Stock Code:3380

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Alpha Networks Inc. as of and for the year ended December 31, 2018 under the Criteria Governing 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 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: Chung-Wang Lee
Date: March 19, 2019

Independent Auditors' Report

To the Board of Directors of Alpha Networks Inc.:

Opinion

We have audited the consolidated financial statements of Alpha Networks Inc. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, 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 Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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(15) and note 6(20) for accounting policy and summary 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 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 function, in order to verify, whether they are properly applied; inspecting the appropriate supporting documentation to determine whether the estimation of provision for inventory obsolescence is accurate; testing the completeness and accuracy of inventory aging report on a sampling basis; assessing whether the inventory allowance rate is reasonable and accurate.

Other Matter

Alpha Networks Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified opinion.

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 Wan-Yuan Yu and Hai-Ning Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 19, 2019

Notes to Readers

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

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

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 2,529,283	17	2,662,100	19
1110	Current financial assets at fair value through profit or loss (note 6(2))	1,696	-	14,228	-
1136	Current financial assets at amortized cost (notes 6(1) and (5))	3,888,894	26	-	-
1147	Current investments in debt instrument without active market (note 6(8))	-	-	62,340	-
1170	Notes and accounts receivable, net (note 6(3))	1,320,616	9	1,845,115	14
1180	Accounts receivable due from related parties, net (notes 6(3) and 7)	847,888	6	1,114,483	8
130x	Inventories (note 6(4))	3,722,304	25	3,382,996	25
1476	Other current financial assets (notes 6(1) and (5))	-	-	1,803,425	13
1479	Other current assets	206,360	1	281,543	2
		12,517,041	84	11,166,230	81
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(6))	127,176	1	-	-
1523	Non-current available-for-sale financial assets, net (note 6(7))	-	-	111,873	1
1535	Non-current financial assets at amortized cost (notes 6(3), (5) and 8)	21,090	-	-	-
1600	Property, plant and equipment (notes 6(9) and 7)	1,859,589	12	2,086,034	15
1780	Intangible assets (note 6(10))	204,719	1	211,385	2
1840	Deferred tax assets (note 6(16))	130,760	1	57,354	-
1980	Other non-current financial assets (notes 6(3) and (5))	-	-	20,982	-
1985	Long-term lease prepayment (note 6(14))	63,808	1	66,943	1
1990	Other non-current assets	4,892	-	3,814	-
		2,412,034	16	2,558,385	19
	Total assets	$ 14,929,075	100	13,724,615	100

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Current borrowings (note 6(11))	$ -	-	6	-
2120	Current financial liabilities at fair value through profit or loss (note 6(2))	97	-	-	-
2170	Accounts payable	2,882,699	19	3,107,817	23
2209	Accrued expenses	405,172	3	376,154	3
2220	Other payables to related parties (note 7)	4,708	-	6,173	-
2230	Current tax liabilities	39,758	-	145,395	1
2250	Current provisions (note 6(12))	206,130	2	234,975	2
2300	Other current liabilities (note 6(13))	634,590	4	767,484	5
		4,173,154	28	4,638,004	34
	Non-Current liabilities:				
2570	Deferred tax liabilities (note 6(16))	66,563	-	50,340	-
2640	Net defined benefit liability (note 6(15))	294,883	2	340,511	3
2670	Other non-current liabilities	724	-	800	-
		362,170	2	391,651	3
	Total liabilities	4,535,324	30	5,029,655	37
	Equity (note 6(17)):				
3110	Ordinary share capital	5,435,172	37	4,444,697	32
3170	Share capital awaiting retirement	-	-	(730)	-
		5,435,172	37	4,443,967	32
3200	Capital surplus	3,557,356	24	2,242,570	16
	Retained earnings:				
3310	Legal reserve	1,107,188	7	1,052,334	8
3320	Special reserve	226,968	2	242,799	2
3350	Unappropriated retained earnings	765,485	5	1,111,412	8
		2,099,641	14	2,406,545	18
3400	Other equity interest	(698,418)	(5)	(394,626)	(3)
3500	Treasury shares	-	-	(3,496)	-
	Total equity	10,393,751	70	8,694,960	63
	Total liabilities and equity	$ 14,929,075	100	13,724,615	100

See accompanying notes to consolidated financial statements.

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4100	**Operating revenue** (notes 6(20), (21) and 7)	$ 15,608,222	100	19,057,109	100
5000	**Operating costs** (notes 6(4), (22) and 7)	13,504,544	87	16,164,744	85
	Gross profit	2,103,678	13	2,892,365	15
	Operating expenses (notes 6(3), (22) and 7):				
6100	Selling expenses	466,678	3	426,888	2
6200	Administrative expenses	584,513	4	592,365	3
6300	Research and development expenses	1,280,170	8	1,261,221	7
6450	Reversal of impairment loss	(27,655)	-	-	-
	Total operating expenses	2,303,706	15	2,280,474	12
	Net operating income(loss)	(200,028)	(2)	611,891	3
	Non-operating income and expenses:				
7010	Other income (note 6(23))	135,107	1	116,628	1
7020	Other gains and losses, net (note 6(24))	(12,893)	-	(31,014)	-
7050	Finance costs (note 6(25))	(6,472)	-	(1,151)	-
	Total non-operating income and expenses	115,742	1	84,463	1
	Profit (loss) before tax	(84,286)	(1)	696,354	4
7950	Tax expense (note 6(16))	3,723	-	147,816	1
	Profit (loss)	(88,009)	(1)	548,538	3
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans(note6(15))	(3,960)	-	33,831	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (note 6(17))	15,303	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	11,343	-	33,831	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**				
8361	Exchange differences on translation (note 6(17))	(111,544)	-	20,981	-
8362	Unrealized losses on valuation of available-for-sale financial assets (note 6(17))	-	-	(1,583)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(16))	24,148	-	(3,567)	-
	Components of other comprehensive income that will be reclassified to profit or loss	(87,396)	-	15,831	-
8300	**Other comprehensive income(loss), net**	(76,053)	-	49,662	-
	Total comprehensive income (loss)	**$ (164,062)**	**(1)**	**598,200**	**3**
	Earnings per share (New Taiwan dollars) (note 6(19))				
	Basic earnings per share	**$ (0.17)**		**1.26**	
	Diluted earnings per share	**$ (0.17)**		**1.25**	

See accompanying notes to consolidated financial statements.

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(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	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	Unrealized gains (losses) on available-for-sale financial assets	Deferred compensation cost arising from issuance of restricted stock awards	Total other equity interest	Treasury shares	Total equity
Balance at January 1, 2017	$ 4,344,697	-	2,144,447	991,530	-	1,284,276	2,275,806	(252,614)	-	9,816	-	(242,798)	(3,496)	8,518,656
Profit	-	-	-	-	-	548,538	548,538	-	-	-	-	-	-	548,538
Other comprehensive income	-	-	-	-	-	33,831	33,831	17,414	-	(1,583)	-	15,831	-	49,662
Total comprehensive income	-	-	-	-	-	582,369	582,369	17,414	-	(1,583)	-	15,831	-	598,200
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	-	60,804	-	(60,804)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	242,799	(242,799)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(451,630)	(451,630)	-	-	-	-	-	-	(451,630)
Issuance of restricted stock awards	100,000	-	97,393	-	-	-	-	-	-	-	(197,393)	(197,393)	-	-
Compensation cost of issued restricted stock awards	-	-	-	-	-	-	-	-	-	-	29,734	29,734	-	29,734
Share capital awaiting retirement for expiration of restricted stock awards	-	(730)	730	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2017	4,444,697	(730)	2,242,570	1,052,334	242,799	1,111,412	2,406,545	(235,200)	-	8,233	(167,659)	(394,626)	(3,496)	8,694,960
Effects of retrospective application	-	-	-	-	-	328,866	328,866	-	(320,633)	(8,233)	-	(328,866)	-	-
Equity at beginning of period after adjustments	4,444,697	(730)	2,242,570	1,052,334	242,799	1,440,278	2,735,411	(235,200)	(320,633)	-	(167,659)	(723,492)	(3,496)	8,694,960
Loss	-	-	-	-	-	(88,009)	(88,009)	-	-	-	-	-	-	(88,009)
Other comprehensive income	-	-	-	-	-	(3,960)	(3,960)	(87,396)	15,303	-	-	(72,093)	-	(76,053)
Total comprehensive income	-	-	-	-	-	(91,969)	(91,969)	(87,396)	15,303	-	-	(72,093)	-	(164,062)
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	-	54,854	-	(54,854)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(15,831)	15,831	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(543,743)	(543,743)	-	-	-	-	-	-	(543,743)
Due to donated assets received	-	-	94	-	-	-	-	-	-	-	-	-	-	94
Issue of shares	1,000,000	-	1,300,000	-	-	-	-	-	-	-	-	-	-	2,300,000
Compensation cost of issued restricted stock awards	-	-	9,335	-	-	-	-	-	-	-	97,167	97,167	-	106,502
Retirement of treasury share	(2,100)	-	(1,338)	-	-	(58)	(58)	-	-	-	-	-	3,496	-
Share capital retirement for expiration of restricted stock awards	(7,425)	730	6,695	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2018	**$ 5,435,172**	**-**	**3,557,356**	**1,107,188**	**226,968**	**765,485**	**2,099,641**	**(322,596)**	**(305,330)**	**-**	**(70,492)**	**(698,418)**	**-**	**10,393,751**

See accompanying notes to consolidated financial statements.

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash flows from (used in) operating activities:			
Profit (loss) before tax	$	(84,286)	696,354
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		283,759	319,339
Amortization expense		67,349	66,595
Reversal of expected credit impairment loss/provision for bad debt expense		(27,655)	(1,065)
Net gains on financial assets or liabilities at fair value through profit or loss		(1,599)	(14,228)
Interest expense		6,472	1,151
Interest income		(64,373)	(37,153)
Dividend income		-	(3,166)
Share-base payments		106,502	29,734
Loss (gain) on disposal of property, plant and equipment		(177)	1,625
Provisions for inventory obsolescence and devaluation loss		148,566	27,170
Amortization of long-term lease prepayment		1,607	1,588
Other adjustments to reconcile profit (loss)		197	146
Total adjustments to reconcile profit (loss)		520,648	391,736
Changes in operating assets and liabilities:			
Decrease in notes and accounts receivable		531,387	477,699
Decrease in accounts receivable due from related parties		287,362	164,641
Decrease in financial assets mandatorily at fair value through profit or loss		14,228	-
Decrease in financial assets measured at fair value through profit or loss		-	1,165
Increase in inventories		(487,874)	(280,171)
Decrease in other current assets		77,575	18,089
Total changes in operating assets		422,678	381,423
Decrease in accounts payable		(225,118)	(602,045)
Decrease in financial liabilities measured at fair value through profit or loss		-	(18,187)
Decrease in other payables to related parties		(1,465)	(837)
Decrease in other current liabilities		(152,803)	(55,033)
Decrease in net defined benefit liability		(49,588)	(19,339)
Total changes in operating liabilities		(428,974)	(695,441)
Total changes in operating assets and liabilities		(6,296)	(314,018)
Total adjustments		514,352	77,718

(Continued)

See accompanying notes to consolidated financial statements.

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows(Continued)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash inflow generated from operations	430,066	774,072
Interest received	64,259	37,153
Dividends received	-	3,166
Interest paid	(6,472)	(1,151)
Income taxes paid	(133,642)	(130,887)
Net cash flows from operating activities	354,211	682,353
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(6,458,001)	-
Proceeds from repayments of financial assets at amortized cost	4,419,775	-
Acquisition of property, plant and equipment	(93,384)	(91,990)
Proceeds from disposal of property, plant and equipment	3,926	1,788
Decrease (increase) in refundable deposits	(108)	319
Acquisition of intangible assets	(54,568)	(71,306)
Decrease in other current financial assets	-	659,546
Increase in other non-current financial assets	-	(8,000)
Net cash flows from (used in) investing activities	(2,182,360)	490,357
Cash flows from financing activities:		
Increase(decrease) in current borrowings	(6)	6
Increase(decrease) in guarantee deposits received	(76)	172
Cash dividends paid	(543,743)	(451,630)
Proceeds from issuing shares	2,300,000	-
Deemed contributions received	94	-
Net cash flows from (used in) financing activities	1,756,269	(451,452)
Effect of exchange rate changes on cash and cash equivalents	(60,937)	50,885
Net increase (decrease) in cash and cash equivalents	(132,817)	772,143
Cash and cash equivalents at beginning of period	2,662,100	1,889,957
Cash and cash equivalents at end of period	**$ 2,529,283**	**2,662,100**

See accompanying notes to consolidated financial statements.

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(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.). As of December 31, 2018, 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.

2. The authorization of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the board of directors on March 19, 2019.

3. Application of new and revised standards, amendments and interpretations:

(1) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC")

In preparing the accompanying consolidated financial statements, the Group has adopted the following 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") issued by the International Accounting Standards Board ("IASB") and endorsed by the FSC with effective date from January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

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New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

A. IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, using a five-step model framework, to determine the method, timing and amount of revenue recognized. This Standard replaces the existing revenue recognition guidance, including IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and the related interpretations. The Group applies this standard retrospectively with the cumulative effect, and elected not to restate those contracts, but instead, continues to apply IAS 11, IAS 18, and the related Interpretations, for comparative reporting period. The Group recognizes the cumulative effect upon its initial application of this Standard as an adjustment to the opening balance of its retained earnings on January 1, 2018.

The following are the nature and impacts of the changes in accounting policies:

(a) Sales of goods

For the sales of goods, revenue is currently recognized when the goods are delivered to the customers’ premises, which is taken to the point in time at which the customer accepts the goods and the related risks and rewards of ownership have been transferred. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable, and there is no continuing management involvement with the goods. Upon the adoption of IFRS 15, revenue will be recognized when a customer obtains control of the goods.

(b) Rending of services

The Group provides related services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognized using the stage of completion method. Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand alone selling prices. The stand alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.

The adoption of the above IFRS 15 did not have any significant impact on the Group's consolidated financial statements.

B. IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “ Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 “Presentation of Financial Statements”, which requires impairment losses of financial assets to be presented in a separate line item in the consolidated statements of comprehensive income. Previously, the Group’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: "Disclosures" that are applied to disclosures of 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes in the previous accounting policies are set out below:

(a) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument, as a whole, is assessed for classification. For an explanation of how the Group classifies and measures its financial assets and accounts on related gains and losses under IFRS 9, please see note 4(7).

The adoption of IFRS 9 did not have any a significant impact on the Group's accounting policies on financial liabilities.

(b) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The credit losses under IFRS 9 are recognized up front if compared with IAS 39. For the related accounting policies on impairment of financial assets under IFRS 9, please see note 4(7).

(c) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

- Hedging of forward contracts have been restated through retrospective application for comparative periods. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity as of January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

  －The determination of the business model within which a financial asset is held.

  －The designation and revocation of previous the designations of certain financial assets and financial liabilities as measured at FVTPL.

  －The designation of certain investments in equity instruments not held for trading as at FVOCI.

(d) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.(the measurement categories and carrying amount of financial liabilities have not changed.)

	IAS39		**IFRS9**	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and cash equivalents	Loans and receivables	2,662,100	Amortized cost	2,662,100
Net account receivable	Loans and receivable	2,959,598	Amortized cost	2,959,598
Derivative instruments	Held-for-trading	14,228	Mandatorily at FVTPL	14,228
Debt instruments	Held-to-maturity date	62,340	Amortized cost	62,340
Equity instruments	Available-for-sale(note 1)	111,873	FVOCI	111,873
Other financial assets(including time deposits-over three months)	Loans and receivables	1,818,925	Amortized cost	1,818,925
Refundable deposits	Loans and receivables	5,482	Amortized cost	5,482

Note1: These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI, resulting in the decrease of $0 thousand, the decrease of $328,866 thousand, and the increase of $328,866 thousand, in assets, other equity interests and retained earnings, respectively, which were recognized on January 1, 2018.

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The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	December 31, 2017 IAS 39 Carrying Amount	Reclassifications	Remeasurements	January 1, 2018 IFRS 9 Carrying Amount	January 1, 2018 Retained earnings	January 1, 2018 Other equity
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	$ 14,228	-	-	14,228	-	-
Fair value through other comprehensive income						
Beginning balance of available-for-sale assets	$ 111,873	-	-	111,873	328,866	(328,866)
Amortized cost						
Beginning balance of cash and cash equivalents, bond investment without an active market, trade and other receivables, and other financial assets	$ 7,508,445	-	-	7,508,445	-	-

The above changes have no significant impact on the basic and diluted earnings per share of the Group for the years of 2018 and 2017.

(2) Impact of the IFRSs that have been endorsed by the FSC but not yet in effect

According to Ruling No. 1070324857 issued on July 17, 2018 by the FSC, commencing 2019, the Group is required to adopt the IFRSs that have been endorsed by the FSC with effective date from January 1, 2019. The related new, revised or amended standards and interpretations are set out below:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

A. IFRS 16“Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 “ Leases” , IFRIC 4 “ Determining whether an Arrangement contains a Lease” , SIC-15 “ Operating Leases – Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard - i.e. the lessors will continue to classify leases as finance or operating leases.

(a) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(b) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.

(Continued)

- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) So far, the most significant impact has been identified on the initial adoption of IFRS 16 is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Group estimated its right-of-use assets and lease liabilities to increase by $266,227 thousand and $220,155 thousand, respectively; as well as its long term lease prepayments and retained earnings to decrease by $63,808 thousand and $17,736 thousand, respectively, on January 1, 2019.

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

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC is set out below:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group continues in assessing the potential impact on its financial position and results of operations as a result of the application of abovementioned standards and interpretations. The potential impact will be disclosed when the assessment is complete.

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).

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(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;

(b) Fair value through other comprehensive income (Available for sale financial assets);

(c) The net defined benefit liability is recognized as 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, which is Alpha's functional currency. All financial information presented in New Taiwan Dollars 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.

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

			Percentage of ownership	
Name of Investor	**Name of Investee**	**Main Business Activities**	**December 31, 2018**	**December 31, 2017**
Alpha	Alpha Holdings Inc. (Alpha Holdings)	Investment holding	100.00%	100.00%

(Continued)

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Name of Investor	Name of Investee	Main Business Activities	Percentage of ownership December 31, 2018	Percentage of ownership December 31, 2017
Alpha	Alpha Solutions Co., Ltd. (Alpha Solutions)	Sale of network equipment, components and technical services	100.00%	100.00%
Alpha	Alpha Networks Inc. (Alpha USA)	Sale, marketing and procurement service in USA	100.00%	100.00%
Alpha	Alpha Networks (Hong Kong) Limited (Alpha HK)	Investment holding	100.00%	100.00%
Alpha	Alpha Technical Services Inc. (ATS)	Post-sale service	100.00%	100.00%
Alpha	Global Networks Trading Limited (Global)	Sale of electrical products	100.00%	100.00%
Alpha Holdings	D-Link Asia Investment Pte. Ltd. (D-Link Asia)	Investment in manufacturing business	100.00%	100.00%
Alpha Holdings	Alpha Networks (Chengdu) Co., Ltd. (Alpha Chengdu)	Research and development of network products	100.00%	100.00%
Alpha Holdings	Alpha Investment Pte, Ltd. (Alpha Investment)	Investment holding	100.00%	100.00%
Alpha Holdings	Universal Networks Trading Limited (Universal)	Sale of electrical products	100.00%	100.00%
Alpha Investment	Mirac Networks (Dongguan) Co., Ltd. (Mirac)	Production and sale 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%
Alpha HK	Alpha Networks (Changshu) Co., Ltd. (Alpha Changshu)	Production and sale of network products	100.00%	100.00%
Alpha HK	Maintrend Technical Services (Changshu) Co., Ltd. (Maintrend) (note1)	Post-sale service	- %	100.00%
Alpha	Enrich Investment Corporation (Enrich Investment) (note2)	Investment holding	100.00%	- %
Enrich Investment	Transnet Corporation (note2)	Operating in network communication products, provide system support services, integrated supply and import and export of network equipment	100.00%	- %

(Continued)

Note1 : On January 12, 2016, Maintrend shareholders hold a meeting to approve the dissolution and liquidation of this company. The dissolution and liquidation procedures were completed on July 23, 2018.

Note2 : In order to enhance Alpha's business strategy, Alpha invested 100% of shareholding in Transnet Corporation through the establishment of Enrich Investment with an investment amount of $50,000 thousand. The registration for both companies was completed on October 11, 2018 and October 18, 2018, respectively.

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

(4) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date when fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss except for those differences of available-for-sale financial assets, which are recognized in other comprehensive income.

B. Foreign operations

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

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the foreign currency translation differences related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(Continued)

(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. It 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.

(6) Cash and cash equivalents

Cash comprise cash and cash in bank. 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

A. Financial assets (policy applicable commencing January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

(Continued)

(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.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

(b) Financial assets at FVOCI

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

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.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments, are recognized in profit or loss; whereas dividends deriving from equity investments 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 of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group’ s right to receive payment is established, which in the case of quoted securities is normally 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. 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.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

(d) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses 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).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (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.

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

12-month ECLs are the portion of ECLs 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 ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(Continued)

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 to be in default when the financial asset is more than 90 days past due, or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs 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). ECLs 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
- 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 recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-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

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

B. Financial assets (policy applicable before January 1, 2018)

Financial assets and financial liabilities are recognized when the Group becomes part of the contractual terms of the financial instrument.

(a) Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, held to maturity financial assets, and loans and receivables.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Performance of the financial asset is evaluated on a fair value basis;
- A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value ,plus, any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available for sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expenses.

(iii) Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method ,less, any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in non-operating income and expenses.

(iv) Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables, other than insignificant interest on short-term receivables, are measured at amortized cost using the effective interest method, less, any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in non-operating income and expenses.

(v) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

(Continued)

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss, and is included in non-operating income and expenses.

(vi) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable, and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on available-for-sale financial assets” in profit or loss, is included in non-operating income and expenses.

(b) Financial liabilities and equity instruments

(i) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

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.

Interest related to the financial liability is recognized in profit or loss, and is included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

(ii) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition.

The Group designates financial liabilities, other than those classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;

- Performance of the financial liabilities is evaluated on a fair value basis; or

- A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in non-operating income and losses.

(iii) Other financial liabilities

Financial liabilities not classified as held-for-trading, and not designated as at fair value through profit or loss (including loans and borrowings, trade and other payables), are measured at fair value, plus, any directly attributable transaction costs at the time of initial recognition.

Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as asset cost is recognized in profit or loss, and included in non-operating income and losses.

(iv) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

(v) Offsetting of financial assets and liabilities

The Group presents its financial assets and liabilities on a net basis when it has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

(Continued)

(c) Derivative financial instruments and hedge accounting (policy applicable commencing January 1, 2018)

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the non-financial asset's host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

The Group designates its hedging instruments, including derivatives, embedded derivatives, and non-derivative instruments for a hedge of a foreign currency risk, as a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation. Foreign exchange risks of firm commitments are treated as fair value hedges.

(d) Derivative financial instruments, including hedge accounting (policy applicable before January 1, 2018)

Except for the following items, the Group applies the same accounting policies as applicable commencing January 1, 2018.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract, as well as the embedded derivatives, are not closely related and the host contract is not measured at FVTPL.

(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 a usable 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.

(Continued)

(9) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

When part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and the useful life or the depreciation method of the significant part is different from another significant part of that same item, it is accounted for as a separate item (significant component) of property, plant and equipment.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and losses.

B. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

C. Depreciation

Depreciation is provided over the estimated useful lives of the respective assets, considering significant components of an individual asset, on a straight-line basis, less, any residual value. If a component has an useful life that is different from the remainder of that asset, that component is depreciated separately.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(a) Buildings and improvements: 6 to 49 years

The significant components of buildings and improvements are main buildings; mechanical and electrical engineering; and utilities related engineering, etc. Each part is depreciated based on its useful life of 47 to 49 years, 6 years, and 6 years, respectively.

(b) Machinery and equipment: 1 to 10 years

(c) Transportation equipment: 4 to 6 years

(d) Office and other equipment: 2 to 10 years

(Continued)

Depreciation methods, useful lives, and residual values are reviewed at least at each annual reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

(10) Lessee

Leases are operating leases and are not recognized in the Group's consolidated statement of financial position. Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(11) Intangible assets

A. Goodwill

(a) Initial recognition

Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill represents the excess of the cost of the acquisition over the interest in the fair value of the identifiable assets, liabilities, and contingent liabilities acquired.

(b) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

B. Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

(b) The intention to complete the intangible asset and use or sell it.

(c) The ability to use or sell the intangible asset.

(d) The probability that the intangible asset will generate probable future economic benefits.

(e) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

(f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost, less, accumulated amortization and any accumulated impairment losses.

(Continued)

C. Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost, less, accumulated amortization and any accumulated impairment losses.

D. 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.

E. Amortization

The amortizable amount is the cost of an asset, less its residual value. Except for goodwill and in tangible assets with indefinite useful lives, amortization is recognized in profit or loss on a straight-line basis over 1 to 5 years from the date that they are available for use.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each reporting date. Any change shall be accounted for as a change in accounting estimate.

(12) Impairment of non-financial assets

The carrying amounts of the Group's non financial assets, other than assets arising from inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset' s recoverable amount is estimated. If it is not possible to estimate the recoverable amount of an individual asset.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets, the Group estimates the recoverable amount of the cash-generating unit (" CGU") to which the asset has been allocated to. Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are tested at least annually.

The recoverable amount for an individual asset or a CGU is the higher of its fair value, less, costs to sell and its value in use. When evaluating value in use, the pre-tax discount rate is used to estimate the future cash flows. The discount rate should reflect the evaluation of specific risk resulting from the impact of the current market on the time value of money and on the asset or CGU. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an non-financial asset other than goodwill may no longer exist or may have diminished. If any such indication exists, the amount of impairment loss recognized in prior periods is reversed, and the carrying amount of the asset's or CGU is increased to the revised estimate of its recoverable amount. The increase in the carrying amount shall not exceed the carrying amount (net of depreciation or amortization) had no impairment loss been recognized for the asset or CGU in prior years.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination. If the carrying amount of each of the CGUs exceeds the recoverable amount of the unit, impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the unit, then the carrying amount of the other assets in the unit on a pro rata basis. Reversal of an impairment loss for goodwill is prohibited.

(13) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive 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. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(14) Treasury shares

Repurchased shares are recognized under treasury shares based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under " capital surplus-treasury share transactions". Losses on disposal of treasury shares should be offset against existing capital surplus arising from similar types of treasury shares. If there are insufficient capital surplus to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated separately for different types of repurchase by using the weighted average method.

During the cancellation of treasury shares, " capital surplus-share premiums" and " share capital" should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital surplus arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital surplus arising from similar types of treasury shares. If there are insufficient capital surplus to be offset against, then such losses should be accounted for under retained earnings.

(15) Revenue recognition

A. Revenue from contracts with customers (policy applicable from January 1, 2018)

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.

(Continued)

(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 (12).

(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.

B. Revenue (policy applicable before January 1, 2018)

(a) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(b) Services

The Group provides technical service to its customers, and recognizes revenue in profit in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the actual cost incurred as a percentage of the estimated total costs of the transaction.

(c) Government grants

The Group obtains government grants and recognizes them as non-operating income or losses on the percentage of actual cost to the expected total project cost at the reporting date.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group’s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any fair value of any plan assets are deducted. The discount rate is the yield at the annual reporting date (market yields of government bonds) on bonds that have maturity dates approximating the terms of the Group’s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(Continued)

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and 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. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of plan are improved, pension cost incurred from the portion of the increased benefit relating to the past services by employees is recognized immediately in profit or loss.

Re-measurements of the net defined benefit liability, which comprise (1) actuarial gains and losses (2) the return on plan assets (excluding interest) and (3) the effect of asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income; wherein the Group recognized them under retained earnings.

The Group recognizes the gains or losses on the curtailment or settlement of the defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of the plan assets and in the present value of the defined benefit obligation.

C. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense 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.

(18) Income tax

Income tax expenses include both 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 shall be recognized in profit or loss.

(Continued)

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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. Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) during the transaction.

B. Temporary differences arising from equity investment in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

C. Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

A. The entity has the legal right to settle current tax assets and current tax liabilities on a net basis; and

B. The taxing of deferred tax assets and liabilities under the same tax authority which fulfills one of the scenarios below:

(a) Levied by the same taxing authority; or

(b) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be 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. At the end of each reporting period, deferred tax asset are reassessed and reduced to the extent that it is no longer probable that the related tax benefit will be utilized.

(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.

Accounting estimates and underlying assumptions are reviewed by management on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

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(26) of the financial instruments.

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Notes to the Consolidated Financial Statements

6. Explanation of significant accounts:

(1) Cash and cash equivalents

		December 31, 2018	December 31, 2017
Cash on hand	$	2,606	2,405
Checking and savings accounts		827,787	981,974
Time deposits		1,228,730	1,277,721
Cash equivalents – bonds with repurchase agreements		470,160	400,000
Cash and cash equivalents in the consolidated statement of cash flows	**$**	**2,529,283**	**2,662,100**

Please refer to note 6(26) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

As of December 31, 2018 and 2017, deposits with original maturities of more than three months were $3,883,277 thousand and $1,782,711 thousand, respectively, and were recorded in Financial assets measured at amortized cost —current or other financial assets – current.

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

		December 31, 2018	December 31, 2017
Financial assets measured at fair value through profit or loss – current			
Currency option contracts	$	-	1,610
Forward exchange contracts		-	12,618
Financial assets mandatorily measured at fair value through profit or loss – current			
Forward option contracts		1,696	-
	$	**1,696**	**14,228**
Financial liabilities mandatorily measured at fair value through profit or loss – current			
Forward option contracts	**$**	**97**	**-**

The Group uses derivative financial instruments to hedge the certain foreign exchange and interest risk which the Group is exposed to, arising from its operating, financing and investing activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss on December 31, 2018 and held for trading financial instruments on December 31, 2017:

	December 31, 2018			
	Contract amount (in thousands)		**Currency**	**Maturity period**
Forward exchange contracts	USD	23,000	USD to NTD	January 2019

	December 31, 2017			
	Contract amount (in thousands)		**Currency**	**Maturity period**
Buy USD put options	USD	9,000	USD to NTD	January 2018
Sell USD call options	USD	9,000	USD to NTD	January 2018
Sell USD put options	USD	9,000	USD to NTD	January 2018
Forward exchange contracts	USD	38,000	USD to NTD	January 2018 ~ February 2018

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

	December 31, 2018	**December 31, 2017**
Notes and accounts receivable	$ 1,321,553	1,851,755
Less: loss allowances	(937)	(6,640)
	$ 1,320,616	1,845,115

The overdue accounts receivable were reclassified to overdue receivables under financial assets measured at amortized cost – non-current or other financial assets–non-current and were fully made loss allowances. The details were as follows:

	December 31, 2018	**December 31, 2017**
Financial assets measured at amortized cost – non-current	$ 76,031	-
Other financial assets – non-current	-	77,216
Less: loss allowances	(76,031)	(77,216)
	$ -	-

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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 (including related parties) on December 31, 2018. 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 incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 1,975,539	0%	-
Past due within 30 days	179,683	0%	-
Past due 31 to 120 days	14,214	0%~38.67%	934
Past due 121 to 365 days	5	63.33%	3
Past due over 365 days	96,764	100%	96,764
	$ 2,266,205		**97,701**

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable (including related parties), which were past due but not impaired, was as follows:

	December 31, 2017
Past due within 30 days	$ 314,140
Past due 31 to 120 days	18,981
	$ 333,121

The movement in the allowance for doubtful account with respect to receivables (including overdue receivable and receivables – related parties) during the year was as follows:

		December 31, 2017	
	December 31, 2018	**Individually assessed impairment**	**Collectively assessed impairment**
Balance on January 1, per IAS 39	125,356	224,921	819
Adjustment on initial application of IFRS 9	-		
Balance on January 1, per IFRS 9	125,356		
Impairment losses recognized (reversal)	(27,655)	(48,386)	47,321
Amounts written off	-	(99,319)	-
Balance on December 31	**$ 97,701**	**77,216**	**48,140**

As of December 31, 2018 and 2017, allowance for doubtful accounts with respect to account receivables from related parties were $20,733 thousand and $41,500 thousand, respectively. For more information please refer to note 7.

(4) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 2,193,368	2,092,458
Work in progress and semi-finished products	333,348	241,419
Finished goods and merchandises	1,195,588	1,049,119
	$ 3,722,304	**3,382,996**

Component of operating cost were as below:

	2018	2017
Cost of goods sold	$ 13,355,978	16,137,574
Provision for inventory obsolescence and devaluation loss	148,566	27,170
	$ 13,504,544	**16,164,744**

As of December 31, 2018 and 2017, the Group's inventories were not pledged.

(5) Other financial assets / Financial assets measured at amortized cost– current and non-current

The detail of other financial asset was as bellow:

	December 31, 2018	December 31, 2017
Current:		
Time deposits	$ 3,883,277	1,782,711
Other receivables	5,617	20,714
	$ 3,888,894	**1,803,425**
Non-current:		
Restricted deposits	$ 15,500	15,500
Refundable deposits	5,590	5,482
Overdue receivable	76,031	77,216
Loss: loss allowances	(76,031)	(77,216)
	$ 21,090	**20,982**

The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, 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 starting from January 1, 2018.

(Continued)

The Group held bank time deposits with variable interest rates, and the average interest rates ranged between 0.22%~3.65% and 0.16%~1.07% for the years ended December 31, 2018 and 2017, 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, 2018	December 31, 2017
Equity instrument at fair value through other comprehensive income:		
Publicly traded stock – D-Link	$ 127,176	-

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 available for sale financial assets as of December 31, 2017. Please refer to note 6(7).

As of December 31, 2018, the Group's financial assets above were not pledged.

(7) Available-for-sale financial assets – non-current

	December 31, 2017
Publicly traded stock – D-Link	$ 111,873

As of December 31, 2017, the Group’s financial assets above were not pledged.

They have been classified as financial assets at fair value through other comprehensive income on December 31, 2018 , please refer to note6 (6).

(8) Investments in debt instrument without active market

	December 31, 2018	December 31, 2017
Corporate bond－Platina Systems Corporation	$ -	62,340

In April, 2015 due to implementation of new product development strategy, the Group invested in Platina Systems Corporation bond which amounting $77,925 thousand with the terms of effective interest rate 2.72% and amount entitled to be redeemed is USD 500 thousand if no conversion right has been exercised after one year of investment. In April 2016, upon the abovementioned terms have been fulfilled, the Group redeemed amount of USD 500 thousand (equal to $16,165 thousand). The principal of the abovementioned investment has been paid upon the maturity on April 6, 2018.

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(9) Property, plant and equipment

	Land	Building	Machinery and equipment	Office, transportation and other facilities	Total
Cost:					
Balance at January 1, 2018	$ 62,263	2,961,562	1,982,152	342,037	5,348,014
Additions	-	14,664	52,005	19,855	86,524
Disposals	-	(9,943)	(59,155)	(44,344)	(113,442)
Effect of movement in exchange rates	1,965	(53,028)	(31,915)	(5,021)	(87,999)
Balance at December 31, 2018	**$ 64,228**	**2,913,255**	**1,943,087**	**312,527**	**5,233,097**
Balance at January 1, 2017	$ 67,427	2,997,117	2,015,195	342,005	5,421,744
Additions	-	6,260	48,833	24,048	79,141
Disposals	-	(8,151)	(69,934)	(21,345)	(99,430)
Effect of movement in exchange rates	(5,164)	(33,664)	(11,942)	(2,671)	(53,441)
Balance at December 31, 2017	**$ 62,263**	**2,961,562**	**1,982,152**	**342,037**	**5,348,014**
Depreciation and impairment loss:					
Balance at January 1, 2018	$ -	1,481,987	1,508,317	271,676	3,261,980
Depreciation	-	126,591	128,149	29,019	283,759
Disposals	-	(9,894)	(57,412)	(42,387)	(109,693)
Effect of movement in exchange rates	-	(27,990)	(30,266)	(4,282)	(62,538)
Balance at December 31, 2018	**$ -**	**1,570,694**	**1,548,788**	**254,026**	**3,373,508**
Balance at January 1, 2017	$ -	1,373,891	1,429,085	259,939	3,062,915
Depreciation	-	128,128	157,889	33,322	319,339
Disposals	-	(8,142)	(68,437)	(19,438)	(96,017)
Effect of movement in exchange rates	-	(11,890)	(10,220)	(2,147)	(24,257)
Balance at December 31, 2017	**$ -**	**1,481,987**	**1,508,317**	**271,676**	**3,261,980**
Carrying amount:					
Balance at December 31, 2018	**$ 64,228**	**1,342,561**	**394,299**	**58,501**	**1,859,589**
Balance at December 31, 2017	**$ 62,263**	**1,479,575**	**473,835**	**70,361**	**2,086,034**
Balance at January 1, 2017	**$ 67,427**	**1,623,226**	**586,110**	**82,066**	**2,358,829**

As of December 31, 2018 and 2017, the Group's property, plant and equipment were not pledged.

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(10) Intangible asset

	Goodwill	Software application and other	Total
Cost:			
Balance at January 1, 2018	$ 134,883	295,918	430,801
Addition	-	60,916	60,916
Derecognition	-	(87,278)	(87,278)
Effect of movement in exchange rates	-	(1,775)	(1,775)
Balance at December 31, 2018	**$ 134,883**	**267,781**	**402,664**
Balance at January 1, 2017	$ 134,883	408,671	543,554
Addition	-	83,735	83,735
Derecognition	-	(195,882)	(195,882)
Effect of movement in exchange rates	-	(606)	(606)
Balance at December 31, 2017	**$ 134,883**	**295,918**	**430,801**
Amortization and impairment:			
Balance at January 1, 2018	$ -	219,416	219,416
Amortization	-	67,349	67,349
Derecognition	-	(87,278)	(87,278)
Effect of movement in exchange rates	-	(1,542)	(1,542)
Balance at December 31, 2018	**$ -**	**197,945**	**197,945**
Balance at January 1, 2017	$ -	349,263	349,263
Amortization	-	66,595	66,595
Derecognition	-	(195,882)	(195,882)
Effect of movement in exchange rates	-	(560)	(560)
Balance at December 31, 2017	**$ -**	**219,416**	**219,416**
Carrying amount:			
Balance at December 31, 2018	**$ 134,883**	**69,836**	**204,719**
Balance at December 31, 2017	**$ 134,883**	**76,502**	**211,385**
Balance at January 1, 2017	**$ 134,883**	**59,408**	**194,291**

A. For the years ended December 31, 2018 and 2017, the amortization of intangible assets are included in the statement of comprehensive income are as follows:

	For the years ended December 31, 2018	2017
Operating cost	$ 929	2,098
Operating expense	66,420	64,497
Total	**$ 67,349**	**66,595**

B. To assess the impairment, goodwill must be allocated to IP Camera CGU. As of December 31, 2018 and 2017, the recoverable amount of IP Camera CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be higher than its recoverable amount. Therefore there was no impairment loss shall be recognized as of December 31, 2018 and 2017.

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

	December 31, 2018	December 31, 2017
Discount rate	10.66 %	9.66 %
Terminal value growth rate	4.04 %	(3.00)%

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, 2018 and 2017, the Group's intangible assets were not pledged.

(11) Current borrowings

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ -	6
Unused short-term and long-term credit lines	$ 3,265,440	3,193,060

(12) Provisions

	Warranties
Balance at January 1, 2018	$ 234,975
Provisions made during the year	104,481
Provisions utilized during the year	(132,719)
Effect of movement in exchange rates	(607)
Balance at December 31, 2018	$ 206,130
Balance at January 1, 2017	$ 261,240
Provisions made during the year	133,350
Provisions utilized during the year	(159,181)
Effect of movement in exchange rates	(434)
Balance at December 31, 2017	$ 234,975

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The provision for warranties relates mainly to network product sold during the years ended December 31, 2018 and 2017. 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.

(13) Other current liabilities

	December 31, 2018	December 31, 2017
Payroll and bonus payable	$ 455,847	588,834
Contract liabilities	86,068	-
Advance sales receipts	-	69,018
Other liabilities	92,675	109,632
	$ 634,590	**767,484**

(14) Operating lease

Leases as lessee

Non-cancellable lease rental payables were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 19,267	10,961
Between one and five years	46,684	50,574
	$ 65,951	**61,535**

Alpha leased land from the Science Industrial Park Administration from November 2003 to December 2022. The lease amounts are subjected to be adjusted in accordance with the land value announced by the government from time to time. The Group also entered into other lease agreements for office space and employee dormitories.

The Group recognized $22,651 thousand and $26,990 thousand as an expense in profit or loss in respect of operating leases for the years ended December 31, 2018 and 2017, respectively.

The Group obtained land use rights pursuant to operating lease agreements. The lease agreements cover a period of 50 to 60 years, and the Group paid all rental amounts in advance. For the years ended December 31, 2018 and 2017, the Group recognized $1,607 thousand and $1,588 thousand, respectively, in operating expenses. As of December 31, 2018 and 2017, the unamortized amounts were $63,808 thousand and $66,943 thousand, respectively, recognized in long-term lease prepayment.

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(15) Employee benefits

A. Defined benefit plans

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

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$ 382,871	405,694
Fair value of plan assets	(87,988)	(65,183)
Net defined benefit liabilities	**$ 294,883**	**340,511**

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

(a) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to $87,988 thousand as of December 31, 2018. 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:

	2018	2017
Defined benefit obligations at January 1	$ 405,694	456,003
Benefits paid from the plan assets	(36,044)	(24,866)
Current service costs and interest cost	7,301	8,440
Re-measurements of net defined benefit liabilities (asset):		
- Actuarial gain arising from experience adjustment	(5,111)	(35,367)
-Actuarial gain arising from demographic assumptions	-	(3,090)
-Actuarial loss arising from financial assumptions	11,031	4,574
Defined benefit obligation as of December 31	**$ 382,871**	**405,694**

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(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:

		2018	2017
Fair value of plan assets as of January 1	$	65,183	62,322
Benefits paid from the plan assets		(36,044)	(24,866)
Re-measurements of the net defined benefit liabilities (asset):			
- Return on plan assets (excluding current Interest income)		1,959	(53)
Contribution made to plan assets		55,690	26,933
Expected return on plan assets		1,200	847
Fair value of plan assets as of December 31	**$**	**87,988**	**65,183**

(d) Expenses recognized in profit or loss

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

		2018	2017
Current service costs	$	2,027	2,190
Net interest of net liabilities for defined benefit obligation		5,274	6,250
Expected return on plan assets		(1,200)	(847)
	$	**6,101**	**7,593**
Operating costs	$	1,346	1,793
Selling expenses		898	1,157
Administrative expenses		682	875
Research and development expenses		3,175	3,768
	$	**6,101**	**7,593**
Actual return on plan assets	**$**	**3,159**	**794**

(e) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's re-measurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Accumulated amount at January 1	$	(49,763)	(15,932)
Recognized during the year		3,960	(33,831)
Accumulated amount at December 31	**$**	**(45,803)**	**(49,763)**

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(f) Actuarial assumptions

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

	December 31, 2018	December 31, 2017
Discount rate	1.100%	1.300%
Future salary increase rate	3.00%	3.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $27,805 thousand.

The weighted average duration of the defined benefit obligation is 14.5 years.

(g) 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	
December 31, 2018	**Increase 0.25%**	**Decrease 0.25%**
Discount rate	$ (13,728)	14,355
Future salary increasing rate	$ 13,088	(12,614)
December 31, 2017		
Discount rate	$ (15,006)	15,705
Future salary increasing rate	$ 14,382	(13,848)

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 2018 and 2017.

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.

(Continued)

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The pension costs under contribution plans amounted to $131,323 thousand and $129,306 thousand for the years ended December 31, 2018 and 2017, respectively.

(16) Income taxes

A. Income tax expenses

According to the amendments to the “ Income Tax Act” enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable commencing 2018.

The components of income tax in the years 2018 and 2017, were as follows:

	2018	2017
Current tax expense		
Current period	$ 50,076	166,105
Adjustment for prior periods	(14,889)	(18,289)
	35,187	147,816
Deferred tax benefit		
Origination and reversal of temporary differences	(27,926)	-
Income tax rate change impact	(3,538)	-
	(31,464)	-
Income tax expense	**$ 3,723**	**147,816**

The amount of income tax recognized directly in equity for 2018 and 2017 were as follows:

	2018	2017
Foreign currency translation differences on foreign operation	**$ (24,148)**	**3,567**

Reconciliation of income tax and profit before tax for 2018 and 2017 were as follows.

	2018	2017
Income (loss) before income tax	$ (84,286)	696,354
Income tax at Alpha’s domestic tax rate	(16,857)	118,380
Income tax rate change impact	(3,538)	-
Effect of tax rates in foreign jurisdictions	21,055	36,746
Tax effect of permanent difference	1,138	57,627
Tax incentives	-	(18,013)
Change in unrecognized temporary difference	(41,819)	(13,237)
Other	43,744	(33,687)
	$ 3,723	**147,816**

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B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax asset

The Group's which no deferred tax assets were recognized were as follows:

	December 31, 2018	December 31, 2017
Tax effect of deductible temporary differences	$ 402,337	412,059
Tax effect of unused tax loss carryforwards	21,558	7,209
	$ 423,895	419,268

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 at December 31, 2018, the information of the Group's unutilized business losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unutilized business loss	Expiry date
2018	$ 107,791	2028

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

Deferred tax assets:

	January 1, 2017	Recognized in profit and loss	Recognized in other comprehensive income	Effect of movement exchange rate	December 31, 2017	Recognized in profit and loss	Recognized in other comprehensive income	Effect of movement exchange rate	December 31, 2018
Provision for inventory devaluation	$ 10,651	1,316	-	-	11,967	(1,240)	-	-	10,727
Provision for warranties	25,665	(5)	-	-	25,660	(1,156)	-	-	24,504
Exchange different on transaction of foreign financial statement	13,993	-	(3,567)	-	10,426	-	24,148	-	34,574
Carry forward of tax loss	-	-	-	-	-	42,245	-	-	42,245
Others	12,349	(1,944)	-	(1,104)	9,301	7,838	-	1,571	18,710
	$ 62,658	(633)	(3,567)	(1,104)	57,354	47,687	24,148	1,571	130,760

(Continued)

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Deferred tax liabilities

	January 1, 2017	Recognized in profit and loss	Recognized in other comprehen-sive income	Effect of movement exchange rate	December 31, 2017	Recognized in profit and los	Recognized in other comprehen-sive income	Effect of movement exchange rate	December 31, 2018
Investment accounted for using equity method	$ (22,976)	(2,014)	-	-	(24,990)	(14,277)	-	-	(39,267)
Goodwill	(22,930)	-	-	-	(22,930)	(4,046)	-	-	(26,976)
Others	(5,067)	2,647	-	-	(2,420)	2,100	-	-	(320)
	$ (50,973)	633	-	-	(50,340)	(16,223)	-	-	(66,563)

(c) The Alpha's tax returns for the years through 2016 were examined and approved by the Tax Administration as of the December 31, 2018.

(17) Capital and other equity

Reconciliation of shares outstanding for 2018 and 2017 was as follows (in thousands of shares):

	Ordinary share capital	
	2018	**2017**
Balance at January 1	434,259	434,259
Add: Issuance of shares	100,000	-
Vested of restricted stock wards	2,724	-
Balance at December 31	**536,983**	**434,259**

A. Ordinary share capital

As of December 31, 2018 and 2017, the authorized capital of Alpha amounted to $6,600,000 thousand, of which included the amount of $500,000 thousand reserved for its employee share options; the issued capital amounted to $5,435,172 thousand and $4,444,697 thousand, respectively.

Pursuant to the resolution approved during the shareholders' meeting held on June 16, 2017, Alpha approved the issuance of 10,000 thousand employee restricted shares, which have already been registered with the government authorities on October 2, 2017 .

Pursuant to the resolution approved during the Board of Directors' meeting held on March 7, 2018, Alpha approved the issuance of 100,000 thousand shares under private placement, with the par value of NTD 23 per share. The relevant legal registration procedures have been completed on March 15, 2018.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) under the Securities and Exchange Act. The application of these shares to be traded on the Taiwan Stock Exchange is in accordance with the said section where the shares should be elapsed after a three year period from the delivery date of the private placement securities (April 16,2018) before applying for a public offering with the Financial Supervisory Commission.

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A resolution was approved during the Board of Directors' meeting held on March 19 and November 14, 2018 to cancel 517 thousand shares and 225 thousand shares, respectively, of employee restricted stocks. The aforementioned capital reductions were completed on March 19 and December 25, 2018, respectively, through the statutory registration procedures.

So far, the total terminated or canceled employee restricted stock were 0 thousand shares and 73 thousand shares, respectively, on December 31, 2018 and 2017 .

B. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2018	December 31, 2017
Capital surplus – premium	$ 3,462,567	2,129,454
Capital surplus – investments under equity method	29	29
Employee restricted stock	79,701	98,123
Other	15,059	14,964
	$ 3,557,356	2,242,570

According to the R.O.C. 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 as cash dividends. The aforementioned realized capital surplus includes the capital surplus resulting from the 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' meetings on March 19, 2018, the cash dividends of $543,262 thousand, with a par value of NTD 1 per share, will be distributed out of capital surplus. After the resolution of the relevant meeting of the Company, the information can be assessed from the Market Observation Post System on the website.

C. Retained earnings

Based on the Alpha's articles of incorporation, current year'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.

Before the distribution of dividends, Alpha shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, 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. 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. The cash dividends shall not be less than 10% of total dividends.

(a) Legal reserve

According to the R.O.C. Company Act, Alpha must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. 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 reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of other equity interest. Similarly, a portion of undistributed prior period earnings shall be reclassified as special reserve (and does not qualify for earnings distribution) to account for any cumulative net reduction of other equity interest pertaining to prior period. Amounts of subsequent reversals pertaining to the net reduction of other equity interest shall qualify for earnings distributions.

(c) Earnings distribution

Earnings distribution for the years 2017 and 2016 which were approved by the shareholders during their meetings on June 15, 2018 and June 16, 2017, respectively, were as follows:

	For the years ended December 31,	
	2017	**2016**
Dividends distributed to ordinary shareholders		
Cash(dividends per share were NTD 1 and NTD 1.04, respectively)	$ 543,743	451,630

(Continued)

The above mentioned earnings distribution was consistent with the resolutions approved by the board of directors. The information can be assessed from the Market Observation Post System on the website.

The no appropriation of earnings in 2018 was proposed in the Board of Directors' meeting on March 13, 2019 and to be approved in annual shareholders' meeting. The information can be assessed from the Market Observation Post System on the website.

D. Treasury shares

In compliance with section 28(2) of the Securities and Exchange Act, Alpha repurchased 210 thousand shares in December 2015 and transferred them to its employees within three years from the date of purchase of the shares.

210 thousand of treasury shares have been cancelled and the reduction was on December 25, 2018. With the approval from the competent authority on January 7, 2019. The relevant legal registration procedures have been completed.

As of December 31, 2018 and 2017, Alpha had treasury shares of 0 thousand shares and 210 thousand shares, respectively.

Alpha has implemented a treasury stock system, with the ability to repurchase its shares on the stock exchange, as follows:

(In thousands of shares)

	2018			
Purpose	**January1**	**Increase**	**Canceled**	**December 31**
Transfer to employee	210	-	210	-

	2017			
Purpose	**January1**	**Increase**	**Canceled**	**December 31**
Transfer to employee	210	-	-	210

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Alpha's retained earnings, additional paid in capital, and realized capital surplus.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by Alpha should not be pledged, and do not hold any shareholder rights before their transfer.

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E. Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Deferred compensation cost arising from issuance of restricted stock awards	Total
Balance at January 1, 2018	$ (235,200)	-	8,233	(167,659)	(394,626)
Effects of retrospective application	-	(320,633)	(8,233)	-	(328,866)
Balance at January 1, 2018 after adjustments	(235,200)	(320,633)	-	(167,659)	(723,492)
Foreign currency translation differences on foreign operations (net of tax)	(87,396)	-	-	-	(87,396)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	15,303	-	-	15,303
Compensation cost of restricted stock awards	-	-	-	97,167	97,167
Balance at December 31, 2018	**$ (322,596)**	**(305,330)**	**-**	**(70,492)**	**(698,418)**
Balance at January 1, 2017	$ (252,614)	-	9,816	-	(242,798)
Foreign currency translation differences on foreign operations (net of tax)	17,414	-	-	-	17,414
Unrealized losses on available - for - sale financial assets	-	-	(1,583)	-	(1,583)
Issuance of restricted stock awards	-	-	-	(197,393)	(197,393)
Compensation cost of restricted stock awards	-	-	-	29,734	29,734
Balance at December 31, 2017	**$ (235,200)**	**-**	**8,233**	**(167,659)**	**(394,626)**

(18) Share-based payment

A. Information about Alpha's equity-settled share-based payment transactions as of December 31, 2018, is as follows:

	Restricted stock awards Issued in 2017
Grant date	September 27, 2017
Granted units (thousands)	10,000
Contractual life	1~3 years
Vesting condition	Note
Price per share (TWD)	0
Adjusted exercise price (TWD)	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. Alpha used the closing price of its ordinary share on the grant date as 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 thousand shares of restricted stock awards to those full time employees who conformed to 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 restricted stock awards to its employees. The effective dates of the capital increase was October 2, 2017, and the registrations of the increase of share capital have been completed. Unless the vesting conditions have been met, the restricted stock awards may not be sold, pledged, transferred, hypothecated, or otherwise, disposed. Holders of restricted stock awards are entitled to the same rights as Alpha's existing ordinary shareholders except for those restricted stock awards that are held in trust and have vesting conditions. Also, Alpha has the right to call back all unvested shares without compensation, and to cancel all restricted stock awards issued to employees who fail to comply with the vesting condition.

Details of the restricted stock of Alpha are as follows:

	2018	**2017**
Number at January 1	9,927	-
Granted during the year (number in thousand)	-	10,000
Vested during the year (number in thousand)	(2,724)	-
Forfeited during the year (number in thousand)	(743)	-
To be forfeited during the year (number in thousand)	-	(73)
Number at December 31	**6,460**	**9,927**

Alpha recognized the compensation costs were $106,502 thousand and $29,734 thousand for the years ended December 31,2018 and 2017, respectively.

(19) Earnings per share

A. Basic earnings per share

	2018	2017
Net income (loss) attributable to ordinary shareholders	$ (88,009)	548,538
Weighted-average number of shares outstanding (in thousands of shares)	514,209	434,259
Basic earnings per share (NTD)	$ (0.17)	1.26

B. Diluted earnings per share

	2018	2017
Net income attributable to ordinary shareholders	$ (88,009)	548,538
Weighted-average number of shares outstanding (in thousand) (basic)	514,209	434,259
Effect of employee remuneration in shares	-	4,017
Effect of restricted stock awards unvested	-	542
Weighted-average number of shares outstanding (in thousands of shares)	514,209	438,818
Diluted earnings per share (NTD)	$ (0.17)	1.25

In 2018, Alpha was in operating loss position, which might cause the calculation of the employee's remuneration in shares and the unvested restricted stocks awards to have an anti-dilution effect, therefore, was not included in the calculation of the diluted earnings per share.

(20) Revenue from contracts with customers

Details of revenue

	2018
Primary geographical markets:	
United States	$ 5,816,327
Singapore	3,129,667
Netherlands	2,024,258
China	1,959,272
Others	2,678,698
	$ 15,608,222

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	2018
Major products/services lines:	
LAN/MAN	$ 10,031,233
Wireless Broadband	4,149,742
Digital Multimedia and others	1,427,247
	$ 15,608,222

Details of Revenue for 2017, please refer to note 6(21).

(21) Revenues

The details of Revenues were as follows:

	2017
Sales of goods and rendering of services	**$ 19,057,109**

Details of Revenue for 2018, please refer to note 6(20).

(22) Remuneration to employees and directors

Alpha's articles of incorporation require that earnings shall first be offset against any deficit, then 10% to 22.5% will be distributed as employee remuneration, and a maximum of 1% will be allocated as remuneration to directors. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of Alpha who meet certain specific requirements.

For the year ended December 31, 2018, Alpha incurred an operating loss; therefore, no remuneration to employees and directors was accrued for the year then ended.

For the year ended December 31, 2017, Alpha accrued and recognized its remuneration to employees and directors amounting to $69,068 thousand and $6,907 thousand, respectively. The amounts were calculated by using Alpha's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of the ratio of the remuneration to employees and directors based on Alpha's articles of incorporation, and expensed under operating cost or expenses.
The related information can be accessed from the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to the actual distributions for 2017.

(23) Other income

	2018	2017
Interest income	$ 64,373	37,153
Dividend income	-	3,166
Government grants income	41,513	34,083
Others	29,221	42,226
	$ 135,107	**116,628**

(Continued)

(24) Other gains and losses

		2018	2017
Gain on financial asset (liabilities) at fair value through profit or loss, net	$	(46,963)	105,389
Foreign exchange gain (loss), net		28,529	(128,292)
Others		5,541	(8,111)
	$	(12,893)	(31,014)

(25) Finance costs

		2018	2017
Interest expense of borrowings, etc.	$	6,472	1,151

(26) Financial instruments

A. Credit risk

(a) Credit risk exposure

The carrying amounts of financial assets represented the Group' s maximum amount exposed to credit risk.

(b) Concentration of credit risk

The major customers of the Group are centralized in the networking 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, 2018 and 2017, 62% and 71%, respectively, of the Group' s accounts receivable (including related parties) were from the top 7 customers. Although there is a 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 receivable

Risk exposure information for notes receivable and accounts receivable, please refer to note6 (3).

Other financial assets measured at amortized cost include more than three months of time deposits and restricted bank deposits (previously classified as available-for-sale financial assets on December 31, 2017) please refer to note 6(5) for details of relevant investments.

All of these financial assets are considered to have low 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).

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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 6 months	6 to 12 months	1 to 2 years	2 to 5 years
December 31, 2018						
Non-derivative financial liabilities						
Accounts payable	$ 2,882,699	(2,882,699)	(2,882,699)	-	-	-
Payables to related parties	4,708	(4,708)	(4,708)	-	-	-
Accrued expenses	405,172	(405,172)	(405,172)	-	-	-
Derivative financial liabilities						
Forward exchange contracts:						
Outflows	97	(706,597)	(706,597)	-	-	-
Inflows	(1,696)	708,196	708,196	-	-	-
	$ 3,290,980	(3,290,980)	(3,290,980)	-	-	-
December 31, 2017						
Non-derivative financial liabilities						
Unsecured loans	$ 6	(6)	(6)	-	-	-
Accounts payable	3,107,817	(3,107,817)	(3,107,817)	-	-	-
Payables to related parties	6,173	(6,173)	(6,173)	-	-	-
Accrued expenses	376,154	(376,154)	(376,154)	-	-	-
Derivative financial liabilities						
Currency option contracts:						
Inflows	(1,610)	12,645	12,645	-	-	-
Forward exchange contracts:						
Outflows	-	(774,280)	(774,280)	-	-	-
Inflows	(12,618)	783,512	783,512	-	-	-
	$ 3,475,922	(3,468,273)	(3,468,273)	-	-	-

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

C. Currency risk

(a) Exposure to currency risk

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

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD	$ 70,380	30.72	2,162,074	88,635	29.78	2,639,550
CNY	18,320	4.4670	81,835	5,644	4.5730	25,810

(Continued)

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	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Non-Monetary items						
USD	20,000	30.72	Note	65,000	29.78	Note
Financial liabilities						
Monetary items						
USD	18,458	30.72	567,030	16,931	29.78	504,205
Non-Monetary items						
USD	3,000	30.72	Note	-	-	

Note：Please refer note 6(2) for the information on forward exchange contracts, and currency option contract at fair value.

(b) Sensitivity analysis

The Group’s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivables, other receivables, trade payables and other payables which are denominated in foreign currencies. A strengthening (weakening) of 5% of the NTD against the USD and the CNY would have increased or decreased the profit before tax by $48,516 thousand at December 31, 2018. However, at December 31, 2017, a strengthening of 5% of the NTD against the USD and the CNY would have increased the profit before tax by $93,071 thousand, and a weakening of 5% of the NTD against the USD and the CNY would have decreased the profit before tax by $101,897 thousand. This analysis is based on the foreign currency exchange rate variances the Group considered to be reasonably possible at the reporting date. The analysis assumed that all other variables remain constant, and is performed on the same basis for both periods.

(c) Exchange gains and losses of functional currency

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 ended December 31, 2018 and 2017, the foreign exchange losses (including realized and unrealized) amounted to $28,529 thousand and $128,292 thousand, respectively.

(d) Interest rate analysis

The following sensitivity analysis was based on the risk exposure to interest rates. For debts with floating interest, the analysis assumed that the liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases or decreases by 0.25%, assuming all other variable factors remained constant, the Group’s net income before tax would have increased or decreased by $3,245 thousand and $11,112 thousand for the years ended December 31, 2018 and 2017, respectively. This is mainly due to the changes of the Group’s deposits, financial assets measured at amortized cost, and other financial assets with variable rates.

(e) Other market price risk

For the years ended December 31, 2018 and 2017, the sensitivity analyses for the changes in securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at the reporting date	For the years ended December 31, 2018	2017
Increasing 10%	$ 12,718	11,187
Decreasing 10%	$ (12,718)	(11,187)

(f) Fair value of financial instruments

i. Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and financial assets at fair value through other comprehensive income (available for sale financial assets), 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 equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	December 31, 2018				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets mandatorily at fair value through profit or loss					
Derivative financial assets-current	$ 1,696	-	1,696	-	1,696
Financial assets at fair value through other comprehensive income	$ 127,176	127,176	-	-	127,176

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	December 31, 2018				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	2,529,283	-	-	-	-
Notes and accounts receivable (including related parties)	2,168,504	-	-	-	-
Financial assets measured at amortized cost – current and non-current	3,909,984	-	-	-	-
Total	$ **8,607,771**	**-**	**-**	**-**	**-**
Financial liability at fair value through profit or loss					
Financial liabilities mandatorily at fair value through profit or loss	$ **97**	**-**	**97**	**-**	**97**
Financial liabilities measured at amortized cost					
Accounts payable	$ 2,882,699	-	-	-	-
Payable to related parties	4,708	-	-	-	-
Total	$ **2,887,407**	**-**	**-**	**-**	**-**

	December 31, 2017				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets at fair value through profit or loss					
Derivative financial assets	$ **14,228**	**-**	**14,228**	**-**	**14,228**
Available-for-sale financial assets					
Stocks in listed company	$ **111,873**	**111,873**	**-**	**-**	**111,873**
Loans and receivables					
Cash and cash equivalents	$ 2,662,100	-	-	-	-
Notes and accounts receivable (including related parties)	2,959,598	-	-	-	-
Other financial assets – current and non-current	1,824,407	-	-	-	-
Investments in debt instrument without active market	62,340	-	65,863	-	65,863
Total	$ **7,508,445**	**-**	**65,863**	**-**	**65,863**

(Continued)

	December 31, 2017				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liability at fair value through profit or loss					
Financial liability at amortized cost					
Accounts payable	3,107,817	-	-	-	-
Payable to related parties	6,173	-	-	-	-
Total	$ 3,113,990	-	-	-	-

Fair value measured on non-recurring basis refers to occurrences in specific condition. The Group did not have financial assets or liabilities that are measured on a nonrecurring basis.

ii. Valuation techniques for financial instruments not measured at fair value

Investments in debt instrument without an active market

If there is quoted price generated by transactions, the recent transaction price and quoted price is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

iii. Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

The fair value of listed stocks with standard terms and conditions, which are publicly traded in an active market, is determined based on the quoted market prices.

b) 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 derivative products are measured based on appropriate option pricing model.

There were no transfer between the different levels of fair value hierarchy for the years ended December 31, 2018 and 2017.

(f) Offsetting financial assets and financial liabilities

The Group has financial instrument transactions with an exercisable master netting arrangement with its financial instructions which are applicable to IAS 32, and qualified for offsetting. Financial assets and liabilities relating to those transactions are recognized in the net amount on the balance sheets.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

	December 31, 2018			
		Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)
Time deposit/ Borrowings	$	-	-	-
Financial instruments / Borrowings	$	-	-	-

	December 31, 2017			
		Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)
Time deposit / Borrowings	$	1,306,928	1,306,928	-
Financial instruments / Borrowings	$	963,641	963,641	-

(27) Financial risk management

A. Overview

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

(a) credit risk

(b) liquidity risk

(c) market risk

The following presents the Group' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks 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 developing and monitoring the Group's risk management policies.

The internal auditor reports regularly to the Board of Directors on its activities.

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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 receivable

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 without requiring an approval from the Risk Management Committee; these limits are reviewed quarterly. 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 or other credit enhancements to avoid credit risk of financial assets.

(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 has been assessed with good credit ratings by the related financial institutions, corporate organizations and government agencies.

(c) Guarantee

The Group's Policy provides only financial security to fully owned subsidiaries. In December 31, 2018 and 2017, the Group did not provide any endorsement guarantee.

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.

Loans and borrowings from the bank form an important source of liquidity for the Group. For the Group's unused credit line as of December 31, 2018 and 2017, please refer to note 6(11).

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.

(Continued)

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 and purchases transactions, and those are denominated in a currency different from that of the Group. These transactions are denominated in New Taiwan dollar (NTD), US dollar (USD) and Chinese Yuan (CNY).

The derivate 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 exchanges rate changes will offsets 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 as the management of the Group minimizes the risk by holding different investment portfolios. Therefore, the Group will be exposed to the risk of market price changes in its equity securities.

(28) 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.

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 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.

(Continued)

The Group's debt-to-equity ratio at the end of the reporting period was as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 4,535,324	5,029,655
Less: Cash and cash equivalents	(2,529,283)	(2,662,100)
Net debt	**$ 2,006,041**	**2,367,555**
Total equity	**$ 10,393,751**	**8,694,960**
Debt-to-equity ratio	**19.30%**	**27.23%**

The debt-to-equity ratio was decreased on December 31, 2018, due to the decrease in the Group' s accounts payable and the increase in equity with the capital increase by cash

As of December 31, 2018, the Group had not changed its capital management method.

(29) Investing and financing activities

The Group has no non-cash investing and financing activities in 2018 and 2017.

7. Related-party transactions:

(1) Names and relationship with related parties

Name of related party	Relationship with the Group
D-Link Corporation	The entity with significant influence over the Group
Qisda Corporation(Qisda)	The entity with significant influence over the Group
D-Link Systems Inc. (D-Link Systems)	D-Link Corporation's subsidiary
D-Link International Pte. Ltd. (D-Link International)	D-Link Corporation and its subsidiary co-holding subsidiaries
D-Link (Shanghai) Ltd. (D-Link Shanghai)	D-Link Corporation and its subsidiary co-holding subsidiaries

(2) Significant related-party transactions

A. Sales

The receivables from related parties were as follows:

	2018	2017
Entities with significant influence over the Group	$ 318,456	435,687
Other related parties—D-Link International	2,845,821	4,153,624
Other related parties—other	700	7,149
	$ 3,164,977	**4,596,460**

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The price for sales to the above related parties was determined by market conditions and considering the geographic sales area and sales volumes.

The collection terms for third parties were 30 to 75 days, while those for related parties were 90 days.

B. Purchases

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

	2018	2017
Entities with significant influence over the Group	**$ 221**	**-**

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.

C. Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2018	December 31, 2017
Accounts receivable from related parties	Entities with significant influence over the Group	$ 94,373	100,205
	Other related parties:		
Accounts receivable from related parties	D-Link International (Note)	753,446	1,013,348
Account receivable from related parties	Others	69	930
		$ 847,888	**1,114,483**

Note: The balances as of December 31, 2018 and 2017 were deducted $20,733 thousand and $41,500 thousand of allowance for impairment, respectively.

D. Rendering of services and other expenses

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

	2018	2017
Entities with significant influence over the Group	$ 381	124
Other related parties	12,070	19,964
	$ 12,451	**20,088**

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The payables to related parties were as follows:

Account	Related Party Category	December 31, 2018	December 31, 2017
Other payable to related parties	Entities with significant influence over the Group	$ 217	64
Other payable to related parties	Other related party	4,450	5,694
		$ 4,667	5,758

E. Transactions of property, plant and equipment

	2018	2017
Entities with significant influence over the Group	$ -	429

The payables to related parties were as follows:

Account	Related Party Category	December 31, 2018	December 31, 2017
Other payable to related parties	Entities with significant influence over the Group	$ -	225

F. Rent revenue

The Group rented out an office to D-Link (shanghai) and the rental income for the years ended December 31, 2018 and 2017 was $422 thousand and $420 thousand, respectively. As of December 31, 2018 and 2017, the amounts had been collected.

G. Various advances

As of December 31, 2018 and 2017, the payable to related parties were as follows:

	December 31, 2018	December 31, 2017
Entities with significant influence over the Group	$ 41	-
Other related party	-	190
	$ 41	190

(3) Key management personnel compensation

	2018	2017
Short-term employee benefits	$ 37,219	38,489
Post-employment benefits	46	80
Share-based payment	22,682	6,763
	$ 59,947	45,332

8. Pledged assets:

Pledged assets	Object	December 31, 2018	December 31, 2017
Time deposit (recorded in financial assets measured at amortized cost–non-current / other financial assets–non-current)	Import guarantee for Customs	$ 7,500	7,500
Time deposit (recorded in financial assets measured at amortized cost–non-current / other financial assets–non-current)	Guarantee for land lease	8,000	8,000
		$ 15,500	15,500

9. Significant Commitments and contingencies:

As of December 31, 2018 and 2017, in order to obtain the transaction credits of bank financing and foreign exchange facilities, the Group deposited notes in the bank which amounting to $4,031,580 thousand and $4,088,380 thousand, respectively.

10. Losses Due to Major Disasters: None

11. Subsequent Events: None

12. Other:

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

By function / By item	2018			2017		
	Cost of sales	Operation expenses	Total	Cost of sales	Operation expenses	Total
Employee benefits						
Salaries	667,316	1,313,512	1,980,828	813,088	1,343,252	2,156,340
Labor and health insurance	32,353	101,665	134,018	42,273	103,152	145,425
Pension	47,242	90,182	137,424	52,782	84,117	136,899
Others	37,652	55,689	93,341	45,275	44,672	89,947
Depreciation	134,735	149,024	283,759	158,747	160,592	319,339
Amortization	929	66,420	67,349	2,098	64,497	66,595

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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:

(i) Loans to other parties:

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 form related parties	Yes	1,566,720 (USD51,000 thousand)	998,400 (USD32,500 thousand)	998,400 (USD32,500 thousand)	-	2	-	Operating capital	-		-	6,750,075 (note 4)	6,750,075 (note 4)
2	Mirac	Alpha Changshu	Other receivable form related parties	Yes	134,010 (RMB30,000 thousand)	134,010 (RMB30,000 thousand)	-	2.5%	2	-	Operating capital	-		-	1,098,981 (note 4)	1,098,981 (note 4)
3	Alpha Chengdu	Alpha Changshu	Other receivable form related parties	Yes	268,020 (RMB60,000 thousand)	268,020 (RMB60,000 thousand)	178,680 (RMB40,000 thousand)	2.5%	2	-	Operating capital	-		-	1,605,585 (note 4)	1,605,585 (note 4)
4	D-Link Asia	Alpha	Other receivable form related parties	Yes	103,600 (USD3,500 thousand)	-	-	0%~3%	2	-	Operating capital	-		-	3,656,859 (note 4)	3,656,859 (note 4)
4	Global	Alpha Changshu	Other receivable form related parties	Yes	184,320 (USD6,000 thousand)	184,320 (USD6,000 thousand)	-	0%	2	-	Operating capital	-		-	572,289 (note 4)	572,289 (note 4)
4	D-link Asia	Alpha Changshu	Other receivable form related parties	Yes	153,600 (USD5,000 thousand)	153,600 (USD5,000 thousand)	-	0%	2	-	Operating capital	-		-	3,656,859 (note 4)	3,656,859 (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、Global and D-Link Asia, the subsidiaries whose voting shares are 100% owned, directly or indirectly, by Alpha, which are not located in Taiwan, the lending will not be subject to the restriction set forth in the above paragraph of this Article. Notwithstanding the foregoing, the aggregate amount available for lending to such borrowers and the total amount lendable to each of such borrowers still shall not exceed 300% of the net worth of Alpha.

(ii) Guarantees and endorsements for other parties:

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 endorsements/ 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	3	3,118,125	61,920	61,440	17,481	-	0.59 %	5,196,876	Y	N	Y
0	Alpha	Alpha Changshu	3	3,118,125	216,720	215,040	18,171	-	2.07 %	5,196,876	Y	N	Y

Note 1: The total amount of guarantee provided by Alpha to any individual entity shall not exceed thirty percent of Alpha’s equity.

Note 2: The total amount of guarantee provided by Alpha shall not exceed fifty percent of Alpha’s equity.

Note 3: The Company directly and indirectly holds more than 50% of the shares with voting rights.

(Continued)

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(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account	Ending balance: Shares/Units (thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Highest Percentage of ownership during the year (%)	Note
Alpha	D-Link Corporation	Entities with significant influence	Non-current financial assets at fair value through other comprehensive income	10,554	127,176	1.62 %	127,176	1.62 %	
Alpha	TGC,Inc.	-	Non-current financial assets measured at fair value through profit and loss	500	-	1.83 %	-	1.83 %	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account	Name of counter-party	Relationship with the company	Beginning Balance: Shares (thousands)	Beginning Balance: Amount	Purchases: Shares (thousands)	Purchases: Amount	Sales: Shares	Sales: Price	Sales: Cost	Sales: Gain (loss) on disposal	Ending Balance: Shares (thousands)	Ending Balance: Amount (note)
Alpha	Alpha Holdings	Equity method	Alpha Holdings	Subsidiary	54,377	1,509,334	20,000	616,200	-	-	-	-	74,377	2,099,958
Alpha Holdings	Universal	Equity method	Universal	Subsidiary of Alpha Holdings	1,000	(1,128,117)	20,000	616,200	-	-	-	-	21,000	(6,460)

Note: The ending balance is the include profit for using equity method, foreign currency translation differences on foreign operations and others.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details: Purchase/Sale	Transaction details: Amount	Transaction details: Percentage of total purchases/sales	Transaction details: Payment terms	Transactions with terms different from others: Unit price	Transactions with terms different from others: Payment terms	Notes/Accounts receivable (payable): Ending balance	Notes/Accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Note
Alpha	D-Link International	D-LINK Corporation and subsidiaries owed subsidiaries	(Sales)	(2,845,821)	(19) %	90 days	-	Note 1	753,446	29%	Note 2
Alpha	Alpha USA	Subsidiary of Alpha	(Sales)	(5,407,341)	(36) %	120 days	-		885,953	33%	Note 3
Alpha	D-Link Corporation	Entities with significant influence	(Sales)	(316,904)	(2) %	90 days	-	Note 1	93,663	3%	
Alpha	Global	Subsidiary of Alpha	(Sales)	(579,674)	(4) %	90 days	-		108,880	4%	Note 3
Alpha	Universal	Indirectly held subsidiary	Purchase	3,694,598	26 %	90 days	-		(1,024,734)	(42)%	Note 3
Alpha	Alpha Changshu	Indirectly held subsidiary	Purchase	9,034,279	64 %	90 days	-		(1,229,139)	(50)%	Note 3
Global	Alpha Changshu	Subsidiary company to subsidiary	(Sales)	(7,629,780)	(100)%	120 days	-		1,260,734	100%	Note 3
Universal	Alpha Dongguan	Subsidiary company to subsidiary	Purchase	3,694,598	26 %	90 days	-		(1,008,351)	(41)%	Note 3

Note 1: Significant related-party transactions please refer Note 7.

Note 2: The ending balance is net of the allowance loss of $20,733 thousand.

Note 3: The relevant transactions and ending balance are eliminated in comprehensive financial reports.

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(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

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	D-Link International	D-LINK Corporation and subsidiaries owed subsidiaries	753,446	3.22	33,092		158,337	20,733	
Alpha	Alpha USA	Subsidiary of Alpha	885,953	7.11	-		580,666	-	note 2
Alpha	Global	Subsidiary of Alpha	108,880	6.89	-		85,165	-	note 2
Universal	Alpha	Subsidiary company to parent	1,024,734	5.24	287,631		627,787	-	note 2
Alpha Changshu	Alpha	Subsidiary company to parent	1,229,139	8.22	169		1,229,139	-	note 2
Alpha Dongguan	Universal	Subsidiary company to subsidiary	1,008,351	3.87	286,334		593,859	-	note 2
Global	Alpha Changshu	Subsidiary company to subsidiary	1,260,734	6.16	43,819		107,415	-	note 2
Universal	Alpha Dongguan	Subsidiary company to subsidiary	622,464	7.43	-		445,564	-	note 2

Note 1: The amount was collected on March 11, 2019.

Note 2: The relevant transactions and ending balance were eliminated in the comprehensive financial reports.

(ix) Trading in derivative instruments: Please refer to note 6(2).

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account	Amount	Payment terms	Percentage of the consolidated net revenue or total assets
0	Alpha	Alpha USA	Parent company to Subsidiary	Sales	5,407,341	-	35%
0	Alpha	Alpha USA	Parent company to Subsidiary	Accounts receivable from related parties	885,953	120 days	6%
0	Alpha	Alpha Changshu	Parent company to Subsidiary	Purchase	9,034,279	-	58%
0	Alpha	Alpha Changshu	Parent company to Subsidiary	Accounts payable to related parties	1,229,139	90 days	9%
0	Alpha	Alpha Chengdu	Parent company to Subsidiary	Research expense	306,365	-	2%
0	Alpha	Universal	Parent company to Subsidiary	Purchase	3,694,598	-	24%
0	Alpha	Universal	Parent company to Subsidiary	Accounts payable to related parties	1,024,734	90 days	7%
1	Global	Alpha Changshu	Subsidiary company to Subsidiary	Sales	7,628,780	-	49%
1	Global	Alpha Changshu	Subsidiary company to Subsidiary	Accounts receivable from related parties	1,260,734	120 days	8%
2	Universal	Alpha Dongguan	Subsidiary company to Subsidiary	Purchase	3,694,598	-	24%
2	Universal	Alpha Dongguan	Subsidiary company to Subsidiary	Accounts payable to related parties	1,008,351	90 days	7%

Note: The transactions with amount that accounts for less than 1% of the operating revenue or total assets were not disclosed.

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(2) Information on investees:

The following is the information on investees for the year ended December 31, 2018 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2018	Original investment amount December 31, 2017	Balance as of December 31, 2018 Shares (thousands)	Balance as of December 31, 2018 Percentage of ownership	Balance as of December 31, 2018 Carrying value	Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
Alpha	Alpha Holdings	Cayman Islands	Investment holding	2,346,489	1,730,289	74,377	100.00 %	2,099,958	100 %	52,285	53,741	
Alpha	Alpha Solutions	Japan	Sale of network equipment, components and technical services	5,543	5,543	1	100.00 %	18,575	100 %	3,023	3,023	
Alpha	Alpha USA	CA USA	Sale, marketing and procurement service in USA	51,092	51,092	1,500	100.00 %	135,164	100 %	10,624	10,624	
Alpha	Alpha HK	Hong Kong	Investment holding	3,143,628	3,143,628	780,911	100.00 %	2,221,670	100 %	26,500	4,863	
Alpha	ATS	CA USA	Technical services	260,497 (USD8,100 thousand)	260,497 (USD8,100 thousand)	8,100	100.00 %	180,432	100 %	3,820	3,820	
Alpha	Global	Samoa	Sale of electrical products	185,880 (USD6,000 thousand)	185,880 (USD6,000 thousand)	7,000	100.00 %	190,764	100 %	45,880	45,880	
Alpha	Enrich Investment	Taiwan	Investment holding	50,000	-	5,000	100.00 %	49,346	100 %	(654)	(654)	
Alpha Holdings	D-Link Asia	Singapore	Investment in manufacturing business	1,155,509 (note 2)	1,155,509 (note 2)	59,989	100.00 %	1,218,953	100 %	18,904	note 1	
Alpha Holdings	Alpha Investment	Cayman Islands	Investment holding	308,625 (USD10,040 thousand)	308,625 (USD10,040 thousand)	10,040	100.00 %	367,498	100 %	21,916	note 1	
Alpha Holdings	Universal	Samoa	Sale of electrical products	616,200 (USD20,000 thousand)	-	21,000	100.00 %	(6,460)	100 %	4,375	note 1	
Enrich Investment	Transnet Corporation	Taiwan	Operating network communication products, system services, integrated supply and network equipment import and export	50,000	-	5,000	100.00 %	49,346	100 %	(654)	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.

(3) Information on investment in mainland China:

(i) 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, 2018	Investment flows Outflow	Investment flows Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (note 2)	Book value	Accumulated remittance of earnings in current period
Alpha Chengdu	Research and development of network products	420,426	note 1	420,426	-	-	420,426	4,522	100.00%	4,522	535,195	-
Alpha Dongguan	Production and sale of network products	787,496	note 1	741,084	-	-	741,084 note 6	22,206	100.00%	22,206	1,035,722	-
Mirac	Production and sale of network products	307,326	note 1	307,326	-	-	307,326	21,051	100.00%	21,051	366,327	-
Alpha Changshu	Research, production and sale of network products	1,925,920	note 1	1,925,920	-	-	1,925,920	(36,208)	100.00%	(36,208)	1,186,852	-
Maintrend	Post-sale service	179,782	note 1	164,622	-	-	164,622 note 7	(110)	-%	(110)	-	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
3,261,784 note 3,4	4,123,685	note 5

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 HKD 63,387 thousand (equivalent to approximately NTD 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 $4,686 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 $15,160 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.

(iii) 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".

(14) Segment information:

(1) Operating segment information

The Group operates predominantly in one industry segment, which includes the research, development, design, production, and sale of network products. The segment financial information can be found in the consolidated financial statements. For sales to external customers and segment profit and loss, please refer to the consolidated statements of comprehensive income. For segment assets, please see the consolidated balance sheets.

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(2) Products and services information

Product and services	2017
LAN/MAN	$ 11,657,621
Wireless Broadband	5,276,837
Digital Multimedia	2,110,967
Others	11,684
	$ 19,057,109

Details of Revenue for 2018, please refer to note6 (20).

(3) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and the non-current assets are based on the geographical location of the assets.

Area	2017
Revenue from external customers:	
United States	$ 6,546,259
China	3,076,592
Singapore	4,719,465
Netherlands	1,876,351
Others	2,838,442
	$ 19,057,109

	December 31, 2018	December 31, 2017
Non-current assets:		
China	$ 1,204,632	1,409,673
Taiwan	813,231	844,402
Others	115,145	114,101
	$ 2,133,008	**2,368,176**

Noncurrent assets include property, plant, and equipment, intangible asset, long term prepaid rents and other assets, not including financial instruments and deferred tax assets.

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(4) Major customer information

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

	2018	2017
A Company	$ 2,845,821	4,153,624
B Company	3,164,977	2,746,497
C Company	2,394,143	2,449,926
	$ 8,404,941	**9,350,047**