Stock Code:3380

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

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. and Subsidiaries as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 as endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Alpha Networks Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: Alpha Networks Inc.
Chairman: Chung-Wang Lee
Date: March 17, 2020

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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, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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 of December 31, 2019 and 2018, 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.

Emphasis of Matter

As stated in Note 3(1) of the consolidated financial statements, the Group first applied IFRS 16, "Leases" on January 1, 2019 and adopted the modified retrospective method without restating the comparison period information. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

1. Revenue recognition from contracts with customers

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

   In explanation of key audit matters:

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

   How the matter was addressed in our audit

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

2. Valuation of inventories

   Please refer to the note 4(8) for the accounting policy, note 5(1) for significant accounting assumptions and judgments, and major sources of estimation uncertainty, and note 6(4) for summary of inventory.

   In explanation of key audit matters:

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

   How the matter was addressed in our audit

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

3. Business Combinations

Please refer to the note 4(18) for the accounting policy of business combination, note 5 for accounting policy on whether has de facto control over a subsidiary and material judgment, note 5(2) for estimate of business combination and assumption uncertainty, and note 6(7) business combination for related disclosure.

In explanation of key audit matters:

The Group obtained the control over Hitron by holding 47% of the total ordinary shares and irrevocable shares through acquisition privately and tender offer at December 31,2019. The purchase consideration is paid for the operating entity's business assets, technology, customer relationships, and goodwill, etc.. It is relatively subjective to consider the date that the acquirer obtained substantial control of the investee company. In addition, the relevant accounting treatment is complicated, and the process of the management in determining the fair value of the identifiable assets and liabilities acquired involves several estimates and assumptions; and the assets and liabilities of these subsidiaries accounted for a significant proportion of the total assets and liabilities of the Group. Therefore, the business combinations are 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 inspecting payments certificate of acquisition privately, and shareholding certificate, and balance of ordinary shares acquired through tender offer to confirm the accuracy of the number of controllable shares, reviewing the tender offer report form, tender offer prospectus, the legal opinion from lawyer and the supporting that evidenced the Group has the ability to pay for the shares acquired to evaluate the appropriateness of the acquisition process and acquisition capability, inspecting the information on the number of shareholders attending Hitron Technologies Inc shareholders' meetings in the past years to evaluate the reasonableness of the Group's assertion that it has control over voting rights when making major resolutions at shareholders' meetings. Obtained the report from external experts that engaged by the management on fair value evaluation of intangible assets and property and purchase price allocation, to evaluate the assets and liabilities identified by management on the merger and acquisition day and the rationality of their evaluation. We have engaged KPMG specialist in assessing the reasonableness of valuation methods and significant assumptions, also have assessed the accuracy of the accounting treatment for the acquisition of the Group and whether the relevant information about the acquisition has been properly disclosed. We discussed with the auditor of Hitron Technologies Inc, including providing audit instructions, obtaining the other accountant's opinion after performing audit, inspecting their audit plan, Key Audit Matters and the audit workpaper of significant accounts, to confirm the appropriateness of the assets and liabilities of the subsidiaries at the end of 2019.

Other Matter

Alpha Networks Inc. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, 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 17, 2020

Notes to Readers

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

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

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 5,918,331	24	2,529,283	17
1110	Current financial assets at fair value through profit or loss (note 6(2))	99,705	-	1,696	-
1136	Current financial assets at amortized cost (notes 6(1), (5) and 8)	3,146,690	13	3,888,894	26
1170	Notes and accounts receivable, net (note 6(3))	3,764,696	15	1,320,616	9
1180	Accounts receivable due from related parties, net (notes 6(3) and 7)	528,144	2	847,888	6
130x	Inventories (note 6(4))	5,089,181	20	3,722,304	25
1470	Other current assets (note 6(12))	601,754	2	206,360	1
		19,148,501	76	12,517,041	84
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(6))	161,614	1	127,176	1
1535	Non-current financial assets at amortized cost (notes 6(3), (5) and 8)	39,745	-	21,090	-
1600	Property, plant and equipment (note 6(9))	3,231,397	13	1,859,589	12
1755	Right-of use asset (note 6(10))	473,667	2	-	-
1780	Intangible assets (note 6(11))	1,529,044	6	204,719	1
1840	Deferred tax assets (note 6(21))	209,124	1	130,760	1
1985	Long-term lease prepayment (note 6(19))	-	-	63,808	1
1990	Other non-current assets (notes 6(12) and (20))	207,276	1	4,892	-
		5,851,867	24	2,412,034	16
	Total assets	**$ 25,000,368**	**100**	**14,929,075**	**100**

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(13))	$ 952,701	4	-	-
2120	Current financial liabilities at fair value through profit or loss (note 6(2))	377	-	97	-
2170	Accounts payable	4,310,598	17	2,882,699	19
2180	Accounts payable to related parties (note 7)	147	-	-	-
2209	Accrued expenses	556,416	2	405,172	3
2220	Other payables to related parties (note 7)	1,114	-	4,708	-
2230	Current tax liabilities	130,756	1	39,758	-
2250	Current provisions (note 6(14))	393,041	2	206,130	2
2280	Current lease liabilities (note 6(18))	50,560	-	-	-
2322	Long-term borrowings (note 6(16))	120,000	-	-	-
2399	Other current liabilities (note 6(15))	3,068,898	12	634,590	4
		9,584,608	38	4,173,154	28
	Non-Current liabilities:				
2500	Non-current financial liabilities at fair value through profit or loss (note 6(17))	1,560	-	-	-
2530	Bonds payable (note 6(17))	571,047	2	-	-
2540	Long-term borrowings (note 6(15))	150,000	1	-	-
2550	Non-current provisions (note 6(14))	41,703	-	-	-
2570	Deferred tax liabilities (note 6(21))	81,993	-	66,563	-
2640	Net defined benefit liability (note 6(11))	288,999	1	294,883	2
2580	Non-current lease liabilities (note 6(18))	224,639	1	-	-
2670	Other non-current liabilities	8,525	-	724	-
		1,368,466	5	362,170	2
	Total liabilities	10,953,074	43	4,535,324	30
	Equity (note 6(22)):				
3110	Ordinary share capital	5,427,273	23	5,435,172	37
3170	Share capital awaiting retirement	(1,372)	-	-	-
		5,425,901	23	5,435,172	37
3200	Capital surplus	3,001,756	12	3,557,356	24
	Retained earnings:				
3310	Legal reserve	1,107,188	4	1,107,188	7
3320	Special reserve	627,926	3	226,968	2
3350	Unappropriated retained earnings	566,846	2	765,485	5
		2,301,960	9	2,099,641	14
3400	Other equity interest	(748,819)	(3)	(698,418)	(5)
36XX	Non-controlling interests (note 6(7))	4,066,496	16	-	-
	Total equity	14,047,294	57	10,393,751	70
	Total liabilities and equity	**$ 25,000,368**	**100**	**14,929,075**	**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, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue** (notes 6(25) and 7)	$ 15,825,808	100	15,608,222	100
5000	**Operating costs** (notes 6(4) and 7)	13,211,807	83	13,504,544	87
	Gross profit	2,614,001	17	2,103,678	13
	Operating expenses (notes 6(3) and 7)**:**				
6100	Selling expenses	444,241	3	466,678	3
6200	Administrative expenses	575,166	4	584,513	4
6300	Research and development expenses	1,353,111	9	1,280,170	8
6450	Reversal of impairment loss (gain) (note 6(3))	9,378	-	(27,655)	-
	Total operating expenses	2,381,896	16	2,303,706	15
	Net operating income (loss)	232,105	1	(200,028)	(2)
	Non-operating income and expenses:				
7010	Other income (note 6(17))	116,831	1	135,107	1
7020	Other gains and losses, net (note 6(28))	(5,656)	-	(12,893)	-
7050	Finance costs (note 6(29))	(3,487)	-	(6,472)	-
	Total non-operating income and expenses	107,688	1	115,742	1
	Profit (loss) from continuing operations before tax	339,793	2	(84,286)	(1)
7950	Less: Income tax expenses (note 6(21))	100,890	1	3,723	-
	Profit (loss)	238,903	1	(88,009)	(1)
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**				
8311	Losses on remeasurements of defined benefit plans	(18,919)	-	(3,960)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	13,193	-	15,303	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	(5,726)	-	11,343	-
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**				
8361	Exchange differences on translation	(146,291)	(1)	(111,544)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note6(21))	29,258	-	24,148	-
	Components of other comprehensive loss that will be reclassified to profit or loss	(117,033)	(1)	(87,396)	-
	Other comprehensive loss	(122,759)	(1)	(76,053)	-
8500	**Total comprehensive income (loss)**	**$ 116,144**	**-**	**(164,062)**	**(1)**
	Income (loss), attributable to:				
8610	Shareholder of Alpha Network Inc.	$ 238,903	1	(88,009)	(1)
8620	Non-controlling interests	-	-	-	-
		$ 238,903	**1**	**(88,009)**	**(1)**
	Comprehensive income (loss) attributable to:				
8710	Shareholder of Alpha Network Inc.	$ 116,144	-	(164,062)	(1)
8720	Non-controlling interests	-	-	-	-
		$ 116,144	**-**	**(164,062)**	**(1)**
	Earnings per share (New Taiwan dollars) (note 6(19)**)**				
	Basic earnings per share	**$**	**0.44**		**(0.17)**
	Diluted earnings per share	**$**	**0.44**		**(0.17)**

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, 2019 and 2018

(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 attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 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	-	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	-	8,694,960
Loss	-	-	-	-	-	(88,009)	(88,009)	-	-	-	-	-	-	(88,009)	-	(88,009)
Other comprehensive income	-	-	-	-	-	(3,960)	(3,960)	(87,396)	15,303	-	-	(72,093)	-	(76,053)	-	(76,053)
Total comprehensive income	-	-	-	-	-	(91,969)	(91,969)	(87,396)	15,303	-	-	(72,093)	-	(164,062)	-	(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)	-	(543,743)
Due to donated assets received	-	-	94	-	-	-	-	-	-	-	-	-	-	94	-	94
Issue of shares	1,000,000	-	1,300,000	-	-	-	-	-	-	-	-	-	-	2,300,000	-	2,300,000
Retirement of treasury share	(2,100)	-	(1,338)	-	-	(58)	(58)	-	-	-	-	-	3,496	-	-	-
Compensation cost of issued restricted stock awards	-	-	9,335	-	-	-	-	-	-	-	97,167	97,167	-	106,502	-	106,502
Share capital awaiting 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	-	10,393,751
Effects of retrospective application	-	-	-	-	-	(17,665)	(17,665)	-	-	-	-	-	-	(17,665)	-	(17,665)
Equity at beginning of period after adjustments	5,435,172	-	3,557,356	1,107,188	226,968	747,820	2,081,976	(322,596)	(305,330)	-	(70,492)	(698,418)	-	10,376,086	-	10,376,086
Profit	-	-	-	-	-	238,903	238,903	-	-	-	-	-	-	238,903	-	238,903
Other comprehensive income	-	-	-	-	-	(18,919)	(18,919)	(117,033)	13,193	-	-	(103,840)	-	(122,759)	-	(122,759)
Total comprehensive income	-	-	-	-	-	219,984	219,984	(117,033)	13,193	-	-	(103,840)	-	116,144	-	116,144
Appropriation and distribution of retained earnings:																
Reversal of special reserve	-	-	-	-	400,958	(400,958)	-	-	-	-	-	-	-	-	-	-
Due to donated assets received	-	-	66	-	-	-	-	-	-	-	-	-	-	66	-	66
Cash dividends from capital surplus	-	-	(543,262)	-	-	-	-	-	-	-	-	-	-	(543,262)	-	(543,262)
Compensation cost of issued restricted stock awards	-	-	(21,675)	-	-	-	-	-	-	-	53,439	53,439	-	31,764	-	31,764
Non-controlling interests generated from acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,066,496	4,066,496
Share capital retirement for expiration of restricted stock awards	(7,899)	-	7,899	-	-	-	-	-	-	-	-	-	-	-	-	-
Share capital retirement held for expiration of restricted stock awards	-	(1,372)	1,372	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2019	$ 5,427,273	(1,372)	3,001,756	1,107,188	627,926	566,846	2,301,960	(439,629)	(292,137)	-	(17,053)	(748,819)	-	9,980,798	4,066,496	14,047,294

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019	2018
Cash flows from (used in) operating activities:			
Profit (loss) before tax	$	339,793	(84,286)
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		264,375	283,759
Amortization expense		65,255	67,349
Expected credit loss (gain)		9,378	(27,655)
Net gain on financial assets or liabilities at fair value through profit or loss		(6,462)	(1,599)
Interest expense		3,487	6,472
Interest income		(60,846)	(64,373)
Dividend income		(2,111)	-
Share-based payments		31,764	106,502
Loss (gain) on disposal of property, plant and equipment		445	(177)
Provisions (reversal) for inventory obsolescence and devaluation loss		(41,161)	148,566
Amortization of long-term lease prepayment		-	1,607
Other		-	197
Total adjustments to reconcile profit (loss)		264,124	520,648
Changes in operating assets and liabilities:			
Decrease (increase) in notes and accounts receivable		(1,122,831)	531,387
Decrease in accounts receivable due from related parties		319,744	287,362
Decrease in financial assets mandatorily at fair value through profit or loss		1,696	14,228
Decrease (increase) in inventories		442,149	(487,874)
Decrease (increase) in other current assets		(20,826)	77,575
Total changes in operating assets		(380,068)	422,678
Decrease in financial liabilities held for trading		(97)	-
Increase (decrease) in accounts payable		158,173	(225,118)
Increase in accounts payable to related parties		147	-
Decrease in other payable to related parties		(3,594)	(1,465)
Increase (decrease) in other current liabilities		30,060	(152,803)
Decrease in net defined benefit liability		(24,803)	(49,588)
Total changes in operating liabilities		159,886	(428,974)
Total changes in operating assets and liabilities		(220,182)	(6,296)
Total adjustments		43,942	514,352

(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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash inflow generated from operations	383,735	430,066
Interest received	60,961	64,259
Dividends received	2,111	-
Interest paid	(3,487)	(6,472)
Income taxes paid	(51,004)	(133,642)
Net cash flows from operating activities	392,316	354,211
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(6,834,950)	(6,458,001)
Proceeds from repayments of financial assets at amortized cost	7,654,349	4,419,775
Net cash from acquisition of subsidiaries	2,996,008	-
Acquisition of property, plant and equipment	(79,274)	(93,384)
Proceeds from disposal of property, plant and equipment	1,428	3,926
Decrease in refundable deposits	(2,062)	(108)
Acquisition of intangible assets	(47,819)	(54,568)
Increase in other non-current assets	(35,309)	-
Net cash flows from (used in) investing activities	3,652,371	(2,182,360)
Cash flows from (used in) financing activities:		
Decrease in current borrowings	-	(6)
Increase (decrease) in guarantee deposits received	1,740	(76)
Payment of lease liabilities	(7,584)	-
Cash dividends paid	(543,262)	(543,743)
Proceeds from issuing shares	-	2,300,000
Donation received	66	94
Net cash flows from (used in) financing activities	(549,040)	1,756,269
Effect of exchange rate changes on cash and cash equivalents	(106,599)	(60,937)
Net increase (decrease) in cash and cash equivalents	3,389,048	(132,817)
Cash and cash equivalents at beginning of period	2,529,283	2,662,100
Cash and cash equivalents at end of period	$ **5,918,331**	**2,529,283**

See accompanying notes to consolidated financial statements.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 17, 2020.

3. New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

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 concludes that the adoption of the above IFRSs does not have any material impact on its consolidated financial statements. The extent and impact of significant changes are as follows:

(Continued)

(i) 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.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(10).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of warehouse, parking space, staff dormitory, and printer

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as of January 1, 2019. Right-of-use assets are measured at either:

  - their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’ s incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or

  - an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $257,900 thousand of right-of-use assets and $211,757 thousand of lease liabilities, where the long-term prepaid rents and retained earnings has decreased $63,808 thousand and $17,665 thousand, respectively. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.50%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 65,951
Recognition exemption for:	
short-term leases	(17,542)
Extension and termination options reasonably certain to be exercised	208,986
	$ 257,395

	January 1, 2019
Discounted using the incremental borrowing rate at January 1, 2019	$ 211,757
Finance lease liabilities recognized as of December 31, 2018	-
Lease liabilities recognized at January 1, 2019	**$ 211,757**

(2) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

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 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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.

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

(1) Statement of compliance

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

(2) Basis of preparation

A. Basis of measurement

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

(a) Financial assets measured at fair value through profit or loss are measured at fair value;

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

(c) The net defined benefit liability is measured at the fair value of the plan assets less the present value of the defined benefit obligation.

B. Functional and presentation currency

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

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

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

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.

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

B. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Main Business Activities	Shareholding December 31, 2019	Shareholding December 31, 2018
Alpha	Alpha Holdings Inc. (Alpha Holdings)	Investment holding	100.00%	100.00%
Alpha	Alpha Solutions Co., Ltd. (Alpha Solutions)	Sale of network equipment, components and technical services	100.00%	100.00%
Alpha	Alpha Networks Inc. (Alpha USA)	Sale, marketing and procurement service in USA	100.00%	100.00%
Alpha	Alpha Networks (Hong Kong) Limited (Alpha HK)	Investment holding	100.00%	100.00%
Alpha	Alpha Technical Services Inc. (ATS)	Post-sale service	100.00%	100.00%
Alpha	Global Networks Trading Limited (Global)	Sale of network equipment	100.00%	100.00%
Alpha	Enrich Investment Corporation (Enrich Investment)	Investment holding	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) (note 1)	Research and development of network products	-	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) (note 1)	Production and sale of network products	-	100.00%
D-Link Asia	Alpha Networks (Dongguan) Co., Ltd. (Alpha Dongguan)	Production and sale of network products	100.00%	100.00%
D-Link Asia	Alpha Chengdu (note 1)	Production and sale of network products	100.00%	-
Alpha Dongguan	Mirac (note 1)	Production and sale of network products	100.00%	-
Alpha HK	Alpha Networks (Changshu) Co., Ltd. (Alpha Changshu)	Production and sale of network products	100.00%	100.00%
Enrich Investment	Transnet Corporation	Operating in network communication products, provide system support services, integrated supply and import and export of network equipment	100.00%	100.00%

(Continued)

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

Name of Investor	Name of Investee	Main Business Activities	Shareholding December 31, 2019	Shareholding December 31, 2018
Alpha	Hitron Technologies Inc.(Hitron Technologies) (note 2)	Marketing on system integration of communication product and telecommunication products	47.00%	-
Hitron Technologies	Hitron Technologies (samoa) Inc (Hitron Samoa) (note 2)	International trade	100.00%	-
Hitron Technologies	Weitch Inc., Ltd. (Weitch) (note 2)	International trade	100.00%	-
Hitron Technologies	Interactive Digital Technologies Inc. (Interactive Digital) (note 2)	Telecommunication and broadband network system services	45.21%	-
Hitron Technologies	Hitron Technologies Europe Holding B.V. (Hitron Europe) (note 2)	International trade	100.00%	-
Hitron Technologies	Hitron Technologies (Americas) Inc. (Hitron Americas) (note 2)	International trade	100.00%	-
Hitron Technologies	Innoauto Technologies Inc. (Innoauto Technologies)(note 2)	Investment and automotive electronics products	100.00%	-
Hitron Technologies	Hitron Technologies (Vietnam) Inc. (Hitron Vietnam) (note 2)	Production and sale of Broadband telecommunication products	100.00%	-
Hitron Samoa	Hitron Technologies (SIP) Inc (Hitron Suzhou) (note 2)	Production and sale of broadband telecommunications products	100.00%	-
Hitron Samoa	Jietech Trading (Suzhou) Inc. (Jietech Suzhou) (note 2)	Sale of broadband network products and related services	100.00%	-
Interactive Digital	Hwa Chi Technologies (Shanghai) Inc. (Hwa Chi Technologies) (note 2)	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	100.00%	-

Note 1 : The Group has entered into organization restructuring in August, 2019, the investment in Mirac Networks (Mirac Dongguan) has transferred from Alpha Investment to Alpha Dongguan. In addition, the investment in Mirac Networks has transferred from Alpha Holdings to D-Link Asia, the related legal procedures were completed in November, 2019.

Note 2 : The Group obtained control over Hitron Technologies and its subsidiaries on December 31, 2019, thus, Hitron Technologies and its subsidiaries have been included in the consolidated financial statements since then.

(Continued)

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

(4) Foreign currencies

A. Foreign currency transactions

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

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

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

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

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

B. Foreign operations

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

(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.

(Continued)

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

A. It is expected to be settled in its normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is due to be settled within twelve months after the reporting period; or

D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

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

(7) Financial instruments

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

A. Financial assets

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

(a) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(b) Fair value through other comprehensive income (FVOCI)

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

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

Dividend income is recognized in profit or loss on the date on which the Group’s right to receive payment is established.

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

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

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

(d) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(Continued)

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

(e) Derecognition of financial assets

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

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

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

(b) Equity instrument

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

(c) Compound financial instruments

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

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

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

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

(d) Financial liabilities

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

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

(e) Derecognition of financial liabilities

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

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

(f) Offsetting of financial assets and liabilities

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

(Continued)

C. Derivative financial instruments and hedge accounting

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

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

(8) Inventories

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

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

(9) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. Subsequent expenditure

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

C. Depreciation

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

Land is not depreciated.

(Continued)

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

(a) Buildings and improvements: 5 to 50 years

(b) Machinery and equipment: 1 to 10 years

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

(10) Lessee

Applicable from January 1, 2019

A. Identifying a lease

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

(a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

(b) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(c) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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

B. As a lessee

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

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

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

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

(a) fixed payments, including in-substance fixed payments;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable under a residual value guarantee; and

(d) payments for purchase or termination options that are reasonably certain to be exercised.

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

(a) there is a change in future lease payments arising from the change in an index or rate; or

(b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

(c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

(d) there is a change of its assessment on whether it will exercise a extension or termination option; or

(e) there is any lease modifications

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

(Continued)

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

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

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

C. As a lessor

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

Applicable before January 1, 2019

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. Recognition and measurement

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

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

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

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

B. Subsequent expenditure

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

C. Amortization

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

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

(a) Trademarks and patents: 7 years

(b) Brand name: 10 years

(c) Customer relationships: 9 years

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

(12) Impairment of non-financial assets

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

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

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

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

(Continued)

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

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

(13) Provisions

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

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

(14) Revenue for contracts with customers

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

A. Sale of goods

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

The warranty liabilities have been recognized for this obligation, please refer to Note 6 (14).

B. Product development services

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

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

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

C. Financial component

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

(15) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

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

(Continued)

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

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

C. Short-term employee benefits

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

(16) Share-based payment arrangements

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

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

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

(17) Income tax

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

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

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

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

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

C. taxable temporary differences arising on the initial recognition of goodwill.

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

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

A. The Group has a legal enforceable right to setoff current tax assets against current tax liabilities and

B. The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (a) the same taxable entity; or

   (b) different taxable entity which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(18) Business combination

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

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

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

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

(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.

(Continued)

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

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

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

Judgment on whether the Group has de facto control over a subsidiary

As of year ended 2019, the Group involved in the acquisition of Hitron Technologies Inc's ordinary shares privately as well as through tender offer which resulted a voting right less than majority. However, the Group considered the remaining 53% of shareholdings are not concentrated and the Group has an ability to lead the decision making in relevant activities of the investee company based on the experience in its previous shareholders' meeting. In addition, there is no indication that other shareholders are collaborating together for passing any resolution. Therefore, the Group has deemed Hitron Technologies Inc. as it's subsidiary, please refer to note 6(7) for details.

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

(1) 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.

(2) Judgment regarding control of subsidiaries

In order to expand the sales network and enhance product research and development capabilities, the Group acquired control after acquiring the equity of Hitron Technologies Inc in 2019. The transaction price of the above acquisition is the purchase of the operating entity's operating assets, technology and goodwill, etc. The recognition of the fair value of obtaining identifiable assets and liabilities may involve uncertainties in management estimates and assumptions. Refer to note6(7) for further acquiring description of the subsidiary.

(Continued)

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(30) of the financial instruments.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

		December 31, 2019	December 31, 2018
Cash on hand	$	3,647	2,606
Checking and savings accounts		4,202,501	827,787
Time deposits		1,712,183	1,228,730
Cash equivalents – bonds with repurchase agreements		-	470,160
Cash and cash equivalents in the consolidated statement of cash flows	**$**	**5,918,331**	**2,529,283**

Please refer to note 6(30) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

As of December 31, 2019 and 2018, deposits with original maturities of more than three months were $1,054,394 thousand and $3,883,277 thousand, respectively, and were recorded in financial assets measured at amortized cost.

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

		December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss – current			
Derivative instruments not used for hedging Forward exchange contracts	$	6,839	1,696
Non-derivative financial assets Stocks listed on domestic markets		92,866	-
Total	**$**	**99,705**	**1,696**

(Continued)

		December 31, 2019	December 31, 2018
Held for trading financial liabilities			
Financial liabilities held for trading - current	$	**377**	**97**

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

	December 31, 2019			
	Amount (in thousands)		Currency	Maturity date
Forward exchange contracts	USD	33,000	USD to NTD	January 2020~February 2020

	December 31, 2018			
	Amount (in thousands)		Currency	Maturity date
Forward exchange contracts	USD	23,000	USD to NTD	January 2019

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

		December 31, 2019	December 31, 2018
Notes and accounts receivable	$	3,809,465	1,321,553
Less: loss allowances		(44,769)	(937)
	$	**3,764,696**	**1,320,616**

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

		December 31, 2019	December 31, 2018
Financial assets measured at amortized cost– non-current	$	73,342	76,031
Less: loss allowances		(73,342)	(76,031)
	$	**-**	**-**

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

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	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 3,893,392	0%~0.04%	495
1 to 30 days past due	312,274	0%~2.96%	587
31 to 120 days past due	41,777	0%~29.33%	832
121 to 365 days past due	90,166	39.31%~100%	42,855
More than 365 days past due	94,075	100%	94,075
	$ 4,431,684		**138,844**

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 1,975,539	0%	-
1 to 30 days past due	179,683	0%	-
31 to 120 days past due	14,214	0%~38.67%	934
121 to 365 days past due	5	63.33%	3
More than 365 days past due	96,764	100%	96,764
	$ 2,266,205		**97,701**

The movement in the allowance for notes and trade receivables were as follows:

	2019	2018
Balance at January 1	$ 97,701	125,356
Impairment losses recognized (reversal)	9,378	(27,655)
Acquired through business combination	31,765	-
Balance at December 31	**$ 138,844**	**97,701**

As of December 31, 2019 and 2018, impairment allowance accounts with respect to account receivables from related parties were $20,733 thousand, respectively. For more information please refer to note 7.

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(4) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$ 2,431,190	2,193,368
Work in progress and semi-finished products	684,576	333,348
Finished goods and merchandises	1,973,415	1,195,588
	$ 5,089,181	**3,722,304**

Component of operating cost were as below:

	2019	2018
Cost of goods sold	$ 13,252,968	13,355,978
Provision for inventory obsolescence and devaluation loss	(41,161)	148,566
	$ 13,211,807	**13,504,544**

As of December 31, 2019 and 2018, the Group's inventories were not pledged.

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

	December 31, 2019	December 31, 2018
Current:		
Time deposits	$ 1,054,394	3,883,277
Restricted deposits	2,029,959	-
Other receivables	62,337	5,617
	$ 3,146,690	**3,888,894**
Non-current:		
Restricted deposits	$ 20,602	15,500
Refundable deposits	19,143	5,590
Overdue receivables	73,342	76,031
Less: loss allowances	(73,342)	(76,031)
	$ 39,745	**21,090**

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

The Group held bank time deposits with variable interest rates, and the average interest rates ranged between 0.22%~2.98% and 0.22%~3% for the years ended December 31, 2019 and 2018, respectively.

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

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

		December 31, 2019	December 31, 2018
Equity instrument at fair value through other comprehensive income:			
Publicly traded stock – D-Link	$	140,369	127,176
Non-publicly traded－CHAO LONG		21,245	-
	$	**161,614**	**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 fair value through other comprehensive income.

As of December 31, 2018 and 2019, the Group's financial assets above were not pledged.

(7) Business combination

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

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

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

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

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

		Amount
Cash	$	1,611,000
Investment payable		1,632,894
Total	$	**3,243,894**

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

		Amount
Cash and cash equivalents	$	4,607,008
Financial assets at fair value through profit or loss-current		92,866
Financial assets measured at amortized cost-current		88,181
Notes and account receivables		1,330,627
Inventories		1,767,865
Other current assets		369,067
Equity instrument at fair value through other comprehensive income		21,245
Property, plant and equipment (note 6(9))		1,583,427
Right-of-use assets (note 6(10))		225,485
Intangible assets (note 6(11))		898,023
Deferred income taxes (note 6(20))		78,917
Financial assets measured at amortized cost- non-current		13,873
Other non-current assets		167,075
Short-term borrowing (note 6(13))		(952,701)
Accounts payables		(1,269,726)
Current tax liabilities		(62,654)
Provisions-current/non-current (note 6(14))		(230,807)
Lease liabilities -current/non-current		(68,626)
Accrued expenses		(110,838)
Other current liabilities		(826,196)
Financial assets at fair value through profit or loss-non-current		(1,560)
Bonds payable (note 6(17))		(571,047)
Long-term borrowings (note 6(16))		(270,000)
Deferred tax liabilities (note 6(21))		(7,070)
Other non-current liabilities		(6,061)
Total identifiable net assets acquired	$	**6,866,373**

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

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

B. Net cash inflow from acquisition of subsidiaries

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

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

The fair value of intangible assets (including brands, core-technology and customer relationships) has been determined provisionally and is subject to the final valuation.

Alpha will continuously monitor the above matter. If there is any information discovered within one year from the acquisition date which leads to an adjustment to the above provision amounts, or any additional provisions as at the acquisition date, then the acquisition accounting will be revised.

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

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(8) Material non-controlling interests of subsidiaries

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

Subsidiaries	Main operation place	Percentage of non-controlling interests December 31, 2019
Hitron Technologies Inc.	Taiwan	53.00%

The following information of the aforementioned subsidiaries has been prepared in accordance with IFRSs endorsed by the FSC. Intragroup transactions were not eliminated in this information.

Hitron Technologies Inc.'s collective financial information

	December 31, 2019
Current assets	$ 8,255,614
Non-current assets	1,659,582
Current liabilities	(3,573,694)
Non-current liabilities	(797,950)
Net assets	**$ 5,543,552**
Non-controlling interests	**$ 596,381**

	2019
Sales revenue	**$ 10,325,500**
Net income	$ 350,343
Other comprehensive income	(30,520)
Comprehensive income	**$ 319,823**
Profit attributable to non-controlling interests	**$ 130,384**
Comprehensive income, attributable to non-controlling interests	**$ 130,108**
Net cash flows from operating activities	$ 1,699,955
Net cash flows from investing activities	(390,967)
Net cash flows from financing activities	1,078,886
Effect of exchange rate changes on cash and cash equivalents	(22,043)
Net increase in cash and cash equivalents	**$ 2,365,831**
Dividends paid to non-controlling interests	**$ -**

(Continued)

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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, 2019	$	64,228	2,913,255	1,943,087	312,527	5,233,097
Acquired through business combination		198,466	820,877	218,268	345,816	1,583,427
Additions		-	10,389	58,745	10,140	79,274
Disposals		-	(7,385)	(147,570)	(36,409)	(191,364)
Effect of changes in exchange rates		(1,338)	(68,670)	(53,132)	(7,340)	(130,480)
Balance at December 31, 2019	$	**261,356**	**3,668,466**	**2,019,398**	**624,734**	**6,573,954**
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 changes 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**
Depreciation and impairment loss:						
Balance at January 1, 2019	$	-	1,570,694	1,548,788	254,026	3,373,508
Depreciation		-	122,292	110,995	20,986	254,273
Disposals		-	(7,147)	(147,480)	(34,864)	(189,491)
Effect of changes in exchange rates		-	(44,712)	(44,527)	(6,494)	(95,733)
Balance at December 31, 2019	$	**-**	**1,641,127**	**1,467,776**	**233,654**	**3,342,557**
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 changes 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**
Carrying amounts:						
Balance at December 31, 2019	$	**261,356**	**2,027,339**	**551,622**	**391,080**	**3,231,397**
Balance at January 1, 2018	$	**62,263**	**1,479,575**	**473,835**	**70,361**	**2,086,034**
Balance at December 31, 2018	$	**64,228**	**1,342,561**	**394,299**	**58,501**	**1,859,589**

As of December 31, 2019 and 2018, the Group’s property, plant and equipment were not pledged.

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(10) Right-of-use assets

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

	Land	Buildings	Machinery and equipment	Total
Cost:				
Balance at January 1, 2019	$ -	-	-	-
Effects of retrospective application	249,999	7,901	-	257,900
Acquired through business combination	160,472	60,134	4,879	225,485
Additions	-	2,559	-	2,559
Effect of changes in exchange rates	(2,072)	(206)	-	(2,278)
Balance at December 31, 2019	**$ 408,399**	**70,388**	**4,879**	**483,666**
Accumulated depreciation and impairment losses:				
Balance at January 1, 2019	$ -	-	-	-
Effects of retrospective application	-	-	-	-
Depreciation for the year	7,471	2,631	-	10,102
Effect of changes in exchange rates	(45)	(58)	-	(103)
Balance at December 31, 2019	**$ 7,426**	**2,573**	**-**	**9,999**
Carrying amount:				
Balance at December 31, 2019	**$ 400,973**	**67,815**	**4,879**	**473,667**

The Group leases land and offices under an operating lease for the year ended December 31, 2018, please refer to note 6(19).

(11) Intangible asset

The cost, amortization, and impairment of intangible assets of the Group for the years ended December 31, 2019 and 2018 were as follows:

	Core Technology	Brand Name	Customer relationship	Goodwill	Software application and other	Total
Cost:						
Balance at January 1, 2019	$ -	-	-	134,883	267,781	402,664
Acquisition from business combination	220,281	229,877	396,949	444,017	50,916	1,342,040
Addition	-	-	-	-	47,819	47,819
Disposal	-	-	-	-	(89,411)	(89,411)
Effect of changes in exchange rates	-	-	-	-	(2,521)	(2,521)
Balance at December 31, 2019	**$ 220,281**	**229,877**	**396,949**	**578,900**	**274,584**	**1,700,591**

(Continued)

ALPHA NETWORKS INC. AND SUBSIDIARIES
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	Core Technology	Brand Name	Customer relationship	Goodwill	Software application and other	Total
Balance at January 1, 2018	$ -	-	-	134,883	295,918	430,801
Addition	-	-	-	-	60,916	60,916
Disposal	-	-	-	-	(87,278)	(87,278)
Effect of changes in exchange rates	-	-	-	-	(1,775)	(1,775)
Balance at December 31, 2018	$ -	-	-	134,883	267,781	402,664
Amortization and impairment:						
Balance at January 1, 2019	$ -	-	-	-	197,945	197,945
Amortization	-	-	-	-	65,255	65,255
Disposal	-	-	-	-	(89,411)	(89,411)
Effect of changes in exchange rates	-	-	-	-	(2,242)	(2,242)
Balance at December 31, 2019	$ -	-	-	-	171,547	171,547
Balance at January 1, 2018	$ -	-	-	-	219,416	219,416
Amortization	-	-	-	-	67,349	67,349
Disposal	-	-	-	-	-	-
Derecognition	-	-	-	-	(87,278)	(87,278)
Effect of changes in exchange rates	-	-	-	-	(1,542)	(1,542)
Balance at December 31, 2018	$ -	-	-	-	197,945	197,945
Carrying amount						
Balance at December 31, 2019	$ 220,281	229,877	396,949	578,900	103,037	1,529,044
Balance at January 1, 2018	$ -	-	-	134,883	76,502	211,385
Balance at December 31, 2018	$ -	-	-	134,883	69,836	204,719

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

	For the years ended December 31, 2019	2018
Operating cost	$ 650	929
Operating expense	64,605	66,420
Total	$ 65,255	67,349

B. Impairment test for Goodwill

As of December 31, 2019 and 2018, the goodwill arising from business combination was allocated to the following cash-generating units (or groups of cash-generating units) because this CGU is expected to benefit from the synergies of the combination.

		December 31, 2019	December 31, 2018
Interactive Digital Technologies Inc.	$	354,656	-
Hitron Technologies Inc.		89,361	-
IP Camera		134,883	134,883
	$	**578,900**	**134,883**

As of December 31,2019 and 2018, IP Camera cash-generating units determines the recoverable amount based on it's value in use, and the recoverable amount of IP Camera was greater than its carrying amount and no impairment loss was recognized.

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

	December 31, 2019	December 31, 2018
Discount rate	8.48 %	10.66 %
Terminal value growth rate	3.98 %	4.04 %

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

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

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

C. Collateral

As of December 31, 2019 and 2018, the Group’s intangible assets were not pledged.

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

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

		December 31, 2019	December 31, 2018
Advance payment	$	298,310	9,846
Prepayments for equipment		269,704	4,892
Tax receivables		55,271	107,396
Others		185,745	89,118
	$	**809,030**	**211,252**

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(13) Short-term borrowings

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ 952,701	-
Unused short-term and long-term credit lines	$ 5,965,876	3,265,440
Range of interest rates	1.15%~4.35%	-

(14) Provisions

	Warranties
Balance at January 1, 2019	$ 206,130
Assumed through business combination	230,807
Provisions made during the year	88,847
Provisions used during the year	(90,444)
Effect of changes in foreign exchange rates	(596)
Balance at December 31, 2019	$ 434,744
Current	$ 393,041
Non-current	41,703
	$ 434,744
Balance at January 1, 2018	$ 234,975
Provisions made during the year	104,481
Provisions used during the year	(132,719)
Effect of changes in foreign rates	(607)
Balance at December 31, 2018	$ 206,130
Current	206,130
Non-current	-
	$ 206,130

The provision for warranties relates mainly to network product sold and professional services provide during the years ended 31 December 2019 and 2018. 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.

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(15) Other current liabilities

	December 31, 2019	December 31, 2018
Payroll and bonus payable	$ 840,419	455,847
Contract liabilities	493,920	86,068
Investment payable (note6(7))	1,632,894	-
Others	101,665	92,675
	$ 3,068,898	**634,590**

(16) Long-term borrowings

The details were as follows:

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

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

Unused long-term credit lines please refer to note 6(13).

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(17) Bonds payable

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

	December 31, 2019
Total convertible corporate bonds issued	$ 600,000
Unamortized discounted payable	(28,953)
Corporate bonds issued balance at year-end	**$ 571,047**
Embedded derivative – call and put options, included in financial liabilities at fair value through profit or loss	**$ 1,560**

The conversion price was set at NTD78.5 at the time of issue and also remain the same as of December 31, 2019.

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

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

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

B. In response to future operational needs, Interactive Digital Technologies Inc. intends to purchase office buildings and warehouses. The Financial Supervision and Administration Commission of the Executive Yuan approved the issuance (letter No. 1080334564 of the Financial Management Certificate) on November 6, 2019. The first unsecured convertible corporate bonds are issued under the following conditions:

Total amount issued	$600 million
Date of issued	11.22.2019
coupon rate	0%
Period of issue	11.22.2019~11.22.2022

Repayment method	Other than converting as Interactive Digital' s ordinary share in accordance to the regulation no.10, or exercising put option in accordance to the regulation no.19, or early redeeming in accordance to the regulation no.18, or repurchasing the written-off stock from Securities Dealers, Interactive Digital will repay the convertible bond one-off in cash at face value at maturity.
Redeem method	1.If the closing price for the Interactive Digital exceeds 30% of the conversion price for 30 consecutive days for the period 3 months after bond issuance until 40 days before maturity, Digital Interactive will redeem the outstanding bonds based on the face value. 2.If the balance of the outstanding bonds lower than $6,000 thousand, Digital Interactive will redeem the outstanding bonds based on the face value.
Bond holder request for repurchase method	If the bond has issued for 2 years, the bond holder may request Interactive Digital to repurchase the bond at face value plus interest at 40 days before the maturity. Interest rate for the bond issued for 2 years is 0.5% at face value.
Conversion period	Other than the transfer restriction period, bond holder may request the shares agent of Interactive Digital to convert the bond to ordinary shares during the period 3 months after issuance until the maturity date.
Conversion price	The conversion price was set at $78.5 at the time of issuance.

(18) Lease liabilities

	December 31, 2019
Current	$ 50,560
Non-current financial assets	$ 224,639

For the maturity analysis, please refer to note 6(30).

The amounts recognized in profit or loss was as follows:

	2019
Interest on lease liabilities	$ 3,120
Expenses relating to short-term leases and leases of low-value assets	$ 12,733

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

	2019
Total cash outflow for leases	$ 23,437

A. Real estate leases

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

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

B. Other leases

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

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

(19) Operating lease

Leases as lessee

Non-cancellable lease rental payables were as follows:

	December 31, 2018
Less than one year	$ 19,267
Between one and five years	46,684
	$ 65,951

Alpha leased land from the Science Park Administration Bureau during November 2003 to December 2022. The lease amounts are subject 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 as an expense in profit or loss in respect of operating leases for the year ended December 31, 2018.

The Group was 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 year ended December 31, 2018 the Group recognized $1,607 thousand in operating expenses. As of December 31, 2018, the unamortized amounts were $63,808 thousand recognized in long-term rental prepayment.

For operating lease in, 2019 please refer to note 6(18).

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(20) Employee benefits

A. Defined benefit plans

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

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$ 397,407	382,871
Fair value of plan assets	(109,278)	(87,988)
Net defined benefit liabilities	**$ 288,129**	**294,883**

The Group's employee benefit liabilities were as follows:

	December 31, 2019	December 31, 2018
Other non-current liability (acquisition from business combination)	**$ 870**	**-**
Net defined benefit liability	**$ 288,999**	**294,883**

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 $109,257 thousand as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund, Ministry of Labor.

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

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

	For the years ended December 31,	
	2019	**2018**
Defined benefit obligations at January 1	$ 382,871	405,694
Liabilities from business combination	2,376	-
Benefits paid from the plan assets	(15,674)	(36,044)
Current service costs and interest cost	5,623	7,301
Re-measurements of net defined benefit liabilities (asset):		
- Actuarial gain arising from experience adjustment	5,755	(5,111)
- Actuarial loss arising from financial assumptions	16,456	11,031
Defined benefit obligation as of December 31	**$ 397,407**	**382,871**

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

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

	For the years ended December 31,	
	2019	**2018**
Fair value of plan assets as of January 1	$ 87,988	65,183
Asset from business combination	3,246	-
Benefits paid from the plan assets	(15,674)	(36,044)
Re-measurements of the net defined benefit liabilities (asset):		
- Return on plan assets (excluding current Interest income)	3,292	1,959
Contribution made to plan assets	29,305	55,690
Expected return on plan assets	1,121	1,200
Fair value of plan assets as of December 31	**$ 109,278**	**87,988**

(d) Expenses recognized in profit or loss

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

	For the years ended December 31, 2019	2018
Current service costs	$ 1,411	2,027
Net interest of net liabilities for defined benefit obligation	4,212	5,274
Curtailment or settlement gains	(1,121)	(1,200)
	$ 4,502	**6,101**
Operating costs	$ 1,088	1,346
Selling expenses	599	898
Administration expenses	517	682
Research and development expenses	2,298	3,175
	$ 4,502	**6,101**
Actual return on plan assets	**$ 4,413**	**3,159**

(e) Actuarial assumptions

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

	December 31, 2019	December 31, 2018
Discount rate	0.80%~0.90%	1.10%
Future salary increase rate	1.00%~3.00%	3.00%

The expected contribution to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $15,374 thousand.

The weighted average duration of the defined benefit plans is 14.5 years and 22 years, respectively.

(f) Sensitivity analysis

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

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

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		Influences of defined benefit obligations	
December 31, 2018		**Increase 0.25%**	**Decrease 0.25%**
Discount rate	$	**13,088**	**(12,614)**
Future salary increasing rate	$	**-**	**-**

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 2019 and 2018.

B. Defined contribution plans

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

The pension costs under contribution plans amounted to $117,618 thousand and $131,323 thousand for the years ended December 31, 2019 and 2018, respectively.

(21) Income taxes

A. Income tax expenses

The components of income tax for the years ended December 31, 2019 and 2018, were as follows:

		For the years ended December 31,	
		2019	**2018**
Current tax expense			
Current period	$	74,787	50,076
Adjustment for prior periods		(5,855)	(14,889)
		68,932	35,187
Deferred tax benefit			
Origination and reversal of temporary differences		31,958	(27,926)
Adjustment in tax rate		-	(3,538)
		31,958	(31,464)
Income tax expense	**$**	**100,890**	**3,723**

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The amount of income tax expense / (benefit) recognized in other comprehensive income for the years ended December 31, 2019 and 2018, was as follows:

	For the years ended December 31, 2019	2018
Exchange differences on translation of foreign financial statements	$ **(29,258)**	**(24,148)**

Reconciliation of income tax and profit before tax for the years ended December 31, 2019 and 2018 is as follows:

	For the years ended December 31, 2019	2018
Profit (loss) before income tax	$ 339,793	(84,286)
Income tax at Alpha's domestic tax rate	67,959	(16,857)
Adjustment in tax rate	-	(3,538)
Effect of tax rates variances in foreign jurisdictions	14,265	21,055
Tax effect of permanent difference	2,595	1,138
Tax incentives	(7,187)	-
Change in unrecognized temporary differences	(60,274)	(41,819)
Others	83,532	43,744
	$ **100,890**	**3,723**

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax asset

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

	December 31, 2019	December 31, 2018
Tax effect of deductible temporary differences	$ 337,083	402,337
The carry forwards of unused tax losses	26,538	21,558
	$ **363,621**	**423,895**

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

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

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As of 31 December 2019, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unutilized business loss	Expiry date
2018	$ 132,690	2028

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

Deferred tax assets:

	January 1, 2018	Recognized in profit and loss	Recognized in other comprehensive income	Effect of change in exchange rate	December 31, 2018	Acquired through business combination	Recognized in profit and loss	Recognized in other comprehensive income	Effect of change in exchange rate	December 31, 2019
Provision for inventory devaluation	$ 11,967	(1,240)	-	-	10,727	3,605	(5,343)	-	-	8,989
Provision for warranties	25,660	(1,156)	-	-	24,504	-	400	-	-	24,904
Exchange different on transaction of foreign financial statement	10,426	-	24,148	-	34,574	-	-	29,258	-	63,832
Tax credit of investment	-	42,245	-	-	42,245	-	(26,388)	-	-	15,857
Others	9,301	7,838	-	1,571	18,710	75,312	7,733	-	(6,213)	95,542
	$ 57,354	47,687	24,148	1,571	130,760	78,917	(23,598)	29,258	(6,213)	209,124

Deferred tax liabilities

	January 1, 2018	Recognized in profit and loss	Recognized in other comprehensive income	Effect of change in exchange rate	December 31, 2018	Acquired through business combination	Recognized in profit and loss	Recognized in other comprehensive income	Effect of change in exchange rate	December 31, 2019
Investment accounted for using equity method	$ (24,990)	(14,277)	-	-	(39,267)	-	(2,595)	-	-	(41,862)
Goodwill	(22,930)	(4,046)	-	-	(26,976)	-	-	-	-	(26,976)
Others	(2,420)	2,100	-	-	(320)	(7,070)	(5,765)	-	-	(13,155)
	$ (50,340)	(16,223)	-	-	(66,563)	(7,070)	(8,360)	-	-	(81,993)

(c) As of December 31, 2019, Alpha's tax returns for the years through 2017 were assessed by the Tax Administration.

(22) Capital and other equity

Reconciliation of shares outstanding for 2019 and 2018 was as follows (in thousands of shares):

	Ordinary share capital	
	2019	**2018**
Balance on January 1	536,983	434,259
Issued for cash	-	100,000
Vested of restricted stock awards	2,366	2,724
Balance on December 31	**539,349**	**536,983**

A. Ordinary share capital

As of December 31, 2019 and 2018, the authorized capital of Alpha amounted to $6,600,000 thousand, of which included the amount of $500,000 thousand reserved for employee share options; the issued capital amounted to $5,427,273 thousand and $5,435,172 thousand, respectively.

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 NTD23 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.

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.

A resolution was approved during the Board of Directors' meeting held on March 19, May 3, August 14 and November 6, 2019, to cancel 256 thousand shares, 133 thousand shares, 238 thousand shares and 168 thousand shares, respectively, of employee restricted stocks. The aforementioned capital reductions were completed on April 12, July 3, September 2 and November 20, 2019, respectively, through the statutory registration procedures.

As of December 31, 2019 and 2018, a total of 137 thousand shares and 0 thousand shares, respectively of employee restricted stock were rescinded and subjected to cancel due to employee turnover or the performance issues.

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B. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2019	December 31, 2018
Capital surplus – premium	$ 2,949,233	3,462,567
Capital surplus – investments under equity method	29	29
Employee restricted stock	37,369	79,701
Other	15,125	15,059
	$ 3,001,756	**3,557,356**

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

Based on resolutions approved during the shareholders' meetings on June 14, 2019, the cash dividends of $543,262 thousand, represents NTD1 payout per share, will be distributed out of capital surplus. The above-mentioned distribution was consistent with the resolution approved by the Board of Directors. Related information is available at the Market Observation Post System website.

C. Retained earnings

The Company's articles of incorporation stipulated that Company's earnings before tax, if any, shall be distributed in the following order:

(a) payment of all taxes;

(b) offset prior years' operating losses;

(c) of the remaining balance, 10% to be appropriated as legal reserve;

(d) set aside special reserve in accordance with the Securities and Exchange Act or reverse special reserve previously provided; and

(e) after the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to decide on this matter.

According to the R.O.C. Company Act, the Company shall distribute the legal reserve and capital reserve as cash dividends fully or partially, if the resolution is passed in majority with two third of attendance in Board of Directors' meeting and is submitted to the stockholders' meeting.

(Continued)

According to the Company's dividend policy, the Company shall first take into consideration its investing environment, capital management and industry developments, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. The cash dividends shall not be more than 10% of total dividends.

(a) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(b) Special reserve

In accordance with Ruling issued by the FSC a portion of current-period earnings and undistributed prior—period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior period. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

D. Earnings distribution

Earnings distribution for the years 2017 was approved by the shareholders during their meeting on June 15, 2018 as follows:

	2017
Dividends distributed to ordinary shareholders	
Cash (dividends per share was $1)	$ 543,743

The above-mentioned earnings distribution was consistent with the resolutions approved by the Board of Directors. Related information would be available at the Market Observation Post System website.

The no appropriation of earnings in 2018 was proposed in the annual shareholders' meeting on June 14, 2019. The above-mentioned was consistent with the resolutions approved by the Board of Directors. Related information would be available at the Market Observation Post System website.

On March 17, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. These earnings were appropriated at cash dividend of $0.44 per share. Related information would be available at the Market Observation Post System website.

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E. Other equity

		Differences on translation of foreign operation financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Deferred compensation cost arising from issuance of restricted stock awards	NCI	Total
Balance at 1 January 2019		(322,596)	(305,330)	(70,492)	-	(698,418)
Differences on translation of foreign operation financial statements		(117,033)	-	-	-	(117,033)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		-	13,193	-	-	13,193
Compensation cost of restricted stock awards		-	-	53,439	-	53,439
NCI generated from acquisition		-	-	-	4,066,946	4,066,946
Balance at 31 December 2019	$	**(439,629)**	**(292,137)**	**(17,053)**	**4,066,946**	**3,318,127**
Balance at 1 January 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)
Differences on translation of foreign operation financial statements		(87,396)	-	-	-	(87,396)
Unrealized gains (losses) 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 31 December 2018	$	**(322,596)**	**(305,330)**	**-**	**(70,492)**	**(698,418)**

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(23) Share-based payment

A. As of December 31, 2019, Alpha's equity settled share-based payment transactions were 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 (NTD)	0
Adjusted exercise price (NTD)	0

Note: Employees are entitled to receive restricted stock in the first, second and third year (from the grant date) of their service. The proportion of the shares granted are 30%, 30% and 40%, respectively.

B. The closing price of Alpha's ordinary share on the grant date is the fair value of the share-based payment.

C. Restricted stock awards

On June 16, 2017, pursuant to the resolutions of its shareholders' meeting, Alpha issued 10,000 shares of restricted stock awards to those full time employees who meet Alpha's requirements. These restricted stock awards have been registered and approved by the Securities and Futures Bureau of the FSC. On September 21, 2017, the Board of Directors approved a resolution to issue all of restricted stock awards to its employees. The effective date of the capital increase was October 2, 2017, and the registrations of the increase of share capital have been completed. The restricted stock is kept by a trust, which is appointed by Alpha, before the vesting condition is met. These shares shall not be sold, pledged, transferred, gifted, hypothecated or disposed of by any other means to third parties during the custody period. The shareholders of these restricted stock are entitled to the same rights as Alpha's existing ordinary shareholders except for the fact that the restricted stocks are held with trust and have vesting conditions. If the employees failed to comply the vesting conditions, Alpha will take back all the unvested shares without compensation and cancel the shares thereafter.

Details of the restricted stock of Alpha are as follows:

	2019	2018
Number at 1 January	6,534	9,927
Vested during the year (unit in thousand)	(2,366)	(2,724)
Forfeited during the year (unit in thousand)	(790)	(669)
Forfeited, to be cancelled at year end (unit in thousand)	(137)	-
	3,241	**6,534**

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The compensation costs recognized for the years ended December 31, 2019 and 2018 were $31,764 thousand and $106,502 thousand, respectively.

(24) Earnings per share

A. Basic earnings per share

	For the years ended December 31, 2019	For the years ended December 31, 2018
Net income (loss) attributable to Alpha's ordinary shareholders	$ **238,903**	**(88,009)**
Weighted-average number of shares outstanding (in thousands of shares)	**537,673**	**514,209**
Basic earnings per share (NTD)	$ **0.44**	**(0.17)**

B. Diluted earnings per share

	For the years ended December 31, 2019	For the years ended December 31, 2018
Net income (loss) attributable to ordinary shareholders	$ **238,903**	**(88,009)**
Weighted average number of shares outstanding (in thousands of shares) (basic)	$ 537,673	514,209
Effect of employee remuneration in shares	1,410	-
Effect of restricted stock awards unvested	4,567	-
Weighted average number of shares outstanding (in thousands of shares) (diluted)	$ **543,650**	**514,209**
Diluted earnings per share (NTD)	$ **0.44**	**(0.17)**

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.

(25) Revenues

A. The details of Revenues were as follows:

	2019	2018
Primary geographical markets:		
United States	$ 7,986,117	5,816,327
Singapore	2,426,697	3,129,667
China	1,760,227	1,959,272
Netherlands	1,012,742	2,024,258
Others	2,640,025	2,678,698
	$ **15,825,808**	**15,608,222**

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		2019	2018
Major products/services lines:			
LAN/MAN	$	9,995,703	10,031,233
Wireless Broadband		3,449,129	4,149,742
Digital Multimedia		2,282,417	1,406,397
Others		98,559	20,850
	$	**15,825,808**	**15,608,222**

B. Contract balances

		December 31, 2019	December 31, 2018	January 1, 2018
Trade receivables (including related parties)	**$**	**4,292,840**	**2,168,504**	**2,959,598**
Contract liabilities - product	**$**	**493,920**	**86,068**	**69,018**

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of the period were $53,934 thousand and $10,426 thousand, respectively.

(26) Remuneration to employees and directors

In accordance with the Articles of incorporation, Alpha should contribute 10% to 22.5% of the profit as employee compensation and less than 1% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Alpha's affiliated companies who meet certain conditions.

For the year ended December 31, 2019, Alpha accrued and recognized its remuneration to employees and directors amounting to $33,198 thousand and $2,753 thousand, respectively. The Company has incurred net loss for the year ended December 31, 2018, therefore, no remuneration to employees and directors was estimated for the year then ended. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of the period, multiplied by the percentage of remuneration to employees and directors as specified in the Alpha's articles. These remunerations were expensed under operating costs or operating expenses during 2019. If there is any change on the actual amount incurred and estimated amount, this shall be accounted for change in accounting estimates and recognize as profit or loss in the following year. However, if the Board of Directors resolved that the employee remuneration to be distributed through stock dividends, the closing price of the ordinary share on the day before the Board of Directors' meeting is used in the calculation for stock remuneration. Related information would be available at the Market Observation Post System website. The abovementioned remuneration for employees and directors resolved through Board of Directors' meeting is consistent with the estimated amount as stated in the consolidated financial statements for the years 2019 and 2018.

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(27) Other income

	For the years ended December 31, 2019	2018
Interest income	$ 60,846	64,373
Dividend income	2,111	-
Government grants income	30,507	41,513
Others	23,367	29,221
	$ 116,831	**135,107**

(28) Other gains and losses

	For the years ended December 31, 2019	2018
Gain on financial asset (liabilities) at fair value through profit or loss, net	$ (1,653)	(46,963)
Foreign exchange gain (loss), net	(1,454)	28,529
Others	(2,549)	5,541
	$ (5,656)	**(12,893)**

(29) Finance costs

	For the years ended December 31, 2019	2018
Interest expense of borrowings, etc.	$ 367	6,472
Interest expense of lease liability	3,120	-
	$ 3,487	**6,472**

(30) Financial instruments

A. Credit risk

(a) Credit risk exposure

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

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(b) Concentration of credit risk

The major customers of the Group are centralized in the networking related industries. The Group generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Group is mainly influenced by the networking industry. As of December 31, 2019 and 2018, 60% and 74%, respectively, of the Group's accounts receivable (including related parties) were from the top 7 customers. Although there is a potential in concentration of credit risk, the Group routinely assesses the collectability of its accounts receivable and makes a corresponding allowance for doubtful accounts.

(c) Credit risk of receivable

Risk exposure information for notes receivable and accounts receivable, please refer to note 6(3).

Other financial assets measured at amortized cost include time deposits with maturities of more than three months and restricted bank deposits, please refer to note 6(5) for details of relevant investments.

All of these financial assets are considered to have low credit risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(7).

B. Liquidity risk

The following are the contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 years	1 to 5 years	More than 5 years
December 31, 2019					
Non-derivative financial liabilities					
Accounts payable	$ 4,310,598	(4,310,598)	(4,310,598)	-	-
Payables to related parties	147	(147)	(147)	-	-
Other payables to related parties	1,114	(1,114)	(1,114)	-	-
Accrued expenses	556,416	(556,416)	(556,416)	-	-
Short term borrowings	952,701	(960,159)	(960,159)	-	-
Long term borrowings (Included maturity within 1 year)	270,000	(278,868)	(123,468)	(155,400)	-
Bond payables	571,047	(600,000)	-	(600,000)	-
Lease liabilities	275,199	(319,881)	(55,093)	(63,663)	(201,125)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	377	(990,121)	(990,121)	-	-
Inflows	(6,839)	996,583	996,583	-	-
	$ 6,930,760	(7,020,721)	(6,000,533)	(819,063)	(201,125)

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	Carrying amount	Contractual cash flows	Within 1 years	1 to 5 years	More than 5 years
December 31, 2018					
Non-derivative financial liabilities					
Accounts payable	$ 2,882,699	(2,882,699)	(2,882,699)	-	-
Other 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)**	**-**	**-**

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, 2019			December 31, 2018		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets						
Monetary items						
USD	$ 119,521	30.08	3,595,192	70,380	30.72	2,162,074
CNY	19,349	4.3220	83,626	18,320	4.4670	81,835
Non-Monetary items						
USD	24,000	30.08	Note	20,000	30.72	Note
Financial liabilities						
Monetary items						
USD	92,171	30.08	2,772,504	18,458	30.72	567,030
Non-Monetary items						
USD	9,000	30.08	Note	3,000	30.72	Note

Note： Please refer to 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 foreign currency exchange gains and losses resulted from the translation of cash and cash equivalents, trade receivables, other receivables, trade payables and other payables which are denominated in foreign currencies. A strengthening (weakening) of 5% of the NTD against the USD and the CNY at December 31, 2019 and 2018, would have increased or decreased the profit before tax by $45,316 thousand and $83,844 thousand, respectively. The analysis assumed that all other variables remain constant, and is performed on the same basis for both periods.

(c) Exchange gains and losses on monetary items

Since the Group has different functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed in aggregate amount. For the years 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to ($1,454) thousand and $28,529 thousand, respectively.

D. Interest rate analysis

Please refer to the notes on liquidity risk management for interest rate exposure of the Group's financial assets and liabilities. The following sensitivity analysis is based on the exposure to the interest rate risk. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year.

If the interest rate had increased or decreased by 0.25%, the Group’s net income before tax would have increased or decreased by $2,372 thousand and $3,245 thousand, respectively for the years ended December 31, 2019 and 2018 with all other variable factors remaining constant. The change is mainly due to the Group’s deposits, financial assets at amortized cost (non-current), bonds payable and borrowings with variable rates.

E. Other market price risk

For the years ended December 31, 2019 and 2018, 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, 2019	2018
Increasing 10%	$ 16,161	12,718
Decreasing 10%	$ (16,161)	(12,718)

(Continued)

F. Fair value of financial instruments

(a) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for lease liabilities, disclosure of fair value information is not required:

	December 31, 2019				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss-derivative financial assets	$ 99,705	92,866	6,839	-	99,705
Non-current financial assets at fair value through other comprehensive income-non-current	$ 161,614	140,369	-	21,245	161,614
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 5,918,331	-	-	-	-
Notes and accounts receivable (including related parties)	4,292,840	-	-	-	-
Financial assets measured at amortized cost – current and non-current	3,186,435	-	-	-	-
Total	$ 13,397,606	-	-	-	-
Financial liability measured at fair value under repetitive basis					
Financial liability at fair value through profit or loss-derivative	$ 377	-	377	-	377
Financial liability at fair value through profit or loss-non-current	1,560	-	1,560	-	1,560
Total	$ 1,937	-	1,937	-	1,937

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	December 31, 2019				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	$ 4,310,745	-	-	-	-
Payable to related parties	1,114	-	-	-	-
Short-term borrowings	952,701	-	-	-	-
Long-term borrowings (including maturity within 1 year)	270,000	-	-	-	-
Bond payables	571,047	-	-	-	-
Lease liabilities – current and non-current	275,199	-	-	-	-
Total	$ 6,380,806	-	-	-	-

	December 31, 2018				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss-derivative financial assets	$ 1,696	-	1,696	-	1,696
Non-current financial assets at fair value through other comprehensive income	$ 127,176	127,176	-	-	127,176
Financial assets measured at amortized cost					
Cash and cash equivalents	2,529,283	-	-	-	-
Notes and accounts receivable (including related parties)	2,168,504	-	-	-	-
Investments in debt instrument without active market	3,909,984	-	-	-	-
Total	$ 8,607,771	-	-	-	-
Financial liability measured at fair value under repetitive basis					
Financial liabilities mandatorily at fair value through profit or loss	$ 97	-	97	-	97

(Continued)

	December 31, 2018				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Accounts payable	2,882,699	-	-	-	-
Payable to related parties	4,708	-	-	-	-
Total	$ 2,887,407	-	-	-	-

Fair value measured on non-recurring basis refers to occurrences in specific condition. Financial assets and liabilities are measured and recognized in the Group' s financial statements at fair value on a recurring basis.

(b) Valuation techniques for financial instruments measured at fair value

i. Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm' s-length basis. Whether transactions are taking place ' regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

The categories and nature of the fair value for the Group's financial instruments which have active market are as below:

Publicly traded stock, bank draft and bond with standard terms, conditions and traded in active market. The fair value is based on quoted market prices.

Except for the above-mentioned financial instruments traded in active markets, the fair value of other financial instruments is based on the valuation techniques or refer to quoted price from counterparties. The fair value using valuation techniques refers to the current fair value of other financial instruments with similar conditions and characteristics, or using a discounted cash flow method, or other valuation techniques which include model calculating with observable market data at the reporting date (such as yield curve from Taipei Exchange, average interest rate from Reuters' commercial paper).

The categories and nature of the fair value for the Group's financial instruments which without an active market are as below:

The fair value for equity instruments which do not have public quoted price is measured based on net asset value of comparable companies. The main assumption is based on the market multiples derived from the net value per share of investees and quoted price of EV/EBIT's comparable listed companies. The estimated amount has adjusted the discounted effect due to the lack of liquidity in market for equity security.

ii. Derivative financial instruments

Measurement on fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Foreign currency forward contract is measured based on the current forward exchange rate. Structured interest rate derivative products are measured based on appropriate option pricing model.

(c) There was no transfer between the different levels of fair value hierarchy for the years ended December 31, 2019 and 2018.

(d) Reconciliation of Level 3 fair values

	At fair value through profit or loss
Opening balance, January 1, 2019	$ -
Acquired through business combination	21,245
Ending balance, December 31, 2019	**$ 21,245**

(e) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through other comprehensive income – equity investments".

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income-equity investments without an active market	Net Asset Value Method	Net asset value of comparable companies at 1.77 times	Not applicable
		Discount for lack of marketability of 17.85%	The fair value would decrease if lack of marketability and higher discount rate.

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

(31) 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 likewise discusses the Group's objectives, policies and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

B. Structure of risk management

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

(a) Accounts receivable and other receivables

The Group has established a credit policy, under which, each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer and represent the maximum open amount; these limits are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group did not have any collateral on accounts receivable and other receivable.

(Continued)

(b) Investment

The credit risk of bank deposits, fixed income investments, and other financial instruments, is measured and monitored by the financial department of the Group. There is no significant credit risk because the Group used to transact with or deal with counterparty with good credit ratings financial institutions, corporate organizations and government agencies.

(c) Guarantee

The Group's policy provides only financial security to fully owned subsidiaries. At December 31, 2019 and 2018, 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.

Bank borrowing is an essential liquidity source for the Group. For the years ended December 31, 2019 and 2018, the Group did not utilize any credit line for both long-term and short-term bank borrowing. Please refer to note 6(13) for details.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices that will affect the Group’s income or the value of its holdings on financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives instruments, and also incurs financial liabilities, in order to manage market risks. All such transactions are executed in accordance with the Group’s procedures for conducting derivative transactions which were approved by the Board of Directors.

(a) Foreign currency risk

The Group’s exposure to the risk of fluctuation in foreign currency exchange rates relates primarily to the Group’s sales, purchases, and borrowings transactions, and those are denominated in a currency different from the functional currencies of the Group. These transactions are denominated in New Taiwan dollar (NTD), US dollar (USD), EURO (EUR) 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. Therefore, the Group will be exposed to the risk of market price changes in its equity securities.

(32) 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 total net debt divided by the total capital.

The net debt from the balance sheet is derived from the total liabilities, less, cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity.

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

		December 31, 2019	December 31, 2018
Total liabilities	$	10,953,074	4,535,324
Less: Cash and cash equivalents		(5,918,331)	(2,529,283)
Net debt	**$**	**5,034,743**	**2,006,041**
Total equity	**$**	**14,047,294**	**10,393,751**
Debt-to-equity ratio		**35.84%**	**19.30%**

The debt to equity ratio was increased on December 31, 2019, due to increase of liabilities assumed from the acquisition of Hitron Technologies.

As of December 31, 2019, the Group had not changed its capital management method.

(33) Non-cash investing and financing activities

The Group's investing and financing activities which did not affect the current cash flow in the year ended December 31, 2019, were as follows:

A. For investment payables due to acquisition on ordinary shares of Hitron Technologies Inc., please refer to notes 6(15).

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

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

	January 1, 2019	Cash flows	Acquisition	Foreign exchange movement and other	December 31, 2019
Short-term borrowings	$ -	-	952,701	-	952,701
Long-term borrowings (including maturity within 1 year)	-	-	270,000	-	270,000
Bonds payable	-	-	571,047	-	571,047
Lease liabilities	211,757	(7,584)	68,626	2,400	275,199
Total liabilities from financing activities	$ **211,757**	**(7,584)**	**1,862,374**	**2,400**	**2,068,947**

The Group did not incur any non-cash transaction on investing and financing activities for the year ended December 31, 2018.

7. Related-party transactions:

(1) Names and relationship with related parties which have transaction with the Group during the periods covered in the consolidated financial statements were as follows:

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:

	2019	2018
Entities with significant influence over the Group	$ 228,644	318,456
Other related parties－D-Link International	2,032,855	2,845,821
Other related parties－other	87	700
	$ **2,261,586**	**3,164,977**

(Continued)

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

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

The collection terms for third parties were 30 to 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:

	2019	2018
Entities with significant influence over the Group	$ 161	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, 2019	December 31, 2018
Accounts receivable from related parties	Entities with significant influence over the Group	$ 82,324	94,373
	Other related parties:		
Accounts receivable from related parties	D-Link International (Note)	445,820	753,446
Account receivable from related parties	Others	-	69
		$ 528,144	847,888

Note: Both balances as of December 31, 2019 and 2018 were deducted $20,733 thousand of allowance for impairment, respectively.

D. Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2019	December 31, 2018
Accounts payable to related parties	Entities with significant influence over the Group	$ 147	-

ALPHA NETWORKS INC. AND SUBSIDIARIES
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E. Rendering of services and other expenses

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

	2019	2018
Entities with significant influence over the Group	$ 940	381
Other related parties	10,708	12,070
	$ 11,648	12,451

The payables to related parties were as follows:

Account	Related Party Category	December 31, 2019	December 31, 2018
Other payable to related parties	Entities with significant influence over the Group	$ 160	217
Other payable to related parties	Other related party	846	4,450
		$ 1,006	4,667

F. Transactions of property, plant and equipment

	2019	2018
Entities with significant influence over the Group	$ 753	-

The payables to related parties were as follows:

Account	Related Party Category	December 31, 2019	December 31, 2018
Other payable to related parties	Entities with significant influence over the Group	$ 108	-

G. Rental income

The Group rented out an office to D-Link (shanghai) and the rental income for the years ended December 31, 2019 and 2018 was $431 thousand and $422 thousand, respectively. As of December 31, 2019 and 2018, the amounts had been collected.

H. Various advances

As of December 31, 2019 and 2018, the payable to related parties due to the payment on behalf of the Grpup by the related parties were as follows:

	December 31, 2019	December 31, 2018
Entities with significant influence over the Group	$ -	41

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(3) Key management personnel compensation

	2019	2018
Short-term employee benefits	$ 20,813	18,008
Post-employment benefits	-	46
Share-based payment	11,080	22,682
	$ 31,893	40,736

8. Pledged assets:

Pledged assets	Object	December 31, 2019	December 31, 2018
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Import guarantee for Customs	$ 7,500	7,500
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for land lease	8,000	8,000
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for construction project	2,720	-
Time deposit (recorded in financial assets measured at amortized cost–current)	Guarantee for open tender of Hitron Technologies Inc.	2,029,959	-
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for land lease	2,382	-
Refundable deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee to local authority for sales to abroad customers	11,491	-
		$ 2,062,052	15,500

9. Significant commitments and contingencies:

(1) As of December 31, 2019 and 2018, the Group deposited notes in the bank amounting to $3,986,675 thousand and $4,031,580 thousand, respectively in order to obtain the credits limit of bank financing and foreign exchange facilities.

(2) The Group had entered into technology license agreement with suppliers. According to the agreement, the Group is obligated to make payments for technology license fee and royalty based on the total sales of products by using such technology.

(3) The Group had entered into a performance bond arrangement with a bank for the acquisition of 100,000 thousand ordinary shares of Hitron Technologies Inc.. According to the arrangement, the Group is obligated to make a payment of $3,200,000 thousand within five working days after the acquisition due date.

ALPHA NETWORKS INC. AND SUBSIDIARIES
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(4) As of December 31, 2019, the contigent items assumed due to business combination transaction are as follows:

	December 31, 2019
Guarantee notes payables due to business combination arrangement	$ 8,256
Guarantee for construction projects	175,190
Guarantee on tax advance for Taipei Customs	3,000

Hitron Technologies, Inc (Hitron) had entered a contract on " Development of Wireless sharing platform at Kaohsiung" with eASPNet Taiwan Inc. (eASPNet). The contract has been terminated due to the failure of check and accept by Kaohsiung City Government. eASPNet has thus terminated the contract with Hitron. However, Hitron disagreed with the termination without reason by eASPNet, thus filed a lawsuit against eASPNet for a claim amounting to $86,619 thousand. On February 27, 2011, Taipei Shilin District Court rendered judgment against eASPNet and imposed a claim to eASPNet amounting to $72,916 thousand with interest of 5% per annum from April 12, 2008, until the claim is fully settled. eASPNet disagreed with the judgment and lodged an appeal as well as paid a guarantee fee amounting to $72,916 thousand for preliminary injunction. On May 31, 2013, Taiwan High Court Civil Appeal rendered judgment against eASPNet, and the defendant lodged an appeal to the Supreme Court. The Supreme Court revoked the original decision and reversed the case to Taiwan High Court for rehearing. Hitron won the lawsuit at the first hearing at Taiwan High Court on March 29, 2016, and eASPNet should pay Hitron a claim amounting to $71,115 thousand. Both parties have lodged an appeal for the first hearing. Taiwan High Court overturned the initial preliminary injunction, and the lawsuit had proceeded to the Supreme Court for second hearing on January 5, 2017. This case is currently in progress for second hearing. Hitron does not expect material adverse impact to the financial and operation from this claim.

10. Losses Due to Major Disasters: None

11. Subsequent Events:

The Group has completed the acquisition on 100,000 thousand ordinary shares of Hitron Technologies Inc. through tender offer on January 6, 2020. As of December 31, 2019, the provision of investment payables– current was $1,632,894 thousand. Hitron Technologies Inc. has re-elected their Board of Directors on February 3, 2020, and the Group has more than 50% of seats in the Board.

ALPHA NETWORKS INC. AND SUBSIDIARIES
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12. Other:

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

By function / By item	2019			2018		
	Cost of sales	**Operation expenses**	**Total**	**Cost of sales**	**Operation expenses**	**Total**
Employee benefits						
Salaries	607,072	1,364,279	1,971,351	667,316	1,313,512	1,980,828
Labor and health insurance	34,152	103,314	137,466	32,353	101,665	134,018
Pension	37,889	84,231	122,120	47,242	90,182	137,424
Remuneration of directors	-	7,247	7,247	-	90	90
Others	42,815	62,324	105,139	37,652	55,689	93,341
Depreciation	119,536	144,839	264,375	134,735	149,024	283,759
Amortization	650	64,605	65,255	929	66,420	67,349

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: Please refer to Table 1.

(ii) Guarantees and endorsements for other parties: Please refer to Table 2.

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of $300 million or 20% of the capital stock: Please refer to Table 4.

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

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of $300 million or 20% of the capital stock: Please refer to Table 5.

(viii) Receivables from related parties with amounts exceeding the lower of $100 million or 20% of the capital stock: Please refer to Table 6.

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

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

(x) Business relationships and significant intercompany transactions: Please refer to Table 7.

(2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 8.

(3) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 9(1).

(ii) Limitation on investment in Mainland China: Please refer to Table 9(2).

(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 has two reportable segments based on the Group's operating units. Every operating unit provides different types of products and services which require different type of technologies and marketing strategies as well as management. The Group's management decision maker will review the internal management report for each operating unit quarterly. The operation descriptions of each operating unit are as below:

A. Network related products: Involved in design, research, production and sales of LAN/MAN, wireless related products, computer network system and related components.

B. Others: Involved in research, production and sales of telecommunication system and multimedia related products.

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

(2) Information about reportable segments and their measurement and reconciliations

	2019			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	$ 15,825,803	-	-	15,825,803
Interest expenses	$ 3,487	-	-	3,487
Depreciation and amortization	$ 329,630	-	-	329,630
Reportable segment profit or loss	$ 238,903	-	-	238,903
Reportable segment assets	$ 21,372,315	3,628,053	-	25,000,368
Reportable segment liabilities	$ 9,339,654	1,613,420	-	10,953,074

For year 2018, 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.

(3) Products and services information

Details of customers contract revenue for 2019 and 2018, please refer to note 6 (25).

(4) Geographic information

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

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

	December 31, 2019	December 31, 2018
Non-current assets:		
China	$ 1,482,824	1,204,632
Taiwan	3,642,280	813,231
Others	316,280	115,145
	$ 5,441,384	2,133,008

Non-current assets include property, plant, and equipment, intangible asset and other assets, not including financial instruments and deferred tax assets.

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

(5) Major customer information

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

	2019	2018
A Company	$ 3,214,661	3,164,977
B Company	2,524,699	2,394,143
C Company	2,032,855	2,845,821
	$ 7,772,215	**8,404,941**

Alpha Networks Inc. and Subsidiaries
Loans to other parties
For the year ended December 31, 2019

Table 1 (In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Alpha HK	Alpha Changshu	Other receivable form related parties	Yes	1,585,080 (USD51,000 thousand)	977,600 (USD32,500 thousand)	977,600 (USD32,500 thousand)	-	2	-	Operating capital	-		-	6,697,088 (note 4)	6,697,088 (note 4)
2	Mirac	Alpha Changshu	Same as above	Yes	138,150 (RMB30,000 thousand)	129,660 (RMB30,000 thousand)	129,660 (RMB30,000 thousand)	2.5%	2	-	Operating capital	-		-	855,538 (note 4)	855,538 (note 4)
3	Alpha Chengdu	Alpha Changshu	Same as above	Yes	276,300 (RMB60,000 thousand)	172,880 (RMB40,000 thousand)	172,880 (RMB40,000 thousand)	2.5%	2	-	Operating capital	-		-	1,609,781 (note 5)	1,609,781 (note 5)
4	Global	Alpha Changshu	Same as above	Yes	189,600 (USD6,000 thousand)	180,480 (USD6,000 thousand)	-	-	2	-	Operating capital	-		-	531,507 (note 4)	531,507 (note 4)
5	D-Link Asia	Alpha Changshu	Same as above	Yes	158,000 (USD5,000 thousand)	150,400 (USD5,000 thousand)	-	-	2	-	Operating capital	-		-	5,116,165 (note 4)	5,116,165 (note 4)
6	Hitron Technologies	Hitron Europe	Same as above	Yes	51,248	-	-	-	1	163,301		-		-	163,301 (note 5)	1,978,868 (note 5)
6	Hitron Technologies	Hitron Americas	Same as above	Yes	498,166	-	-	-	1	5,799,986		-		-	1,978,868 (note 5)	1,978,868 (note 5)
6	Hitron Technologies	Hitron Vietnam	Same as above	Yes	282,510	270,000	210,000	2%	2	-	Operating capital	-		-	1,978,868 (note 5)	1,978,868 (note 5)
6	Hitron Technologies	Hitron Suzhou	Same as above	Yes	274,545	270,000	-	2%	2	-	Operating capital	-		-	1,978,868 (note 5)	1,978,868 (note 5)
7	Jietech Suzhou	Hitron Suzhou	Same as above	Yes	27,612	21,540	21,450	2%		-	Operating capital	-		-	1,978,868 (note 5)	1,978,868 (note 5)

Note 1: The method of filling out the capital loan and nature is as follows:
(1) relate business relationship, please fill in 1.
(2) relate short-term financing, please fill in 2.

Note 2: The total amount for lending to a company for funding for a short-term period shall not exceed ten percent (10%) of the net worth of Alpha.

Note 3: The total amount lendable to any such subsidiary of Alpha shall not exceed forty percent (40%) of the net worth of Alpha.

Note 4: Alpha HK、Mirac、Alpha Chengdu、Global and D-Link Asia, the subsidiaries whose voting shares are 100% owned, directly or indirectly, by Alpha, which are not located in Taiwan, the lending will not be subject to the restriction set forth in the above paragraph of this Article. Notwithstanding the foregoing, the aggregate amount available for lending to such borrowers and the total amount lendable to each of such borrowers still shall not exceed 300% of the net worth of Alpha.

Note 5: The total amount of lending to a company by Hitron Technologies and its subsidiaries shall not exceed forty percent (40%) of the net worth of the audited or reviewed financial statement for both parties. The lending reason and limit for each type of party is stated as below:

a. For entities who have business transactions with the Company, the lending amount shall not exceed the total transaction amount in the nearest 12 months. The transaction referring to the higher of sales or purchase amount.
b. For entities who have a need in short term financing, the lending amount shall not exceed ten percent (10%) of the net worth of Hitron Technologies' latest audited or reviewed financial statements.
c. For foreign subsidiaries which Hitron Technologies has 100% of direct or indirect voting rights, the financing total amount and the limit shall not exceed forty percent (40%) of the net worth of the Company.

Alpha Networks Inc. and Subsidiaries
Guarantees and endorsements for other parties
For the year ended December 31, 2019

Table 2 (In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note 2)	Parent company 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	note 3	2,994,239	63,200	60,160	31,504	-	0.60 %	4,990,399	Y	N	Y
0	Alpha	Alpha Changshu	note 3	2,994,239	221,200	210,560	10,461	-	2.11 %	4,990,399	Y	N	Y
1	Hitron Technologies	Innoauto Technologies	note 3	4,947,171	50,000	50,000	-	-	1.01 %	7,420,757	Y	N	N
1	Hitron Technologies	Hitron Vietnam	note 3	4,947,171	518,585	510,000	-	-	10.31 %	7,420,757	Y	N	Y
1	Hitron Technologies	Hitron Europe	note 3	4,947,171	410,735	330,000	161,381	-	6.67 %	7,420,757	Y	N	N
1	Hitron Technologies	Hitron Americas	note 3	4,947,171	854,140	840,000	-	-	16.98 %	7,420,757	Y	N	N
1	Hitron Technologies	Hitron Suzhou	note 3	4,947,171	1,216,777	1,199,328	90,000	-	24.24 %	7,420,757	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.

Alpha Networks Inc. and Subsidiaries

Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures)

December 31, 2019

Table 3 (In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account	Ending balance				Highest Percentage of ownership during the year (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Alpha	D-Link Corporation	Entities with significant influence	Non-current financial assets at fair value through other comprehensive income	10,554	140,369	1.62 %	140,369	1.62 %	
Alpha	TGC,Inc.	-	Non-current financial assets measured at fair value through profit and loss	500	-	1.83 %	-	1.83 %	
Hitron Technologies	TRANSCEND	-	Current financial assets at fair value through profit or loss	391	30,459	- %	30,459	- %	
Hitron Technologies	SENAO	-	Current financial assets at fair value through profit or loss	207	6,645	- %	6,645	- %	
Hitron Technologies	FUBON FINANCIAL	-	Current financial assets at fair value through profit or loss	310	14,384	- %	14,384	- %	
Hitron Technologies	MEDIGEN	-	Current financial assets at fair value through profit or loss	36	2,235	- %	2,235	- %	
Hitron Technologies	TICP	-	Current financial assets at fair value through profit or loss	-	3	- %	3	- %	
Hitron Technologies	AMTRAN	-	Current financial assets at fair value through profit or loss	400	4,260	- %	4,260	- %	
Hitron Technologies	SUPREME	-	Current financial assets at fair value through profit or loss	100	3,015	- %	3,015	- %	
Interactive Digital	TRANSCEND	-	Current financial assets at fair value through profit or loss	351	27,343	- %	27,343	- %	
Interactive Digital	SUPREME	-	Current financial assets at fair value through profit or loss	150	4,522	- %	4,522	- %	
Hitron Technologies	CHAO LONG MOTOR PARTS CORP.	-	Non-current financial assets at fair value through other comprehensive income	668	21,245	2.10 %	21,245	2.10 %	

Name of holder	Category and name of security	Relationship with company	Account	Ending balance				Highest Percentage of ownership during the year (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Hitron Technologies	IMAGETECH CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	120	-	1.20 %	-	1.20 %	
Hitron Technologies	TSUNAMI VISUAL TECHNOLOGIES INC.	-	Non-current financial assets at fair value through other comprehensive income	1,220	-	9.34 %	-	9.34 %	
Hitron Technologies	PIVOT TECHNOLOGY CORP.	-	Non-current financial assets at fair value through other comprehensive income	198	-	10.94 %	-	10.94 %	
Hitron Technologies	CARDTEK DIGITAL TECHNOLOGY CO.,LTD.	-	Non-current financial assets at fair value through other comprehensive income	1,000	-	6.45 %	-	6.45 %	
Hitron Technologies	YESMOBILE HOLDINGS COMPANY LTD.	-	Non-current financial assets at fair value through other comprehensive income	294	-	0.75 %	-	0.75 %	
Hitron Technologies	CODENT NETWORKS (CAYMAN) LTD.	-	Non-current financial assets at fair value through other comprehensive income	1,570	-	- %	-	- %	

Alpha Networks Inc. and Subsidiaries

Individual securities acquired or disposed of with accumulated amounts exceeding the lower of than $300 million or 20% of the capital stock

For the year ended December 31, 2019

Table 4 (In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount (note)
Alpha	Hitron Technologies	Equity method	Hitron Technologies	-	-	-	151,028	3,243,894	-	-	-	-	151,028	3,243,894

Alpha Networks Inc. and Subsidiaries

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

For the year ended December 31, 2019

Table 5 (In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Alpha	D-Link International	D-LINK Corporation and subsidiaries owed subsidiaries	(Sales)	(2,032,855)	(14) %	90 days	-	Note 1	445,820	14%	Note 2
Alpha	Alpha USA	Subsidiary of Alpha	(Sales)	(4,650,388)	(31) %	120 days	-		584,484	18%	Note 3
Alpha	D-Link Corporation	Entities with significant influence	(Sales)	(219,258)	(1) %	90 days	-	Note 1	82,324	3%	
Alpha	Universal	Indirectly held subsidiary	Purchase	3,326,041	25 %	90 days	-		(722,365)	(24)%	Note 3
Alpha	D-Link Asia	Indirectly held subsidiary	Purchase	410,031	3 %	90 days	-		(394,044)	(13)%	Note 3
Alpha	Alpha Changshu	Indirectly held subsidiary	Purchase	7,561,064	57 %	90 days	-		(1,376,885)	(46)%	Note 3
Global	Alpha Changshu	Subsidiary company to subsidiary	(Sales)	(5,818,153)	(100)%	120 days	-		749,109	100%	Note 3
Alpha HK	Alpha Changshu	Subsidiary company to subsidiary	(Sales)	(271,878)	(100)%	120 days	-		272,328	100%	Note 3
Universal	Alpha Dongguan	Subsidiary company to subsidiary	Purchase	3,326,041	53 %	90 days	-		(716,555)	(47)%	Note 3
D-Link Asia	Alpha Dongguan	Subsidiary company to subsidiary	Purchase	410,031	67 %	90 days	-		(409,345)	(10)%	Note 3
Hitron Technologies	Hitron Suzhou	Subsidiary company to subsidiary	Purchase	6,111,800	38 %	90 days	-		(842,310)	(66)%	Note 3
Hitron Technologies	Hitron Americas	Subsidiary company to subsidiary	(Sales)	(5,788,216)	(56) %	90 days	-		1,164,345	85%	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.

Alpha Networks Inc. and Subsidiaries

Receivables from related parties with amounts exceeding the lower of $100 million or 20% of the capital stock

December 31, 2019

Table 6 (In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period(note 1)	Loss Allowance	Note
					Amount	Action taken			
Alpha	D-Link International	D-LINK Corporation and subsidiaries owed subsidiaries	445,820	3.39	37,224	-	293,569	20,733	
Alpha	Alpha USA	Subsidiary of Alpha	584,484	6.33	-	-	506,226	-	note 2
Alpha	Alpha HK	Subsidiary of Alpha	111,169	2.02	-	-	102,546	-	
Universal	Alpha	Subsidiary company to parent	722,365	3.81	246,221	-	722,069	-	note 2
Alpha Changshu	Alpha	Subsidiary company to parent	1,375,458	5.81	3,496	-	514,400	-	note 2
Alpha Dongguan	Universal	Subsidiary company to subsidiary	716,555	3.86	246,107	-	716,516	-	note 2
Global	Alpha Changshu	Subsidiary company to subsidiary	749,109	5.79	50,955	-	552,403	-	note 2
Alpha HK	Alpha Changshu	Subsidiary company to subsidiary	272,328	2.00	-	-	261,079	-	note 2
Alpha Asia	Alpha Dongguan	Subsidiary company to subsidiary	200,594	6.10	-	-	72,091	-	note 2
Universal	Alpha Dongguan	Subsidiary company to subsidiary	787,874	4.15	-	-	621,097	-	note 2
Hitron Technologies	Hitron Americas	Subsidiary company to subsidiary	1,164,345	3.50	-	-	1,164,345	-	note 2

Note 1: The amount was collected on March 6, 2020.

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

Alpha Networks Inc. and Subsidiaries
Business relationships and significant intercompany transactions
For the year ended December 31, 2019

Table 7 (In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account	Amount	Payment terms	Percentage of the consolidated net revenue or total assets
0	Alpha	Alpha USA	Parent company to Subsidiary	Sales	4,650,388	-	29%
0	Alpha	Alpha USA	Parent company to Subsidiary	Accounts receivable from related parties	584,484	120 days	2%
0	Alpha	Alpha Changshu	Parent company to Subsidiary	Purchase	7,561,064	-	48%
0	Alpha	Alpha Changshu	Parent company to Subsidiary	Accounts payable to related parties	1,376,885	90 days	6%
0	Alpha	Alpha Chengdu	Parent company to Subsidiary	Research expense	308,403	-	2%
0	Alpha	Universal	Parent company to Subsidiary	Purchase	3,326,041	-	21%
0	Alpha	Universal	Parent company to Subsidiary	Accounts payable to related parties	722,365	90 days	3%
0	Alpha	D-Link Asia	Parent company to Subsidiary	Purchase	410,031	-	2.59%
0	Alpha	D-Link Asia	Parent company to Subsidiary	Accounts payable to related parties	394,044	90 days	2%
1	Global	Alpha Changshu	Subsidiary company to Subsidiary	Sales	5,818,153	-	37%
1	Global	Alpha Changshu	Subsidiary company to Subsidiary	Accounts receivable from related parties	749,109	120 days	3%
2	Alpha HK	Alpha Changshu	Subsidiary company to Subsidiary	Accounts receivable from related parties	272,328	120 days	1%
3	Universal	Alpha Dongguan	Subsidiary company to Subsidiary	Purchase	3,326,041	-	21.02%
3	Universal	Alpha Dongguan	Subsidiary company to Subsidiary	Accounts payable to related parties	716,555	90 days	2.87%
4	D-Link Asia	Alpha Dongguan	Subsidiary company to Subsidiary	Purchase	410,031	-	2.59%
4	D-Link Asia	Alpha Dongguan	Subsidiary company to Subsidiary	Accounts payable to related parties	409,345	90 days	1.64%
5	Alpha Dongguan	Universal	Subsidiary company to Subsidiary	Purchase	2,929,363	-	18.51%
5	Alpha Dongguan	Universal	Subsidiary company to Subsidiary	Accounts payable to related parties	787,874	90 days	3.15%
5	Alpha Dongguan	D-Link Asia	Subsidiary company to Subsidiary	Accounts payable to related parties	200,594	90 days	0.80%
6	Hitron Technologies	Interactive Digital	Subsidiary company to Subsidiary	Other payable to related parties	6,009	90 days	0.02%
6	Hitron Technologies	Interactive Digital	Subsidiary company to Subsidiary	Commission expense	28,851	-	0.18%
6	Hitron Technologies	Hitron Suzhou	Subsidiary company to Subsidiary	Purchase	6,111,800	-	38.62%
6	Hitron Technologies	Hitron Suzhou	Subsidiary company to Subsidiary	Other operating costs	4,708	-	0.03%
6	Hitron Technologies	Hitron Suzhou	Subsidiary company to Subsidiary	Operating expense	5,653	-	0.04%

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
6	Hitron Technologies	Hitron Suzhou	Subsidiary company to Subsidiary	Other receivable to related parties	311,366	90 days	1.25%
6	Hitron Technologies	Hitron Suzhou	Subsidiary company to Subsidiary	Accounts payable to related parties	842,310	90 days	3.37%
6	Hitron Technologies	Jietech Trading	Subsidiary company to Subsidiary	Other operating income	1,820	-	0.01%
6	Hitron Technologies	Jietech Trading	Subsidiary company to Subsidiary	Sales	7,072	-	0.04%
6	Hitron Technologies	Hitron Europe	Subsidiary company to Subsidiary	Accounts receivable from related parties	2,133	60 days	0.01%
6	Hitron Technologies	Hitron Europe	Subsidiary company to Subsidiary	Sales	163,232	-	1.03%
6	Hitron Technologies	Hitron Americas	Subsidiary company to Subsidiary	Accounts receivable from related parties	39,389	60 days	0.16%
6	Hitron Technologies	Hitron Americas	Subsidiary company to Subsidiary	Sales	5,788,216	-	36.57%
6	Hitron Technologies	Hitron Americas	Subsidiary company to Subsidiary	Other operating income	11,771	-	0.07%
6	Hitron Technologies	Hitron Americas	Subsidiary company to Subsidiary	Accounts receivable from related parties	1,164,345	60 days	4.66%
6	Hitron Technologies	Hitron Americas	Subsidiary company to Subsidiary	Other receivable to related parties	4,214	60 days	0.02%
6	Hitron Technologies	Hitron Vietnam	Subsidiary company to Subsidiary	Other receivable to related parties	210,712	60 days	0.84%
7	Hitron Suzhou	Innoauto Technologies	Subsidiary company to Subsidiary	Sales	6,663	-	0.04%
7	Hitron Suzhou	Jietech Trading	Subsidiary company to Subsidiary	Other payable to related parties	21,540	90 days	0.09%
8	Innoauto Technologies	Jietech Trading	Subsidiary company to Subsidiary	Other operating income	1,385	-	0.01%
8	Innoauto Technologies	Jietech Trading	Subsidiary company to Subsidiary	Sales	7,763	-	0.05%

Alpha Networks Inc. and Subsidiaries

Information on investees (excluding information on investees in Mainland China)

For the year ended December 31, 2019

Table 8 (In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: December 31, 2019	Original investment amount: December 31, 2018	Balance as of December 31, 2019: Shares (thousands)	Balance as of December 31, 2019: Percentage of ownership	Balance as of December 31, 2019: 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	2,346,489	74,377	100.00 %	2,064,770	100 %	26,388	27,166	
Alpha	Alpha Solutions	Japan	Sale of network equipment, components and technical services	5,543	5,543	1	100.00 %	20,597	100 %	2,141	2,141	
Alpha	Alpha USA	CA USA	Sale, marketing and procurement service in USA	51,092	51,092	1,500	100.00 %	139,290	100 %	7,223	7,223	
Alpha	Alpha HK	Hong Kong	Investment holding	3,143,628	3,143,628	780,911	100.00 %	2,217,657	100.00 %	55,557	69,206	
Alpha	ATS	CA USA	Technical services	260,497	260,497	8,100	100.00 %	178,198	100 %	1,560	1,560	
Alpha	Global	Samoa	Sale of electrical products	185,880 (USD8,100 thousand)	185,880 (USD8,100 thousand)	7,000	100.00 %	177,169	100 %	(9,799)	(9,798)	
Alpha	Enrich Investment	Taiwan	Investment holding	50,000 (USD6,000 thousand)	50,000 (USD6,000 thousand)	5,000	100.00 %	46,139	100 %	(3,207)	(3,207)	
Alpha	Hitron Technologies	Taiwan	Marketing on system integration of communication product and telecommunication products	3,243,894	-	151,028	47.00 %	3,243,894	47 %	219,959	-	
Alpha Holdings	D-Link Asia	Singapore	Investment in manufacturing business	1,692,805 (note 2)	1,155,509 (note 2)	86,946	100.00 %	1,705,388	100 %	(3,519)	note 1	
Alpha Holdings	Alpha Investment	Cayman Islands	Investment holding	308,625 (USD10,040 thousand)	308,625 (USD10,040 thousand)	10,040	100.00 %	383,362	100 %	22,101	note 1	
Alpha Holdings	Universal	Samoa	Sale of electrical products	616,200 (USD20,000 thousand)	616,200	21,000	100.00 %	(7,427)	100 %	(1,111)	note 1	
Enrich Investment	Transnet Corporation	Taiwan	Operating network communication products, system services, integrated supply and network equipment import and export	50,000	50,000	5,000	100.00 %	46,138	100.00 %	(3,207)	note 1	
Hitron Technologies	Hitron Samoa	Samoa	International trade	669,031	669,031	22,300	100.00 %	780,195	100.00 %	30,701	note 1	
Hitron Technologies	Interactive Digital	Taiwan	Telecommunication and broadband network system services	133,527	142,717	16,703	45.21 %	495,680	48.00 %	240,544	note 1	

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value				
Hitron Technologies	Hitron Europe	Netherlands	International trade	59,604	59,604	-	100.00 %	(82,551)	100.00 %	(1,144)	note 1	
Hitron Technologies	Hitron Americas	USA	International trade	90,082	90,082	300	100.00 %	66,579	100.00 %	3,352	note 1	
Hitron Technologies	Innoauto Technologies	Taiwan	Investment and automotive electronics products	80,000	100,000	8,000	100.00 %	4,222	100 %	(29,520)	note 1	
Hitron Technologies	Hitron Vietnam	Vietnam	Production and sale of broadband telecommunication products	220,905	-	-	100.00 %	204,609	100 %	(5,555)	note 1	

Note 1: Recognized by subsidiary.

Note 2: This includes the previous that D-link corporation investment in D-Link Asia by $218,631 thousand.

Note 3: The Group has entered into organization restructuring, Mirac has transferred from Alpha to D-Link Asia.

Alpha Networks Inc. and Subsidiaries

The names of investees in Mainland China, the main businesses and products, and other information

For the year ended December 31, 2019

Table 10 (In Thousands of New Taiwan Dollars)

(1) The names of investees in Mainland China, the main businesses and products, and other information

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Alpha Chengdu (note 8)	Research and development of network products	420,426	note 1	420,426	-	-	420,426	19,230	100.00%	19,230	536,594	-
Alpha Dongguan	Production and sale of network products	787,496	note 1	741,084	-	-	741,084 (note 6)	(1,264)	100.00%	(1,264)	1,001,755	-
Mirac (note 8)	Production and sale of network products	307,326	note 1	307,326	-	-	307,326	(20,317)	100.00%	(20,317)	285,179	-
Alpha Changshu	Research, production and sale of network products	1,925,920	note 1	1,925,920	-	-	1,925,920	36,760	100.00%	36,760	1,185,794	-
Maintrend	Post-sale service	641,763	note 1	641,763	-	-	641,763	33,454	100.00%	-	750,018	-
Jietech Trading	Sale of broadband network products and related services	57,473	note 1	57,473	-	-	57,473	(2,753)	100.00%	-	31,954	-
Hwa Chi Technologies(note 9)	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	200	note 1	12,048	-	-	12,048	1,737	100.00%	-	5,649	20,654

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
3,261,784 note 3,4,7	4,123,685	note 5
711,284	711,284	2,968,303

Note 1: Investment in companies in Mainland China through the existing companies in the third regions.

Note 2: Amount was recognized based on the audited financial statements.

Note 3: Accumulated investments in Alpha Dongguan did not include the previously invested by D-Link Corporation HKD63,387 thousand (equivalent to approximately $303,055 thousand).

Note 4: Alpha indirectly investment the subsidiary Tongying Trading (Shenzhen) Co., Ltd., has liquidated all rights and obligations in March 2008 and cancelled the registration. Accumulated investments $9,828 thousand in Tongying Trading (Shenzhen) Co., Ltd., deducted the remittance amount of $4,367 thousand equals $5,461 thousand. It is still necessary to calculate the amount by the principle of Investment Commission, MOEA.

Note 5: As the Company has obtained the certificate of being qualified for operating headquarters issued by Industrial Development Bureau, MOEA on March 2008, the upper limit on investment in mainland China pursuant to “Principle of investment or Technical Cooperation in Mainland China” is not applicable.

Note 6: The investment of $46,412 thousand by D-Link Asia's own funds, so it does not count the accumulated investment amount from Taiwan at the end of the period.

Note 7: The investment of $164,622 thousand by Alpha HK's own funds, so it does not count the accumulated investment amount from Taiwan at the end of the period. Maintrend shareholders’ meeting approved the dissolution and liquidation on January 12, 2016. The dissolution and liquidation procedures were completed on July 23, 2018.

Note 8: The Group has entered into organization restructuring in year 2019, Mirac has been transferred from Alpha to D-Link Asia; In addition, Mirac(Dongguan) has been transferred from Alpha Investment to Alpha Network. All the related legal procedures have been completed in November 2019.

Note 9: Hwa Chi is a China based investment company which invested Hitron (Samoa) through Alpha, however, it has switched to invest through Interactive Digital due to the Group's restructuring decision resolved in year 2012.

Note10: This refers to the direct or indirect shares holding by Hitron technologies.