th BOD Meeting	<ol style="list-style-type: none"> 1.Approval of the proposal of financial statement of Q2, 2021. 2.Approval of the date for the 2021 Annual General Shareholders Meeting. 3.Approval of the proposal the bank facility renewal. 4.Approval of formulate the "Risk Management Vision, Policies and Procedures". 5.Approval of the investment of a subsidiary Enrich Investment Corporation. 6.Approval of the investment of common stock of Aespula Technology Inc. by Enrich Investment Corporation.
08/26/2021	2021 1 st Annual Shareholders' Meeting	<ol style="list-style-type: none"> 1.To Adopt the 2021 Business Report and Consolidated Financial Statements. Status: Proposal approved. 2.To Adopt the 2021 Statement of Earnings Distribution. Status: Proposal approved. 3.To revise the "Company of Incorporation". Status: Proposal approved

Date	Meeting of 2021	Resolutions and follow-up
		4.To revise the “Procedures for Acquisition or Disposal of Assets”. Status: Proposal approved 5.To revise the “Procedures for Lending Funds to Other Parties”. Status: Proposal approved 6.To revise the “Procedures for Endorsements and Guarantees”. Status: Proposal approved
11/08/2021	2021 5 th BOD Meeting	1.Approval of the 2021 internal audit plan. 2.Approval of the proposal of financial statement of Q3, 2021. 3.Approval of the proposal the bank facility renewal. 4.Approval of the appointment of 2022 CPAs for the Company’s financial statements.

(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 Chairperson, President, Accounting Manager, Financial Manager, Internal Audit Officer and R&D Director: None.

V. Information on the Professional Fees of the Attesting CPAs:

- (1) The amount of audit fees and non-audit fees paid to the CPA, accounting firm of CPA and its affiliates and the content of non-audit services

Unit: NTD thousands

Name of Accounting Firm	Name of CPA	Period of Audit Service	Audit Fee	Non-audit Fee	Total	Remarks
KPMG	Hai-Ning, Huang	01/01/2021 ~ 12/31/2021	4,260	0	4,260	
	Cheng-Chien, Chen					

- (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.

VI. Information on Replacement of CPAs: None.

VII. Has Any of the Company’s Chairperson, 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.

VIII. 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:

- (I) Changes in shares held by directors, managers and shareholders holding 10% or more of shares:

Unit: shares

Title	Name	2021		2022 Till April 2, 2022	
		Net Change of Shares Held	Net Change of Shares Pledged	Net Change of Shares Held	Net Change of Shares Pledged
Chairperson	Representatives of Qisda Corporation: Wen-Fang Huang	634,000	0	0	0
Director	Representatives of Qisda Corporation: Chi-Hong Chen				
Director	Representatives of Qisda Corporation: Yu-Chin, Lin				
Director	Representatives of Qisda Corporation: Chiu-Chin Hung				
More than 10% shareholding	Qisda Corporation				

Title	Name	2021		2022 Till April 2, 2022	
		Net Change of Shares Held	Net Change of Shares Pledged	Net Change of Shares Held	Net Change of Shares Pledged
Independent Director	Ming-Der Hsieh	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 Huang	0	0	0	0
President	Yu-Chin, Lin	0	0	0	0
R&D Director	Wen-Jiunn Tsay	0	0	0	0
Associate Vice President	Morgan Chiu	0	0	0	0
Associate Vice President	David Chou	0	0	0	0
Associate Vice President	Nicholas Ting	80,000	0	0	0
Accounting Officer, Corporate Governance Officer and Spokesperson	Shao-Ling Chen	0	0	0	0
Independent Director	Ming-Fu, Huang (Date of Dismissal: 01/28/2021)	0	0	0	0
Independent Director	Mao-Zhao, Lin (Date of Dismissal: 01/28/2021)	0	0	0	0

(II) Information of Equity Transfer: None.

(III) Information of Equity Pledge: None.

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

April 2, 2022

Name (Note1)	Shares Held		Shares Held by Spouse or Minors		Total Share Held in the Name of Other Persons		Name & Relationship between the Top 10 Shareholders (Note2)	
	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%	0	0.00%	0	0.00%	Darly Venture Inc. Darly Consulting Corporation	Subsidiary
Representatives of Qisda Corporation: Chi-Hong Chen	0	0.00%	0	0.00%	0	0.00%	None	None
Wistron Corporation	19,327,795	3.57%	0	0.00%	0	0.00%	Wise Cap Limited Company	Subsidiary
Representatives of Wistron Corporation : Xian-Ming, Lin	0	0.00%	0	0.00%	0	0.00%	None	None
Darly Consulting Corporation	12,710,000	2.35%	0	0.00%	0	0.00%	Qisda Corporation	Parent Company
Representatives of Darly Consulting Corporation: Chiu-Chin Hung	0	0.00%	0	0.00%	0	0.00%	None	None
Darly Venture Inc.	12,236,000	2.26%	0	0.00%	0	0.00%	Qisda Corporation	Parent Company
Representatives of Darly Venture Inc.: Chiu-Chin Hung	0	0.00%	0	0.00%	0	0.00%	None	None
Darly2 Venture, Inc.	4,185,000	0.77%	0	0.00%	0	0.00%	BenQ Corporation.	Parent Company
Representatives of Darly2 Venture Inc.: Chiu-Chin Hung	0	0.00%	0	0.00%	0	0.00%	None	None
Bank of Taiwan in custody for UOB-Kay Hian (Hong Kong) Limited	3,907,000	0.72%	0	0.00%	0	0.00%	None	None
Wise Cap Limited Company	3,891,501	0.72%	0	0.00%	0	0.00%	Wistron Corporation	Parent Company
Representatives of Wise Cap Limited Company : Fu-Qian, Lin	0	0.00%	0	0.00%	0	0.00%	None	None
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	3,443,750	0.64%	0	0.00%	0	0.00%	None	None
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,150,772	0.58%	0	0.00%	0	0.00%	None	None
Tron-Thai Investment Co., Ltd.	2,723,000	0.50%	0	0.00%	0	0.00%	None	None
Representatives of Investment Co., Ltd. : Qi-Neng, Cai	0	0.00%	0	0.00%	0	0.00%	None	None

Note 1: All the top ten shareholders should be listed and if they are legal person shareholders, the name of the legal person shareholder and the name of the representative should be listed separately.

Note 2: The shareholders listed in the previous disclosure include legal persons and natural persons and the relationship between them should be disclosed in accordance with the issuer's financial reporting standards.

X. 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-100005462
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-100005462
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-100005462
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) Shareholder Structure:

April 2, 2022

Shareholders structure	Government Institutions	Financial institutions	Other Juridical Persons	Foreign Institutions and Natural Persons	Domestic Natural Persons	Treasury Stocks	Total
Number of Shareholders	0	4	144	114	38,414	0	38,676
Shareholding	0	1,874,942	353,321,796	28,394,005	158,127,717	0	541,718,460
Shareholding percentage (%)	0.00%	0.35%	65.22%	5.24%	29.19%	0.00%	100.00%

(III) Diffusion of Ownership

April 2, 2022

Shareholding Range	Number of Shareholders	Shareholding	Shareholding Percentage (%)
1-999	12,902	1,849,039	0.34%
1,000-5,000	20,421	42,522,243	7.85%
5,001-10,000	2,935	24,399,918	4.50%
10,001-15,000	715	9,241,024	1.71%
15,001-20,000	570	10,707,027	1.98%
20,001-30,000	397	10,378,722	1.92%
30,001-40,000	180	6,487,593	1.20%
40,001-50,000	132	6,220,137	1.15%
50,001-100,000	239	17,628,057	3.25%
100,001-200,000	106	14,976,549	2.76%
200,001-400,000	41	11,261,133	2.08%
400,001-600,000	10	5,205,514	0.96%
600,001-800,000	7	5,020,325	0.93%
800,001-1000,000	2	1,729,772	0.32%
1,000,001 and above	19	374,091,407	69.05%
Total	38,676	541,718,460	100.00%

(IV) List of Major Shareholders

April 2, 2022

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%
Darly2 Venture, Inc.	4,185,000	0.77%
Bank of Taiwan in custody for UOB-Kay Hian (Hong Kong) Limited.	3,907,000	0.72%
Wise Cap Limited Company.	3,891,501	0.72%
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	3,443,750	0.64%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,150,772	0.58%
Tron-Thai Investment Co., Ltd.	2,723,000	0.50%

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

Unit: NTD thousand; thousand shares

Item	Year	Unit: NTD thousand; thousand shares			
		2020	2021	As of March 31, 2022 (Note 6)	
Market Price Per Share (Note 1)	High	33.45	41.35	35.65	
	Low	14.05	23.65	27.80	
	Average	26.28	33.71	31.96	
Net Worth Per Share	Before Distribution	17.91	17.73	(Note 7)	
	After Distribution	17.71	17.03	—	
Earnings Per Share	Weighted Average Outstanding Shares	540,017	541,665	(Note 7)	
	Earnings per share	1.03	0.80	(Note 7)	
Dividends Per Share	Cash Dividend (Note 2)	0.20	0.70	—	
	Stock Dividends	Dividend from retained earnings	—	—	—
		Dividend from capital surplus	—	—	—
	Accumulated Undistributed Dividends	—	—	—	
Return on Investment	Price/Earnings Ratio (Note 3)	24.52	37.93	(Note 7)	
	Price/Dividends ratio (Note 4)	126.30	43.34	—	
	Cash Dividend Yield (Note 5)	0.79%	2.31%	—	

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: As of April 2, 2022, the publication date of the annual report, for the accurate data, only listed to March 31, 2022.

Note 7: As of the publication date of the annual report, there is no information that has been certified or reviewed by the CPAs.

(VI) Dividend Policy and Execution Status:

1. 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.

(1) 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.

(2) 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.

(3) Dividends Distribution Method

Article 30-1 of the Company's articles of incorporation, the Company is in a technological and capital-intensive industry. In order to fulfill the Company's long-term capital planning and take into account of the interests of shareholders in the growth period, the Company adopts a residual dividend distribution policy to sustain the growth and operation of the Company.

When distributing dividends, the Company shall deliberate the needs for future scale of operation expansion and cash flows requirement. If the annual operating result is positive at the end of each fiscal year and the retained earnings available for distribution of the current year reaches 2% of the paid-in capital of the Company, no less than 10% of the retained earnings available for distribution of the current year shall be distributed as dividend. The proportion of cash dividends paid each year shall not be less than 10% of the total amount of the cash and stock dividends.

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

On March 4, 2022, the board of directors is going to make resolutions to distribute the cash dividends from earnings amounted to NT\$379,202,922 and the cash dividends from capital surplus amounted to NT\$54,171,846.

3. Whether there has been a material change in the expected dividend policy: None.

(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:

The Company has recognized to the distribution of the employees' compensation and directors' remuneration of 2021 at NT\$ 55,501 and NT\$ 4,163 in thousand respectively. 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: The Company has approved the resolution of the board of directors to the distribution of the employees' compensation and directors' remuneration of 2021 at NT\$ 55,501,093 and NT\$ 4,162,582 respectively on March 04, 2022.

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. The actual distribution of remuneration of employees and directors for the 2020 and any if there is discrepancies between actual distribution and the figures previously recognized, explain the amount, the cause and treatment of such discrepancies:

(1) Actual distribution of remuneration to employees and directors in the previous year: None.

(2) Differences between the proposed distribution and actual amount approved by the original board of directors: Not applicable.

(IX) Status of the Company repurchasing its own shares:

No repurchase of the Company's shares by the Company was conducted in the most recent two years and as of the publication 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:

December 31, 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"> 1. Employees may not sell, pledge, transfer, gift, charge or in any way dispose the restricted shares for the entirety of the vesting period. 2. 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"> 1. 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. 2. If employees have the following situations, the non-vested restricted shares shall be handled in the manners described: <ol style="list-style-type: none"> 2-1. 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. 2-2. Job rotation: Employees who are rotated at the Company's request may have entitlements and vesting periods adjusted with the Chairperson's approval. 2-3. Disability or death due to occupational hazards <ol style="list-style-type: none"> (1) 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. (2) For employees who die from occupational hazard, their remaining non-vested shares can be claimed by legal heirs within one month after decease. 3. 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	0
Restricted Shares as a Percentage of Total Outstanding Shares (%)	0% (Note)
Impacts on Shareholders' Equity	<p>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.</p>

Note: Calculations were based on share capital registered with the Ministry of Economic Affairs as at December 31, 2021.

(II) 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	Chairperson	John Lee	1,450	0.27%	1,450	0	0	0.27%	0	0	0	0%
	President	Yu-Chin Lin										
	Associate Vice President	David Chou										
	Associate Vice President	Nicholas Ting										
	Associate Vice President	Morgan Chiu										
	Senior Director	Wen-Jiunn Tsay										
	Director	Kathy Chen										
Employees	Senior Director	Wei-Hong Tsai	1,078	0.20%	1,078	0	0	0.20%	0	0	0	0%
	Senior Director	Ren-Jhe Chen										
	Senior Director	Jhih-Jhong Lin										
	Director	Zhi-Wen Chen										
	Director	Shi-Fang Ao										
	Director	Men-Ju Chen										
	Director	Wei Yang										
	Director	Wt Liu										
	Vice-Director	Jun-Xue Zhu										
	Vice-Director	Ming-Zhi Peng										
	Vice-Director	Ren-Sheng Huang										

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

VIII. Implementation Status of Funds:

- (I) As of the quarter before the publication date of this annual report, the Company's previous issuance or private placement of securities has not been completed or completed plan content with unrealized benefit within the latest three years: None.
- (II) As of the quarter before the publication date of this annual report, the Company's previous issuance or private placement of securities has not been completed or implementation situation of completed plan with unrealized benefit within the latest three years: Not Applicable.

Overview of Operations

I. Description of Business

(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	2021	
	Amount	%
LAN/MAN Products	8,859,528	31.80%
Wireless and Broadband Products	12,735,204	45.71%
Digital Multimedia Products	4,382,179	15.73%
Other Networking Products	1,885,425	6.76%
Total	27,862,336	100.00%

3. Current 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 planned for Development

(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 main product lines include LAN/MAN, wireless broadband, digital multimedia and mobile enterprise solutions. The Company also possesses competent software development capability for providing customers with customized and value-added solutions. The Company is one of the few professional network equipment suppliers in Taiwan that provides a complete range of networking/communication products and integrated services for hardware & software.

In response to changes in life and work style resulted from the impact of COVID-19 in 2021, which led to the increasing demand of long-distance network services, as well as driving the product upgrades and the demand of replacements. And, the large-scale commercialization of global 5G products has also increased network traffic and resulted in the growth of communication products, such as Ethernet LAN Switch, Wi-Fi 6 and 5G mobile broadband access products. For the post-epidemic era, 2022 will be a year for reshaping the network communication industry and there will be immense technological developments in the network communication industry due to the US-China technology and trade war and the continuous acceleration of global 5G business transformation. The development trends in 2021 would continue and new applications such as IoT, cloud computing, big data and mobile Internet within the global network communication industry will increase the data transmission volume exponentially. There will be constant breakthroughs and upgrades in networking and communication technologies.

According to data from IEK Consulting in February 2022, the production value of Taiwan communication equipment industry in 2021 Q4 was NT\$345.1 billion, a decrease of 1.1% compared to 2020 Q4. In terms of the network communication equipment products, as the chip shortage gradually subsided in Q4 and as Wi-Fi 6 products rapidly penetrated the market, the market for white box switches grew with a total output of NT\$131.2 billion in 2021 Q4, an increase of 1.0% compared to the same period last year.

With regards to Wi-Fi technology, Wi-Fi 5 remained the mainstream demand in 2021, but the next-generation technology, Wi-Fi 6, also entered the market. As 5G applications become more widespread, Wi-Fi 6 is becoming the mainstream demand for Internet connection. As more people work from home, there will be increased demand for the replacement of mobile phones, laptops, tablets and broadband terminal products. According to research conducted by TrendForce, Wi-Fi 5 remains mainstream among different generations of products while Wi-Fi 6 and 6E are still being promoted. To satisfy the demand for development in industries such as the Metaverse, many companies will focus on the next-generation Wi-Fi 7 with greater speed and stability. However, due to technical characteristics, maturity and current product certification conditions, Wi-Fi 6 and 6E are expected to replace Wi-Fi 5 as the mainstream technology in 2022 and their global market share may reach 58%. Wi-Fi 6 is a significant upgrade from previous generations of Wi-Fi. The biggest change is the faster connection speed. Wi-Fi 5 can support 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 become more popular 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 ongoing impact 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. 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 in November 2021, telecom operators continue to launch 5G services and 180 operators across the globe are now providing commercial 5G services. As more users switch to 5G, the number of 5G users across the globe will continue to increase and the number of LTE users will begin to drop after peaking in 2021. 5G means more than just faster network speed, higher demand for data transmission, requirements for lower latency. It will have quite an impact on the worldwide ICT industry and create new opportunities while playing a vital role in the digital transformation of other industries. Three of the most anticipated applications of 5G technologies, 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 encourage businesses to incorporate networking solutions to satisfy the mobile communication demand of industries and equipment. The trend of IoT also creates opportunities for the network communication industry. On the other hand, the low-power wide-area network (LPWAN) satisfies the demand of the IoT for low data transmission volume, low power consumption and long-distance and multi-device connections, including NB-IoT and LTE-M technologies are currently deployed across the world.

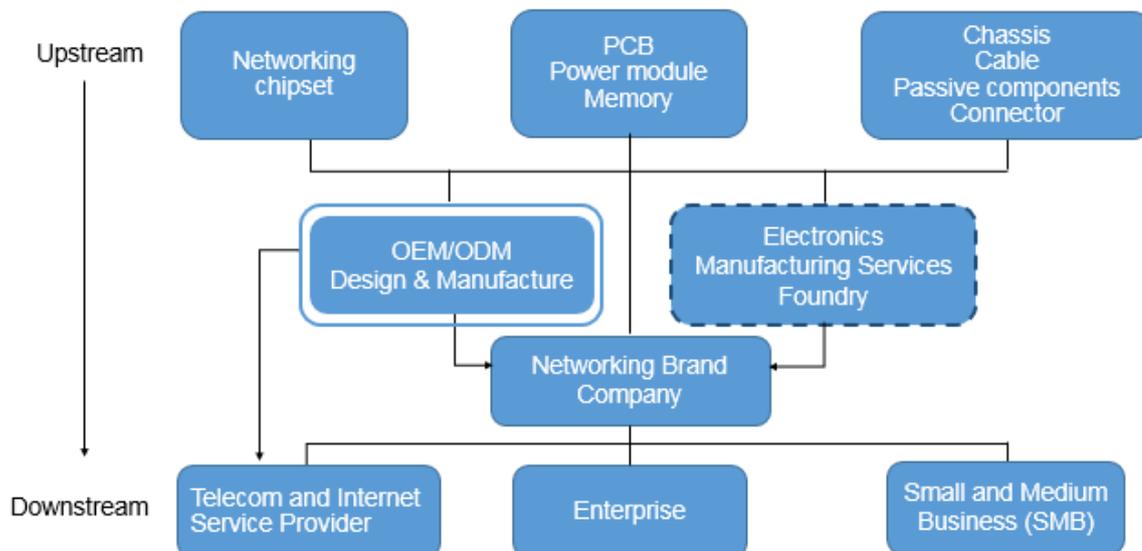
With the coming of 5G era gives rise to enormous demand for infrastructures including core network, 5G RAN, small cell, transmission equipment, network terminals and enterprises private networks. According to Gartner, global demand for small cells is estimated at US\$7.1 billion by 2022. IEK Consulting also stated that enterprise demand for 5G private network will give rise to new demand for integrated solutions incorporating high-speed switch, small cell base stations and smart connected device. 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 US\$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 an annual expenditure of US\$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 drives the 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. SDN and NFV will be the key software development for the future mobile infrastructure. With regard to the Ethernet switch industry, according to data released by IDC in December 2021, the increase in the global revenue for Ethernet switches in 2021 Q3 increased by 7.5% compared to the same period in the previous year. Mass data transmission demand of cloud-based data centers will continue to drive growth of 10Gbps and 100Gbps network switches. 400Gbps switches will begin to make their way into the market as demand for higher network speed grows. Also, the transition to high-speed wireless network and the increased demand for high-power connection equipment give rise to demand for 2.5Gbps/5Gbps switches and switches that support high power over Ethernet (PoE++).

In terms of smart home development, according to the report issued by Research and Markets, the scale of global smart home market is expected to grow from US\$79.62 billion in 2020 at a compound annual growth rate of 14.2% to US\$209.99 billion in 2027. Home security/surveillance, smart energy control and smart appliances will be the main focus of smart home solutions in the future. The development of smart home solutions will accelerate with artificial intelligence (AI) and deep learning, which will speed up the development of applications such as voice control and image recognition technologies. 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 existing copper wires to deliver higher speeds in the 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). According to the latest forecast of Yole Développement, the market value of LiDAR used for automotive radar and industrial applications will reach US\$2.3 billion in 2026, with a compound annual growth rate of 111%. 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 anti-collision radar, 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 instituted mandates for the installation of AEB in new cars in 2020 and the United States will set AEB as standard equipment for new cars in 2022. In China, new cars without AEB installed cannot obtain a 5-star rating in the new car evaluation system from 2019. As the three major automobile markets force the adoption and actively encourage the installation of the AEB system, it has become the driver of the growth in 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 for 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 and the 5G mobile communication era will give rise to a broader range of applications, which will create new online services and demand, continue to drive growth in IP data traffic and market and power growth the network communication industry.

1. Links between Upstream, Midstream and Downstream of the Industry



2. Development Trends and Competitors for the Company’s Product

(1) Product Development Trends

A. Mobile broadband network deployment and upgrade

More and more users across the world enjoy mobile broadband Internet access and mobile video and audio streaming has increased the demand for high-speed mobile Internet access. The 4G LTE market will continue to grow. As 5G networks are launched across different countries, 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-Network Bandwidth

User demand for network applications has expanded from simple data transmission to video and interactive applications. As the demand for bandwidth increases, telecom operators have accelerated the upgrading of their fixed 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. MSOs will also accelerate the deployment of fiber networks featuring 10G-PON as the mainstream specification.

C. Upgrade of Ethernet Switch for Higher Transmission Speed

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 400Gbps Ethernet will also gradually increase.

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 different 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 which offer higher speed wireless networks. As mobile data transmission increases, telecom operators continue to deploy 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 technology advances by leaps and bounds across the globe, wired and wireless network product technologies have also undergone groundbreaking developments. However, the rapid evolution in new technologies also means shorter 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, the Company provides a one-stop solution for procurement needs of major international manufacturers. Future developments in the network communication industry will focus on smart applications and integration and the speed of network technology will continue to increase. Only manufacturers with sound network communication software/hardware technologies can provide customers with the latest and most complete solutions.

(III) Overview of Technology Research and Development:

1. Research and Development Expenses During the Current Fiscal Year and as of the Publication date of the Annual Report

Unit: NTD thousands

Item	Year	2021
R&D Expenses		1,473,517
Net Sales		27,862,335
R&D Expense as a Percentage of Net Sales (%)		5.29%

2. Achievements in Technologies or Products

Year	R&D Achievements
2006	Compact ADSL Modem, Digital Media Player with support of Intel ViiVand 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.

Year	R&D Achievements
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 to fully resolve the signal interference issues of Femtocell base stations for telecom operators. 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 SNX-60A0-486F capable of supporting up to 40G passed ONIE certification. Completed the development and testing of HD 4K/HEVC digital set-top box.
2015	Successfully developed and tested 2.5G /5G /10G multi-speed switch. Successfully tested high-end cloud data center switch supporting 48 ports 25G Fiber downlink sockets and 4 ports 100G uplink sockets. Development of 180-degree fisheye IP camera. Development of STB with 4 802.11ac 5G antennas and 2 BT/RF4CE 2.4G 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 (TOR) 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. 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. Supply of 24 GHz 3-in-1 radar solution incorporating automotive camera to customers for validation.
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 as DCSG (Disaggregated Cell-Site Gateway) supplier for TIP (Telecom Infra Project). Shipment of G.fast central office and terminal equipment to Japan.

Year	R&D Achievements
	<p>Shipment of Wi-Fi 6 (802.11ax) wireless router through global distribution channel of partner brands.</p> <p>Shipment of outdoor 4G small cell to overseas markets.</p> <p>Shipment of Wi-Fi 6- embedded VDSL IAD to North American carriers.</p> <p>Submission of samples of enterprise indoor 5G NR Radio Unit (RU) to Chinese customers.</p> <p>Shipment of MPTCP-embedded Hybrid VDSL/LTE IAD to European carriers.</p> <p>Development of Active Video Setting (AVS) technology and integration into IP camera.</p> <p>Outdoor wireless battery-powered IP camera was shipped worldwide.</p> <p>77/ 79GHZ mmWave radar received MIC certification in Japan and was ready for mass production.</p>
2020	<p>Development of 400G data center switch with 64 ports.</p> <p>Development of XGS-PON OLT with 8 ports.</p> <p>Integration of the third-party software to virtual Optical Line Terminal (vOLT) platform to provide 8 port XGS-PON OLT.</p> <p>Development of Multi-G (1G/2.5G/5Gbps) PoE (802.3bt) switches with 48 ports and started shipping to customers.</p> <p>Development of DCSG (Disaggregated Cell Site Gateway) hardware platform of TIP (Telecom Infra Project), integration DCSG with third-party software and sent samples for customer verification.</p> <p>Joined DENT open network operating platform alliance led by Amazon and Linux foundation.</p> <p>Development of indoor enterprise 5G NR base station (Radio Unit, Distributed Unit and Centralized Unit) which supports the sub-6GHz frequency band and started sending samples to Japanese and Taiwanese customers for field trials.</p> <p>Shipment of 5G NR CPE to Korean and Japanese customers for testing and validation.</p> <p>Shipment of G.fast central office and terminal equipment to Japan.</p> <p>Development of ASL-810B with G.fast 106 MHz dual hybrid and shipment to Japanese market.</p> <p>Shipment of Wi-Fi 6- embedded VDSL IAD to North American carriers.</p> <p>Development of routers of ASL-84421L and ASL-84440L with Wi-Fi 6 and shipment to the North American telecom carrier.</p> <p>Shipment of MPTCP- embedded Hybrid VDSL/LTE IAD to European carriers.</p> <p>Development of VLT-743810F with hybrid VDSL/LTE router and shipment to European telecom carrier.</p> <p>Development of the first Wi-Fi 6E tri-band router and shipment of samples to the North American customers.</p> <p>Shipment of Wi-Fi 6 Easy MESH to global brand customer.</p> <p>Shipment of vast volume of video doorbell to tier one customers in the US.</p> <p>Development of 24GHz smart radar sensor.</p> <p>Development of 77GHz smart radar sensor.</p> <p>Development of 79GHz smart radar sensor.</p> <p>Development of mmWave radar with image fusion technology.</p> <p>Development of automotive surround view camera and Around View Monitoring (AVM) & radar sensor system.</p>
2021	<p>Development of 5G fronthaul switch with 18 ports x 25G.</p> <p>Development of 5G backhaul switch with 20 ports x 100G.</p> <p>Development of the world's first 48-port 25GBase-T data center switch.</p> <p>Development of Flex-PON OLT central office equipment with 16 ports.</p> <p>Use of Marvell's brand-new next-generation chips for the development of diverse and economic switches for small and medium enterprises.</p> <p>Collaboration with third-party software companies for the introduction of high-end data center software functions into 400G data center switch with 32 ports.</p> <p>Development and shipment of 400G data center switch with 32 ports.</p> <p>Development and shipment of XGS-PON OLT with 8 ports.</p> <p>Official mass production and shipment to the Japan market of the first indoor enterprise 5G NR base station (Radio Unit, Distributed Unit and Centralized Unit) which meets Japanese telecom regulations and supports the sub-6GHz frequency band.</p> <p>Development of the first 5W outdoor Radio Unit (RU) which supports the n78 frequency band and started sending samples to Taiwanese customers for field trials.</p> <p>Completed the O-RAN Alliance interoperability test for the first 10W outdoor Radio Unit (RU).</p> <p>Shipment of the first 5G indoor user equipment which supports Docker simulated technical service platform to Japanese customers for testing and validation.</p> <p>Development of PON-23440MS home gateway device with Wi-Fi 6/Bluetooth and 2.5GPON passive optical network connection technology and successful mass production and shipment to the Japanese telecom carrier.</p> <p>Development of PON-34000B device with 10G EPON Ethernet passive optical network connection technology and successful mass production and shipment to the Japanese customer.</p> <p>Development of PON-31001BC home Internet access device with 10GPON SFU passive optical network connection technology and successful mass production and shipment to the North American customer.</p>

Year	R&D Achievements
	Development of PON-33002B outdoor network connection device with Outdoor 10GPON ONU passive optical network connection technology and shipment to the North American customer.
	Development of Wi-Fi6 Easy MESH HGW and sent samples to European telecom operators for tests.
	Development of Wi-Fi6E tri-band router and shipment of samples to the North American and European customers.
	Shipment of Wi-Fi5/Wi-Fi6 Easy MESH certified routers to tier 1 customers in North America and Japan.
	Development of the 8m pixel PTZ (Pan/ Tilt/ Zoom), Gigabit Ethernet POE (802.3af) surveillance camera which have been shipped to the brand customer in Europe.
	Development of the 12m pixel 360° panoramic Gigabit Ethernet POE (802.3af) surveillance camera which have been shipped to the brand customer in Europe.
	Development and integration of the network surveillance camera and smart surveillance doorbell with 24GHz smart radar sensor and shipped samples to customers in North America.
	Development of the traffic flow surveillance camera with 24GHz smart radar sensor and shipment of samples to a major Japanese customer.
	Development of 77GHz water level detection sensor and shipment to the Japanese customer.
	Development of ADAS smart radar sensor with 79GHz & Electronic Control Unit (ECU) and shipment to commercial vehicle market in Taiwan.
	Development of the automotive surround view camera and Around View Monitoring (AVM) & radar sensor system and shipped samples to RV system integrators in North America.

(IV) Long and Short-term Business Development Plans

1. Short-term Business Development 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 into new markets.

With respect to product development, the Company introduces new offerings that add value, optimize product portfolio and increase market share. Alpha also establishes collaborative relationship with key IC suppliers to secure critical technology. In terms of operations, the Company aims to raise operating efficiency and performance through enhanced internal management.

2. Long-term Business Development Plans

In terms of marketing, the Company strives to expand and build up global reputation by forming business relationship with renowned manufacturers across the globe and will continue to engage customers and suppliers in business dealings that promote long-term partnerships.

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. Overview on Market and Production

(I) Market Analysis:

1. Locations where products (services) were mainly provided (supplied)

Unit: NTD thousands

Location	2021	
	Amount	% of Revenue
United States	16,567,565	59.46%
Taiwan	3,447,697	12.37%
Singapore	1,555,555	5.58%
China	1,038,852	3.73%
Other Countries	5,252,667	18.86%
Total	27,862,336	100.00%

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

2. Market Share, Supply, Demand and Growth in the Future

(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) Market Supply, Demand and Growth in the Future

Looking forward to 2022, 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. As IC material shortages subside, it is estimated that 2022 production value of Taiwan's communication equipment will grow compared to 2021. Global supply, demand and growth prospect of different networking products are explained below:

A. Switch

According to QYResearch data, the market size of global network switches is predicted to grow at a compound annual growth rate of 4.7% from 2021 to 2027, reaching US\$38.77 billion by the end of 2027. According to the research report published by research institution - Dell' Oro, the development trend of data centers and enterprises towards high-speed wireless networks. The penetration rate of 200G/400G/800G high-speed switches in 2022-2023 will increase from 18% in 2021 to 28% and 38% respectively. 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.

B. Wireless and Broadband Products

According to the Ericsson Mobility Report published in November 2021, the number of LTE users is expected to peak at 4.7 billion in 2021. As more users switch to 5G, the number will decrease to approximately 3.3 billion by late 2027. The number of 5G users is expected to reach 660 million in 2021 and 4.4 billion by late 2027, accounting for 49% of all mobile users. The latest report by Small Cell Forum showed that global small cell shipments will increase each year grow at a compound annual growth rate of approximately 77% from 2019 to 2026. 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% from 2020 to 2025.

Based on the report published by Maximize Market Research in 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 in 2019, averaging a compound growth rate of 97% per annum. In addition, the Ericsson Mobility Report dated November 2021 also predicts that by the end of 2027 the number of wireless fixed network access will grow by 17% each year to approximately 540 million by 2027. According to the data of IEK on November 2021, the global SatCom equipment market is worth approximately US\$19.4 billion and the CAGR (2020-2026) will approximately 19%.

C. Digital Multimedia

The IP Cam industry has been expanding at a constant rate. According to the latest report published by Global Market Insights, 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 annual growth rate of more than 14% per annum from 2019 to 2025.

D. Millimeter Wave Radar

According to the latest forecast of Yole Développement, the market value of LiDAR used for automotive radar and industrial applications will reach US\$2.3 billion in 2026, with a compound annual growth rate of 111%.

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. Alpha aspires 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) Professional Research and Development & 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 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 subsidiaries in China and Vietnam, 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 competitiveness in the market.

4. Positive and Negative Factors for Future Development and Response Strategies

(1) Positive Factors

A. Ongoing Increase in Network Traffic

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 people's lifestyles. Breakthroughs in communication technology, the demand for higher quality products and faster transfer speed and the increase of network traffic in data centers resulted from cloud computing all contribute to the upgrade for network communication products. As a result, the market 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 advancements in AI expand this possibility by creating new applications. Meanwhile, applications such as smart manufacturing and smart city also present network communication products with new opportunities. The Company has a complete network communication products line to provide customers with suitable hardware-software integration, research, development, design and manufacturing services and solutions.

(2) Negative Factors and Response Strategies

A. Intensified Industry Competition Compressed 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 compress over time.

Response Strategies:

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 services.

In the meantime, the Company shall invest additional resources 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, software technology will be the key for enhancing the value added of products. However, the supply of talents is starting to fall short, given the increasing demand from manufacturers.

Response Strategies:

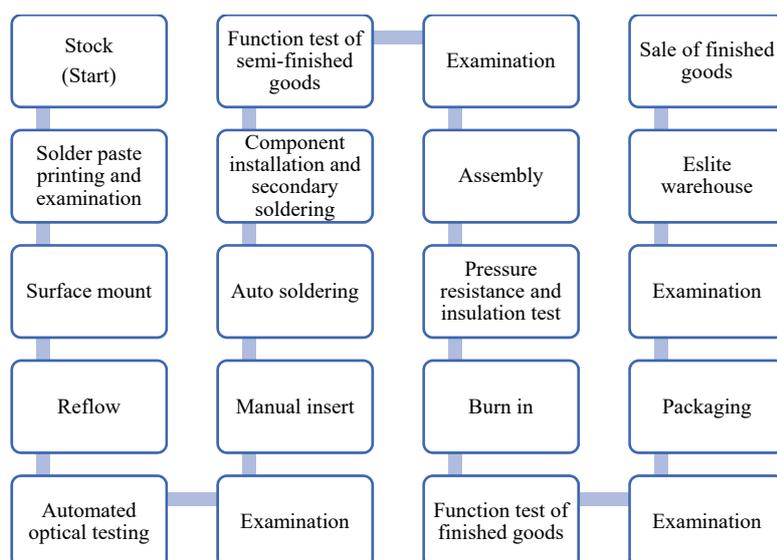
The Company will continue its efforts to create the ideal work environment supported by complete training and a rewarding profit-sharing system to enhance the loyalty of employees. Furthermore, the Company will try to address the talent shortage by recruiting software talents from campus and overseas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

(II) Main Product Applications and Manufacturing Processes

I. Main Product Applications

Product Category	Applications
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 Wi-Fi 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 Related Equipment	Inclusion of a series of mobile network base station, Customer Premises Equipment (CPE) 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.

II. Manufacturing Processes



(III) Supply of Main Raw 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. Although the supply of some components is relatively tight, the Company has also taken contingency measures. At present, there is no case of stopping production due to insufficient materials.

(IV) List of Any 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	2020				2021			
	Name	Amount	% of Annual Net Purchases	Relationship with the Company	Name	Amount	% of Annual Net Purchases	Relationship with the Company
1	-	-	-	-	M	2,553,339	10	-
2	Others	30,598,772	100	-	Others	24,291,471	90	-
	Net Purchase	30,598,772	100		Net Purchase	26,844,810	100	

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

2. Major Clients Information for the Recent Two Years

Unit: NTD thousands

Item	2020				2021			
	Name	Amount	% of Annual Net Sales	Relationship with the Company	Name	Amount	% of Annual Net Sales	Relationship with the Company
1	Company 6	4,573,644	14	-	Company 1	4,034,846	14	-
2	Company 1	3,795,216	12	-	Company 6	3,308,127	12	-
3	Company 7	3,452,918	11	-	Company 7	2,694,099	10	-
4	Company 5	3,263,804	10					
	Others	17,085,067	53	-	Others	17,825,265	64	-
	Net sales	21,893,057	100		Net sales	27,862,336	100	

Reasons for net changes: 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

Year	2020			2021		
	Production Capacity	Production Quantity	Production Value	Production Capacity	Production Quantity	Production Value
LAN/MAN Products		-	11,138,626		-	8,860,450
Wireless Broadband Products	-	-	12,359,584	-	-	11,021,922
Digital Multimedia Products	-	-	6,826,734	-	-	3,605,712
Others	-	-	56,914	-	-	18,100
Total	-	-	30,381,857	-	-	23,506,184

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

Year	2020				2021			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
LAN/MAN Products	-	233,627	-	8,495,165	-	240,907	-	8,618,273
Digital Multimedia Products	-	96,018	-	7,736,224	-	59,380	-	4,278,607
Wireless Broadband Products	-	529,643	-	13,230,780	-	550,617	-	12,148,768
Others	-	1,788,781	-	60,411	-	1,867,637	-	98,147
Total	-	2,648,068	-	29,522,581	-	2,718,541	-	25,143,795

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		2020	2021	As of March 31, 2022
Total number of employees	Indirect Employees	1,031	1,611	1,579
	Direct Employees	1,764	1,239	1,206
	Total	2,795	2,850	2,785
Average Age		35.6	40.56	41.87
Average Years of Service		7.4	8.23	9.08
Distribution ratio of Education levels (%)	Ph.D.	0.50	0.32	0.32
	Master's	26.60	15.65	15.66
	Bachelor's	57.90	40.04	40.54
	High School	12.50	23.72	26.28
	Below High School	2.50	20.27	17.20

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, the Company also provides comprehensive group insurance for colleagues. Overseas subsidiaries are in accordance with the local laws and regulations and they will take out social insurance from the first day of new employment and pay various local social security such as pension and medical care by monthly. The Company implements the leave management measures and sends notices of the remaining hours of paid leave and compensatory time for employees at the beginning of each month, reminding employees to plan their leave properly; overseas factories follow local laws and regulations to approve leave. And implement a flexible working hour system, so that all colleagues can adjust their commuting time according to their own conditions and provide employees with flexible commuting to get off work. Besides, every year, the Directorate-General of Personnel Administration of the Executive Yuan announces that the calendar needs to make up the day and the Company (Taiwan) will give it a bridge-holiday, let colleagues have a little happiness.

Hsinchu headquarter 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. The Company also holds various lectures from time to time, covering popular topics such as health care, parent-child education and physical and mental stress relief. Provide employees with a work-life-friendly workplace environment 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

The 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.

- Core competency training:

The Company believes that deeply rooting organizational beliefs and developing employees' values of integrity, positive and friendliness are the keys to driving long-term and stable development of enterprises. Therefore, the Company provides employees with energy for positive thinking and self-inspiration through various courses and lectures every year.

- Vocational training:

In response to the advanced arrangement of the 5G era, we especially strengthen the professional training of R&D

personnel in 5G technologies, so that colleagues can grasp the pulse of the latest trends and broaden our horizon.

- General education training:

The Company offers various general courses to provide practitioners with various basic learning needs; in addition, for overseas dispatched and related personnel, relevant knowledge courses are offered to help them quickly adapt to the environment.

The accumulated training hours reached 25,378 hours and the accumulated number of trainees reached 22,064 in 2021.

The Company encourages colleagues to share professional knowledge and pass on valuable experience, actively establishes and promotes the internal lecturer system.

Every year on the anniversary of Confucius's birthday in September, lecturer awards are held regularly to encourage more internal talents to carry on good inheritance.

The Company has established "Alpha's library" at headquarter. It buys new books every year and encourages employees to read and learn for self-enrichment. It also provides fixed rewards for colleagues to study foreign languages and obtain foreign language examination qualifications.

2. Retirement System

The Company follows retirement regulations and systems to protect employees' retirement rights and interests. The relevant instructions are as follows:

(I) The Company has established employee retirement regulations.

(II) In January 1993, the Labor Retirement Reserve Supervision Committee was established and after verification and inspection by the Science Industrial Park Administration, the pension began to be allocated in January 2004 and the monthly payment was 2% of the total monthly salary.

(III) From July 1994, the new labor pension system was implemented according to Act.

(IV) In accordance with the provisions of the International Financial Reporting Standards (IFRS), commission an actuary to evaluate and calculate the labor retirement reserve and submit an actuarial evaluation report.

(V) The Company's monthly retirement reserves in accordance with the Labor Standards Act are handed over to the Labor Retirement Reserve Supervision Committee for management and deposited into a special account in the Bank of Taiwan in the name of this committee. The cumulative amount of labor retirement reserves is NT\$95,879 thousand.

(VI) The pension funded in accordance with the Labor Pension Act shall be transferred to the individual account of the Bureau of Labor Insurance at the rate of 6% of the employee's monthly salary. The employees' pension fund was allocated NT\$53,663 thousand in 2021.

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.

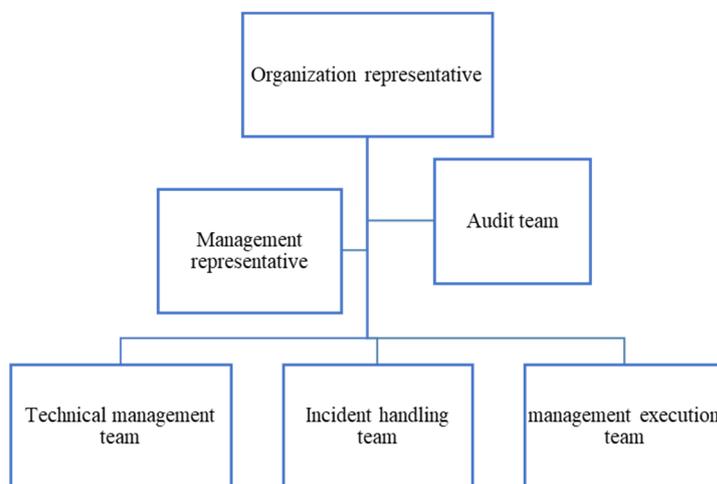
(II) List of due to Labor Disputes in the Most Recent Year up to the Publication Date of this Report (Including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations and the content of the dispositions) and disclose the estimated amount and countermeasures that may occur at present and in the future. If it cannot be reasonably estimated, it should explain the fact that it cannot be reasonably estimated: The Company had a violation of the Labor Standards Act; on March 05, 2021, Zhuhuan Zi No. 1100002371 violated Article 32, Item 2 of the Labor Standards Act, extending the working hours with normal working hours, one day shall not be allowed more than 12 hours. The extended working hours shall not exceed 46 hours a month and a fine of NT\$50,000 shall be imposed. After this event, 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. Cyber Security Management Act

(I) State the cyber security risk management structure, the cyber security policy, the specific management plan and the resources invested in the cyber security management etc.:

1. Organizational structure of cyber security risk management

The Company established a cyber-security organization in 2019, with the head of Information Technology Division as the management representative. It holds an information security management review meeting every year, which is responsible for evaluating various internal and external information security risks and promoting relevant information protection measures. Its functions are divided into cyber security management execution team, the technical management team, the incident response team and the cyber security audit team are each headed by a designated person to implement the information security management policy.



2. Policies of information security risk management

In order to protect the security of information assets of the Company, customers and partners, the Company is committed to building an information security environment. On December 14, 2019, it passed the ISO/IEC27001 information security management system and formulated relevant security policies and measures according to the management system. Ensure the implementation and improvement of information security through the internal audit mechanism to effectively maintain the confidentiality, integrity and availability of information assets.

3. Specific management plan and resources invested in the security management

(1) Information Security Control Procedures

Information security control program, external security set up firewall and other protection systems and scan the system with third-party external information security weaknesses to prevent external intrusion risks; internal control program operation, standardize information equipment use management, network communication management, account authorization management, computer equipment carry-out control procedures, physical printing control, remote connection management and other related operational processes ensure that each stage of information use can be strictly controlled and reduce various operational data leakage and information security risks.

The internal and external information systems fully use encrypted connection to ensure the security protection of information system connection and transmission and exchange. The transfer process is carried out using trajectory tracking and the use of personal data is specially audited to avoid improper use or theft of important information of the Company and customers.

Physical security Through the environmental control system, real-time monitoring and warning of the environmental status of the information system, effectively maintaining the stable operation of the information room and building an enterprise cloud platform to centrally protect the information security of the Company's R&D, manufacturing and operation systems and provide a high-availability backup mechanism for the cloud system , to ensure that the relevant information systems continue to operate without interruption; in addition, for information systems and data preservation, refer to ISO22301 to establish an information system BCP (Business Continuity Planning), plan regular backup and disaster recovery drills for information systems and store backup data offsite to a third party Data Center, to ensure that the Company does not risk information damage due to man-made or force majeure natural disasters.

In order to comply with the "Intellectual Property Rights", the software asset audit system was introduced and the "software real-name system" management was carried out to cooperate with the continuous quarterly use audits to effectively implement the software authorization compliance principle; in terms of information security awareness enhancement, in addition to employee information security Study the course and promote information security and software license through internal information security bulletin, hoping to achieve the goal of enterprise information security and sustainable operation.

(2) Strengthening of information security awareness

Continue to publicize information security policies and norms through the Company's internal website and convey information security information and security incident reports; conduct professional education and

training for information security organization personnel every year and organize general information security theme courses for colleagues and plan to implement internal employee social engineering practices to strengthen employees' awareness of daily information security vigilance.

(3) Information personnel education and training

Courses	Total Hours	Type
Enterprises information safety	0.5	Online courses, training for newcomers
View the European Union GDPR from Taiwan's Personal Data Protection Act	2	Face-to-face courses
Social engineering advocacy	3	Face-to-face courses
Social engineering advocacy	3	Face-to-face courses

- (II) List the losses, possible impacts and countermeasures suffered due to major information security incidents in the most recent year and up to the date of publication of the annual report. If it cannot be reasonably estimated, it should explain the fact that it cannot be reasonably estimated: None.

VII. 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 Highlights

I. Most Recent 5 years Condensed Financial Information

(I) Condensed Balance Sheet and Statement of Comprehensive Income

1. Condensed Consolidated Balance Sheet-International Financial Reporting Standards (IFRS)

Unit: NTD thousands

Item \ Year		Financial Information for the Most Recent Five years (Note 1)				
		2017	2018	2019	2020	2021 (Note 2)
Current Assets		11,166,230	12,517,041	19,148,501	20,706,337	18,700,222
Property, Plant and Equipment		2,086,034	1,859,589	3,231,397	3,936,709	3,654,414
Intangible Assets		211,385	204,719	1,529,044	1,435,575	1,344,845
Other Assets		260,966	347,726	1,091,426	926,962	1,031,303
Total Assets		13,724,615	14,929,075	25,000,368	27,005,583	24,730,784
Current Liabilities	Before Distribution	4,638,004	4,173,154	9,584,608	13,715,201	11,583,515
	After Distribution	5,181,747	4,173,154	9,823,300	13,823,545	11,962,718
Non-current Liabilities		391,651	362,170	1,368,466	552,051	588,165
Total Liabilities	Before Distribution	5,029,655	4,535,324	10,953,074	14,267,252	12,171,680
	After Distribution	5,573,398	4,535,324	11,191,766	14,375,596	12,550,883
Equity Attributable to Shareholders of the Parent Company		8,694,960	10,393,751	9,980,798	9,704,182	9,602,419
Capital Stock		4,443,967	5,435,172	5,425,901	5,417,185	5,417,185
Capital Surplus		2,242,570	3,557,356	3,001,756	3,004,591	2,583,772
Retained Earnings	Before Distribution	2,406,545	2,099,641	2,301,960	1,731,210	2,048,554
	After Distribution	1,862,802	2,099,641	2,063,268	1,622,866	1,669,351
Others		(394,626)	(698,418)	(748,819)	(448,804)	(447,092)
Treasury Stock		(3,496)	-	-	-	-
Non-controlling Interests		-	-	4,066,496	3,034,149	2,956,685
Total Equity	Before Distribution	8,694,960	10,393,751	14,047,294	12,738,331	12,559,104
	After Distribution	8,151,217	10,393,751	13,808,602	12,629,987	12,179,901

Note 1: Consolidated financial information between 2017 and 2021 has been audited by CPAs.

Note 2: The distribution of cash dividends from 2021 earnings will be resolved by the board of directors in 2022.

2. Condensed Parent Company Only Balance Sheet-International Financial Reporting Standards (IFRS)

Unit: NTD thousands

Item	Year	Financial Information for the Recent 5 years (Note 1)				
		2017	2018	2019	2020	2021(Note 2)
Current Assets		6,519,864	8,249,934	6,927,424	6,926,493	4,866,766
Property, Plant and Equipment		637,709	614,870	591,134	625,500	585,435
Intangible Assets		203,623	193,669	179,097	176,486	203,829
Other Assets		4,400,248	5,119,607	8,528,141	8,705,541	8,841,547
Total Assets		11,761,444	14,178,080	16,225,796	16,434,020	14,497,577
Current Liabilities	Before Distribution	2,675,633	3,422,883	5,692,673	6,249,901	4,433,090
	After Distribution	3,219,376	3,422,883	5,931,365	6,358,245	4,812,293
Non-current Liabilities		390,851	361,446	552,325	479,937	462,068
Total Liabilities	Before Distribution	3,066,484	3,784,329	6,244,998	6,729,838	4,895,158
	After Distribution	3,610,227	3,784,329	6,483,690	6,838,182	5,274,361
Capital Stock		4,443,967	5,435,172	5,425,901	5,417,185	5,417,185
Capital Surplus		2,242,570	3,557,356	3,001,756	3,004,591	2,583,772
Retained Earnings	Before Distribution	2,406,545	2,099,641	2,301,960	1,731,210	2,048,554
	After Distribution	1,862,802	2,099,641	2,063,268	1,622,866	1,669,351
Others		(394,626)	(698,418)	(748,819)	(448,804)	(447,092)
Treasury Stock		(3,496)	—	—	—	—
Total Equity	Before Distribution	8,694,960	10,393,751	9,980,798	9,704,182	9,602,419
	After Distribution	8,151,217	10,393,751	9,742,106	9,595,838	9,223,216

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

Note 2: The distribution of cash dividends from 2021 earnings will be resolved by the board of directors in 2022.

3. Condensed Consolidated Statement of Comprehensive Income-International Financial Reporting Standards (IFRS)

Unit: NTD thousands

Item \ Year	Financial Information for the Most Recent Five Years (Note 1)				
	2017	2018	2019	2020	2021
Operating Revenues	19,057,109	15,608,222	15,825,808	32,170,649	27,862,336
Gross Profit	2,892,365	2,103,678	2,614,001	5,006,293	4,585,899
Income from Operations	611,891	(200,028)	232,105	897,607	709,673
Non-operating Income and Expenses	84,463	115,742	107,688	21,899	45,189
Income before Income Tax	696,354	(84,286)	339,793	919,506	754,862
Income (Loss) from Continuing Operations	548,538	(88,009)	238,903	725,103	540,412
Loss from Discontinuing Operations	—	—	—	—	—
Net Income	548,538	(88,009)	238,903	725,103	540,412
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	49,662	(76,053)	(122,759)	124,503	(13,345)
Total Comprehensive Income (Loss) for the Year	598,200	(164,062)	116,144	849,606	527,067
Net Income Attributable to Shareholders of the Parent Company	548,538	(88,009)	238,903	556,997	433,888
Net Income Attributable to Non-controlling interests	—	—	—	168,106	106,524
Comprehensive Income (Loss) Attributable to Shareholders of the Parent Company	598,200	(164,062)	116,144	695,527	427,400
Comprehensive Income (Loss) Attributable to Non-controlling interests	—	—	—	154,079	99,667
Earnings Per Share	1.26	(0.17)	0.44	1.03	0.80

Note 1: Consolidated financial information between 2017 and 2021 has been audited by CPAs.

4. Condensed Parent Company Only Statement of Comprehensive Income-International Financial Reporting Standards (IFRS)

Unit: NTD thousands

Item \ Year	Financial Information for the Most Recent Five years (Note 1)				
	2017	2018	2019	2020	2021
Operating Revenues	17,719,461	15,132,316	14,813,691	21,358,901	17,163,287
Gross Profit	2,432,058	1,568,533	2,189,117	2,449,000	2,219,040
Income from Operations	505,119	(349,252)	111,313	464,381	409,763
Non-operating Income and Expenses	109,587	195,521	167,319	162,045	85,584
Income before Tax	614,706	(153,731)	278,632	626,426	495,347
Income from Continuing Operations	548,538	(88,009)	238,903	556,997	433,888
Net Income	548,538	(88,009)	238,903	556,907	433,888
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	49,662	(76,053)	(122,759)	138,530	(6,488)
Total Comprehensive Income for the Year	598,200	(164,062)	116,144	695,527	427,400
Earnings Per Share	1.26	(0.17)	0.44	1.03	0.80

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

(II) The Names of CPAs and Their Opinions for Most Recent Five Years

Items \ Year	CPAs and the Opinions for Most Recent Five Years				
	2017	2018	2019	2020	2021
CPAs	Wan-Yuan Yu	Wan-Yuan Yu	Wan-Yuan Yu	Cheng-Chien, Chen	Hai-Ning, Huang
	Cheng-Chien, Chen	Hai-Ning, Huang	Hai-Ning, Huang	Hai-Ning, Huang	Cheng-Chien, Chen
Audit Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	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, 2022 (Note 2)
		2016	2017	2018	2019	2020	
Capital Structure Analysis	Debt Ratio (%)	37	30	44	53	49	-
	Long-term Funds to PP&E (%)	436	578	477	338	360	-
Liquidity Analysis	Current Ratio (%)	241	300	200	151	161	-
	Quick Ratio (%)	168	211	147	100	82	-
	Times Interest Earned (Times)	60,600	(Note 1)	9,844	2,189	2,050	-
Operating Performance Analysis	Average Collection Turnover (Times)	5.77	6.09	4.89	5.79	5.13	-
	Days Sales Outstanding	63	60	75	63	71	-
	Average Inventory Turnover (Times)	4.96	3.80	2.99	4.48	2.86	-
	Accounts Payable Turnover (Times)	4.74	4.51	3.67	4.87	4.22	-
	Average Inventory Turnover Days	74	96	122	81	128	-
	Property, Plant and Equipment Turnover (Times)	8.57	7.91	6.21	8.97	7.34	-
	Total Assets Turnover (Times)	1.36	1.09	0.79	1.23	1.07	-
Profitability Analysis	Return on Total Assets (%)	4	-1	1	3	2	-
	Return on Equity (%)	6	-1	2	5	4	-
	Pre-tax Income to Paid-in Capital Ratio (%)	16	-2	6	17	14	-
	Net Margin (%)	3	-1	1	2	2	-
	Earnings Per Share (NTD)	1.26	-0.17	0.44	1.03	0.80	-
Cash Flow	Cash Flow Ratio (%)	15	8	4	0	-8	-
	Cash Flow Adequacy Ratio (%)	175	183	159	58	6	-
	Cash Flow Reinvestment Ratio (%)	2	-1	-1	-1	-8	-
Leverage	Operating Leverage	1.63	-0.76	2.42	1.78	2.05	-
	Financial Leverage	1.00	0.97	1.01	1.05	1.05	-

Explanation to net change exceeding 20%:

1. Decrease in inventory turnover and increase in inventory turnover days: Mainly due to increase in inventory.
2. Decrease in return on total assets: Mainly due to decrease in net income.
3. Decrease in return on equity: Mainly due to decrease in net income.
4. Decrease in earnings per share: Mainly due to decrease in net income.
5. Decrease in cash flow ratio: Mainly due to decrease in net cash flows from operating activities.
6. Decrease in cash flow adequacy ratio: Mainly due to decrease in cash flows from operating activities in the recent five years.
7. 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, 2022 was not reviewed by CPAs yet.

(2) Financial Analysis on Parent Company Only Financial Statements

Analysis		Financial Analysis for the Most Recent Five years				
		2017	2018	2019	2020	2021
Capital Structure Analysis	Debt Ratio (%)	26	27	38	41	34
	Long-term Fund to PP&E (%)	1,425	1,749	1,782	1,628	1,719
Liquidity Analysis	Current Ratio (%)	244	241	122	111	110
	Quick Ratio (%)	236	228	112	103	87
	Times Interest Earned (Times)	330,587	(Note)	10,155	6,904	7,151
Operating Performance Analysis	Average Collection Turnover (Times)	5.39	5.37	5.02	5.00	4.19
	Days Sales Outstanding	68	68	73	73	87
	Average Inventory Turnover (Times)	56.88	41.77	26.14	36.29	19.43
	Accounts Payable Turnover (Times)	7.78	6.66	4.61	5.10	4.98
	Average Inventory Turnover Days	6	9	14	10	19
	Property, Plant and Equipment Turnover (Times)	27.02	24.16	24.56	35.11	28.34
	Total Asset turnover (times)	1.46	1.17	0.97	1.30	1.10
Profitability Analysis	Return on Total Assets (%)	5	-1	2	3	3
	Return on Equity (%)	6	-1	2	6	4
	Pre-tax Income to Paid-in Capital Ratio (%)	14	-3	5	12	9
	Net Margin (%)	3	-1	2	3	3
	Earnings Per Share (NTD)	1.26	-0.17	0.44	1.03	0.80
Cash Flow	Cash Flow Ratio (%)	19	25	6	8	-13
	Cash Flow Adequacy Ratio (%)	218	199	145	129	44
	Cash Flow Reinvestment Ratio (%)	0	3	-2	2	-11
Leverage	Operating Leverage	1.28	0.45	2.23	4.69	1.30
	Financial Leverage	1.00	1.00	1.02	1.02	1.01

Explanation to net change exceeding 20%:

1. Decrease in inventory turnover and increase in average inventory turnover days: Mainly due to increase in inventory.
2. Decrease in return on equity: Mainly due to decrease in net income.
3. Decrease in pre-tax income to paid-up capital: Mainly due to decrease in pre-tax income.
4. Decrease in earnings per share: Mainly due to decrease in net income.
5. Decrease in cash flow ratio: Mainly due to decrease in net cash flows from operating activities.
6. Decrease in cash flow adequacy ratio: Mainly due to decrease in cash flow from operating activities in the recent five years.
7. 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.

1. Capital Structure Analysis

(1) Debt 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 2021 Review Report of the Audit Committee

Date: March 4, 2022

To: Alpha Networks Inc. 2022 Annual General Shareholders' Meeting.

The board of directors has prepared the Company's 2021 consolidated financial statements. Hai-Ning, Huang and Cheng-Chien, Chen 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 2021 consolidated financial statements, business report, independent auditors' report and the distribution of 2021 earnings 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.

Sincerely,

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

IV. 2021 Consolidated Financial Statements with Independent Auditors' Report: Please Refer to P.107~ P.200

V. 2021 Parent Company only Financial Statements with Independent Auditors' Report: Please Refer to P.201~ P.298

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		Difference	
	2020	2021	Amount	%
Current Assets	20,706,337	18,700,222	-2,006,115	-9.69%
Property, Plant and Equipment	3,936,709	3,654,414	-282,295	-7.17%
Intangible Assets	1,435,575	1,344,845	-90,730	-6.32%
Other Assets	926,962	1,031,303	104,341	11.26%
Total Assets	27,005,583	24,730,784	-2,274,799	-8.42%
Current Liabilities	13,715,201	11,583,515	-2,131,686	-15.54%
Non-current Liabilities	552,051	588,165	36,114	6.54%
Total Liabilities	14,267,252	12,171,680	-2,095,572	-14.69%
Capital Stock	5,417,185	5,417,185	0	0.00%
Capital Surplus	3,004,591	2,583,772	-420,819	-14.01%
Retained Earnings	1,731,210	2,048,554	317,344	18.33%
Others	(448,804)	(447,092)	1,712	0.38%
Equity Attributable to Shareholders of the Parent Company	9,704,182	9,602,419	-101,763	-1.05%
Non-controlling Interests	3,034,149	2,956,685	-77,464	-2.55%
Total Shareholders' Equity	12,738,331	12,559,104	-179,227	-1.41%

II. Financial Performance:

(I) Financial performance analysis

Unit: NTD thousands

Item	Year		Net Change	Net Change %
	2020	2021		
Net Operating Revenues	32,170,649	27,862,336	-4,308,313	-13.39%
Operating Costs	27,164,356	23,276,437	-3,887,919	-14.31%
Gross Profit	5,006,293	4,585,899	-420,394	-8.40%
Operating Expenses	4,108,686	3,876,226	-232,460	-5.66%
Income from Operations	897,607	709,673	-187,934	-20.94%
Non-operating Income and Expenses	21,899	45,189	23,290	106.35%
Income before Tax	919,506	754,862	-164,644	-17.91%
Less: Income Tax Expense	194,403	214,450	20,047	10.31%
Net Income	725,103	540,412	-184,691	-25.47%
Other Comprehensive Income, Net Tax	124,503	(13,345)	-137,848	-110.72%
Total Current Comprehensive Income (Loss)	849,606	527,067	-322,539	-37.96%

Explanation to net change exceeding 20%:

1. Operating profit: mainly due to the decrease in operating gross profit.
2. Non-operating income and expenses: mainly due to the decrease in other losses.
3. Net income (loss) for the current period: mainly due to the decrease in operating profit.
4. Other Comprehensive Income, Net Tax: mainly due to the decrease in the remeasurement of defined benefit plans and the decrease in the unrealized appraisal gains and losses of equity instrument investments measured at fair value through other comprehensive gains and losses.
5. Total comprehensive profit and loss for the current period: mainly due to the decrease in net profit and other comprehensive profit and loss for the current period.

(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 2021

Item \ Year	2020	2021	Change %
Cash Flow Ratio	(0.09)%	(7.76)%	(7.67)%
Cash Flow Adequacy Ratio	57.61%	5.59%	(52.02)%
Cash Flow Reinvestment ratio	(1.49)%	(8.35)%	(6.86)%

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

(II) Corrective measures to be taken in response to illiquidity and liquidity analysis for the coming 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
5,710,004	-899,982	-311,972	4,498,050	—	—

1. Analysis of cash flow for 2021:

Operating activities: The net outflow of NT\$899,982 thousands was mainly due to a decrease in working capital in 2021.

Investing activities: The net outflow of NT\$697,643 thousands was mainly due to repayment of financial assets carried at cost after amortization, amounted to NT\$236,328 thousands, acquisition of property, plant and equipment, amounted to NT\$156,780 and acquisition of intangible assets, amounted to NT\$133,332.

Financing activities: The net inflow of NT\$382,283 thousands was mainly due to an increase in short-term borrowing NT\$1,202,190 thousands and distribution of cash dividends, amounted to NT\$779,864.

Effects of exchange rate changes: Net increase of NT\$3,388 thousands.

2. Liquidity improvement plan: The Company showed no signs of liquidity deficit in 2021.

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. Risk Management:

The Company's risk management focuses on the risk management system of corporate governance and risk control transfer planning: strategic, financial and operational and crisis risks and apply risk management to optimize the total cost of risk.

I. Risk management vision:

- (1) Commitment to continuously provide products and services to create long-term value for customers, shareholders, employees and society.
- (2) Risk management requires systematic organization and risk management operating procedures, timely and effective identification, assessment, processing, reporting and monitoring of major risks affecting the Company's viability and strengthening risk awareness of all employees.
- (3) Risk management is not the pursuit of "risk-free", but the pursuit of maximum benefit under the condition of acceptable risk to optimize the cost of risk management.

II. Risk management policy:

- (1) In order to ensure the sustainable operation of the Company, the risk management committee shall identify, evaluate, process, report and monitor the risks that may negatively affect the Company's operational objectives on a regular basis every year.

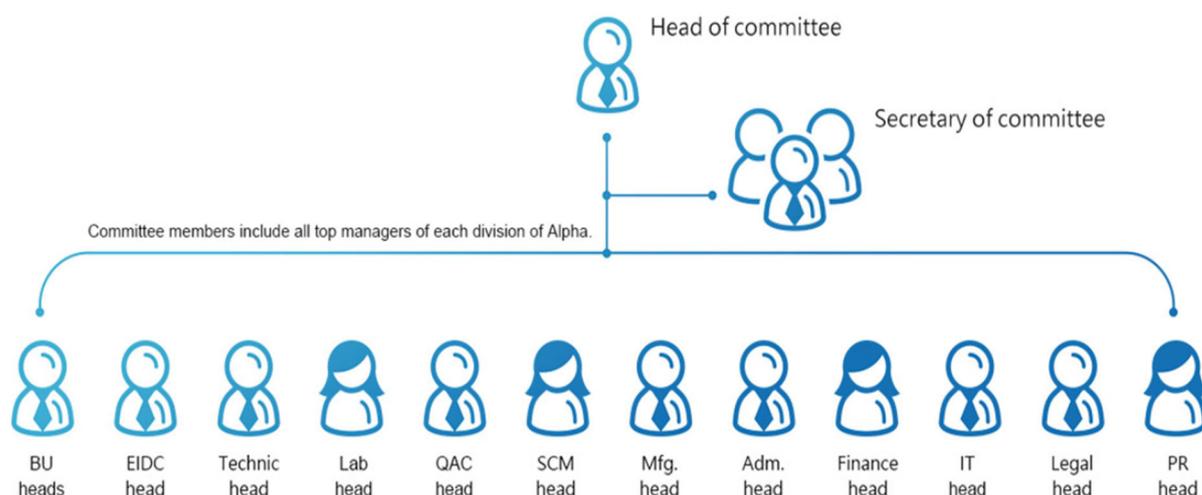
- (2) Risks should be identified and controlled before an accident occurs, losses should be restrained when an accident occurs and the provision of products and services should be quickly recovered after an accident occurs. It also formulates business continuity plans for major risk scenarios identified by the Risk Management Committee.
- (3) For risk that do not exceed the risk tolerance, risk management costs shall be considered and different management tools shall be used to deal with them, except for the following situations:
- Negative impact on the life safety of employees.
 - Cause violation of laws and regulations.
 - Negative impact on the Company's reputation.

III. Organization and Structure of Risk Management Committee:

The risk management committee is chaired by the general manager; the head of the risk management unit is the director general; the heads of the first-level units of the Company are members.

Risk management meetings are held on every quarter regularly and additional ad hoc meetings may be held as the situation requires. RMC identifies various risks that may impact the achievement of KPIs, conducts analysis and countermeasures, produces a risk radar map and aggregates major risks into major company-level risks. And put forward countermeasures, RMC operation status and risk management results are not only reported to the board of directors on a regular basis, but also disclosed on the Company's website (ESG area > risk management)

Organization of Alpha RMC



VII. Matters for Analysis and Assessment for Risks:

- (I) The impact of changes in interest rates and exchange rates and inflation on the Company's operating results and response measures to be taken in the future:

The interest expense to net sales was 0.086% in 2021. 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 (0.13) % in 2021. 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 2021 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 Company's policy regarding in the high-risk, high-leveraged investments, loans to other parties,

guarantee/endorsement and derivative transactions, the reasons of the profits or losses resulted from aforementioned arrangement and response measure to be taken in the future.

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\$29,221 thousands, in 2021.

(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 100G and 400G switches and the drives for 800G high-speed switches will gradually mature. With continuing development of technology and speed of Wi-Fi will increase the demand for Multi-Gigabit switches and the bandwidth of the upload interface will also increase. With high-power Ethernet (PoE++), it will make Wi-Fi deployment easier and improve growth rate of high-power switches. The Company continues to develop telecom-grade 5G xHaul transmission switches and OLT optical cable equipment to meet the high-bandwidth and low-latency requirements of Metaverse and improve the competitiveness of demanding customers.

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 ear 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 To B and To C, edge computing image recognition and analysis applications. In the home security surveillance market, the application of network surveillance cameras equipped with radar detectors and smart surveillance doorbells is mainly based on the first-tier brands in the United States. It will become the main growth driver in 2022. Digital Multimedia BU continues to increase the layout of smart home and home security surveillance market, vertical integration and 5G to play a good role in the group's smart home. Provide customers with competitive advantages and differentiated products.

D. Mobile Enterprise Solutions BU

With the market trend of electric vehicles and autonomous vehicles, MES BU is in the development and planning of automotive radar. Currently, it is developing side blind spot detection angle radar for commercial vehicles that complies with UN/ECE R151 and heavy motorcycles with increasing popularity. It belongs to its dedicated rear blind spot monitoring and warning system. At the same time, we also improved our design energy and began to plan high-standard front and rear collision avoidance radars and long-range radars suitable for commercial/passenger vehicles, combined with AI image recognition function and 360-degree vehicle surround view monitoring. In addition, self-developed algorithms for 4D radar are prepared for future self-driving functions. In addition to the automotive ADAS market, the industrial embedded Radar is also applied to the embedded radar module of the surveillance camera to reduce the false alarm rate of the traditional infrared surveillance camera.

2. Expected R&D expenses: R&D expenses are estimated at 5-10% of revenues in 2021.

(IV) The impact of domestic/international important policies and legal regulations changes on the Company's financial

status and the related countermeasures:

1. Policies: The relevant units of the Company have always paid close attention to and mastered the policies and laws that may affect the Company's operations and cooperated with the adjustment of the Company's internal systems to ensure the smooth operation of the Company. The Company has not been affected by the changes of important domestic and international policies that affect the Company's finances and business in 2021.
2. Legal regulations:
 - (1) The Company's business philosophy is to follow the relevant laws and regulations as the highest guiding principle; therefore, the Company's management team pays attention to the replacement of relevant laws and regulations at any time and expects to respond to various situations arising from the replacement of laws and regulations at any time.
 - (2) The Company has not been affected by the changes of legal regulations that affect the Company's finances and business in 2021.

(V) The impact of technological and industrial changes 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.

The Company established an information security organization in 2019. The head of Information Technology Division serves as the management representative. It holds an information security management review meeting every year. It is responsible for evaluating various internal and external information security risks and promoting relevant information protection measures. Its functions are divided into information security management execution team, the technical management team, the incident response team and the information security audit team are each headed by a designated person to implement the information security management policy.

(VI) The impact of corporate image changes on corporate crisis management and the related countermeasures:

1. 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.
2. Alpha continues to strengthen corporate governance, set up independent directors in the board of directors and set up functional committees such as the salary and remuneration committee and the audit committee to improve the Company's directors and managers and other performance goals and salary and remuneration structure and effectively implement internal control and risk control, etc. matters in response to various potential corporate crises. In addition, for the sake of transparency and symmetry of external information, Alpha discloses all material information related to laws and regulations in real time to provide stakeholders with real-time information.
3. The Company conducts a questionnaire survey on important interested parties every year to understand the interested parties' expectations and concerns, as an important reference for the Company's sustainable operation strategy. Moreover, responds in the annual corporate social responsibility report (sustainability report) and explain the status of operations to ensure transparent and effective communication.
4. The Company conducts regular inspections on matters such as the external environment, the Company's operation type and management system; and for any sudden accident that may affect the reputation of the Company, it will understand the situation and simulate its possible impact and propose countermeasures. The uncertainty risk of the enterprise is minimized; and a risk management unit is set up to be responsible for operation-related risks and impact analysis and to cooperate with the risk management committee to take relevant contingency plans.

(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's domestic and foreign main raw material suppliers and customers are quite dispersed and have established long-term and stable cooperative relations, there is no problem and risk of excessive concentration of purchases and sales. The Company also evaluates the financial attributes of different customers, controls according to different transaction modes, such as through insurance companies, bank letters of credit and collateral, etc. and timely tracks the payment status of customers to safeguard the Company's interests.

(X) Risk of substantial transfer or replacement of shares by directors, supervisors, or shareholders holding more than 10% of shares of the Company and related countermeasures:

The Company has no substantial transfer or replacement of shareholdings in 2021 and as of the publication date of this Annual Report in 2022.

(XI) Impact and risks of changes in management on the Company and the related countermeasures:

The management team of the Company has not changed 2021 and as of the publication date of this Annual Report in 2022.

(XII) Litigious and litigious matters:

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:

- (1) Qisda Corporation, the major shareholder holding more than 10% of total shares of the Company:

- A. Several direct and indirect consumers in the United States filed a class action lawsuit of damage loss in September 2010, 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 American antitrust laws. The Company received a final favorable judgment in February 2020 in the class action portion of the indirect consumer portion and the other cases were settled by the plaintiffs.
- B. 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.

- (2) The litigation events of Hitron Technologies Inc. (hereinafter referred to as Hitron), a subsidiary of the Company, are explained as follows:

Hitron signed the "Kaohsiung City Wireless Network Sharing Platform Construction Contract" with eASPNet Taiwan Inc. (hereinafter referred to as the Company) and the Company terminated the contract due to the Kaohsiung City Government's claim of unqualified acceptance. Instead, they advocated termination of the contract with Hitron, but Hitron did not agree that the Company did not have any reasons to terminate the contract and filed a lawsuit against the Company to pay the project payment of NT\$ 86,619,000. Hitron won the lawsuit of judgment of Taiwan Shilin District Court on February 17, 2011. The Company should pay Hitron NT\$ 72,916,000 and interest calculated at 5% per annum from April 12, 1997 to the repayment date. The Company appealed against the judgment and provided a guarantee of NT\$72,916,000 to avoid false execution in April 2011. On May 31, 2019, the Taiwan High Court ruled that Hitron won the case. The Company failed to convince the Supreme Court of appeal. The Supreme Court ruled on November 18, 2013 to abandon the original judgment and send it back to the Taiwan High Court for an updated hearing. The Taiwan High Court ruled that Hitron won the case in the first instance on March 29, 2016 and eASPNet Taiwan Inc. should pay Hitron NT\$71,115,000. Both parties appealed the first-instance judgment of the High Court. On January 5, 2017, the Supreme Court abandoned the original judgment except for the false execution part and sent it back to the Taiwan High Court for trial. On October 20, 2020, the Taiwan High Court announced that the first-instance verdict was abandoned in the second-instance judgment. According to the opinions of legal experts, although the High Court has abandoned the first-instance judgment in the second-instance judgment, the whole case can still be appealed. On January 25, 2021, the High Court transferred the whole case to the Supreme Court. The two parties settled in the mediation court of the Supreme Court on September 27, 2021 and agreed to remit US\$1,433,000 to the Hitron's bank account at the time of the settlement on September 27, 2021 by IMS, the shareholder of eASPNet Taiwan Inc. and confirmed receipt correct, in order to reach a settlement of the case.

(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.

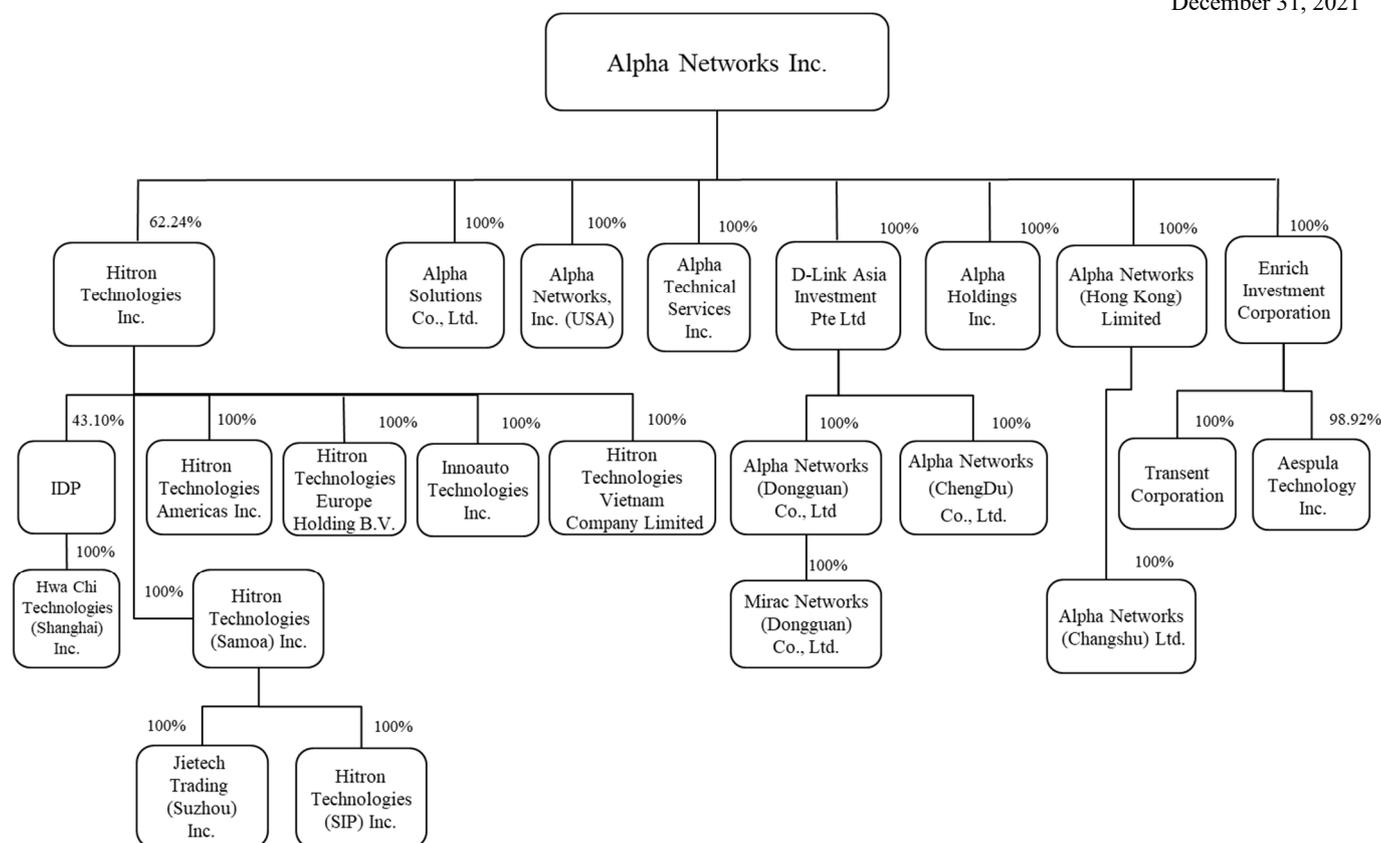
VIII. Other Material Issues: None.

Special Notes

I. Information about the Company's Affiliates:

(I) Organization Chart of the Company's Affiliates.

December 31, 2021



(II) Basic Information of the Company's Affiliates.

December 31, 2021; 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	SGD 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.	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
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
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

Company	Date of Incorporation	Address	Capital Stock	Business Activates
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
Enrich Investment Corporation	10/11/2018	7F., No.68, Ruiguang Rd., Neihu Dist., Taipei City , Taiwan	TWD 320,000	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 387,554	Telecommunications and broadband network systems and services
Hitron Technologies (Samoa) Inc.	07/13/2006	TrustNet Chambers, P.O. Box 1225, Apia, Samoa.	USD 21,350	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 850	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 20,000	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 52,500	Manufacture and sales of wireless and telecom products
Aespula Technology Inc.	01/26/2021	5F.-8, No. 8, Ziqiang S. Rd., Zhubei City, Hsinchu County, Taiwan (R.O.C.)	TWD 80,873	Manufacture and sale of communications and telecom products and provision of information software services

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

(IV) Overall Business covered by the Affiliates and the interaction and division of labor:

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 the Company's Affiliates

December 31, 2021; Unit: thousand shares

Company	Title	Name	Shareholding	
			Shares	%
D-Link Asia Investment Ptd. Ltd.	Director	Representative of Alpha Holdings Inc.: Chua Yi Xuan Patria	—	100%
	Director	Representative of Alpha Holdings Inc.: Yu-Chin, Lin		
Alpha Solutions Co., Ltd.	Chairperson	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	Chairperson	Representative of D-Link Asia Investment Ptd. Ltd.: Chao-Fan, Ting,	—	100%
	Director	Representative of D-Link Asia Investment Ptd. Ltd.: Guan-De, Liou		
	Director	Representative of D-Link Asia Investment Ptd. Ltd.:Wen-Cheng, Huang		
Alpha Holdings Inc.	Director	Representative of Alpha Networks Inc. Yu-Chin, Lin	—	100%
Alpha Networks Inc.(USA)	Chairperson	Representative of Alpha Networks Inc.: Cheng-Guo, Ke	—	100%
Alpha Networks (ChengDu) Co., Ltd.	Chairperson	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.: Wen-Rui, Tsai		
Mirac Networks (Dongguan) Co., Ltd.	Chairperson	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.: Shao-Ling, Chen		
Alpha Networks(Hong Kong) Limited	Director	Representative of Alpha Networks Inc.: Yu-Chin, Lin	—	100%
Alpha Technical Services Inc.	Chairperson	Representative of Alpha Networks Inc.: Chuan-Ming, Chien	—	100%
Alpha Networks (Changshu) Ltd.	Chairperson	Representative of Alpha Networks(Hong Kong) Limited: Chao-Fan, Ting,	—	100%
	Director	Representative of Alpha Networks(Hong Kong) Limited: Guan-De, Liou		
	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	Chairperson	Representative of Alpha Networks Inc.: Wen-Fang Huang	32,000	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	Chairperson	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: Wen-Rui, Tsai		
	Supervisors	Representative of Enrich Investment Corporation: Shao-Ling, Chen		
Interactive Digital Technologies Inc.	Chairperson	Representative of Hitron Technologies Inc.: Yen-Wei, Cheng	16,703	43.10%
	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	Yu Cheng		
	Independent Director	Hsiao-Chen, Chuang		
Hitron Technologies Inc.	Independent Director	Chao-Fu, Shih	200,000	62.24%
	Chairperson	Representative of Alpha Networks Inc.: Wen-Fang, Huang		
	Director	Mei-Lan, Liu		
	Director	Representative of Alpha Networks Inc.: Chi-Hong, Chen		
	Director	Representative of Alpha Networks Inc.: Yu-Chin, Lin		
	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			

Company	Title	Name	Shareholding	
			Shares	%
	Independent Director	Mao-Chao, Lin		
	Independent Director	Ming-Fu, Huang		
	Independent Director	Le-Min, Chen		
Hitron Technologies (Samoa) Inc.	Chairperson	Representative of Hitron Technologies (Samoa) Inc.: Pei-Shun, Chiu	—	100%
Hitron Technologies (SIP) Inc.	Chairperson	Representative of Hitron Technologies (Samoa) Inc.: Pei-Shun, Chiu	—	100%
	Director	Representative of Hitron Technologies (Samoa) Inc.: Mei-Lan, Liu		
	Director	Representative of Hitron Technologies (Samoa) Inc.: You-Hong, Liao		
	Supervisor	Representative of Hitron Technologies (Samoa) Inc.: Yu-Fa, Hsu		
Hitron Technologies Americas Inc.	Chairperson	Representative of Hitron Technologies Inc.: Pei-Shun, Chiu	—	100%
Hitron Technologies Europe Holding B.V.	Chairperson	Representative of Hitron Technologies Inc.: Pei-Shun, Chiu	—	100%
Hitron Technologies Vietnam Company Limited	Chairperson	Representative of Hitron Technologies Inc.: Pei-Shun, Chiu	—	100%
Innoauto Technologies Inc.	Chairperson	Representative of Hitron Technologies Inc.: Wen-Fang, Huang	2,000	100%
	Director	Representative of Hitron Technologies Inc.: Mei-Lan, Liu		
	Director	Representative of Hitron Technologies Inc.: Pei-Shun, Chiu		
	Supervisor	Representative of Hitron Technologies Inc.: Yu-Fa, Hsu		
Jietech Trading (Suzhou) Inc.	Chairperson	Representative of Hitron Technologies (Samoa) Inc.: Pei-Shun, Chiu	—	100%
	Supervisors	Representative of Hitron Technologies (Samoa) Inc.: Yu-Fa, Hsu		
Hwa Chi Technologies (Shanghai) Inc.	Chairperson	Representative of Interactive Digital Technologies Inc.: Yen-Wei, Cheng	—	43.10% (Note1)
	Supervisors	Representative of Interactive Digital Technologies Inc.: Jeffrey Lee		
Aespula Technology Inc.	Chairperson	Representative of Enrich Investment Corporation: Yu-Chin, Lin	8,087	98.92%
	Director	Representative of Enrich Investment Corporation: Wen-Fang Huang		
	Director	Representative of Enrich Investment Corporation: Yang-Chin, Chou		
	Director	Representative of Enrich Investment Corporation: Wen-Rui, Tsai		
	Director	Yuan-De, Liao		
	Supervisor	Shao-Ling, Chen		

Note 1: Shareholding ratio includes the direct and indirect investment of Hitron Technologies Inc.

(VI) Overview of Affiliates' Operations

December 31, 2021; NTS1,000

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	2,695,495	926,960	1,768,535	-	(10,468)	763	0.01
Alpha Solutions Co., Ltd.	11,107	22,018	2,611	19,407	12,329	870	244	304.67
Alpha Networks (Dongguan) Co., Ltd.	787,496	2,083,639	1,048,748	1,034,891	5,591,126	4,304	(15,378)	-
Alpha Holdings Inc.	203,372	-	21,344	(21,344)	-	-	2,477	0.38
Alpha Networks, Inc.(USA)	51,609	1,008,222	869,731	138,491	5,089,564	4,612	2,436	1.62
Alpha Networks (Chengdu) Co., Ltd.	420,426	618,297	43,611	574,686	230,220	10,955	12,581	-
Mirac Networks (Dongguan) Co., Ltd	307,326	505,861	202,555	303,306	718,071	10,647	5,173	-
Alpha Networks(Hong Kong) Limited	3,143,628	3,593,159	1,330,104	2,263,055	-	(166)	63,150	0.08
Alpha Technical Services Inc.	260,497	170,959	3,624	167,335	47,626	2,017	1,543	0.19
Alpha Networks (Changshu) Ltd.	1,925,920	4,824,008	3,476,638	1,347,371	6,993,118	72,870	111,028	-
Enrich Investment Corporation	320,000	232,522	-	232,522	-	(17)	(113)	(0.004)
Transent Corporation	50,000	44,246	20,002	24,244	20,518	(12,327)	(11,278)	(2.26)
Hitron Technologies Inc.	3,289,862	8,181,174	3,484,552	4,696,622	7,243,067	(106,562)	71,582	0.22
Interactive Digital Technologies Inc.	387,554	2,876,265	1,619,400	1,256,865	1,859,895	297,670	260,654	6.73
Hitron Technologies (SAMOA) Inc.	642,697	578,035	-	578,035	-	-	(136,704)	-
Hitron Technologies (SIP) Inc.	641,763	628,513	41,278	587,235	1,027,736	(157,354)	(136,281)	-
Hitron Technologies Americas Inc.	90,082	1,974,853	1,773,320	201,533	4,952,226	75,310	54,936	-
Hitron Technologies Europe Holding B.V.	59,604	211,934	192,824	19,110	825,908	46,923	38,383	-
Hitron Technologies Vietnam Company Limited	1,511,735	3,478,369	2,006,463	1,471,906	5,957,061	126,887	118,353	-
Innoauto Technologies Inc.	20,000	3,632	1	3,631	1,017	(13,720)	(13,451)	-
Jietech Trading (Suzhou) Inc.	31,139	3,716	3	3,713	62,531	(505)	(422)	-
Hwa Chi Technologies (Shanghai) Inc.	5,814	15,281	125	15,156	6,731	1,455	1,771	-
Aespula Technology Inc.	80,873	84,190	6,543	77,648	886	(2,488)	(2,484)	(0.31)

- 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 Company's Shares 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, 2021 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 as endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." 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 4, 2022

Independent Auditors' Report

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, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, based on our audit results and other CPA's audit report (Please refer to the Other Matter Paragraph), 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, 2021 and 2020, 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 Certification 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 Alpha Networks Inc. and its subsidiaries 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(23) 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

Among the subsidiaries included in the consolidated financial report, the financial statements of the Hitron Technologies Inc. (Europe) have been audited by other CPA firm. Therefore, the opinion on consolidated financial statements regarding the amount of Hitron Technology Inc (Europe)'s financial statements and the relevant information disclosed in Note 13 are based on the audit reports of other firm. Hitron Technology Inc (Europe)'s total assets as of December 31, 2021 and 2020 were \$211,934 thousand and \$362,527 thousand dollars, which were 0.86% and 1.34% of the total consolidated assets, and its operating income from January 1 to December 31, 2021 and 2020 were \$825,908 thousand and \$582,353 thousand, which were 2.96% and 1.81% of the consolidated net operating income.

The Group has prepared individual financial reports for 2021 and 2020, and the CPA has issued unqualified opinion with other matter paragraph.

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 Hai-Ning Huang and Cheng-Chien Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 4, 2022

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.

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (note 6(1))	\$ 4,498,050	19	5,710,004	21
1110 Current financial assets at fair value through profit or loss (note 6(2))	67,565	-	82,311	-
1136 Current financial assets at amortized cost (notes 6(1), (5) and 8)	375,007	2	226,577	1
1170 Notes and accounts receivable, net (notes 6(3) and (23))	4,053,112	16	6,801,078	25
130x Inventories (note 6(4))	9,238,822	37	7,029,370	26
1470 Other current assets (notes 6(12) and 7)	467,666	2	856,997	3
	<u>18,700,222</u>	<u>76</u>	<u>20,706,337</u>	<u>76</u>
Non-current assets:				
1517 Non-current financial assets at fair value through other comprehensive income (note 6(6))	19,335	-	21,245	-
1535 Non-current financial assets at amortized cost (notes 6(3), (5) and 8)	136,777	-	156,475	1
1600 Property, plant and equipment (notes 6(9) and 7)	3,654,414	15	3,936,709	15
1755 Right-of use asset (note 6(10))	422,208	2	427,337	2
1780 Intangible assets (note 6(11))	1,344,845	5	1,435,575	5
1840 Deferred tax assets (note 6(19))	228,983	1	250,836	1
1990 Other non-current assets (note 6(12), (18) and 7)	224,000	1	71,069	-
	<u>6,030,562</u>	<u>24</u>	<u>6,299,246</u>	<u>24</u>
Total assets	<u>\$ 24,730,784</u>	<u>100</u>	<u>27,005,583</u>	<u>100</u>
Liabilities and Equity				
Current liabilities:				
2100 Short-term borrowings (note 6(13))	\$ 4,044,952	16	2,842,762	11
2120 Current financial liabilities at fair value through profit or loss (note 6(2))	2,927	-	10,517	-
2170 Accounts payable (including related parties) (note 7)	4,193,913	17	6,828,103	25
2209 Accrued expenses	501,745	2	749,008	3
2230 Current tax liabilities	233,597	1	267,687	1
2250 Current provisions (note 6(14))	286,255	1	358,850	1
2321 Bonds payable, current portion (note 6(16))	461,471	2	526,507	2
2399 Other current liabilities (notes 6(15), (17), (23) and 7)	1,858,655	8	2,131,767	8
	<u>11,583,515</u>	<u>47</u>	<u>13,715,201</u>	<u>51</u>
Non-current liabilities:				
2580 Non-current lease liabilities (note 6(17))	224,220	1	201,065	1
2640 Net defined benefit liability (note 6(18))	204,784	1	220,367	1
2670 Other non-current liabilities (notes 6(14) and (19))	159,161	-	130,619	-
	<u>588,165</u>	<u>2</u>	<u>552,051</u>	<u>2</u>
	<u>12,171,680</u>	<u>49</u>	<u>14,267,252</u>	<u>53</u>
Total liabilities				
Equity (notes 6(20) and (21)):				
3110 Ordinary share capital	5,417,185	22	5,417,185	20
3200 Capital surplus	2,583,772	10	3,004,591	11
Retained earnings:				
3310 Legal reserve	1,127,420	5	1,127,420	4
3320 Special reserve	448,804	2	731,766	3
3350 Unappropriated retained earnings	472,330	2	(127,976)	-
	<u>2,048,554</u>	<u>9</u>	<u>1,731,210</u>	<u>7</u>
	<u>(447,092)</u>	<u>(2)</u>	<u>(448,804)</u>	<u>(2)</u>
	<u>9,602,419</u>	<u>39</u>	<u>9,704,182</u>	<u>36</u>
	<u>2,956,685</u>	<u>12</u>	<u>3,034,149</u>	<u>11</u>
	<u>12,559,104</u>	<u>51</u>	<u>12,738,331</u>	<u>47</u>
	<u>\$ 24,730,784</u>	<u>100</u>	<u>27,005,583</u>	<u>100</u>
Total equity attributable to owners of parent:				
36XX Non-controlling interests (note 6(8))				
Total equity				
Total liabilities and equity				

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		For the years ended December 31,			
		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(23) and 7)	\$ 27,862,336	100	32,170,649	100
5000	Operating costs (notes 6(4) and 7)	23,276,437	84	27,164,356	84
	Gross profit	4,585,899	16	5,006,293	16
	Operating expenses (notes 6(3) and 7):				
6100	Selling expenses	1,142,902	4	1,276,014	4
6200	Administrative expenses	1,253,497	4	1,254,842	4
6300	Research and development expenses	1,473,517	5	1,604,780	5
6450	Expected credit loss (gain) (note 6(3))	6,310	-	(26,950)	-
	Total operating expenses	3,876,226	13	4,108,686	13
	Net operating income (loss)	709,673	3	897,607	3
	Non-operating income and expenses:				
7010	Other income (note 6(26))	83,962	-	118,256	-
7020	Other gains and losses, net (note 6(27))	(27,329)	-	(85,636)	-
7050	Finance costs (note 6(28))	(38,707)	-	(44,010)	-
7100	Interest income (note 6(25))	27,263	-	33,289	-
	Total non-operating income and expenses	45,189	-	21,899	-
	Profit from continuing operations before tax	754,862	3	919,506	3
7950	Less: Income tax expenses (note 6(19))	214,450	1	194,403	1
	Profit	540,412	2	725,103	2
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(18))	(8,200)	-	55,193	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (note 6(20))	(1,910)	-	92,512	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	(10,110)	-	147,705	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss				
8361	Exchange differences on translation (note 6(20))	(2,509)	-	(25,497)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(19))	(726)	-	2,295	-
	Components of other comprehensive loss that will be reclassified to profit or loss	(3,235)	-	(23,202)	-
8300	Other comprehensive loss	(13,345)	-	124,503	-
8500	Total comprehensive income (loss)	<u>\$ 527,067</u>	<u>2</u>	<u>849,606</u>	<u>2</u>
	Income (loss), attributable to:				
8610	Shareholder of Alpha Network Inc.	\$ 433,888	2	556,997	1
8620	Non-controlling interests	106,524	-	168,106	1
		<u>\$ 540,412</u>	<u>2</u>	<u>725,103</u>	<u>2</u>
	Comprehensive income (loss) attributable to:				
8710	Shareholder of Alpha Network Inc.	\$ 427,400	2	695,527	2
8720	Non-controlling interests	99,667	-	154,079	-
		<u>\$ 527,067</u>	<u>2</u>	<u>849,606</u>	<u>2</u>
	Earnings per share (New Taiwan dollars) (note 6(22))				
	Basic earnings per share	<u>\$ 0.80</u>		<u>1.03</u>	
	Diluted earnings per share	<u>\$ 0.80</u>		<u>1.03</u>	

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Total other equity interest											
	Share capital			Retained earnings			Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income				Total other equity interest	
	Ordinary shares	Shares awaiting retirement	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Deferred compensation assets arising from issuance of restricted stock awards	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2020	\$ 5,427,273	(1,372)	3,001,756	1,107,188	627,926	566,846	2,301,960	(439,629)	(17,053)	9,980,798	4,066,496	14,047,294
Profit	-	-	-	-	-	556,997	556,997	-	-	556,997	168,106	725,103
Other comprehensive income	-	-	-	-	-	55,193	55,193	(9,175)	-	138,530	(14,027)	124,503
Total comprehensive income	-	-	-	-	-	612,190	612,190	(9,175)	-	695,527	154,079	849,606
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	20,232	-	(20,232)	-	-	-	-	-	-
Special reserve	-	-	-	-	103,840	(103,840)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(238,692)	(238,692)	-	-	(238,692)	-	(238,692)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(199,625)	(199,625)	-	199,625	-	-	-
Due to donated assets received	-	-	-	-	-	-	-	-	-	60	-	60
Changes in non-controlling interests	-	-	(39)	-	-	(744,623)	(744,623)	-	-	(744,662)	(1,012,411)	(1,757,073)
Changes in ownership interests in subsidiaries	-	-	10,208	-	-	-	-	-	-	10,208	3,907	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 shoats	-	-	-	-	-	-	-	-	-	-	(218,069)	(218,069)
Changes in the investee's capital surplus	-	-	-	-	-	-	-	-	-	-	32,408	32,408
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	7,739	7,739
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)	9,704,182	3,034,149	12,738,331
Profit	-	-	-	-	-	433,888	433,888	-	-	433,888	106,524	540,412
Other comprehensive income	-	-	-	-	-	(8,200)	(8,200)	2,901	(1,189)	(6,488)	(6,857)	(13,345)
Total comprehensive income	-	-	-	-	-	425,688	425,688	2,901	(1,189)	427,400	99,667	527,067
Appropriation and distribution of retained earnings:												
Reversal of special reserve	-	-	-	-	(282,962)	282,962	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(108,344)	(108,344)	-	-	(108,344)	-	(108,344)
Cash dividends from capital surplus	-	-	(433,375)	-	-	-	-	-	-	(433,375)	-	(433,375)
Due to donated assets received	-	-	(220)	-	-	-	-	-	-	(220)	-	(220)
Changes in ownership interests in subsidiaries	-	-	12,776	-	-	-	-	-	-	12,776	(12,776)	-
Distribution cash dividend by subsidiaries to non-controlling shoats	-	-	-	-	-	-	-	-	-	-	(238,145)	(238,145)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	73,790	73,790
Balance at December 31, 2021	\$ 5,417,185	-	2,583,772	1,127,420	448,804	472,330	2,048,554	(445,903)	(447,092)	9,602,419	2,956,685	12,559,104

See accompanying notes to consolidated financial statements.

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Profit before tax	\$ 754,862	919,506
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	524,534	515,152
Amortization expense	221,904	193,604
Expected credit loss (gain)	6,310	(26,950)
Net gain on financial assets or liabilities at fair value through profit or loss	(10,823)	(2,900)
Interest expense	38,707	44,010
Interest income	(27,263)	(33,289)
Dividend income	(3,679)	(4,259)
Share-based payments	-	943
Loss on disposal of property, plant and equipment	9,049	3,327
Provisions for inventory obsolescence and devaluation loss	106,667	211,384
Other	-	32,028
Total adjustments to reconcile profit	<u>865,406</u>	<u>933,050</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable	2,741,656	(2,481,288)
Financial assets mandatorily at fair value through profit or loss	16,645	11,612
Inventories	(2,316,119)	(2,151,573)
Other current assets	480,871	(444,163)
Financial liabilities held for trading	(10,920)	(1,937)
Accounts payable	(2,634,190)	2,517,358
Other payable to related parties	9,670	(1,103)
Other current liabilities	(582,840)	821,980
Net defined benefit liability	(23,783)	(13,439)
Total changes in operating assets and liabilities	<u>(2,319,010)</u>	<u>(1,742,553)</u>
Total adjustments	<u>(1,453,604)</u>	<u>(809,503)</u>

(Continued)

See accompanying notes to consolidated financial statements.

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2021	2020
Cash flows generated from (used in) operations	(698,742)	110,003
Interest received	23,621	32,439
Dividends received	3,679	4,259
Interest paid	(39,207)	(32,406)
Income taxes paid	(189,333)	(127,824)
Net cash flows used in operating activities	(899,982)	(13,529)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(1,927,119)	(606,737)
Proceeds from repayments of financial assets at amortized cost	1,690,791	3,533,836
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	11,851	45,581
Consideration paid to non-controlling interests	(560)	(3,389,967)
Disposal of financial assets at fair value through other comprehensive income	-	232,881
Acquisition of property, plant and equipment	(156,780)	(1,234,953)
Proceeds from disposal of property, plant and equipment	9,467	67,787
Increase in refundable deposits	19,698	13,439
Acquisition of intangible assets	(133,332)	(99,969)
Decrease (increase) in other non-current assets	(211,659)	136,705
Net cash flows used in investing activities	(697,643)	(1,327,779)
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,202,190	1,890,061
Repayments of long-term debt	-	(270,000)
Increase (decrease) in guarantee deposits received	446	(1,377)
Payment of lease liabilities	(41,142)	(64,269)
Cash dividends paid distributed to shareholders	(541,719)	(238,692)
Donation received	(220)	60
Subsidiary-issued preferred stock	873	-
Cash dividends paid to non-controlling interest	(238,145)	(218,069)
Net cash flows from financing activities	382,283	1,097,714
Effect of exchange rate changes on cash and cash equivalents	3,388	35,267
Net decrease in cash and cash equivalents	(1,211,954)	(208,327)
Cash and cash equivalents at beginning of period	5,710,004	5,918,331
Cash and cash equivalents at end of period	\$ 4,498,050	5,710,004

See accompanying notes to consolidated financial statements.

ALPHA NETWORKS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
(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 Industrial Park, Hsinchu, Taiwan (R.O.C.). 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, before the acquisition, Qisda and its subsidiaries held 23.84%, totaling 42.86% of the ordinary shares, Qisda became the parent company after the acquisition.

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 4, 2022.

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. 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, 2021:

- 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”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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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, 2022, would not have a significant impact on its consolidated financial statements:

- 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”

(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”	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. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	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.

(Continued)

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 1 “Disclosure of Accounting Policies”
- 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.

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, 2021	December 31, 2020
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	Enrich Investment Corporation (Enrich Investment)	Investment holding	100.00%	100.00%
Alpha	D-Link Asia Investment Pte. Ltd. (D-Link Asia)	Investment in manufacturing business	100.00%	100.00%
Alpha Holdings	D-Link Asia (note 3)	Investment in manufacturing business	-%	-%
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%

(Continued)

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business Activities	Shareholding	
			December 31, 2021	December 31, 2020
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	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%	62.24%
Hitron Technologies	Hitron Technologies (samoa) Inc (Hitron Samoa)	International trade	100.00%	100.00%
Hitron Technologies	Interactive Digital Technologies Inc. (Interactive Digital) (note 1)	Telecommunication and broadband network system services	43.10%	44.28%
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 Technologies	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%
Hitron Samoa	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%

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
Interactive Digital	Interactive Digital (Note 1)	Telecommunication and broadband network system services	6.64%	6.83%
Enrich Investment	Aespula Technology INC. (Aespula) (Note 2)	Sale of network equipment, components and technical services	98.92%	-

Note 1: Interactive Digital issued the convertible bonds in November 2019, but Hitron Technologies did not subscribe for it. The common stock conversion was conducted in December 2020.

Note 2: Aespula is a closed company established in 2021. Its main products are complete solutions of PHY architecture and platform, in order to improve the Group's performance and competitiveness of 5G related products.

Note 3 : 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.

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.

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 rate 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. (Continued)

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.

(Continued)

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.

(Continued)

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.

(Continued)

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

(Continued)

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) 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.

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 Group derecognizes a financial liability when its contractual obligations are discharged 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.

(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 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: 3 to 56 years

Buildings and building improvements constitute mainly buildings, mechatronic engineering and hydropower engineering, etc.

(b) Machinery and equipment: 1 to 10 years

(c) Transportation facilities: 6 years

(d) Office and other facilities: 1 to 10 years

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

(10) Lessee

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.

A. 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

Notes to the Consolidated Financial Statements

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.

(Continued)

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.

B. 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 1 to 5 years of intangible assets, 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.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

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.

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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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 (14).

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.

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.

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

(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.

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.

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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;
- 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

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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- 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) 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.

(20) Operating segment

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(29) of the financial instruments.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 934	4,545
Checking and savings accounts	3,275,239	2,991,447
Time deposits	721,877	2,714,012
Cash equivalents	<u>500,000</u>	<u>-</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 4,498,050</u>	<u>5,710,004</u>

Please refer to note 6(29) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

As of December 31, 2021 and 2020, deposits with original maturities of more than three months were \$375,007 thousand and \$138,680 thousand, respectively, and were recorded in financial assets measured at amortized cost.

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Notes to the Consolidated Financial Statements

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

	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss – current		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 1,425	12,874
Foreign exchange swaps	2,364	-
Non-derivative financial assets		
Stocks listed on domestic markets	63,776	68,894
Derivatives instrument – Convertible Bonds	-	543
Total	\$ 67,565	82,311
	December 31, 2021	December 31, 2020
Financial liabilities hold for trading – current		
Forward exchange contracts	\$ 2,927	10,517

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, 2021			
	Amount (in thousands)	Currency	Maturity date	
Forward exchange contracts	EUR 1,279	USD to EUR	January 2022	
Forward exchange contracts	USD 1,248	USD to EUR	January 2022	
Forward exchange contracts	USD 5,000	USD to NTD	February 2022	
Forward exchange contracts	USD 30,000	CNY to USD	January 2022	
Forward exchange contracts	EUR 3,479	EUR to NTD	January 2022 ~ March 2022	
Forward exchange contracts	EUR 1,329	EUR to USD	January 2022	
Forward exchange contracts	USD 1,000	NTD to USD	January 2022	
Foreign exchange swaps	USD 21,000	USD to NTD	January 2022	
	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	

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes and accounts receivable	\$ 4,065,130	6,844,859
Less: loss allowances	<u>(12,018)</u>	<u>(43,781)</u>
	<u>\$ 4,053,112</u>	<u>6,801,078</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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets measured at amortized cost– non-current	\$ 68,103	68,113
Less: loss allowances	<u>(68,103)</u>	<u>(68,113)</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:

	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted-avera ge loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 3,607,494	0.00%	-
90 days past due	457,633	2.63%	12,015
91 to 180 days past due	3	100%	3
More than 181 days past due	<u>68,103</u>	100%	<u>68,103</u>
	<u>\$ 4,133,233</u>		<u>80,121</u>

	<u>December 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted-avera ge loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 6,504,010	0.002%	151
90 days past due	251,557	0.66%	1,649
More than 181 days past due	<u>157,405</u>	67.61%	<u>110,094</u>
	<u>\$ 6,912,972</u>		<u>111,894</u>

ALPHA NETWORKS INC. AND SUBSIDIARIES
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The movement in the allowance for notes and trade receivables were as follows:

	For the years ended December 31,	
	2021	2020
Balance at January 1	\$ 111,894	138,844
Impairment losses recognized (reversal)	6,310	(26,950)
Write-off	(38,055)	-
Effect of changes in exchange rates	(28)	-
Balance at December 31	\$ 80,121	111,894

(4) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$ 5,806,276	3,344,384
Work in progress and semi-finished products	634,546	736,198
Finished goods and merchandises	2,798,000	2,948,788
	\$ 9,238,822	7,029,370

Component of operating cost were as below:

	For the years ended December 31,	
	2021	2020
Cost of goods sold	\$ 23,169,770	26,952,972
Provision for inventory obsolescence and devaluation loss	106,667	211,384
	\$ 23,276,437	27,164,356

As of December 31, 2021 and 2020, the Group' s inventories were not pledged.

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

	December 31, 2021	December 31, 2020
Current:		
Time deposits	\$ 375,007	138,680
Restricted deposits	-	14,227
Other receivables	-	73,670
	\$ 375,007	226,577
Non-current:		
Restricted deposits	\$ 20,900	20,900
Refundable deposits	115,877	135,575
Overdue receivables	68,103	68,113
Less: loss allowances	(68,103)	(68,113)
	\$ 136,777	156,475

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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 0.01%~0.815% and 0.12%~2.40% for the years ended December 31, 2021 and 2020, 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, 2021	December 31, 2020
Equity instrument at fair value through other comprehensive income:		
Non-publicly traded—CHAO LONG	\$ 19,335	21,245

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 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, 2021 and 2020, the Group's financial assets above were not pledged.

(7) 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 year ended December 31, 2021
Carrying amount of non-controlling interest on acquisition	\$ 905,331
Consideration paid to non-controlling interests	(1,567,106)
Retained earnings differences between consideration and carrying amounts subsidiaries acquired	\$ (661,775)

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In 2020, the Company's subsidiary-Enrich Investment Corporation acquired the equity in Interactive Digital Technologies Inc. for \$189,967 thousand in cash, increasing its ownership to 6.83%.

The effects of the changes in shareholdings were as follows:

	For the year ended December 31, 2021
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>

(8) Material non-controlling interests of subsidiaries

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

		Percentage of non- controlling interests	
Subsidiaries	Main operation place	December 31, 2021	December 31, 2020
Hitron Technologies Inc.	Taiwan	37.76%	37.76%

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 Inc.'s collective financial information:

	December 31, 2021	December 31, 2020
Current assets	\$ 8,654,473	10,109,051
Non-current assets	3,895,286	4,120,950
Current liabilities	(5,468,171)	(6,910,808)
Non-current liabilities	<u>(116,227)</u>	<u>(67,903)</u>
Net assets	<u>\$ 6,965,361</u>	<u>7,251,290</u>
Non-controlling interests	<u>\$ (978,394)</u>	<u>(929,643)</u>
Net assets of investees	<u>\$ 5,986,966</u>	<u>6,321,647</u>
Book value of non-controlling interests	<u>\$ 2,093,017</u>	<u>2,219,393</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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	For the years ended December 31,	
	2021	2021
Operating revenue	\$ 9,681,546	10,278,461
Profit	\$ 113,047	300,838
Other comprehensive income	(16,377)	(39,074)
Total comprehensive income	\$ 96,670	261,764
Profit attributable to non-controlling interests	\$ 125,709	98,556
Comprehensive income, attributable to non-controlling interests	\$ 149,880	122,659
Net cash flows from operating activities	\$ (372,986)	(453,232)
Net cash flows from investing activities	(531,496)	(976,520)
Net cash flows from financing activities	(341,597)	765,564
Effect of exchange rate changes on cash and cash equivalents	5,866	(7,596)
Net decrease in cash and cash equivalents	\$ (1,240,213)	(671,784)
Dividends paid to non-controlling interests	\$ (121,317)	(97,064)

(9) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group, were as follows:

	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Office, transportation and other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
Balance at January 1, 2021	\$ 645,919	4,066,782	2,436,098	475,095	-	7,623,894
Additions	-	35,819	131,952	54,334	-	222,105
Disposals	-	(7,650)	(64,071)	(28,046)	-	(99,767)
Effect of changes in exchange rates	(1,400)	209,686	24,906	(87,310)	-	145,882
Balance at December 31, 2021	\$ 644,519	4,304,637	2,528,885	414,073	-	7,892,114
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)
Effect of changes in exchange rates	-	188,262	144	-	(188,262)	144
Reclassification	(3,617)	(5,477)	(9,455)	(93)	(10,957)	(29,599)
Balance at December 31, 2020	\$ 645,919	4,066,782	2,436,098	475,095	-	7,623,894

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	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Office, transportation and other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Depreciation and impairment loss:						
Balance at January 1, 2021	\$ -	1,761,915	1,608,646	316,624	-	3,687,185
Depreciation	-	161,152	241,690	74,401	-	477,243
Disposals	-	(7,650)	(57,311)	(16,290)	-	(81,251)
Effect of changes in exchange rates	-	220,238	(6,659)	(59,056)	-	154,523
Balance at December 31, 2021	<u>\$ -</u>	<u>2,135,655</u>	<u>1,786,366</u>	<u>315,679</u>	<u>-</u>	<u>4,237,700</u>
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>
Carrying amounts:						
Balance at December 31, 2021	<u>\$ 644,519</u>	<u>2,168,982</u>	<u>742,519</u>	<u>98,394</u>	<u>-</u>	<u>3,654,414</u>
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 1 January 1, 2020	<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 range for the Group to capitalize the interest paid for the expenditure on the assets during the construction of PPE are as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Amount of interest capitalization	<u>\$ -</u>	<u>2,868</u>
Interest rate of interest capitalization	<u>-</u>	<u>1.5146%</u>

As of December 31, 2021 and 2020, the Group's property, plant and equipment were not pledged.

(10) 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:

	<u>Land</u>	<u>Buildings</u>	<u>Transport- ation and other equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2021	\$ 401,404	93,592	7,325	502,321
Additions	23,098	22,218	6,899	52,215
Disposals	-	(70,408)	(941)	(71,349)
Effect of changes in exchange rates	13,578	4,559	1,468	19,605
Balance at December 31, 2021	<u>\$ 438,080</u>	<u>49,961</u>	<u>14,751</u>	<u>502,792</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Transportation and other equipment</u>	<u>Total</u>
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	(6,995)	(876)	(1,169)	(9,040)
Balance at December 31, 2020	<u>\$ 401,404</u>	<u>93,592</u>	<u>7,325</u>	<u>502,321</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2021	\$ 25,937	47,244	1,803	74,984
Depreciation	17,810	25,537	3,944	47,291
Disposals	-	(62,979)	(773)	(63,752)
Effect of changes in exchange rates	5,255	14,763	2,043	22,061
Balance at December 31, 2021	<u>\$ 49,002</u>	<u>24,565</u>	<u>7,017</u>	<u>80,584</u>
Balance at January 1, 2020	\$ 7,426	2,573	-	9,999
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	<u>\$ 25,937</u>	<u>47,244</u>	<u>1,803</u>	<u>74,984</u>
Carrying amount:				
Balance at December 31, 2021	<u>\$ 389,078</u>	<u>25,396</u>	<u>7,734</u>	<u>422,208</u>
Balance at December 31, 2020	<u>\$ 375,467</u>	<u>46,348</u>	<u>5,522</u>	<u>427,337</u>
Balance at January 1, 2020	<u>\$ 400,973</u>	<u>67,815</u>	<u>4,879</u>	<u>473,667</u>

(11) Intangible asset

	<u>Core Technology</u>	<u>Brand Name</u>	<u>Customer relationship</u>	<u>Goodwill</u>	<u>Software application and other</u>	<u>Total</u>
Cost:						
Balance at January 1, 2021	\$ 220,281	229,877	396,949	578,900	318,977	1,744,984
Additions	-	-	-	-	133,332	133,332
Disposals	-	-	-	-	(74,021)	(74,021)
Effect of changes in exchange rates	-	-	-	-	63,791	63,791
Balance at December 31, 2021	<u>\$ 220,281</u>	<u>229,877</u>	<u>396,949</u>	<u>578,900</u>	<u>442,079</u>	<u>1,868,086</u>
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	<u>\$ 220,281</u>	<u>229,877</u>	<u>396,949</u>	<u>578,900</u>	<u>318,977</u>	<u>1,744,984</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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	Core Technology	Brand Name	Customer relationship	Goodwill	Software application and other	Total
Amortization and impairment:						
Balance at January 1, 2021	\$ 31,469	22,988	44,105	-	210,847	309,409
Amortization	31,469	22,988	44,105	-	123,342	221,904
Disposals	-	-	-	-	(74,021)	(74,021)
Effect of changes in exchange rates	-	-	-	-	(Continued)	9
Balance at December 31, 2021	<u>\$ 62,938</u>	<u>45,976</u>	<u>88,210</u>	<u>-</u>	<u>-</u>	<u>1</u>
Balance at January 1, 2020	\$ -	-	-	-	171,547	171,547
Amortization	31,469	22,988	44,105	-	95,042	193,604
Derecognition	-	-	-	-	(55,942)	(55,942)
Effect of changes in exchange rates	-	-	-	-	200	200
Balance at December 31, 2020	<u>\$ 31,469</u>	<u>22,988</u>	<u>44,105</u>	<u>-</u>	<u>210,847</u>	<u>309,409</u>
Carrying amount						
Balance at December 31, 2021	<u>\$ 157,343</u>	<u>183,901</u>	<u>308,739</u>	<u>578,900</u>	<u>115,962</u>	<u>1,344,845</u>
Balance at December 31, 2020	<u>\$ 188,812</u>	<u>206,889</u>	<u>352,844</u>	<u>578,900</u>	<u>108,130</u>	<u>1,435,575</u>
Balance at January 1, 2020	<u>\$ 220,281</u>	<u>229,877</u>	<u>396,949</u>	<u>578,900</u>	<u>103,037</u>	<u>1,529,044</u>

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

	For the years ended December 31,	
	2021	2020
Operating cost	\$ 1,077	1,046
Operating expense	220,827	192,558
Total	<u>\$ 221,904</u>	<u>193,604</u>

B. Impairment test for Goodwill

As of December 31, 2021 and 2020, 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, 2021	December 31, 2020
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>

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ALPHA NETWORKS INC. AND SUBSIDIARIES

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As of December 31, 2021 and 2020, 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, 2021	December 31, 2020
IP Camera		
Discount rate	7.60%	7.13%
Terminal value growth rate	3.58%	3.74%
Interactive Digital Technologies		
Discount rate	7.22%	7.57
Terminal value growth rate	3.58%	3.74
Hitron Technologies Inc.		
Discount rate	7.07%	8.88
Terminal value growth rate	3.58%	3.74

As of December 31, 2021 and 2020, 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.

C. Collateral

As of December 31, 2021 and 2020, the Group's intangible assets were not pledged.

(12) 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, 2021	December 31, 2020
Advance payment	\$ 69,445	415,706
Prepayments for equipment	200,014	65,325
Income tax receivable	83,126	84,256
Business tax receivable	184,167	186,290
Others	154,914	176,489
	\$ 691,666	928,066

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	December 31, 2021	December 31, 2020
Other current assets	\$ 467,666	856,997
Other non-current assets	224,000	71,069
	<u>\$ 691,666</u>	<u>928,066</u>

(13) Short-term borrowings

	December 31, 2021	December 31, 2020
Unsecured bank loans	<u>\$ 4,044,952</u>	<u>2,842,762</u>
Unused short-term and long-term credit lines	<u>\$ 10,349,478</u>	<u>13,046,183</u>
Range of interest rates	<u>0.55%~ 1.00%</u>	<u>0.60%~ 1.35%</u>

The financial commitment of transfer of short-term loans with Taipei Fubon Bank of 2020 (after the first transfer, the following financial ratios must be maintained) as followed:

- 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 and semi-annual consolidated financial statements audited/reviewed by the CPA once every six months. If the financial ratio limit has not been improved after two consecutive periods, the credit lines will be examined again. The Group's short-term borrowings were not pledged.

(14) Provisions

	Warranties
Balance at January 1, 2021	\$ 404,549
Provisions made during the year	226,874
Provisions used during the year	(271,105)
Effect of changes in foreign exchange rates	(210)
Balance at December 31, 2021	<u>\$ 360,108</u>
Current	\$ 286,255
Non-current	73,853
	<u>\$ 360,108</u>
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 rates	(720)
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
	\$ 404,549

The provision for warranties relates mainly to network product sold and professional services provide during the years ended 31 December 2021 and 2020. 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.

(15) Other current liabilities

	December 31, 2021	December 31, 2020
Contract liabilities (note6(23))	\$ 832,407	964,609
Payroll and bonus payable	700,937	895,690
Lease payable (note6(17))	20,944	40,683
Other accounts payable-related parties (note7)	9,681	11
Others	294,686	230,774
	\$ 1,858,655	2,131,767

(16) Bonds payable

A. The details of unsecured convertible corporate bonds assumed through Interactive Digital Technologies Inc., a subsidiary of the Group were as follows:

	December 31, 2021	December 31, 2020
Total convertible corporate bonds issued	\$ 600,000	600,000
Unamortized discounted payable	(7,229)	(17,393)
Cumulative converted amount	(131,300)	(56,100)
Subtotal	461,471	526,507
Less: Bonds payable due within one year	(461,471)	(526,507)
Total	\$ -	-
Embedded derivative – call and put options, included in financial assets at fair value through profit or loss	\$ -	543

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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:

Subjects	Amount
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	\$ 23,919

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 (letter No. 1080334564 of the Financial Management Certificate) 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	<p>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.</p> <p>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.</p>
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. As of August 30, 2021, the conversion price had been adjusted from \$72.5 to \$67.0

As of December 31, 2021, the first convertible corporate bonds of the subsidiary Interactive Digital had accumulated, converted 1,811 thousand shares, and the capital surplus had accumulated, converted \$114,288 thousand.

Due to the first convertible corporate bond, the capital plus generated by the Group was \$12,756 thousand.

(17) Lease liabilities

	December 31, 2021	December 31, 2020
Current (recorded in other current liabilities)	<u>\$ 20,944</u>	<u>40,683</u>
Non-current financial assets	<u>\$ 224,220</u>	<u>201,065</u>

For the maturity analysis, please refer to note 6(29).

The amounts recognized in profit or loss was as follows:

	For the years ended December 31,	
	2021	2020
Interest on lease liabilities	<u>\$ 3,687</u>	<u>4,600</u>
Expenses relating to short-term leases and leases of low-value assets	<u>\$ 49,355</u>	<u>37,162</u>

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

	For the years ended December 31,	
	2021	2020
Total cash outflow for leases	<u>\$ 94,184</u>	<u>106,031</u>

A. Real estate leases

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.

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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 the December 31, 2021 and 2020, 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.

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.

(18) Employee benefits

A. Defined benefit plans

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

	December 31, 2021	December 31, 2020
Present value of the defined benefit obligations	\$ 303,823	299,986
Fair value of plan assets	(99,808)	(80,382)
Net defined benefit liabilities	<u>\$ 204,015</u>	<u>219,604</u>

The Group's employee benefit assets and liabilities were as follows:

	December 31, 2021	December 31, 2020
Other non-current liability	<u>\$ 769</u>	<u>763</u>
Net defined benefit liability	<u>\$ 204,784</u>	<u>220,367</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.

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ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$99,808 thousand as of December 31, 2021. 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.

(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,	
	2021	2020
Defined benefit obligations at January 1	\$ 299,986	397,407
Benefits paid from the plan assets	(7,793)	(50,074)
Current service costs and interest cost	2,002	4,481
Re-measurements of net defined benefit liabilities (asset):		
- Actuarial gain arising from experience adjustment	13,866	(68,659)
- Actuarial gain arising from demographic assumptions	8,493	-
- Actuarial loss arising from financial assumptions	(12,731)	16,831
Defined benefit obligation as of December 31	\$ 303,823	299,986

(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,	
	2021	2020
Fair value of plan assets as of January 1	\$ 80,382	109,278
Interest Income	14	29
Benefits paid from the plan assets	(7,793)	(50,074)
Re-measurements of the net defined benefit liabilities (asset):		
- Return on plan assets (excluding current Interest income)	1,428	3,365
Contribution made to plan assets	25,421	16,874
Expected return on plan assets	356	910
Fair value of plan assets as of December 31	\$ 99,808	80,382

ALPHA NETWORKS INC. AND SUBSIDIARIES
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(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,	
	2021	2020
Current service costs	\$ 804	1,300
Net interest of net liabilities for defined benefit obligation	1,198	3,181
Curtailement or settlement gains	(356)	(910)
	\$ 1,646	3,571
Operating costs	\$ 793	1,412
Selling expenses	98	299
Administration expenses	131	461
Research and development expenses	624	1,399
	\$ 1,646	3,571
Actual return on plan assets	\$ 1,785	4,725

(e) Actuarial assumptions

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

	December 31, 2021	December 31, 2020
Discount rate	0.70%~0.90%	0.40%
Future salary increase rate	2.00%~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 \$11,600 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:

	Influences of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2021		
Discount rate	\$ (10,244)	10,673
Future salary increasing rate	\$ 9,646	(9,330)
December 31, 2020		
Discount rate	\$ (10,751)	11,226
Future salary increasing rate	\$ 10,166	(9,812)

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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 2021 and 2020.

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 \$150,201 thousand and \$111,156 thousand for the years ended December 31, 2021 and 2020, respectively.

(19) Income taxes

A. Income tax expenses

The components of income tax for the years ended December 31, 2021 and 2020, were as follows:

	For the years ended December 31,	
	2021	2020
Current tax expense		
Current period	\$ 184,478	236,425
Adjustment for prior periods	14,250	(5,531)
Additional 5% surtax on unappropriated retained earnings	2,332	-
	201,060	230,894
Deferred tax benefit		
Origination and reversal of temporary differences and operating loss carry forward	13,390	(36,491)
Income tax expense	\$ 214,450	194,403

The amount of income tax expense / (benefit) recognized in other comprehensive income for the years ended December 31, 2021 and 2020, was as follows:

	For the years ended December 31,	
	2021	2020
Exchange differences on translation of foreign financial statements	\$ 726	(2,295)

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Reconciliation of income tax expense and profit before tax for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Profit before income tax	\$ 754,862	919,506
Income tax at Alpha's domestic tax rate	150,972	183,901
Effect of tax rates variances in foreign jurisdictions	81,710	156,819
Tax effect of permanent difference	1,563	(48,111)
Tax incentives	(14,234)	(38,111)
Change in unrecognized temporary differences	(8,247)	17,010
Additional 5% surtax on unappropriated retained earnings	2,332	-
Others	354	(77,105)
	\$ 214,450	194,403

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, 2021	December 31, 2020
Tax effect of deductible temporary differences	\$ 342,946	354,093
The carry forwards of unused tax losses	5,716	2,816
	\$ 348,662	356,909

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.

As of 31 December 2021, the information of Transnet Corporation's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Expiry date	Unutilized business loss
2018	2028	\$ 654
2019	2029	2,808
2020 (filing)	2030	10,617
2021 (estimated)	2031	11,278
		\$ 25,357

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As of 31 December 2021, the information of Aespula Corporation's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Expiry date	Unutilized business loss
2021 (estimated)	2031	\$ 3,225

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

Deferred tax assets:

	January 1, 2020	Recognized in profit and loss	Recognized in other comprehensive income	Effect of change in exchange rate	December 31, 2020	Recognized in profit and loss	Recognized in other comprehensive income	Effect of change in exchange rate	December 31, 2021
Provision for inventory devaluation	\$ 8,989	(5,142)	-	-	3,847	689	-	-	4,536
Provision for warranties	68,432	(11,050)	-	-	57,382	(15,139)	-	-	42,243
Exchange different on transaction of foreign financial statement	63,832	-	2,295	-	66,127	-	(726)	-	65,401
Tax credit of investment	15,857	(840)	-	-	15,017	(9,376)	-	-	5,641
Others	<u>52,014</u>	<u>55,079</u>	<u>-</u>	<u>1,370</u>	<u>108,463</u>	<u>9,070</u>	<u>-</u>	<u>(6,371)</u>	<u>111,162</u>
	<u>\$ 209,124</u>	<u>38,047</u>	<u>2,295</u>	<u>1,370</u>	<u>250,836</u>	<u>(14,756)</u>	<u>(726)</u>	<u>(6,371)</u>	<u>228,983</u>

Deferred tax liabilities

	January 1, 2020	Recognized in profit and loss	Recognized in other comprehensive income	Effect of change in exchange rate	December 31, 2020	Recognized in profit and loss	Recognized in other comprehensive income	Effect of change in exchange rate	December 31, 2021
Investment accounted for using equity method	\$ (41,862)	(2,860)	-	-	(44,722)	(779)	-	-	(45,501)
Goodwill	(26,976)	-	-	-	(26,976)	-	-	-	(26,976)
Others	<u>(13,155)</u>	<u>1,304</u>	<u>-</u>	<u>-</u>	<u>(11,851)</u>	<u>2,145</u>	<u>-</u>	<u>-</u>	<u>(9,706)</u>
	<u>\$ (81,993)</u>	<u>(1,556)</u>	<u>-</u>	<u>-</u>	<u>(83,549)</u>	<u>1,366</u>	<u>-</u>	<u>-</u>	<u>(82,183)</u>

As of December 31, 2021, the Company's tax returns for the years through 2019 were assessed by the R.O.C. income tax authorities.

(20) 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		<u>2,289</u>	<u>2,366</u>
Balance on December 31		541,638	539,349

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A. Ordinary share capital

As of December 31, 2021 and 2020, 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.

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.

B. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Capital surplus – premium	\$ 2,545,833	2,979,208
Capital surplus – investments under equity method	22,974	10,198
Other	14,965	15,185
	<u>\$ 2,583,772</u>	<u>3,004,591</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 Board of Directors on May 7, 2021, the cash dividends of \$433,375 thousand, represents \$0.8 payout per share, will be distributed out of capital surplus. The actual distribution was consistent with the resolution approved by the Board of Directors. Related information is available at the Market Observation Post System website.

Based on resolutions approved during the Board of Directors on March 4, 2022, the cash dividends of \$54,172 thousand, represents \$0.1 payout per share, will be distributed out of capital surplus. The above mentioned distribution is pending for the resolution of the shareholders' meeting. Related information will be available at the Market Observation Post System website, after the resolution of the Alpha's relevant meeting.

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C. Retained earnings

The Alpha's articles of incorporation stipulated that Alpha'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.

(Continued)

ALPHA NETWORKS INC. AND SUBSIDIARIES
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D. Earnings distribution

Earnings distribution for the years 2020 and 2019 was approved by the shareholders during their meeting on May 7, 2021 and March 17, 2020 as follows:

	2020	2019
Dividends distributed to ordinary shareholders		
Cash (dividends per share were \$0.2 and \$0.44, respectively)	\$ 108,344	238,692

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 appropriation of earnings in 2021 was proposed in the annual Board of Directors on March 4, 2022. The cash dividends of \$379,203 thousand, represents \$0.7 payout per share. The above-mentioned was consistent with the resolutions approved by the shareholders' meeting. Related information would be available at the Market Observation Post System website.

E. Other equity and non-controlling interest

	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	NCI	Total
Balance at 1 January 2021	\$ (448,804)	-	-	3,034,149	2,585,345
Differences on translation of foreign operation financial statements	3,627	-	-	(6,857)	(3,230)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(726)	-	-	-	(726)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(1,189)	-	-	(1,189)
Changes in ownership interests in subsidiaries	-	-	-	(12,776)	(12,776)
Distribution cash dividend by subsidiaries to non-controlling interest	-	-	-	(238,145)	(238,145)
Increase (decrease) in non-controlling interests	-	-	-	180,314	180,314
Balance at 31 December 2021	\$ (445,903)	(1,189)	-	2,956,685	2,509,593

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	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 2021	\$ (439,629)	(292,137)	(17,053)	4,066,496	3,317,677
Differences on translation of foreign operation financial statements	(11,470)	-	-	(14,027)	(25,497)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	2,295	-	-	-	2,295
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 2021	<u>\$ (448,804)</u>	<u>-</u>	<u>-</u>	<u>3,034,149</u>	<u>2,585,345</u>

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(21) Share-based payment

A. As of December 31, 2021, 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,	
	2021	2020
Number at 1 January	80	3,241
Vested during the year (unit in thousand)	(80)	(2,289)
Forfeited during the year (unit in thousand)	-	(872)
	-	80

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The compensation costs recognized for the years ended December 31, 2020 was \$943 thousand.

(22) Earnings per share

A. Basic earnings per share

	For the years ended December 31,	
	2021	2020
Net income attributable to Alpha' s ordinary shareholders	\$ 433,888	556,997
Weighted-average number of shares outstanding (in thousands of shares)	541,665	540,017
Basic earnings per share (NTD)	\$ 0.80	1.03

B. Diluted earnings per share

	For the years ended December 31,	
	2021	2020
Net income attributable to ordinary shareholders	\$ 433,888	556,997
Weighted average number of shares outstanding (in thousands of shares) (basic)	\$ 541,665	540,017
Effect of employee remuneration in shares	1,654	398
Effect of restricted stock awards unvested	53	2,689
Weighted average number of shares outstanding (in thousands of shares) (diluted)	\$ 543,372	543,104
Diluted earnings per share (NTD)	\$ 0.80	1.03

(25) Revenues

A. The details of Revenues were as follows:

	For the years ended December 31,	
	2021	2020
Primary geographical markets:		
United States	\$ 16,567,565	21,170,158
Taiwan	3,447,697	3,653,720
Singapore	1,555,555	1,583,698
China	1,038,852	1,222,879
Others	5,252,667	4,540,194
	\$ 27,862,336	32,170,649

ALPHA NETWORKS INC. AND SUBSIDIARIES

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	For the years ended December 31,	
	2021	2020
Major products/services lines:		
LAN/MAN	\$ 8,859,528	8,728,792
Wireless Broadband	12,735,204	13,760,423
Digital Multimedia	4,382,179	7,832,242
Others	1,885,425	1,849,192
	\$ 27,862,336	32,170,649

B. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Trade receivables (including related parties)	\$ 4,053,112	6,801,078	4,292,840
Contract liabilities - product (other current liabilities)	\$ 832,407	964,609	493,920

The amount of revenue recognized for the years ended December 31, 2021 and 2020 that was included in the contract liability balance at the beginning of the period were \$628,187 thousand and \$258,637 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.

(24) 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 accrued and recognized its remuneration to employees and directors amounting to \$55,501 thousand and \$4,163 thousand, respectively. For the year ended December 31, 2021, 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. 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. 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 2021 and 2020.

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(25) Interest income

The details of the Group's interest income of 2020 and 2019 were as follows:

	For the years ended December 31,	
	2021	2020
Interest income from bank deposits and others	\$ 27,263	33,289

(26) Other income

The details of the Group's other income of 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Dividend income	\$ 3,679	4,259
Government grants income	39,911	79,294
Others	40,372	34,703
	\$ 83,962	118,256

(27) Other gains and losses

The details of the Group's other gains and losses of 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Gain on financial asset (liabilities) at fair value through profit or loss, net	\$ 29,221	48,588
Foreign exchange gain (loss), net	(23,893)	(76,510)
Others	(32,657)	(57,714)
	\$ (27,329)	(85,636)

(28) Finance costs

The details of the Group's finance costs of 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Interest expense of borrowings, etc.	\$ 35,020	39,410
Interest expense of lease liability	3,687	4,600
	\$ 38,707	44,010

(29) Financial instruments

A. Credit risk

(a) Credit risk exposure

The carrying amounts of financial assets represents the maximum amount exposed to credit risk.

ALPHA NETWORKS INC. AND SUBSIDIARIES
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(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, 2021 and 2020, 50% and 64%, 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.

	Carrying amount	Contractual cash flows	Within 1 years	1 to 5 years	More than 5 years
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 4,044,952	(4,046,341)	(4,046,341)	-	-
Accounts payable (Included related-parties)	4,193,913	(4,193,913)	(4,193,913)	-	-
Other payables to related parties (other current liabilities)	9,681	(9,681)	(9,681)	-	-
Accrued expenses	501,745	(501,745)	(501,745)	-	-
Bond payables due within one year	461,471	(468,700)	(468,700)	-	-
Lease liabilities	245,164	(287,932)	(25,676)	(59,657)	(202,599)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	2,927	(1,223,843)	(1,223,843)	-	-
Inflows	(1,425)	1,222,341	1,222,341	-	-
Currency option contracts:					
Outflows	-	(581,343)	(581,343)	-	-
Inflows	(2,364)	583,707	583,707	-	-
	<u>\$ 9,456,064</u>	<u>(9,507,450)</u>	<u>(9,245,194)</u>	<u>(59,657)</u>	<u>(202,599)</u>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 years</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
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	749,008	(749,008)	(749,008)	-	-
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>\$ 11,185,782</u>	<u>(11,306,234)</u>	<u>(11,067,887)</u>	<u>(45,084)</u>	<u>(193,263)</u>

C. Currency risk

(a) Exposure to currency risk

The Group's significant exposure to foreign currency risk was as follows:

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 111,869	27.680	3,096,534	328,081	28.35	9,301,096
CNY	518	4.3454	2,251	2,044	4.3216	8,833
<u>Non-Monetary items</u>						
USD	22,000	27.680	Note	38,590	28.35	Note
EUR	4,808	31.440	Note	7,130	34.956	Note
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	203,214	27.680	5,624,964	296,917	28.35	8,417,597
<u>Non-Monetary items</u>						
USD	36,248	27.680	Note	24,000	28.35	Note
EUR	1,279	31.444	Note	-	-	-

Note: Please refer to note 6(2) for the information on forward exchange contracts and rate exchange contracts at fair value.

ALPHA NETWORKS INC. AND SUBSIDIARIES

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(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, 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, 2021 and 2020, would have increased or decreased the profit before tax by \$25,262 thousand and \$13,899 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 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$23,893 thousand and \$76,510 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.

If the interest rate had increased or decreased by 0.25%, the Group's net income before tax would have increased or decreased by \$3,026 thousand and \$7,524 thousand, respectively for the years ended December 31, 2021 and 2020 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, 2021 and 2020, 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:

<u>Prices of securities at the reporting date</u>	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Increasing 5%	<u>\$ 967</u>	<u>1,062</u>
Decreasing 5%	<u>\$ (967)</u>	<u>(1,062)</u>

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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, 2021				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss	\$ <u>67,565</u>	<u>63,776</u>	<u>3,789</u>	<u>-</u>	<u>67,565</u>
Non-current financial assets at fair value through other comprehensive income	\$ <u>19,335</u>	<u>-</u>	<u>-</u>	<u>19,335</u>	<u>19,335</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 4,498,050	-	-	-	-
Notes and accounts receivable (including related parties)	4,053,112	-	-	-	-
Financial assets measured at amortized cost – current and non-current	<u>511,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,062,946</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>2,927</u>	<u>-</u>	<u>2,927</u>	<u>-</u>	<u>2,927</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 4,193,913	-	-	-	-
Payable to related parties	9,682	-	-	-	-
Short-term borrowings	4,044,952	-	-	-	-
Bond payables (due within one year)	461,471	-	-	-	-
Lease liabilities – current and non-current	<u>245,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,955,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

ALPHA NETWORKS INC. AND SUBSIDIARIES
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	December 31, 2020				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss	\$ 82,311	68,894	13,417	-	82,311
Non-current financial assets at fair value through other comprehensive income	\$ 21,245	-	-	21,245	21,245
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 – derivatives	\$ 10,517	-	10,517	-	10,517
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	-	-	-	-
Bonds Payable (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>

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.

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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, 2021 and 2020.
- (d) Reconciliation of Level 3 fair values

	At fair value through profit or loss
Opening Balance, January 1, 2021	\$ 21,245
Unrealized gains from investments in equity instruments measure at fair value through other comprehensive income	(1,910)
Ending balance, December 31, 2021	\$ 19,335
Opening Balance, January 1, 2020 (same as December 31, 2020)	\$ 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, 2021 and 2020, net asset value of comparable companies at 1.88 times. As of December 31, 2021 and 2020, discount for lack of marketability of 21.14%.	Not applicable The fair value would decrease if lack of marketability and higher discount rate.

(30) Financial risk management

A. Overview

The Group have exposures to the following risks from its financial instruments:

- (a) credit risk
- (b) liquidity risk

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(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, 2021 and 2020, 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, 2021 and 2020, the Group did not utilize any credit line for both 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 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.

(31) 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, 2021	December 31, 2020
Total liabilities	\$ 12,171,680	14,267,252
Less: Cash and cash equivalents	(4,498,050)	(5,710,004)
Net debt	\$ 7,673,630	8,557,248
Total equity	\$ 12,559,104	12,738,331
Debt-to-equity ratio	61.10%	67.18%

The debt-to-equity ratio was increased on December 31, 2021, because of the shortage in material this year, accounts payable (including related parties) decreased, In addition the short-term borrowings increased for enriching working capital. As result, the debt-to-equity ratio decreased.

As of December 31, 2020, the Group had not changed its capital management method.

(32) Non-cash investing and financing activities

The Group's investing and financing activities which did not affect the current cash flow were as follows:

A. For right of use assets obtained due to lease, please refer to note 6(10).

B. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Foreign exchange movement and other	December 31, 2021
Short-term borrowings	\$ 2,842,762	1,202,190	-	4,044,952
Bonds payable (including maturity within 1 year)	526,507	-	(65,036)	461,471
Lease liabilities	241,748	(41,142)	44,558	245,164
Total liabilities from financing activities	\$ 3,611,017	1,161,048	(20,478)	4,751,587

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	January 1, 2020	Cash flows	Foreign exchange movement and other	December 31, 2021
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	571,047	-	(44,540)	526,507
Lease liabilities	275,199	(64,269)	30,818	241,748
Total liabilities from financing activities	\$ 2,068,947	1,555,792	(13,722)	3,611,017

7. Related-party transactions:

- (1) Parent company and ultimate controlling company

On July 23, 2020, Qisda Corporation acquired the Alpha's 19.02% percent of common shares, increasing its ownership from 23.84% to 42.86%. Qisda Corporation is the ultimate controlling party of the Company, and has issued the Consolidated Financial Statements Available for Public Use.

- (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 Corporation(Qisda)	Parent Company
AEWIN Technologies Co., Ltd. (AEWIN Technologies)	Qisda's subsidiary
Sysage Technology Co., Ltd. (Sysata)	Qisda's subsidiary
Unictron Technologies Corporation (Unictron Technologies)	The Group's associates
BenQ Asia Pacific Corp (BQP)	Qisda's subsidiary
BenQ Healthcare Corporation (BHC)	Qisda's subsidiary
Qisda Optronics Corp (QTOS)	Qisda's subsidiary
Qisda Corporation (Suzhou) Co., Ltd. (QCSZ)	Qisda's subsidiary
Qisda Precision Industry (Suzhou) Co., Ltd. (QCPS)	Qisda's subsidiary
Global Intelligence Network Co., Ltd. (Ginnet)	Qisda's subsidiary
Qisda Vietnam Co., Ltd. (QVH)	Qisda's subsidiary
DFI Inc. (DFI)	Qisda's subsidiary
Dawning Technology Inc. (Dawningtech) (Note 2)	Qisda's subsidiary

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<u>Name of related party</u>	<u>Relationship with the Group</u>
Golden Spirit Co., Ltd. (GSC)	Qisda's subsidiary
D-Link Corporation (D-Link) (Note 1)	The entity with significant influence over the Group
D-Link International Pte. Ltd. (D-Link International) (Note 1)	D-Link Corporation and its subsidiary co-holding subsidiaries
D-Link (Shanghai) Ltd. (D-Link Shanghai) (Note 1)	D-Link Corporation and its subsidiary co-holding subsidiaries
BenQ Foundation	Substantive related party
Alpha Networks Inc. Foundation	Substantive related party

Note 1: The board of directors of Alpha, D-Link, 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 the related-party of the Group since December 1, 2020.

Note 2: Dawningtech had been punished in January 2021.

(33) Significant related-party transactions

A. Sales

The amounts of sales from related parties were as follows:

	For the years ended December 31,	
	2021	2020
Entities with significant influence over the Group	\$ -	117,074
Other related parties – D-Link International	-	1,154,429
Other related parties – other	<u>812</u>	<u>813</u>
	<u>\$ 812</u>	<u>1,272,316</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.

B. Purchases

The amounts of purchases by the Group from related parties were as follows:

	For the years ended December 31,	
	2021	2020
Parent Company	\$ 6,163	484
Other related parties	<u>95,475</u>	<u>80,827</u>
	<u>\$ 101,638</u>	<u>81,311</u>

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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:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable from related parties	Parent Company	\$ 749	-
Account receivable from related parties	Other related parties – Others	30,194	51,112
		<u>\$ 30,943</u>	<u>51,112</u>

D. Payables to Related Parties

The Group obtained service from related parties, including product warranty and maintenance service, research and other service expense, as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Parent Company	\$ 960	660
Entities with significant influence over the Group	-	378
Other related parties – Others	13,337	3,937
	<u>\$ 14,297</u>	<u>4,975</u>

The payables to related parties were as follows:

<u>Account</u>	<u>Related Party Category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payable to related parties	Parent Company	\$ 919	11
Other payable to related parties	Other related parties – others	1,285	-
		<u>\$ 2,204</u>	<u>11</u>

E. Transactions of property, plant and equipment

The amounts of sales to related parties were as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Other related parties – others	\$ 1,705	-

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The amounts of purchases by the Group from related parties were as follows: (Continued)

<u>Account</u>	<u>Related Party Category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Equipment	Parent Company	\$ 500	-
Prepaid equipment	Other related parties – others	21,294	-
		<u>\$ 21,794</u>	<u>-</u>

The payables to related parties were as follows:

<u>Account</u>	<u>Related Party Category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payable to related parties	Parent Company	\$ 525	-
Other payable to related parties	Other related parties – others	5,472	-
		<u>\$ 5,997</u>	<u>-</u>

F. Rental income

The Group rented out an office to D-Link (shanghai) and the rental income for the years ended December 31, 2020 was \$135 thousand the amounts had been collected.

G. Various advances

As of December 31, 2021 and 2020, the receivable and payable from related parties due to the payment on behalf of the Group, which were recognized as other current assets and other current liabilities, were as follows:

<u>Account</u>	<u>Related Party Category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payable	Other related parties – others	<u>\$ (1,480)</u>	<u>-</u>
Advance payment	Other related parties – others	<u>\$ 24</u>	<u>44</u>

(33) Key management personnel compensation

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 121,052	104,780
Share-based payment	-	3,584
	<u>\$ 121,052</u>	<u>108,364</u>

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8. Pledged assets:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Import guarantee for Customs	\$ 7,550	7,550
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	2,968
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	11,228	11,547
Refundable deposit (recorded in other non-current assets)	Guarantee for construction project	80,868	80,144
Refundable deposit (recorded in other non-current assets)	Guarantee to lawsuits	-	24,000
		<u>\$ 112,996</u>	<u>150,818</u>

9. Significant commitments and contingencies:

- (1) As of December 31, 2021 and 2020, the Group deposited notes in the bank amounting to \$4,652,662 thousand and \$4,439,397 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.

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(3) 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. Taiwan High Court overturned the initial preliminary injunction, and the lawsuit had proceeded to the Supreme Court for second hearing on January 5, 2017. On October 20, 2020, the Taiwan High Court revoked the decision of second hearing and annul the decision of the first hearing. According to the opinions of experts, despite the situation above, the entire case still has the right of appeal. The appeal was filed on November 17, 2020, and the High Court transferred the entire case to the Supreme Court on January 25, 2021. The two parties settled in the mediation court of the Supreme Court on September 27, 2021, and agreed to remit US\$1,433 thousand to Hitron Technologies at the time of the settlement on September 27, 2021, by IMS, the shareholder of Digital Express. The amounts had been collected.

(4) Others

	December 31, 2021	December 31, 2020
Guarantee Notes Payable	\$ 4,585	8,938
Guarantee for construction projects	97,488	189,874
The balance of the issued letter of credit for purchasing goods abroad, etc. has not been used	-	7,825

10. Losses Due to Major Disasters: None

11. Subsequent Events:

On January 6, 2022, the subsidiary Interactive Digital obtained operating property from a non-related party, GEE HOO FITEC CORP., through a resolution of the Board of Directors. The operating property lands and buildings were located at No. 212, Section 2, Gong 2, Linkou District, New Taipei City and No. 1 (No. 19 Jian), No. 2, Gongjiu Road, Linkou District, New Taipei City, the purchase amount was \$238,750 thousand.

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12. Other:

A summary of employee benefits, depreciation and amortization, by function, is as follows:

By item	By function	2021			2020		
		Cost of sales	Operation expenses	Total	Cost of sales	Operation expenses	Total
Employee benefits							
Salaries		793,993	2,138,222	2,932,215	960,224	2,280,311	3,240,535
Labor and health insurance		62,815	175,790	238,605	53,293	146,329	199,622
Pension		39,811	112,036	151,847	31,661	83,066	114,727
Remuneration of directors		-	31,478	31,478	-	45,266	45,266
Others		59,871	62,059	121,930	63,544	100,625	164,169
Depreciation		262,786	261,748	524,534	228,549	286,603	515,152
Amortization		1,077	220,827	221,904	1,615	191,989	193,604

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, 2021 (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: None.
- 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 5.
- H. Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock: Please refer to Table 6.

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- I. Trading in derivative instruments: Please refer to note 6(2).
- J. Business relationships and significant intercompany transactions: Please refer to Table 7.
- (2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 8.
- (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		295,797,126	54.60%

1. 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.
2. 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.

(Continued)

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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

	For the year ended December 31, 2021			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 26,029,315	1,833,021	-	27,862,336
Intersegment revenues	-	32,313	(32,313)	-
Total revenue	<u>\$ 26,029,315</u>	<u>1,865,334</u>	<u>(32,313)</u>	<u>27,862,336</u>
Interest expenses	<u>\$ 30,403</u>	<u>8,305</u>	<u>(1)</u>	<u>38,707</u>
Depreciation and amortization	<u>\$ 686,108</u>	<u>60,577</u>	<u>(247)</u>	<u>746,438</u>
Reportable segment profit or loss	<u>\$ 331,050</u>	<u>216,417</u>	<u>(20,400)</u>	<u>527,067</u>
	December 31, 2021			
	Network related products	Others	Reconciliation and elimination	Total
Assets	<u>\$ 21,018,147</u>	<u>3,719,842</u>	<u>(7,205)</u>	<u>24,730,784</u>
Liabilities	<u>\$ 10,548,585</u>	<u>1,625,168</u>	<u>(2,073)</u>	<u>12,171,680</u>

(Continued)

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	For the year ended December 31, 2021			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 30,412,295	1,758,354	-	32,170,649
Intersegment revenues	-	101,069	(101,069)	-
Total revenue	<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>

	December 31,			
	Network related products	Others	Reconciliation and elimination	Total
Assets	<u>\$ 23,338,652</u>	<u>3,673,979</u>	<u>(7,048)</u>	<u>27,005,583</u>
Liabilities	<u>\$ 12,457,580</u>	<u>1,810,759</u>	<u>(1,087)</u>	<u>14,267,252</u>

(3) Products and services information

Details of customers contract revenue for 2021 and 2020, please refer to note 6 (23).

(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, 2021	December 31, 2020
Non-current assets:		
China	\$ 935,501	1,206,084
Taiwan	1,875,657	3,432,992
Others	<u>2,834,309</u>	<u>1,231,614</u>
	<u>\$ 5,645,467</u>	<u>5,870,690</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.

(Continued)

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

(5) Major customer information

Sales to individual customers representing greater than 10% of consolidated revenue were as follows:

	For the years ended December 31,	
	2021	2020
L Company	\$ 4,034,846	3,795,202
V Company	3,308,127	4,573,644
Z Company	2,694,099	3,452,918
U Company	1,156,371	3,263,804
	<u>\$ 11,193,443</u>	<u>15,085,568</u>

Alpha Networks Inc. and Subsidiaries
Loans to other parties
For the year ended December 31, 2021

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	1,425,960 (USD51,000 thousand)	966,032 (USD34,900 thousand)	966,032 (USD34,900 thousand)	-	2	-	Operating capital	-	-	-	2,263,055 (note 4)	2,263,055 (note 4)
2	Mirac	Alpha Changshu	Same as above	Yes	129,231 (RMB30,000 thousand)	-	-	2.5%	2	-	Operating capital	-	-	-	303,307 (note 4)	303,307 (note 4)
3	Alpha Chengtu	Alpha Changshu	Same as above	Yes	174,296 (RMB40,000 thousand)	173,816 (RMB40,000 thousand)	173,816 (RMB40,000 thousand)	2%~2.5%	2	-	Operating capital	-	-	-	574,686 (note 4)	574,686 (note 4)
5	D-Link Asia	Alpha Changshu	Same as above	Yes	139,000 (USD5,000 thousand)	138,400 (USD5,000 thousand)	138,400 (USD5,000 thousand)	-	2	-	Operating capital	-	-	-	1,745,594 (note 4)	1,745,594 (note 4)
4	Hitron Technologies	Hitron Suzhou	Same as above	Yes	427,950	-	-	1%	2	-	Operating capital	-	-	-	939,324 (note 5)	1,878,649 (note 5)
4	Hitron Technologies	Hitron Vietnam	Same as above	Yes	922,680	830,400	608,960	1%	2	-	Operating capital	-	-	-	939,324 (note 5)	1,878,649 (note 5)
5	Jietech Suzhou	Hitron Suzhou	Same as above	Yes	21,680	-	-	2%	2	-	Operating capital	-	-	-	3,716 (note 5)	3,716 (note 5)
6	Alpha Dongguan	Alpha Changshu	Same as above	Yes	306,761 (RMB70,400 thousand)	305,916 (RMB70,400 thousand)	305,916 (RMB70,400 thousand)	2%	2	-	Operating capital	-	-	-	1,034,891 (note 4)	1,034,891 (note 4)

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, D-Link Asia and Alpha Dongguan, the subsidiaries whose voting shares are 100% owned, directly or indirectly, by Alpha, which are not located in Taiwan, for the purpose of landing operating capital, the amount of financing offered to a single company owned by the Company shall not exceed 100% of the lender's net worth.

Note 5: The total amount of lending to a company by Hitron Technologies and its subsidiaries shall not exceed 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 Hitron Technologies, the lending amount shall not exceed the total transaction amount in the nearest 12 months or the estimated amount within the next 12 months. Furthermore, the lending amount shall not exceed 20% of the net worth of Hitron Technologies' latest audited or reviewed financial statements. 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 20% of the net worth of Hitron Technologies' latest audited or reviewed financial statements.
- c. Lending among foreign subsidiaries which Hitron Technologies has 100% of direct or indirect voting rights, or foreign subsidiaries which Hitron Technologies has 100% of direct or indirect voting rights lending to Hitron Technologies, there is no limit to the amount and period of lending, but should state the limit and term of lending.
- d. For Jietech Suzhou and foreign subsidiaries which Hitron Technologies has 100% of direct or indirect voting rights, the financing total amount and the limit shall not exceed 100% of the net worth of Hitron Technologies.

Alpha Networks Inc. and Subsidiaries
Guarantees and endorsements for other parties
For the year ended December 31, 2021

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	Alpha	Alpha Dongguan	note 3	4,801,210	57,060	55,360	14,138	-	0.58%	9,602,419	Y	N	Y
0	Alpha	Alpha Changshu	note 3	4,801,210	199,710	193,760	13,812	-	2.06%	9,602,419	Y	N	Y
1	Hitron Technologies	Innoauto Technologies	note 3	4,696,622	75,000	-	-	-	- %	7,044,933	Y	N	N
1	Hitron Technologies	Hitron Europe	note 3	4,696,622	645,036	601,096	77,352	-	12.80%	7,044,933	Y	N	N
1	Hitron Technologies	Hitron Americas	note 3	4,696,622	836,100	553,600	-	-	11.79%	7,044,933	Y	N	N
1	Hitron Technologies	Hitron Vietnam	note 3	4,696,622	2,168,280	1,771,520	-	-	37.72%	7,044,933	Y	N	N
1	Hitron Technologies	Hitron Suzhou	note 3	4,696,622	514,446	-	-	-	- %	7,044,933	Y	N	Y

Note 1: The total amount of guarantee provided by Alpha to any individual entity shall not exceed 50% of Alpha's equity.

Note 2: The total amount of guarantee provided by Alpha shall not exceed 100% 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 20% 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. Other than the two regulations above, the total amount of Hitron Technologies' endorsement in security for each type of party shall not exceed the total transaction amount in the nearest 12 months or the estimated transaction amount within the next 12 months and 20% of the net worth of Hitron Technologies' latest audited or reviewed financial statements (the transaction referring to the higher of sales or purchase amount).

Alpha Networks Inc. and Subsidiaries
Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2021

(In Thousands of New Taiwan Dollars)

Table 3

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 (%)		
The Company	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	32,237	-	32,237	-
Hitron Technologies	SENAO	-	Current financial assets at fair value through profit or loss	152	5,077	-	5,077	-
Interactive Digital	TRANSCEND	-	Current financial assets at fair value through profit or loss	362	26,462	-	26,462	-
Hitron Technologies	CHAO LONG MOTOR PARTS CORP	-	Non-current financial assets at fair value through other comprehensive income	668	19,335	1.79	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	-	-	-	-
The Company	TGC, Inc.	-	Non-current financial assets measured at fair value through profit and loss	500	-	1.83	-	1.83

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, 2021**

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 (note)		
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
Hiron Technologies	Vietnam	Equity method	Cash capital increase	Parent and subsidiary	-	434,914	-	1,036,992	-	-	-	-	-	1,471,906

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

**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, 2021**

(In Thousands of New Taiwan Dollars)

Table 5

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)	
Alpha	Alpha USA	Subsidiary of Alpha	(Sales)	(4,760,796)	(28)%	90 days	-	-	852,899	29%	Note 2
Alpha	D-Link Asia	Subsidiary of Alpha	Purchase	5,541,952	35%	90 days	-	-	(349,133)	(21)%	Note 2
Alpha	Alpha Changshu	Subsidiary of Alpha	Purchase	6,329,794	40%	90 days	-	-	(372,631)	(23)%	Note 2
Alpha Changshu	Mirac	Subsidiary company to subsidiary	(Sales)	(606,216)	(9)%	90 days	-	-	127,369	24%	Note 2
Alpha HK	Alpha Changshu	Subsidiary company to subsidiary	(Sales)	(7,407,351)	(100)%	90 days	-	-	1,307,227	100%	Note 2
D-Link Asia	Alpha Dongguan	Subsidiary company to subsidiary	Purchase	5,541,952	56%	90 days	-	-	(377,082)	(41)%	Note 2
Hitron Suzhou	Hitron Technologies	Subsidiary company to subsidiary	(Sales)	(812,542)	(8)%	90 days	-	-	55,541	3%	Note 2
Hitron Technologies	Hitron Americas	Subsidiary company to subsidiary	(Sales)	(4,523,454)	(47)%	90 days	-	-	1,360,832	75%	Note 2
Hitron Technologies	Hitron Europe	Subsidiary company to subsidiary	(Sales)	(651,702)	(7)%	90 days	-	-	111,182	6%	Note 2
Hitran Vietnam	Hitron Technology	Subsidiary company to subsidiary	(Sales)	(5,956,885)	(61)%	90 days	-	-	634,323	35%	Note 2
Hitron Suzhou	Hitron Vietnam	Subsidiary company to subsidiary	(Sales)	(153,206)	(2)%	90 days	-	-	-	-	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.

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, 2021**

(In Thousands of New Taiwan Dollars)

Table 6

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	852,899	4.79	-	-	603,794	-	note 2
Alpha	Alpha HK	Subsidiary of Alpha	305,125	-	87,427	-	-	-	note 2
D-Link Asia	Alpha	Subsidiary company to parent	349,133	3.59	-	-	349,133	-	note 2
Alpha Changshu	Alpha	Subsidiary company to parent	372,631	8.96	3	-	372,631	-	note 2
Alpha Dongguan	D-Link Asia	Subsidiary company to subsidiary	377,082	3.54	593	-	353,585	-	note 2
Alpha Changshu	Mirac	Subsidiary company to subsidiary	127,369	4.26	-	-	113,860	-	note 2
Alpha HK	Alpha Changshu	Subsidiary company to subsidiary	1,307,227	6.51	171,243	-	608,075	-	note 2
D-Link Asia	Alpha Dongguan	Subsidiary company to subsidiary	548,197	3.01	12,540	-	458,311	-	note 2
Hitron Technologies	Hitron Americas	Subsidiary company to subsidiary	1,360,832	2.79	-	-	523,845	-	note 2
Hitron Technologies	Hitron Europe	Subsidiary company to subsidiary	111,182	3.60	-	-	27,839	-	note 2
Hitron Technologies	Hitron Vietnam	Subsidiary company to subsidiary	1,270,467	-	-	-	485,180	-	note 2
Hitron Vietnam	Hitron Technologies	Subsidiary company to subsidiary	634,323	7.06	-	-	634,323	-	note 2

Note 1: The collection situation as of February 18, 2022.

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, 2021

(In Thousands of New Taiwan Dollars)

Table 7

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account	Amount	Payment terms	
0	Alpha	Alpha USA	Parent company to Subsidiary	Sales	4,760,796	-	17.09%
0	Alpha	Alpha USA	Parent company to Subsidiary	Accounts receivable from related parties	852,899	90 days	3.45%
0	Alpha	Alpha Changshu	Parent company to Subsidiary	Purchase	6,329,794	-	22.72%
0	Alpha	Alpha Changshu	Parent company to Subsidiary	Accounts payable to related parties	372,631	90 days	1.51%
0	Alpha	D-Link Asia	Parent company to Subsidiary	Purchase	5,541,952	-	19.89%
0	Alpha	D-Link Asia	Parent company to Subsidiary	Accounts payable to related parties	349,133	90 days	1.41%
1	Alpha HK	Alpha Changshu	Subsidiary company to Subsidiary	Sales	7,407,351	-	26.60%
3	Alpha HK	Alpha Changshu	Subsidiary company to Subsidiary	Accounts receivable from related parties	1,307,227	90 days	5.29%
2	D-Link Asia	Alpha Dongguan	Subsidiary company to Subsidiary	Purchase	5,541,952	-	19.89%
3	D-Link Asia	Alpha Dongguan	Subsidiary company to Subsidiary	Account payable to related parties	377,082	90 days	1.52%
4	Alpha Changshu	Mirac	Subsidiary company to Subsidiary	Sales	606,216	-	2.18%
4	Hitron Technologies	Hitron Europe	Subsidiary company to Subsidiary	Sales	651,702	60 days	2.34%
4	Hitron Technologies	Hitron Americas	Subsidiary company to Subsidiary	Sales	4,523,454	-	16.24%
8	Hitron Technologies	Hitron Americas	Subsidiary company to Subsidiary	Accounts receivable from related parties	1,360,832	90 days	5.50%
4	Hitron Technologies	Hitron Vietnam	Subsidiary company to Subsidiary	Other receivables	1,270,467	60 days	5.14%
5	Hitron Suzhou	Hitron Technologies	Subsidiary company to Subsidiary	Sales	812,542	-	2.92%
6	Hitron Vietnam	Hitron Technologies	Subsidiary company to Subsidiary	Sales	5,956,885	-	21.38%
6	Hitron Vietnam	Hitron Technologies	Subsidiary company to Subsidiary	Accounts receivable from related parties	634,323	60 days	2.56%

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, 2021

(In Thousands of New Taiwan Dollars)

Table 8

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021		Carrying value	Highest Percentage of ownership	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership					
Alpha	Alpha Holdings	Cayman Islands	Investment holding	203,372	203,372	6,464	100.00%	(21,344)	100%	2,447	2,447	
Alpha	Alpha Solutions	Japan	Sale of network equipment, components and technical services	5,543	5,543	1	100.00%	19,408	100%	244	244	
Alpha	Alpha USA	CA USA	Sale, marketing and procurement service in USA	51,092	51,092	1,500	100.00%	138,491	100%	2,436	2,436	
Alpha	Alpha HK	Hong Kong	Investment holding	3,143,628	3,143,628	780,911	100.00%	2,257,173	100%	63,150	68,412	
Alpha	ATS	CA USA	Post-sale service	260,497	260,497	8,100	100.00%	167,336	100%	1,544	1,544	
Alpha	Enrich Investment	Taiwan	Investment holding	320,000	240,000 (USD8,100 thousand)	32,000	100.00%	232,522	100%	(113)	(113)	
Alpha	Hitron Technologies	Taiwan	Marketing on system integration of communication product and telecommunication products	4,811,000	4,811,000	200	62.24%	3,893,949	62.24%	71,582	(7,880)	
Alpha	D-Link Asia	Singapore	Investment in manufacturing business	1,692,805	1,692,805	86,946	100.00%	1,765,629	100%	763	619	
Enrich Investment	Interactive Digital	Taiwan	Telecommunication and broadband network services	189,523 (note 2)	189,523	2,575	6.64%	115,599	6.83%	260,654	note 1	

Enrich Investment	Transnet Corporation	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%	24,244	100%	(11,278)	note 1
Enrich Investment	Aespula	Taiwan	Sale of network equipment components and technical services	80,000	-	8,000	98.92%	76,775	98.92%	(3,225)	note 1 and 3

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value				
Hitron Technologies	Hitron Samoa	Samoa	International trade	642,697	669,031	21,350	100.00%	578,035	(136,704)	note 1		
Hitron Technologies	Interactive Digital	Taiwan	Telecommunication and broadband network system services	126,091	126,091	16,703	43.10%	542,285	260,654	note 1		
Hitron Technologies	Hitron Europe	Netherlands	International trade	59,604	59,604	15	100.00%	19,110	38,383	note 1		
Hitron Technologies	Hitron Americas	USA	International trade	90,082	90,082	300	100.00%	201,533	54,936	note 1		
Hitron Technologies	Innoauto Technologies	Taiwan	Investments and automotive electronics products	20,000	50,000	2,000	100.00%	3,631	(13,451)	note 1		
Hitron Technologies	Hitron Vietnam	Vietnam	Production and sale of broadband telecommunication products	1,511,735	550,355	-	100.00%	1,471,906	118,353	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 percentage of ownership had included 87 thousand shares of preferred stock held by the original shareholders.

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, 2021

(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 investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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	12,581	100.00%	100.00%	12,581	574,686	-
Alpha Dongguan	Production and sale of network products	787,496	note 1	741,084	-	-	741,084 (note 6)	(15,378)	100.00%	100.00%	(15,378)	1,034,891	-
Mirac	Production and sale of network products	307,326	note 1	307,326	-	-	307,326	5,173	100.00%	100.00%	5,173	303,307	-
Alpha Changshu	Production and sale of network products	1,925,920	note 1	1,925,920	-	-	1,925,920	111,028	100.00%	100.00%	111,028	1,347,371	-
Hitron Suzhou	Production and sale of broadband network products	641,763	note 1	641,763	-	-	641,763	(136,281)	100.00% (note 9)	100.00%	(136,281)	587,235	-
Jietech Suzhou	Sale of broadband network products and related services	31,139	note 1	57,473	-	26,334	31,139	(422)	100.00% (note 9)	100.00%	(422)	3,713	-
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	1,771	43.10% (notes 8 and 9)	44.28%	763	6,532	21,314

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
3,261,784 note 3,4,7	4,123,685	note 5
684,950	684,950	2,817,973

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 HKD69,387 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

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, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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(21) 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(6) investments in equity-accounted investee. 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 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 amounted to \$19,110 thousand and \$8,685 thousand, constituting 0.13% and 0.05% of the total assets as of December 31, 2021 and 2020, respectively. The investment income from investment accounted for using equity method amounted to \$38,383 thousand and \$70,410 thousand, constituting 8.98% and 10.12% of the total comprehensive income for the years ended December 31, 2021 and 2020, respectively.

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 4, 2022

ALPHA NETWORKS INC.
Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		2021		2020	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (notes 6(21) and 7)	\$ 17,163,287	100	21,358,901	100
5000	Operating costs (notes 6(4) and 7)	15,008,266	87	18,858,410	88
	Gross profit	2,155,021	13	2,500,491	12
5920	Add: Net changes in unrealized profit on sales to subsidiaries and associates (note 7)	64,019	-	(51,491)	-
	Gross profit	<u>2,219,040</u>	<u>13</u>	<u>2,449,000</u>	<u>12</u>
	Operating expenses (notes 7):				
6100	Selling expenses	348,728	2	477,353	2
6200	Administrative expenses	354,819	2	310,867	1
6300	Research and development expenses	1,116,367	7	1,224,028	6
6450	Gain on reversal of expected credit impairment loss (note 6(3))	(10,637)	-	(27,629)	-
	Total operating expenses	<u>1,809,277</u>	<u>11</u>	<u>1,984,619</u>	<u>9</u>
	Net operating income	<u>409,763</u>	<u>2</u>	<u>464,381</u>	<u>3</u>
	Non-operating income and expenses:				
7010	Other income (note 6(24))	32,154	-	41,135	-
7020	Other gains and losses, net (note 6(25))	(9,290)	-	(5,217)	-
7050	Finance costs (notes 6(26))	(7,025)	-	(9,206)	-
7070	Share of profit of subsidiaries (note 6(6))	67,709	1	129,901	-
7100	Interest income (note 6(23))	2,036	-	5,432	-
	Total non-operating income and expenses	<u>85,584</u>	<u>1</u>	<u>162,045</u>	<u>-</u>
	Profit before income tax	495,347	3	626,426	3
7950	Less: Income tax expense (note 6(17))	61,459	-	69,429	-
	Profit	<u>433,888</u>	<u>3</u>	<u>556,997</u>	<u>3</u>
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(16))	(8,200)	-	55,193	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (note 6(17))	(1,189)	-	92,512	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>(9,389)</u>	<u>-</u>	<u>147,705</u>	<u>-</u>
8360	Components of other comprehensive loss that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign operations (note 6(18))	3,627	-	(11,470)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(17))	(726)	-	2,295	-
	Components of other comprehensive loss that will be reclassified to profit or loss	<u>2,901</u>	<u>-</u>	<u>(9,175)</u>	<u>-</u>
	Other comprehensive income (loss)	<u>(6,488)</u>	<u>-</u>	<u>138,530</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 427,400</u>	<u>3</u>	<u>695,527</u>	<u>3</u>
	Earnings per share (New Taiwan dollars) (note 6(20))				
	Basic earnings per share	<u>\$ 0.80</u>		<u>1.03</u>	
	Diluted earnings per share	<u>\$ 0.80</u>		<u>1.03</u>	

See accompanying notes to parent-company-only financial statements.

ALPHA NETWORKS INC.
Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(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 fair value through other comprehensive income	Deferred compensation cost arising from issuance of restricted stock awards	Total other equity interest	Total equity
Balance at January 1, 2020	5,427,273	(1,372)	3,001,756	1,107,188	627,926	566,846	2,301,960	(439,629)	(292,137)	(17,053)	(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 appropriated	-	-	-	20,232	-	(20,232)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	103,840	(103,840)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(238,692)	(238,692)	-	-	-	-	(238,692)
Disposal of FVTOCI financial asset	-	-	-	-	-	(199,625)	(199,625)	-	199,625	-	199,625	-
Due to business combination	-	-	60	-	-	-	60	-	-	-	-	60
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	(39)	-	-	(744,623)	(744,623)	-	-	-	-	(744,623)
Changes in ownership interests in subsidiaries	-	-	10,208	-	-	-	10,208	-	-	-	-	10,208
Compensation cost of issued restricted stock awards	-	-	(16,110)	-	-	-	-	-	-	-	-	943
Share retirement for expiration of restricted stock awards	(10,088)	1,372	8,716	-	-	-	-	-	-	17,053	17,053	-
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)	-	(448,804)	9,704,182
Profit	-	-	-	-	-	433,888	433,888	-	-	-	-	433,888
Other comprehensive income	-	-	-	-	-	(8,200)	(8,200)	2,901	(1,189)	-	1,712	(6,488)
Total comprehensive income	-	-	-	-	-	425,688	425,688	2,901	(1,189)	-	1,712	427,400
Appropriation and distribution of retained earnings:												
Reversal of special reserve	-	-	-	-	(282,962)	282,962	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(108,344)	(108,344)	-	-	-	-	(108,344)
Cash dividends from capital surplus	-	-	(433,375)	-	-	-	-	-	-	-	-	(433,375)
Due to donated assets received	-	-	(220)	-	-	-	-	-	-	-	-	(220)
Changes in ownership interests in subsidiaries	-	-	12,776	-	-	-	12,776	-	-	-	-	12,776
Balance at December 31, 2021	5,417,185	-	2,583,772	1,127,420	448,804	472,330	2,048,554	(445,903)	(1,189)	-	(447,092)	9,602,419

See accompanying notes to parent-company-only financial statements.

ALPHA NETWORKS INC.
Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Profit before income tax	\$ 495,347	626,426
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	104,157	89,931
Amortization expense	86,689	55,544
Gain on reversal of expected credit impairment loss	(10,637)	(27,629)
Net gain on financial assets or liabilities at fair value through profit or loss	(459)	(339)
Interest expense	7,025	9,206
Interest income	(2,036)	(5,432)
Share-based payments	-	943
Share of profit of equity-accounted investees	(67,709)	(129,901)
Loss (gain) on disposal of property, plant and equipment	-	1,880
Provisions for inventory obsolescence and devaluation loss	9,995	103,581
Unrealized profit from sales	(64,019)	51,491
Total adjustments to reconcile profit	63,006	149,275
Changes in operating assets and liabilities:		
Notes and accounts receivable	2,286,456	(2,020,501)
Accounts receivable due from related parties	115,212	1,336
Financial assets mandatorily at fair value through profit or loss	7,406	6,839
Inventories	(525,793)	(92,814)
Other current assets	(50,925)	13,042
Financial liabilities held for trading	(7,067)	(377)
Accounts payable	338,352	55,649
Accounts payable to related parties	(3,055,630)	1,293,916
Other payable to related parties	(56,223)	25,312
Other current liabilities	(72,661)	453,159
Net defined benefit liability	(23,783)	(13,439)
Total changes in operating assets and liabilities	(1,044,656)	(277,878)
Total adjustments	(981,650)	(128,603)

(Continued)

ALPHA NETWORKS INC.
Statements of Cash Flows (Continued)
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
Cash inflow generated from (used in) operations	(486,303)	497,823
Interest received	2,036	5,432
Interest paid	(6,859)	(8,844)
Income taxes paid	<u>(74,653)</u>	<u>(310)</u>
Net cash flows from (used in) operating activities	<u>(565,779)</u>	<u>494,101</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	-	(8,613)
Proceeds from repayments of financial assets at amortized cost	-	2,631,512
Acquisition of investments accounted for using equity method	(80,000)	(3,390,000)
Proceeds from disposal of investments accounted for using equity method	-	193,315
Cash dividends from investments in equity-accounted investees	200,000	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	(47,799)	(116,246)
Proceeds from disposal of property, plant and equipment	-	1,504
Decrease in refundable deposits	79	1,271
Decrease in other receivables due from related parties	85,975	-
Acquisition of intangible assets	(114,032)	(52,933)
Decrease (increase) in other non-current assets	<u>(132,987)</u>	<u>25,630</u>
Net cash flows from (used in) investing activities	<u>(88,764)</u>	<u>(321,679)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,064,990	425,250
Payment of lease liabilities	(12,910)	(11,024)
Cash dividends paid	(541,719)	(238,692)
Donation received	<u>(220)</u>	<u>60</u>
Net cash flows from (used in) financing activities	<u>510,141</u>	<u>175,594</u>
Net increase (decrease) in cash and cash equivalents	(144,402)	348,016
Cash and cash equivalents at beginning of period	<u>816,860</u>	<u>468,844</u>
Cash and cash equivalents at end of period	<u>\$ 672,458</u>	<u>816,860</u>

(Continued)

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements
For the years ended December 31, 2021 and 2020
(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 4, 2022.

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. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from January 1, 2021:

- 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”

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from April 1, 2021:

- Amendments to IFRS 16 “Covid 19 Related Rent Concessions beyond June 30, 2021”

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

- (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, 2022, would not have a significant impact on its parent company only financial statements:

- 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”

- (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 Company, 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”	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. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.	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.

(Continued)

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

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 parent-company-only 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 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

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

(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.

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

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

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 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.;

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

(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.

(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.

(Continued)

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

(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.

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.

(Continued)

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

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;
- 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

(Continued)

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

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.

(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.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

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.

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.

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

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.

- (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

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

A. Identifying a lease

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.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

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.

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.

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

B. 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.

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.

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

(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.

(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.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

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.

(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.

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(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.

(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.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only 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 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.

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, 2021	December 31, 2020
Cash on hand	\$ -	1,106
Checking and savings accounts	672,458	812,716
Time deposits	-	3,038
Cash and cash equivalents in the statement of cash flows	<u>\$ 672,458</u>	<u>816,860</u>

Please refer to note 6(28) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

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ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

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

	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss – current		
Foreign exchange swaps	\$ 2,364	-
Forward exchange contracts	-	7,406
	\$ 2,364	7,406
Financial liabilities held for trading - current		
Forward exchange contracts	\$ 1,905	7,067

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, 2021				
	Amount (in thousands)		Currency	Maturity date
Foreign exchange swaps	USD	21,000	USD to NTD	January 2022
Forward exchange contracts	USD	5,000	USD to NTD	February 2022
Forward exchange contracts	USD	30,000	CNY to USD	January 2022
December 31, 2020				
	Amount (in thousands)		Currency	Maturity date
Forward exchange contracts	USD	37,000	USD to NTD	January 2021 ~ February 2021

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

	December 31, 2021	December 31, 2020
Accounts receivable	\$ 1,702,810	3,989,266
Less: loss allowances	(701)	(11,338)
	\$ 1,702,109	3,977,928

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, 2021	December 31, 2020
Financial assets measured at amortized cost– non-current	\$ 67,957	67,957
Less: loss allowances	(67,957)	(67,957)
	\$ -	-

(Continued)

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

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:

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 2,626,831	0%	-
Less than 90 days past due	271,529	0.26%	699
91 to 180 days past due	3	66.67%	2
More than 181 days past due	67,957	100%	67,957
	\$ 2,966,320		68,658

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 5,141,923	0%	-
Less than 90 days past due	146,680	0.0048%	7
91 to 180 days past due	97	0%	-
More than 181 days past due	79,288	100%	79,288
	\$ 5,367,988		79,295

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

	For the years ended December 31,	
	2021	2020
Balance at January 1	\$ 79,295	106,924
Reversal of impairment loss	(10,637)	(27,629)
Balance at December 31	\$ 68,658	79,295

As of December 31, 2021 and 2020, impairment allowance accounts with respect to account receivables from related parties were not provided.

(Continued)

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

(4) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$ 861,856	243,300
Work in progress and semi-finished products	86,422	90,615
Finished goods and merchandises	<u>81,653</u>	<u>180,218</u>
	<u>\$ 1,029,931</u>	<u>514,133</u>

Component of operating cost were as below:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cost of goods sold	\$ 14,998,271	18,754,829
Provision for inventory obsolescence and devaluation loss	<u>9,995</u>	<u>103,581</u>
	<u>\$ 15,008,266</u>	<u>18,858,410</u>

As of December 31, 2021 and 2020, the Company's inventories were not pledged.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current:		
Restricted deposits	\$ 15,550	15,550
Refundable deposits	1,740	1,819
Overdue receivables	67,957	67,957
Less: loss allowances	<u>(67,957)</u>	<u>(67,957)</u>
	<u>\$ 17,290</u>	<u>17,369</u>

The Company held bank time deposits with variable interest rates, and the average interest rates ranged between 0.12%~0.815% and 0.12%~2.20% for the years ended December 31, 2021 and 2020, respectively.

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

(6) Investment in equity-accounted investees

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	\$ 8,453,164	8,490,241
Unrealized profit (loss) from sales (downstream transactions)	<u>(44,487)</u>	<u>(108,506)</u>
	<u>\$ 8,408,677</u>	<u>8,381,735</u>

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

A. Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2021.

B. The Company's share of the net income of subsidiaries were as follows:

	For the years ended December 31,	
	2021	2020
Subsidiaries	\$ 67,709	129,901

The Company did not provide any investments accounted for using the equity methods as collateral for its loans.

(7) 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, 2021
Carrying amount of non-controlling interest on acquisition	\$ 905,331
Consideration paid to non-controlling interests	(1,567,106)
Retained earnings differences between consideration and carrying amounts subsidiaries acquired	\$ (661,775)

In the year of 2020, the Company's subsidiary-Enrich Investment Corporation acquired the equity in Interactive Digital Technologies Inc. for \$189,967 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	\$ (82,887)

(Continued)

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

(8) Property, plant and equipment

	<u>Building</u>	<u>Machinery and equipment</u>	<u>Office, transportation and other facilities</u>	<u>Total</u>
Cost:				
Balance at January 1, 2021	\$ 774,066	224,735	56,078	1,054,879
Additions	5,132	39,593	6,306	51,031
Disposals	(7,700)	(29,450)	(14,657)	(51,807)
Balance at December 31, 2021	<u>\$ 771,498</u>	<u>234,878</u>	<u>47,727</u>	<u>1,054,103</u>
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>\$ 774,066</u>	<u>224,735</u>	<u>56,078</u>	<u>1,054,879</u>
Depreciation and impairment loss:				
Balance at January 1, 2021	\$ 289,373	111,719	28,287	429,379
Depreciation	22,650	56,132	12,314	91,096
Disposals	(7,700)	(29,450)	(14,657)	(51,807)
Balance at December 31, 2021	<u>\$ 304,323</u>	<u>138,401</u>	<u>25,944</u>	<u>468,668</u>
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>\$ 289,373</u>	<u>111,719</u>	<u>28,287</u>	<u>429,379</u>
Carrying amounts:				
Balance at December 31, 2021	<u>\$ 467,175</u>	<u>96,477</u>	<u>21,783</u>	<u>585,435</u>
Balance at December 31, 2020	<u>\$ 484,693</u>	<u>113,016</u>	<u>27,791</u>	<u>625,500</u>
Balance at January 1, 2020	<u>\$ 487,215</u>	<u>83,333</u>	<u>20,586</u>	<u>591,134</u>

As of December 31, 2021 and 2020, the Company's property, plant and equipment were not pledged.

(9) 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>Other facilities</u>	<u>Total</u>
Cost:				
Balance at January 1, 2021	\$ 186,191	11,433	-	197,624
Additions	-	-	6,235	6,235
Balance at December 31, 2021	<u>\$ 186,191</u>	<u>11,433</u>	<u>6,235</u>	<u>203,859</u>

(Continued)

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Other facilities</u>	<u>Total</u>
Balance at January 1, 2020	\$ 186,191	-	-	186,191
Additions	-	11,433	-	11,433
Balance at December 31, 2020	\$ 186,191	11,433	-	197,624
Accumulated depreciation:				
Balance at January 1, 2021	\$ 11,790	5,717	-	17,507
Depreciation for the year	5,895	5,716	1,450	13,061
Balance at December 31, 2021	\$ 17,685	11,433	1,450	30,568
Balance at January 1, 2020	\$ 5,895	-	-	5,895
Depreciation	5,895	5,717	-	11,612
Balance at December 31, 2020	\$ 11,790	5,717	-	17,507
Carrying amount:				
Balance at December 31, 2021	\$ 168,506	-	4,785	173,291
Balance at December 31, 2020	\$ 174,401	5,716	-	180,117
Balance at January 1, 2020	\$ 180,296	-	-	180,296

(10) Intangible assets

	<u>Goodwill</u>	<u>Software application and other</u>	<u>Total</u>
Cost:			
Balance at January 1, 2021	\$ 134,883	177,319	312,202
Additions	-	114,032	114,032
Disposal	-	(19,047)	(19,047)
Balance at December 31, 2021	\$ 134,883	272,304	407,187
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	\$ 134,883	177,319	312,202
Amortization and impairment:			
Balance at January 1, 2021	\$ -	135,716	135,716
Amortization	-	86,689	86,689
Disposal	-	(19,047)	(19,047)
Balance at December 31, 2021	\$ -	203,358	203,358
Balance at January 1, 2020	\$ -	103,755	103,755
Amortization	-	55,544	55,544
Disposal	-	(23,583)	(23,583)
Balance at December 31, 2020	\$ -	135,716	135,716

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

	<u>Goodwill</u>	<u>Software application and other</u>	<u>Total</u>
Carrying amount			
Balance at December 31, 2021	<u>\$ 134,883</u>	<u>68,946</u>	<u>203,829</u>
Balance at December 31, 2020	<u>\$ 134,883</u>	<u>41,603</u>	<u>176,486</u>
Balance at January 1, 2020	<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:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Operating cost	\$ 410	614
Operating expense	86,279	54,930
Total	<u>\$ 86,689</u>	<u>55,544</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, 2021 and 2020, IP Camera cash generating unit determines the recoverable amount based on its value in use, and the recoverable amount of IP Camera was greater than its carrying amount and no impairment loss was recognized.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	7.60%	7.13%
Terminal value growth rate	3.58%	3.74%

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, 2021 and 2020, the Company's intangible assets were not pledged.

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ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Income tax refund receivable	\$ 45,232	20,113
Prepayments for equipment	137,556	17,751
Other	<u>52,394</u>	<u>15,531</u>
	<u>\$ 235,182</u>	<u>53,395</u>
Other current assets	\$ 89,516	38,591
Other non-current assets	<u>147,506</u>	<u>17,751</u>
	<u>\$ 237,022</u>	<u>56,342</u>

(12) Short-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured bank loans	<u>\$ 1,490,240</u>	<u>425,250</u>
Unused short-term and long-term credit lines	<u>\$ 2,902,720</u>	<u>3,508,200</u>
Range of interest rates	<u>0.65%~0.75%</u>	<u>0.60%</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.

(13) Provisions

	<u>Warranties</u>
Balance at January 1, 2021	\$ 176,617
Provisions made during the year	74,252
Provisions used during the year	<u>(77,333)</u>
Balance at December 31, 2021	<u>\$ 173,536</u>

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ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

	Warranties
Balance at January 1, 2020	\$ 186,779
Provisions made during the year	75,107
Provisions used during the year	(85,269)
Balance at December 31, 2020	\$ 176,617

The provision for warranties relates mainly to network product sold during the years ended December 31, 2021 and 2020. 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.

(14) Other current liabilities

	December 31, 2021	December 31, 2020
Payroll and bonus payable	\$ 313,762	386,569
Contract liabilities	208,480	285,680
Others	153,348	44,574
	\$ 675,590	716,823

(15) Lease liabilities

	December 31, 2021	December 31, 2020
Current	\$ 7,536	11,121
Non-current	\$ 184,714	187,804

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,	
	2021	2021
Interest on lease liabilities	\$ 2,508	2,585
Expenses relating to short-term leases and leases of low-value assets	\$ 10,061	5,500

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

	2021	2020
Total cash outflow for leases	\$ 25,479	19,109

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Notes to the Parent Company Only Financial Statements

A. Real estate leases

As of December 31, 2021 and 2020, 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, 2021 and 2020, 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.

(16) Employee benefits

A. Defined benefit plans

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

	December 31, 2021	December 31, 2020
Present value of the defined benefit obligations	\$ 301,303	297,474
Fair value of plan assets	(96,519)	(77,107)
Net defined benefit liabilities	<u>\$ 204,784</u>	<u>220,367</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 \$96,519 thousand as of December 31, 2021. 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.

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,	
	2021	2020
Defined benefit obligations at January 1	\$ 297,474	395,031
Benefits paid from the plan assets	(7,793)	(50,074)
Current service costs and interest cost	1,994	4,345
Re-measurements of net defined benefit liabilities:		
- Actuarial losses (gain) arising from experience adjustment	13,866	(68,659)
- Actuarial gain arising from demographic assumptions	8,493	-
- Actuarial loss arising from financial assumptions	(12,731)	16,831
Defined benefit obligation at December 31	<u>\$ 301,303</u>	<u>297,474</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 Company were as follows:

	For the years ended December 31,	
	2021	2020
Fair value of plan assets at January 1	\$ 77,107	106,032
Benefits paid from the plan assets	(7,793)	(50,074)
Re-measurements of the net defined benefit liabilities (asset):		
- Return on plan assets (excluding current interest income)	1,428	3,365
Contribution made to plan assets	25,421	16,874
Expected return on plan assets	356	910
Fair value of plan assets at December 31	<u>\$ 96,519</u>	<u>77,107</u>

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,	
	2021	2020
Current service costs	\$ 804	1,185
Net interest of net liabilities for defined benefit obligation	1,190	3,160
Expected return on plan assets	(356)	(910)
	<u>\$ 1,638</u>	<u>3,435</u>
Operating costs	\$ 793	1,412
Selling expenses	98	299
Administration expenses	123	325
Research and development expenses	624	1,399
	<u>\$ 1,638</u>	<u>3,435</u>
Actual return on plan assets	<u>\$ 1,785</u>	<u>4,275</u>

(e) Actuarial assumptions

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

	December 31,	December 31,
	2021	2020
Discount rate	0.7%	0.4%
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 \$11,600 thousand.

The weighted average duration of the defined benefit plans is 13.5 years.

ALPHA NETWORKS INC.

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(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	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2021</u>		
Discount rate	<u>\$ (10,142)</u>	<u>10,565</u>
Future salary increasing rate	<u>\$ 9,545</u>	<u>(9,234)</u>
<u>December 31, 2020</u>		
Discount rate	<u>\$ (10,655)</u>	<u>11,125</u>
Future salary increasing rate	<u>\$ 10,065</u>	<u>(9,717)</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 2021 and 2020.

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 \$53,801 thousand and \$54,849 thousand for the years ended December 31, 2021 and 2020, respectively.

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Notes to the Parent Company Only Financial Statements

(17) Income taxes

A. Income tax expenses (benefit)

The components of income tax expense for the years ended December 31, 2021 and 2020, were as follows:

	For the years ended December 31,	
	2021	2020
Current tax expense (benefit)		
Current period	\$ 30,881	63,402
Additional 5% surtax on undistributed retained earnings	2,332	-
Adjustment for prior periods	<u>14,382</u>	<u>(17,861)</u>
	<u>47,595</u>	<u>45,541</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences and tax loss	<u>13,864</u>	<u>23,888</u>
Income tax expense	<u>\$ 61,459</u>	<u>69,429</u>

The amount of income tax expense recognized in other comprehensive income for the years ended December 31, 2021 and 2020, were as follows:

	For the years ended December 31,	
	2021	2020
Exchange differences on translation of foreign financial statements	<u>\$ 726</u>	<u>(2,295)</u>

Reconciliation of income tax expense and profit before income tax for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31,	
	2021	2020
Profit before income tax	\$ 495,347	626,426
Income tax at the Company' s domestic tax rate	99,069	125,285
Domestic investment loss (income)	1,599	(24,419)
Tax incentives	(14,234)	(27,172)
Additional 5% surtax on undistributed retained earning	2,332	-
Change in unrecognized temporary differences	(12,279)	3,273
Others	<u>(15,028)</u>	<u>(7,538)</u>
	<u>\$ 61,459</u>	<u>69,429</u>

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

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, 2021	December 31, 2020
Tax effect of deductible temporary differences	\$ 290,245	302,524

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

Deferred tax assets:

	January 1, 2020	Recognized in profit and loss	Recognized in other comprehensive income	December 31, 2020	Recognized in profit and loss	Recognized in other comprehensive income	December 31, 2021
Provision for inventory devaluation	\$ 5,384	(5,384)	-	-	-	-	-
Provision for warranties	24,904	(7,232)	-	17,672	(7,260)	-	10,412
Exchange difference on translation of foreign financial statement	63,832	-	2,295	66,127	-	(726)	65,401
Loss carryforward	15,857	(15,857)	-	-	-	-	-
Others	18,550	6,220	-	24,770	(5,800)	-	18,970
	\$ 128,527	(22,253)	2,295	108,569	(13,060)	(726)	94,783

Deferred tax liabilities:

	January 1, 2020	Recognized in profit and loss	Recognized in other comprehensive income	December 31, 2020	Recognized in profit and loss	Recognized in other comprehensive income	December 31, 2021
Investment in equity-accounted subsidiaries	\$ (41,862)	(2,860)	-	(44,722)	(780)	-	(45,502)
Goodwill	(26,976)	-	-	(26,976)	-	-	(26,976)
Others	(1,293)	1,225	-	(68)	(24)	-	(92)
	\$ (70,131)	(1,635)	-	(71,766)	(804)	-	(72,570)

As of December 31, 2021, the Company's tax returns for the years through 2019 were assessed by the R.O.C. income tax authorities.

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ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

(18) Capital and other equity

Reconciliation of shares outstanding for 2021 and 2020 was as follows (in thousands of shares):

	Ordinary share capital	
	2021	2020
Balance at January 1	541,638	539,349
Vested of restricted stock awards	80	2,289
Balance at December 31	541,718	541,638

A. Ordinary share capital

As of December 31, 2021 and 2020, 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.

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.

B. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Capital surplus – premium	\$ 2,545,833	2,979,208
Capital surplus – investments under equity method	22,974	10,198
Other	14,965	15,185
	\$ 2,583,772	3,004,591

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.

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Notes to the Parent Company Only Financial Statements

Based on resolutions approved during the Board of Directors on May 7, 2021, the cash dividends of \$433,375 thousand, represents \$0.8 payout per share, will be distributed out of capital surplus. The actual distribution was consistent with the resolution approved by the Board of Directors. Related information is available at the Market Observation Post System website.

Based on resolutions approved during the Board of Directors on March 4, 2022, the cash dividends of \$54,172 thousand, represents \$0.1 payout per share, will be distributed out of capital surplus. The above-mentioned distribution is pending for the resolution of the shareholders' meeting. Related information will be available at the Market Observation Post System website, after the resolution of the Company's relevant meeting.

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) (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.

(Continued)

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

(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

The appropriation of 2020 and 2019 earnings was approved by the Board of Directors at the meeting on May 7, 2021 and March 17, 2020. The resolved appropriation of dividend per share was as follows::

	<u>2020</u>	<u>2019</u>
Dividends distributed to ordinary shareholders		
Cash (dividends per share were NT 0.2 and 0.44)	<u>\$ 108,344</u>	<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 appropriation of earnings in 2021 was approved by the Board of Directors on March 4, 2022, after the resolution of the Company's relevance meeting. The above-mentioned distribution is subject to the resolution of the shareholders meeting, the cash dividends of \$379,203 thousands, represents NT \$0.7 payout per share, will be distributed. Related information will be available at the Market Observation Post System website.

(Continued)

ALPHA NETWORKS INC.
Notes to the Parent Company Only 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	Total
Balance at 1 January 2021	(448,804)	-	-	(448,804)
Differences on translation of foreign operation financial statements	3,627	-	-	3,627
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(726)	-	-	(726)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(1,189)	-	(1,189)
Balance at 31 December 2021	<u>\$ (445,903)</u>	<u>(1,189)</u>	<u>-</u>	<u>(447,092)</u>
Balance at 1 January 2020	\$ (439,629)	(292,137)	(17,053)	(748,819)
Differences on translation of foreign operation financial statements	(11,470)	-	-	(11,470)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	2,295	-	-	2,295
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>\$ (448,804)</u>	<u>-</u>	<u>-</u>	<u>(448,804)</u>

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Notes to the Parent Company Only Financial Statements

(19) Share-based payment

A. As of December 31, 2021, 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.

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.

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ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

Details of the restricted stock of the Company are as follows:

	For the years ended December 31,	
	2021	2020
Number at 1 January (unit in thousand)	80	3,241
Vested during the year (unit in thousand)	(80)	(2,289)
Forfeited during the year (unit in thousand)	-	(872)
	-	80

The compensation costs recognized for the year ended December 31, 2020 were \$943 thousand.

(20) Earnings per share

A. Basic earnings per share

	For the years ended December 31,	
	2021	2020
Net income attributable to the Company's ordinary shareholders	\$ 433,888	556,997
Weighted-average number of shares outstanding (in thousands of shares)	541,665	540,017
Basic earnings per share (NTD)	\$ 0.80	1.03

B. Diluted earnings per share

	For the years ended December 31,	
	2021	2020
Net income attributable to the Company's ordinary shareholders	\$ 433,888	556,997
Weighted average number of shares outstanding (in thousands of shares) (basic)	\$ 541,665	540,017
Effect of employee remuneration in shares	1,654	398
Effect of restricted stock awards unvested	53	2,689
Weighted average number of shares outstanding (in thousands of shares) (diluted)	\$ 543,372	543,104
Diluted earnings per share (NTD)	\$ 0.80	1.03

(Continued)

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

(21) Revenues

A. The details of revenues were as follows:

	For the years ended December 31,	
	2021	2020
Primary geographical markets:		
United States	\$ 12,207,025	15,896,365
Singapore	1,555,555	1,583,698
Taiwan	1,106,564	1,422,111
Others	2,294,143	2,456,727
	<u>\$ 17,163,287</u>	<u>21,358,901</u>
Major products/services lines:		
LAN/MAN	\$ 7,927,014	8,480,900
Wireless Broadband	4,377,674	4,622,799
Digital Multimedia	4,329,126	7,708,015
Others	529,473	547,187
	<u>\$ 17,163,287</u>	<u>21,358,901</u>

B. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Accounts receivable (including related parties)	<u>\$ 2,897,662</u>	<u>5,288,693</u>	<u>3,241,899</u>
Contract liability — product	<u>\$ 208,480</u>	<u>285,680</u>	<u>22,530</u>

The amount of revenue recognized for the years ended December 31, 2021 and 2020 that was included in the contract liability balance at the beginning of the period were \$261,643 thousand and \$17,809 thousand, respectively.

The contract liabilities are primarily related due to the advance receipts from the Company's product sales contracts, wherein the Company will recognize the revenue when the product is transferred to the customer.

(22) 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.

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

For the year ended December 31, 2020, the Company accrued and recognized its remuneration to employees and directors amounting to \$55,501 thousand and \$4,163 thousand, respectively.

For the year ended December 31, 2021, 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. 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 2021 and 2020.

(23) Interest income

	For the years ended December 31,	
	2021	2020
Interest income from bank deposits and others	\$ 2,036	5,432

(24) Other income

	For the years ended December 31,	
	2021	2020
Government grants income	\$ 10,955	25,281
Others	21,199	15,854
	\$ 32,154	41,135

(25) Other gains and losses

	For the years ended December 31,	
	2021	2020
Gain (loss) on financial asset at fair value through profit or loss, net	(1,772)	34,337
Foreign exchange gain (loss), net	(7,518)	(34,704)
Others	-	(4,850)
	\$ (9,290)	(5,217)

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ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

(26) Finance costs

	For the years ended December 31,	
	2021	2020
Interest expense of borrowings, etc.	\$ 4,517	6,621
Interest expense of lease liability	<u>2,508</u>	<u>2,585</u>
	<u>\$ 7,025</u>	<u>9,206</u>

(27) 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 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, 2021 and 2020, 51% and 74%, 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).

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ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

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, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 1,490,240	(1,491,629)	(1,491,629)	-	-
Accounts payable	922,391	(922,391)	(922,391)	-	-
Payables to related parties	731,727	(731,727)	(731,727)	-	-
Other payables to related parties	132,239	(132,239)	(132,239)	-	-
Accrued expenses	260,106	(260,106)	(260,106)	-	-
Lease liabilities	192,250	(229,184)	(9,956)	(33,826)	(185,402)
Derivative financial liabilities					
Forward exchange contracts:					
Inflows	(1,905)	1,556,347	1,556,347	-	-
Foreign exchange swaps					
Outflows	2,364	(1,555,888)	(1,555,888)	-	-
	<u>\$ 3,729,412</u>	<u>(3,766,817)</u>	<u>(3,547,589)</u>	<u>(33,826)</u>	<u>(185,402)</u>
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	(238,667)	(13,608)	(31,446)	(193,613)
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>\$ 5,469,653</u>	<u>(5,509,078)</u>	<u>(5,284,019)</u>	<u>(31,446)</u>	<u>(193,613)</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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Notes to the Parent Company Only Financial Statements

C. Currency risk

(a) Exposure to currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 123,588	27.68	3,420,916	207,885	28.35	5,893,540
CNY	40,460	4.3454	175,815	60,869	4.3216	263,051
<u>Non-Monetary items</u>						
USD	21,000	27.68	Note	16,000	28.35	Note
<u>Investment accounted for using equity method</u>						
USD	155,610	27.68	4,307,285	140,134	28.35	4,215,217
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	100,645	27.68	2,785,854	169,750	28.35	4,812,413
CNY	29,811	4.3454	129,541	29,811	4.3216	128,831
<u>Non-Monetary items</u>						
USD	35,000	27.68	Note	21,000	28.35	Note

Note : Please refer to note 6(2) for the information on forward exchange contracts and foreign exchange swaps measured at fair value.

(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, 2021 and 2020, would have increased or decreased the profit before income tax by \$6,813 thousand and \$12,153 thousand, respectively. The analysis assumed that all other variables remain constant, and is performed on the same basis for both periods.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

- (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,			
	2021		2020	
	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate
USD	\$ (10,615)	27.9738	(37,775)	29.6114
CNY	4,825	4.3338	4,128	4.2709
Others	(1,728)		(1,057)	
	\$ (7,518)		(34,704)	

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 \$1,720 thousand and \$2,071 thousand, respectively for the years ended December 31, 2021 and 2020 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).

E. 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:

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Notes to the Parent Company Only Financial Statements

	December 31, 2021				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss – derivative financial assets	\$ <u>2,364</u>	<u>-</u>	<u>2,364</u>	<u>-</u>	<u>2,364</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 672,458	-	-	-	-
Notes and accounts receivable (including related parties)	2,897,662	-	-	-	-
Other receivables due from related parties	174,835	-	-	-	-
Financial assets measured at amortized cost – non-current	<u>17,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,762,245</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>\$ 1,095</u>	<u>-</u>	<u>1,095</u>	<u>-</u>	<u>1,095</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 1,654,118	-	-	-	-
Payable to related parties	132,239	-	-	-	-
Lease liabilities – current and non-current	<u>192,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,978,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Notes to the Parent Company Only Financial Statements

	December 31, 2020				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss— derivative financial assets	\$ 7,406	-	7,406	-	7,406
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 –non-current	17,369	-	-	-	-
Total	<u>\$ 6,383,732</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	\$ 7,067	-	7,067	-	7,067
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	198,925	-	-	-	-
Total	<u>4,758,783</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-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.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

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, 2021 and 2020.

(28) 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

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.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

(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, 2021 and 2020, except for its subsidiaries the Company did not provide any endorsement guarantee.

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, 2021 and 2020, the Company's unutilized credit line for long-term and short-term bank borrowing, please refer to note 6(12) 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.

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ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

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.

(29) 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.

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 including 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, 2021	December 31, 2020
Total liabilities	\$ 4,895,158	6,729,838
Less: Cash and cash equivalents	(672,458)	(816,860)
Net debt	<u>\$ 4,222,700</u>	<u>5,912,978</u>
Total equity	<u>\$ 9,602,419</u>	<u>9,704,182</u>
Debt-to-equity ratio	<u>43.98%</u>	<u>60.93%</u>

The decrease in debt-to-equity ratio as of December 31, 2021 was mainly due to the acquisition of raw material and the decrease in purchases, resulting in a decrease in accounts payable.

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Notes to the Parent Company Only Financial Statements

(30) 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, 2021 and 2020, were as follows:

A. For right of use assets obtained due to lease, please refer to note 6(9).

B. Reconciliations of liabilities arising from financing activities were as follows:

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Other</u>	<u>December 31, 2021</u>
Short-term borrowings	\$ 425,250	1,064,990	-	1,490,240
Lease liabilities	198,925	(12,910)	6,235	192,250
Total liabilities from financing activities	<u>\$ 624,175</u>	<u>1,052,080</u>	<u>6,235</u>	<u>1,682,490</u>
	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Other</u>	<u>December 31, 2020</u>
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>

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:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Qisda	Parent of the Company
Aewin Technologies Co., Ltd.(AEWIN Technologies)	Qisda's subsidiary
Sysage Technology Co., Ltd. (Sysata)	Qisda's subsidiary
Unictron Technologies Corporation (Unictron Technologies)	The Company's associates
BenQ Asia Pacific Corp (BQP)	Qisda's subsidiary
BenQ Healthcare Corporation (BHC)	Qisda's subsidiary
Qisda Optronics Corp (QTOS)	Qisda's subsidiary

(Continued)

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

<u>Name of related party</u>	<u>Relationship with the Company</u>
Qisda Corporation (Suzhou) Co., Ltd. (QCSZ)	Qisda's subsidiary
Qisda Precision Industry (Suzhou) Co., Ltd. (QCPS)	Qisda's subsidiary
Global Intelligence Network Co., Ltd. (Ginnet)	Qisda's subsidiary
Qisda Vietnam Co., Ltd. (QVH)	Qisda's subsidiary
DFI Inc. (DFI)	Qisda's subsidiary
Dawning Technology Inc. (Dawningtech) (Note 2)	Qisda's subsidiary
Golden Spirit Co., Ltd. (GSC)	Qisda's subsidiary
D-Link Corporation (D-Link) (Note 1)	The entity with significant influence over the Company
D-Link International Pte. Ltd. (D-Link International) (Note 1)	D-Link Corporation and its subsidiary co-holding subsidiaries
D-Link (Shanghai) Ltd. (D-Link Shanghai) (Note 1)	D-Link Corporation and its subsidiary co-holding subsidiaries
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) (Note 3)	The Company' s subsidiary
Global Networks Trading Limited (Global) (Note 4)	The Company' s subsidiary
DLink Asia Investment Pte. Ltd. (DLink Asia)	The Company' s subsidiary
Alpha Networks (Chengdu) Co., Ltd. (Alpha Chengdu)	The Company' s subsidiary
Alpha Investment Pte, Ltd. (Alpha Investment) (Note 5)	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
Enrich Investment Corporation (Enrich Investment)	The Company' s subsidiary
Transnet Corporation (Transnet)	The Company' s subsidiary
Hitron Technologies Inc. (Hitron Technologies)	The Company' s subsidiary
Interactive Digital Technologies Inc. (Interactive)	The Company' s subsidiary
Hitron Technologies (SIP), Inc. (Hitron Suzhou)	The Company' s subsidiary
Hitron Technologies (Samoa), Inc. (Hitron Samoa) (Note 2)	The Company' s subsidiary
Jietech Trading (Suzhou) Inc. (Jietech Suzhou)	The Company' s subsidiary
Hitron Technologies Europe Holding B.V. (Hitron Europe) (Note2)	The Company' s subsidiary

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

<u>Name of related party</u>	<u>Relationship with the Group</u>
Hitron Technologies Americas Inc. (Hitron Americas) (Note 2)	The Company' s subsidiary
Hitron Technologies Americas Inc. (Hitron Americas) (Note 2)	The Company' s subsidiary
Hitron Technologies Vietnam. (Hitron Vietnam)	The Company' s subsidiary
Hwa Chi Technologies (Shanghai), Inc. (Hwa Chi Technologies)	The Company' s subsidiary
Aespula Technology INC. (Aespula) (Note 6)	The Company' s subsidiary
BenQ Foundation	Substantive related party
Alpha Networks Inc. cn.	Substantive related party

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: Dawningtech had been punished in January 2021.

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.

Note 6: The Company acquired Aespula' s shareholding on August 2021.

(3) Significant related-party transactions

A. Sales

The amounts of sales to related parties were as follows:

	For the years ended December 31,	
	2021	2020
Entities with significant influence over the Company	\$ -	117,074
Other related parties	812	213
Other related parties – D-Link International	-	1,154,429
Subsidiaries – Alpha USA	4,760,796	5,725,298
Subsidiaries – others	51,117	7,926
	<u>\$ 4,812,725</u>	<u>7,004,940</u>

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

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, 2021 and 2020, due to sales transactions between the Company and investments in equity-accounted investees, net changes in unrealized profit on sales amounting to \$64,019 thousand and \$(51,491) 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,	
	2021	2020
Parent of the Company	\$ 6,163	484
Subsidiaries — Alpha Changshu	6,329,794	6,844,340
Subsidiaries — D-Link Asia	5,541,952	8,840,443
Subsidiaries — Others	3,400	1,583
Other related parties	25,314	17,369
	<u>\$ 11,906,623</u>	<u>15,704,219</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.

From December 2021 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, 2021 and 2020, the Company purchased raw materials through Alpha HK on behalf of Alpha Changshu amounting to \$712,377 thousand and \$911,926 thousand, respectively, at cost. The revenue and cost of goods sold are not recognized in the parent company only financial statements.

From December 2021 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, 2021 and 2020, the Company purchased raw materials through D-link Asia on behalf of Alpha Dongguan amounting to \$136,701 thousand and \$127,649 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.

ALPHA NETWORKS INC.
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, 2021</u>	<u>December 31, 2020</u>
Accounts receivable from related parties	Subsidiaries — Alpha USA	\$ 852,899	1,133,768
Account receivable from related parties	Subsidiaries — Alpha HK	305,125	173,978
Account receivable from related parties	Subsidiaries — Others	37,529	3,019
		<u>\$ 1,195,553</u>	<u>1,310,765</u>

D. Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable to related parties	Entities with significant influence over the Company	\$ 749	-
Accounts payable to related parties	Subsidiaries — Alpha Changshu	372,631	1,040,052
Accounts payable to related parties	Subsidiaries — D-Link Asia	349,133	2,736,037
Accounts payable to related parties	Subsidiaries — Others	21	55
Accounts payable to related parties	Other related parties	9,193	11,213
		<u>9,193</u>	<u>11,213</u>

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

\$ 731,727 3,787,357

E. Commission costs

The commission paid to related parties for developing market business were as follows:

	For the years ended December 31,	
	<u>2021</u>	<u>2020</u>
Subsidiaries — Alpha Solutions	<u>\$ 12,077</u>	<u>11,788</u>

(Continued)

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

<u>Account</u>	<u>Related Party Category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payable to related parties	Subsidiaries	<u>\$ 2,885</u>	<u>2,955</u>

F. Rendering of services and other expenses

The Company obtained service from related parties, including product warranty and maintenance service, research, contribution and other service expense, as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Parent of the Company	\$ 960	660
Entities with significant influence over the Company	-	378
Subsidiaries — Alpha Chengdu	233,888	253,759
Subsidiaries — ATS	47,420	49,491
Subsidiaries — Others	777	1,011
Other related parties	<u>13,138</u>	<u>3,798</u>
	<u>\$ 296,183</u>	<u>309,097</u>

The payables to related parties were as follows:

<u>Account</u>	<u>Related Party Category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payable to related parties	Parent of the Company	\$ 919	11
Other payable to related parties	Subsidiaries — Alpha Chengdu	116,027	128,827
Other payable to related parties	Other related parties	9,060	56,669
Other payable to related parties	Other related parties	<u>1,285</u>	<u>-</u>
		<u>\$ 127,291</u>	<u>185,507</u>

The advance payment to related parties was as follows:

<u>Account</u>	<u>Related Party Category</u>	<u>December 31, 2021</u>
Advance payment	Subsidiaries — Others	<u>\$ 1,600</u>

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

G. Transactions of property, plant and equipment

	For the years ended December 31,	
	2021	2020
Parent company	\$ 500	-
Subsidiaries – other	329	475
	\$ 829	475

The payables to related parties were as follows:

Account	Related Party Category	December 31, 2021	December 31, 2020
Other payable to related parties	Subsidiaries	\$ 525	-

H. Endorsement guarantees

The endorsement guarantees to related parties were as follow:

	December 31, 2021	December 31, 2020
Subsidiaries	USD 9,000	USD 9,000

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 \$5,040 thousand and \$4,591 thousand recognized as other income for the year ended December 31, 2021 and 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 for the year ended December 31, 2021 and 2020, respectively, resulting in the Company to incur the unearned revenue of \$14 thousand, recognized as other current liabilities as of December 31, 2021 and 2020, respectively.

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.

As of December 31, 2021 and 2020, the account receivable from Alpha Dongguan amounting to \$174,834 thousand and \$260,810 thousand was recognized as other receivables due from related parties.

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

K. Various advances

As of December 31, 2021 and 2020, the receivable and payable from related parties due to the payment on behalf of the Company, which were recognized as other current assets and other current liabilities, were as follows:

<u>Account</u>	<u>Related Party Category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payable to related parties	Subsidiaries – Others	\$ 150	-
Other payable to related parties	Other related party	1,388	-
		<u>\$ 1,538</u>	<u>-</u>
Other receivable from related parties	Subsidiaries – Others	<u>\$ 1</u>	<u>-</u>

(4) Key management personnel compensation

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 29,568	35,176
Share-based payment	-	3,584
	<u>\$ 29,568</u>	<u>38,760</u>

8. Pledged assets:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Import guarantee for customs	\$ 7,550	7,550
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for land lease	8,000	8,000
		<u>\$ 15,550</u>	<u>15,550</u>

9. Significant commitments and contingencies:

- (1) As of December 31, 2021 and 2020, the Company deposited notes in the bank amounting to \$4,504,300 thousand and \$4,227,160 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(3) for further details related to endorsement guarantees.

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	2021			2020		
		Cost of sales	Operation expenses	Total	Cost of sales	Operation expenses	Total
Employee benefits							
Salaries		315,942	881,143	1,197,085	349,176	969,270	1,318,446
Labor and health insurance		32,055	71,776	103,831	31,412	70,413	101,825
Pension		12,097	43,342	55,439	12,675	45,609	58,284
Remuneration of directors		-	15,460	15,460	-	10,155	10,155
Others		22,521	31,701	54,222	26,313	44,290	70,603
Depreciation		35,090	69,067	104,157	25,280	64,651	89,931
Amortization		410	86,279	86,689	614	54,930	55,544

Additional information on the number of employees and employee benefit costs are as follows:

	For the years ended December 31,	
	2021	2020
The number of employees	<u>\$ 1,346</u>	<u>1,396</u>
The number of directors who are not holding as a position of employee	<u>\$ 5</u>	<u>5</u>
The average of employee benefits	<u>\$ 1,052</u>	<u>1,114</u>
The average of salaries	<u>\$ 893</u>	<u>948</u>
The average of salary adjustment rate	<u>(6)%</u>	
Remuneration of supervisors	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

- (1) 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, 2021 (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: None
 - 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 5.
 - H. Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock: Please refer to Table 6.
 - 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 7.

(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 8.
- B. Limitation on investment in Mainland China: Please refer to Table 8.
- 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		295,797,126	54.60%

- 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, 2021.

Alpha Networks Inc.

Loans to other parties

For the year ended December 31, 2021

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	1,425,960 (USD51,000 thousand)	966,032 (USD34,900 thousand)	966,032 (USD34,900 thousand)	-	2	-	Operating capital	-	-	-	2,263,055 (note 4)	2,263,055 (note 4)
2	Mirac	Alpha Changshu	Same as above	Yes	129,231 (RMB30,000 thousand)	-	-	2.5%	2	-	Operating capital	-	-	-	303,307 (note 4)	303,307 (note 4)
3	Alpha Chengdu	Alpha Changshu	Same as above	Yes	174,296 (RMB40,000 thousand)	173,816 (RMB40,000 thousand)	173,816 (RMB40,000 thousand)	2%~2.5%	2	-	Operating capital	-	-	-	574,686 (note 4)	574,686 (note 4)
4	D-Link Asia	Alpha Changshu	Same as above	Yes	139,000 (USD5,000 thousand)	138,400 (USD5,000 thousand)	138,400 (USD5,000 thousand)	-	2	-	Operating capital	-	-	-	1,745,594 (note 4)	1,745,594 (note 4)
5	Hitron Technologies	Hitron Vietnam	Same as above	Yes	922,680	830,400	608,960	1%	2	-	Operating capital	-	-	-	939,324 (note 5)	1,878,649 (note 5)
5	Hitron Technologies	Hitron Suzhou	Same as above	Yes	427,950	-	-	1%	2	-	Operating capital	-	-	-	939,324 (note 5)	1,878,649 (note 5)
6	Jietech Suzhou	Hitron Suzhou	Same as above	Yes	21,680	-	-	2%	2	-	Operating capital	-	-	-	3,716 (note 5)	3,716 (note 5)
7	Alpha Dongguan	Alpha Changshu	Same as above	Yes	306,761 (RMB70,400 thousand)	305,916 (RMB70,400 thousand)	305,916 (RMB70,400 thousand)	2%	2	-	Operating capital	-	-	-	1,034,891 (note 5)	1,034,891 (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, D-Link Asia and Alpha Dongguan, the subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, which are not located in Taiwan, for the purpose of landing operating capital, the amount of financing offered to a single company owned by the Company shall not exceed 100% of the lender's net worth.

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 Hitron Technologies, the lending amount shall not exceed the total transaction amount in the nearest 12 months or the estimated amount within the next 12 months. Furthermore, the lending amount shall not exceed 20% of the net worth of Hitron Technologies' latest audited or reviewed financial statements. 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 (20%) of the net worth of Hitron Technologies' latest audited or reviewed financial statements.
- c. Lending among foreign subsidiaries which Hitron Technologies has 100% of direct or indirect voting rights, or foreign subsidiaries which Hitron Technologies has 100% of direct or indirect voting rights lending to Hitron Technologies, there is no limit to the amount and period of lending, but should state the limit and term of lending.
- d. For Jietech Suzhou and foreign subsidiaries which Hitron Technologies has 100% of direct or indirect voting rights, the financing total amount and the limit shall not exceed 100% of the net worth of Hitron Technologies.

Alpha Networks Inc.
Guarantees and endorsements for other parties
For the year ended December 31, 2021

(In Thousands of New Taiwan Dollars)

Table 2

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	4,801,210	57,060	55,360	14,138	-	0.58%	9,602,419	Y	N	Y
0	The Company	Alpha Changshu	note 3	4,801,210	199,710	193,760	13,812	-	2.06%	9,602,419	Y	N	Y
1	Hitron Technologies	Innoauto Technologies	note 3	4,696,622	75,000	-	-	-	- %	7,044,933	Y	N	N
1	Hitron Technologies	Hitron Europe	note 3	4,696,622	645,036	601,096	77,352	-	12.80%	7,044,933	Y	N	N
1	Hitron Technologies	Hitron Americas	note 3	4,696,622	836,100	553,600	-	-	11.79%	7,044,933	Y	N	N
1	Hitron Technologies	Hitron Vietnam	note 3	4,696,622	2,168,280	1,771,520	-	-	37.72%	7,044,933	Y	N	N
1	Hitron Technologies	Hitron Suzhou	note 3	4,696,622	514,446	-	-	-	- %	7,044,933	Y	N	Y

Note 1: The total amount of guarantee provided by the company to any individual entity shall not exceed 50% of the company' s equity.

Note 2: The total amount of guarantee provided by the company shall not exceed 100% 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 20% 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. Other than the two regulations above, the total amount of Hitron Technologies' endorsement in security for each type of party shall not exceed the total transaction amount in the nearest 12 months or the estimated transaction amount within the next 12 months and 20% of the net worth of Hitron Technologies' latest audited or reviewed financial statements (the transaction referring to the higher of sales or purchase amount).

Alpha Networks Inc.

**Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2021**

(In Thousands of New Taiwan Dollars)

Table 3

Name of holder	Category and name of security	Relationship with company	Account	Ending balance			Note
				Shares/ Units (thousands)	Carrying value	Percentage of ownership (%)	
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	32,237	-	32,237
Hitron Technologies	SENAO	-	Current financial assets at fair value through profit or loss	152	5,077	-	5,077
Interactive Digital	TRANSCEND	-	Current financial assets at fair value through profit or loss	362	26,462	-	26,462
Hitron Technologies	CHAO LONG MOTOR PARTS CORP.	-	Non-current financial assets at fair value through other comprehensive income	668	19,335	1.79	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	-	income					
			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, 2021**

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 (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount (note)	
Hitron Technologies	Hitron Vietnam	Equity method	Cash capital increase	Parent and subsidiary	-	434,914	-	1,036,992	-	-	-	-	-	-	1,471,906

Note: The ending balance was 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.

**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, 2021**

(In Thousands of New Taiwan Dollars)

Table 5

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	
The Company	Alpha USA	Subsidiary of the Company	(Sales)	(4,760,796)	(28)%	90 days	-	852,899	29%	
The Company	D-Link Asia	Subsidiary of the Company	Purchase	5,541,952	35%	90 days	-	(349,133)	(21)%	
The Company	Alpha Changshu	Subsidiary of the Company	Purchase	6,329,794	40%	90 days	-	(372,631)	(23)%	
Alpha Changshu	Mirac	Subsidiary company to subsidiary	(Sales)	(606,216)	(9)%	90 days	-	127,369	24%	
Alpha HK	Alpha Changshu	Subsidiary company to subsidiary	(Sales)	(7,407,351)	(100)%	90 days	-	1,307,227	100%	
D-Link Asia	Alpha Dongguan	Subsidiary company to subsidiary	Purchase	5,541,952	56%	90 days	-	(377,082)	(41)%	
Hitron Suzhou	Hitron Technologies	Subsidiary company to subsidiary	(Sales)	(812,542)	(8)%	90 days	-	55,541	3%	
Hitron Technologies	Hitron Americas	Subsidiary company to subsidiary	(Sales)	(4,523,454)	(47)%	90 days	-	1,360,832	75%	
Hitron Technologies	Hitron Europe	Subsidiary company to subsidiary	(Sales)	(651,702)	(7)%	90 days	-	111,182	6%	
Hitron Vietnam	Hitron Technologies	Subsidiary company to subsidiary	(Sales)	(5,956,885)	(61)%	90 days	-	634,323	35%	
Hitron Suzhou	Hitron Vietnam	Subsidiary company to subsidiary	(Sales)	(153,206)	(2)%	90 days	-	-	-%	

Note: Significant related-party transactions please refer Note 7.

Alpha Networks Inc.

**Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock
December 31, 2021**

(In Thousands of New Taiwan Dollars)

Table 6

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	852,899	4.79	-	-	603,794	-	
The Company	Alpha HK	Subsidiary of the company	305,125	-	87,427	-	-	-	
D-Link Asia	The Company	Subsidiary company to parent	349,133	3.59	-	-	349,133	-	
Alpha Changshu	The Company	Subsidiary company to parent	372,631	8.96	3	-	372,631	-	
Alpha Dongguan	D-Link Asia	Subsidiary company to subsidiary	377,082	3.54	593	-	353,585	-	
Alpha Changshu	Mirac	Subsidiary company to subsidiary	127,369	4.26	-	-	113,860	-	
Alpha HK	Alpha Changshu	Subsidiary company to subsidiary	1,307,227	6.51	171,243	-	608,075	-	
D-Link Asia	Alpha Dongguan	Subsidiary company to subsidiary	548,197	3.01	12,540	-	458,311	-	
Hitron Technologies	Hitron Americas	Subsidiary company to subsidiary	1,360,832	2.79	-	-	523,845	-	
Hitron Technologies	Hitron Europe	Subsidiary company to subsidiary	111,182	3.60	-	-	27,839	-	
Hitron Technologies	Hitron Vietnam	Subsidiary company to subsidiary	1,270,467	-	-	-	485,180	-	
Hitron Vietnam	Hitron Technologies	Subsidiary company to subsidiary	634,323	7.06	-	-	634,323	-	

Note 1: The collection situation as of February 18, 2022.

Alpha Networks Inc.

**Information on investees (excluding information on investees in Mainland China)
For the year ended December 31, 2021**

Table 7

(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, 2021			Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Alpha Holdings	Cayman Islands	Investment holding	203,372	203,372	6,464	100.00%	(21,344)	2,447	2,447	
The Company	Alpha Solutions	Japan	Sale of network equipment, components and technical services	5,543	5,543	1	100.00%	19,408	244	244	
The Company	Alpha USA	CA USA	Sale, marketing and procurement service in USA	51,092	51,092	1,500	100.00%	138,491	2,436	2,436	
The Company	Alpha HK	Hong Kong	Investment holding	3,143,628	3,143,628	780,911	100.00%	2,257,173	63,150	68,412	
The Company	ATS	CA USA	Post-call service	260,497	260,497	8,100	100.00%	167,336	1,544	1,544	
The Company	Enrich Investment	Taiwan	Investment holding	(USD8,100 thousand)	(USD8,100 thousand)	32,000	100.00%	232,522	(113)	(113)	
The Company	Hitron Technologies	Taiwan	Marketing on system integration of communication product and telecommunication products	4,811,000	4,811,000	200,000	62.24%	3,893,949	71,582	(7,880)	
The Company	D-Link Asia	Singapore	Investment in manufacturing business	1,692,805	1,692,805	86,946	100.00%	1,765,629	763	619	
Enrich Investment	Interactive Digital	Taiwan	Telecommunication and broadband network system services	note 2 189,523	note 2 189,523	2,575	6.64%	115,599	260,654	note 1	
Enrich Investment	Transnet Corporation	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%	24,244	(11,278)	note 1	
Enrich Investment	Aespula	Taiwan	Sale of network equipment, components and technical services	80,000	-	8,000	98.92%	76,775	(3,225)	note 1 and note 3	

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
Hitron Technologies	Hitron Samoa	Samoa	International trade	642,697	669,031	21,350	100.00%	578,035	(136,704)		
Hitron Technologies	Interactive Digital	Taiwan	Telecommunication and broadband network system services	126,091	126,091	16,703	43.10%	542,285	260,654	note 1	
Hitron Technologies	Hitron Europe	Netherlands	International trade	59,604	59,604	15	100.00%	19,110	38,383	note 1	
Hitron Technologies	Hitron Americas	USA	International trade	90,082	90,082	300	100.00%	201,533	54,936	note 1	
Hitron Technologies	Interactive Digital	Taiwan	Investments and automotive electronics products	20,000	50,000	2,000	100.00%	3,632	(13,452)	note 1	
Hitron Technologies	Hitron Vietnam	Vietnam	Production and sale of broadband telecommunication products	1,511,735	550,355	-	100.00%	1,471,906	118,353	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 percentage of ownership had included 87 thousand shares of preferred stock held by the original shareholders.

Alpha Networks Inc.

**The names of investees in Mainland China, the main businesses and products, and other information
For the year ended December 31, 2021**

(In Thousands of New Taiwan Dollars)

Table 8

(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, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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	12,581	100.00%	12,581	574,686	-
Alpha Dongguan	Production and sale of network products	787,496	note 1	741,084	-	-	741,084 (note 6)	(15,378)	100.00%	(15,378)	1,034,891	-
Mirac	Production and sale of network products	307,326	note 1	307,326	-	-	307,326	5,173	100.00%	5,173	303,307	-
Alpha Changshu	Production and sale of network products	1,925,920	note 1	1,925,920	-	-	1,925,920	111,028	100.00%	111,028	1,347,371	-
Hitron Suzhou	Production and sale of broadband network products	641,763	note 1	641,763	-	-	641,763	(136,281)	100.00% (note 9)	(136,281)	587,235	-
Jietech Suzhou	Sale of broadband network products and related services	31,139	note 1	57,473	-	26,334	31,139	(422)	100.00% (note 9)	(422)	3,713	-
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	1,771	43.10% (notes 8 and 9)	763	6,532	21,314

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
3,261,784 ^{note 3,4,7}	4,123,685	note 5
684,950	684,950	2,817,973

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, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Bank deposits	Checking and saving accounts (note) TWD:209,276,324、EUR:2,659.44、 USD:16,677,721.83、HKD:1,523.46、 JPY:60,504、RMB:314,241.66、GBP:1,949.12 VND:228,980	<u><u>\$ 672,458</u></u>

Note: Exchange rates at the balance sheet date are as follows:

USD : 27.68	HKD : 3.5494	RMB : 4.3454	JPY : 0.2404
EUR : 31.444	GBP : 37.257	VND : 0.0012	

**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, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Name of Customer</u>	<u>Amount</u>
V Company	\$ 358,165
Y Company	285,370
S Company	143,226
U Company	110,034
S Company	100,127
T Company	94,257
Others (individual amount does not exceed 5% of the account balance)	<u>611,631</u>
	1,702,810
Less: Loss allowance	<u>(701)</u>
Total	<u>\$ 1,702,109</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, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	Net	Note
	Cost	Realizable	
		Value	
Finished goods and merchandises	\$ 87,307		Note: Please refer to note
Less: loss allowance	<u>(5,654)</u>		4(7) for further information
Total	<u>81,653</u>	96,297	of the net realizable value of
Work in progress and semi-finished			inventories in the parent-
products	93,552		company-only financial
Less: loss allowance	<u>(7,130)</u>		statements.
Total	<u>86,422</u>	93,558	
Raw materials	911,723		
Less: loss allowance	<u>(49,867)</u>		
Total	<u>861,856</u>	<u>914,202</u>	
Total	<u>\$ 1,029,931</u>	<u>1,104,057</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, 2021

(Expressed in thousands of New Taiwan Dollars)

Investee Company Subsidiaries :	Beginning Balance		Addition		Investment Gain (Loss)	Cumulative Translation Adjustment	Ending Balance		Market Value or Net Assets Value		
	Shares	Amount	Shares	Amount			Shares	Ownership Percentage of	Amount	Unit Price	Total Amount
Alpha Holdings	6,464	\$ (23,791)	-	-	2,447	-	6,464	100.00	-	(21,344)	None
Alpha Solutions	1	21,907	-	-	244	(2,743)	1	100.00	-	19,408	None
Alpha USA	1,500	137,919	-	-	2,436	(1,864)	1,500	100.00	-	138,491	None
Alpha HK	780,911	2,176,698	-	-	68,412	12,063	780,911	100.00	-	2,257,173	None
ATS	8,100	169,827	-	-	1,544	(4,035)	8,100	100.00	-	167,336	None
D-Link Asia	86,946	1,754,563	-	-	619	10,447	86,946	100.00	-	1,765,629	None
Enrich Investment	24,000	150,864	8,000	80,000	(113)	1	32,000	100.00	-	232,522	None
Hitron Technologies	200,000	4,102,254	-	-	(7,880)	(10,242)	200,000	62.24	23.85	4,770,000	None
		<u>8,490,241</u>		<u>80,000</u>	<u>67,709</u>	<u>3,627</u>		<u>8,453,164</u>		<u>9,329,214</u>	
Unrealized profit (loss) on sales to subsidiaries (Downstream transaction)		<u>(108,506)</u>		<u>-</u>	<u>64,019</u>	<u>-</u>		<u>(44,487)</u>		<u>8,408,677</u>	
		\$ 8,381,735		11,587	(200,000)	3,627		8,408,677			

Alpha Networks Inc.
**Summary of changes in property,
plant and equipment**
For the year ended December 31, 2021

Please refer to note 6(8) for further information on property, plant and equipment.

Summary of changes in right-of-use assets

Please refer to note 6(9) for further information on right-of use assets.

Summary of changes in intangible assets

Please refer to note 6(10) for further information on intangible assets.

Alpha Networks Inc.

Statement of short-term borrowings

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Type of loan	Illustrate	Ending Balance	Contract period	Interest rate range	Mortgage or guarantee
Unsecured loan	E.Sun Bank	\$ 300,000	December 2021~January 2022		No
Unsecured loan	DBS Bank	553,600	November 2021~February 2022		No
Unsecured loan	Mega Bank	332,160	December 2021~March 2022		No
Unsecured loan	Taishin Bank	304,480	December 2021~January 2022		No
		<u>\$ 1,490,240</u>		0.650%~0.750%	
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 accounts payable

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Filial piety Company	\$ 120,233
Love Company	68,216
Others (individual amount does not exceed 5% of the account balance)	<u>733,942</u>
	<u>\$ 922,391</u>

Summary of other accrued expenses

<u>Item</u>	<u>Amount</u>
Export expenses	\$ 26,024
Miscellaneous purchases	18,601
Service fees	17,616
Others (individual amount does not exceed 5% of the account balance)	<u>197,865</u>
	<u>\$ 260,106</u>

Alpha Networks Inc.

**Summary of lease liabilities—current
and non-current**

December 31, 2021

(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%	\$ 187,804	
Equipment	Official car	2021/3/19~2024/6/2	0.57%	4,446	
				<u>\$ 192,250</u>	

Alpha Networks Inc.
Summary of other current liabilities
December 31, 2021

Please refer to note 6(14) for further information on other current liabilities.

Statement of current provision

Please refer to note 6(13) for further information on current provision.

Summary of operating revenue
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>
LAN/MAN	1,236,735	\$ 7,927,014
Wireless Broadband	4,251,933	4,377,674
Digital Multimedia	3,885,464	4,329,126
Others		<u>529,473</u>
Total		<u><u>\$ 17,163,287</u></u>

Alpha Networks Inc.

Summary of operating costs

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw material inventory, January 1	\$ 324,140
Add: Raw material purchased	3,051,914
Inventory surplus	2,936
Deduct: Raw material sold	84,722
Movement of expenses between departments	18,908
Raw material scrapped	19,402
Raw material inventory, December 31	911,723
Raw material used	2,344,235
Direct labor	89,494
Manufacturing expenses	653,480
Manufacturing costs	3,087,209
Add: Work in progress and semi-finished products, January 1	93,217
Work in progress and semi-finished products purchased	1,158,342
Deduct: Work in progress and semi-finished products, December 31	93,552
Semi-finished products sold	4,083
Movement of expenses between departments	19,053
Scrapped	8,256
Work in progress and semi-finished products costs	4,213,824
Add: Finished goods, January 1	184,343
Finished goods purchased	10,650,152
Deduct: Finished goods, December 31	87,307
Movement of expenses between departments	51,190
Scrapped	356
Cost of finished goods	14,909,466
Add: Raw material and semi-finished products sold	88,805
Cost of scrapped inventory	28,014
Provisions for inventory obsolescence and devaluation loss	(15,083)
Inventory surplus	(2,936)
Cost of goods sold	\$ 15,008,266

Alpha Networks Inc.

Summary of selling expenses

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Salaries	\$ 161,921
Export expenses	94,740
Commission costs	43,287
Others (individual amount does not exceed 5% of the account balance)	48,780
	<u>\$ 348,728</u>

Summary of administrative expenses

Item	Amount
Salaries	\$ 161,531
Amortization expenses	59,829
Service fees	26,567
Others (individual amount does not exceed 5% of the account balance)	106,892
	<u>\$ 354,819</u>

Alpha Networks Inc.

Summary of research and development expenses

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Salaries	\$ 557,691
Research and testing expenses	302,588
Royalty fee	56,677
Others (individual amount does not exceed 5% of the account balance)	199,411
	<u>\$ 1,116,367</u>

Summary of interest income

Please refer to note 6(23) for further information on interest income.

Summary of other income

Please refer to note 6(24) for further information on other income.

Alpha Networks Inc.

Summary of other gains and losses

For the year ended December 31, 2021

Please refer to note 6(25) for further information on other gains and losses.

Summary of finance costs

Please refer to note 6(26) 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.

ALPHA Networks

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