

ALPHA NETWORKS INC. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report
For the Three Months Ended March 31, 2022 and 2021**

The independent auditors' review 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' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors
Alpha Networks Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Alpha Networks Inc. and its subsidiaries as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-months periods ended March 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(2), the consolidated financial statements, included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. As of March 31, 2022 and 2021, total assets amounted to \$491,119 thousand and \$414,541 thousand, respectively, accounting for 2% and 0% of the consolidated total assets; total liabilities amounted to \$168,466 thousand and \$223,550 thousand, accounting for 1% and 2% of the consolidated total liabilities, respectively; and total comprehensive income amounted to \$28,067 thousand and \$24,328 thousand that accounted for 7% and 16% of the consolidated total comprehensive income for the three-months periods ended March 31, 2022 and 2021, respectively.

Qualified Conclusion

Based on our reviews and the review reports, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph been reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Alpha Networks Inc. and its subsidiaries as of March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three-months periods ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)
April 29, 2022

Notes to Readers

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

The independent auditors’ review 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)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2022 and 2021

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2022, December 31, 2021, and March 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2022		December 31, 2021		March 31, 2021		Liabilities and Equity		March 31, 2022		December 31, 2021		March 31, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(1))	\$ 3,776,520	14	4,498,050	19	5,824,230	23	2100	Short-term borrowings (note 6(12))	\$ 5,182,573	19	4,044,952	16	3,115,219	12
	Current financial assets at fair value through profit or loss (note 6(2))	67,724	-	67,565	-	59,908	-	2120	Current financial liabilities at fair value through profit or loss (note 6(2))	12,452	-	2,927	-	17,603	-
1136	Current financial assets at amortized cost (notes 6(1), (5) and 8)	399,940	1	375,007	2	98,528	-	2170	Accounts payable (including related parties) (note 7)	5,288,171	20	4,193,913	17	5,543,388	22
1170	Notes and accounts receivable, net (notes 6(3) and (22))	4,794,577	18	4,053,112	16	5,111,127	20	2209	Accrued expenses	547,599	2	501,745	2	648,354	3
130x	Inventories (note 6(4))	11,507,229	42	9,238,822	37	7,300,324	29	2216	Dividends payable	622,396	2	-	-	-	-
1470	Other current assets (notes 6(11) and 7)	494,444	2	467,666	2	921,992	4	2230	Current tax liabilities	321,302	1	233,597	1	315,367	1
		<u>21,040,434</u>	<u>77</u>	<u>18,700,222</u>	<u>76</u>	<u>19,316,109</u>	<u>76</u>	2250	Current provisions (note 6(14))	282,823	1	286,255	1	332,244	1
	Non-current assets:							2321	Bonds payable, current portion (note 6(16))	421,310	2	461,471	2	455,931	2
1517	Non-current financial assets at fair value through other comprehensive income (note 6(6))	19,094	-	19,335	-	19,335	-	2399	Other current liabilities (notes 6(15), (17), (22) and 7)	1,719,604	6	1,858,655	8	1,628,673	6
1535	Non-current financial assets at amortized cost (notes 6(3), (5) and 8)	132,986	-	136,777	-	164,634	-			<u>14,398,230</u>	<u>53</u>	<u>11,583,515</u>	<u>47</u>	<u>12,056,779</u>	<u>47</u>
1600	Property, plant and equipment (notes 6(8) and 7)	3,876,034	14	3,654,414	15	3,836,207	15	2540	Non-Current liabilities:						
1755	Right-of use asset (note 6(9))	440,085	2	422,208	2	416,873	2	2580	Long-term borrowings (note 6(13))	26,000	-	-	-	-	-
1780	Intangible assets (note 6(10))	1,328,711	5	1,344,845	5	1,413,447	5	2640	Non-current lease liabilities (note 6(17))	229,513	1	224,220	1	201,200	1
1840	Deferred tax assets (note 6(19))	253,821	1	228,983	1	261,459	1	2670	Net defined benefit liability (note 6(18))	194,630	1	204,784	1	196,480	1
1990	Other non-current assets (notes 6(11), (18) and 7)	305,524	1	224,000	1	128,808	1		Other non-current liabilities (notes 6(14) and (19))	180,034	-	159,161	-	136,995	1
		<u>6,356,255</u>	<u>23</u>	<u>6,030,562</u>	<u>24</u>	<u>6,240,763</u>	<u>24</u>			<u>630,177</u>	<u>2</u>	<u>588,165</u>	<u>2</u>	<u>534,675</u>	<u>3</u>
									Total liabilities	<u>15,028,407</u>	<u>55</u>	<u>12,171,680</u>	<u>49</u>	<u>12,591,454</u>	<u>50</u>
								3110	Equity (notes 6(20) and (21)):						
								3200	Ordinary share capital	5,417,185	20	5,417,185	22	5,417,185	21
									Capital surplus	2,536,428	9	2,583,772	10	3,017,347	12
									Retained earnings:						
								3310	Legal reserve	1,127,420	4	1,127,420	5	1,127,420	4
								3320	Special reserve	448,804	2	448,804	2	731,766	3
								3350	Unappropriated retained earnings	227,291	1	472,330	2	(14,762)	-
										<u>1,803,515</u>	<u>7</u>	<u>2,048,554</u>	<u>9</u>	<u>1,844,424</u>	<u>7</u>
								3400	Other equity interest	(233,788)	(1)	(447,092)	(2)	(420,706)	(2)
									Total equity attributable to owners of parent:	<u>9,523,340</u>	<u>35</u>	<u>9,602,419</u>	<u>39</u>	<u>9,858,250</u>	<u>38</u>
								36XX	Non-controlling interests (note 6(7))	2,844,942	10	2,956,685	12	3,107,168	12
									Total equity	<u>12,368,282</u>	<u>45</u>	<u>12,559,104</u>	<u>51</u>	<u>12,965,418</u>	<u>50</u>
Total assets		<u>\$ 27,396,689</u>	<u>100</u>	<u>24,730,784</u>	<u>100</u>	<u>25,556,872</u>	<u>100</u>	Total liabilities and equity		<u>\$ 27,396,689</u>	<u>100</u>	<u>24,730,784</u>	<u>100</u>	<u>25,556,872</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2022 and 2021

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

		For the three months ended March 31			
		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(22))	\$ 6,874,890	100	7,193,287	100
5000	Operating costs (notes 6(18), (23) and 7)	<u>5,573,621</u>	<u>81</u>	<u>6,119,282</u>	<u>85</u>
	Gross profit	<u>1,301,269</u>	<u>19</u>	<u>1,074,005</u>	<u>15</u>
	Operating expenses (notes 6(3) and 7):				
6100	Selling expenses	304,821	4	276,599	4
6200	Administrative expenses	311,652	5	289,617	4
6300	Research and development expenses	417,408	6	351,985	5
6450	Expected credit loss (gain) (note 6(3))	<u>(2,461)</u>	<u>-</u>	<u>5,019</u>	<u>-</u>
	Total operating expenses	<u>1,031,420</u>	<u>15</u>	<u>923,220</u>	<u>13</u>
	Net operating income (loss)	<u>269,849</u>	<u>4</u>	<u>150,785</u>	<u>2</u>
	Non-operating income and expenses:				
7010	Other income (note 6(25))	7,459	-	13,763	-
7020	Other gains and losses, net (note 6(26))	(2,055)	-	(4,188)	-
7050	Finance costs (note 6(27))	(12,896)	-	(10,651)	-
7100	Interest income (note 6(24))	<u>4,130</u>	<u>-</u>	<u>5,929</u>	<u>-</u>
	Total non-operating income and expenses	<u>(3,362)</u>	<u>-</u>	<u>4,853</u>	<u>-</u>
	Profit from continuing operations before tax	266,487	4	155,638	2
7950	Less: Income tax expenses (note 6(19))	<u>105,436</u>	<u>2</u>	<u>38,275</u>	<u>1</u>
	Profit	<u>161,051</u>	<u>2</u>	<u>117,363</u>	<u>1</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans (note 6(18))	545	-	-	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (notes 6(20) and (28))	<u>(241)</u>	<u>-</u>	<u>(1,910)</u>	<u>-</u>
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>304</u>	<u>-</u>	<u>(1,910)</u>	<u>-</u>
8360	Components of other comprehensive loss that will be reclassified to profit or loss				
8361	Exchange differences on translation (note 6(20))	<u>244,843</u>	<u>4</u>	<u>39,012</u>	<u>1</u>
	Components of other comprehensive loss that will be reclassified to profit or loss	<u>244,843</u>	<u>4</u>	<u>39,012</u>	<u>1</u>
8300	Other comprehensive loss	<u>245,147</u>	<u>4</u>	<u>37,102</u>	<u>1</u>
8500	Total comprehensive income	<u>\$ 406,198</u>	<u>6</u>	<u>154,465</u>	<u>2</u>
	Income (loss), attributable to:				
8610	Shareholder of Alpha Network Inc.	\$ 133,825	2	113,214	1
8620	Non-controlling interests	<u>27,226</u>	<u>-</u>	<u>4,149</u>	<u>-</u>
		<u>\$ 161,051</u>	<u>2</u>	<u>117,363</u>	<u>1</u>
	Comprehensive income attributable to:				
8710	Shareholder of Alpha Network Inc.	\$ 347,468	5	141,312	2
8720	Non-controlling interests	<u>58,730</u>	<u>1</u>	<u>13,153</u>	<u>-</u>
		<u>\$ 406,198</u>	<u>6</u>	<u>154,465</u>	<u>2</u>
	Earnings per share (New Taiwan dollars) (note 6(21))				
	Basic earnings per share	<u>\$ 0.25</u>		<u>0.21</u>	
	Diluted earnings per share	<u>\$ 0.25</u>		<u>0.21</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings				Total other equity interest		Total equity attributable to owners of parent	Non-controlling interests	Total equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Deficit to be compensated)	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				Total other equity interest
Balance at January 1, 2021	\$ 5,417,185	3,004,591	1,127,420	731,766	(127,976)	1,731,210	(448,804)	-	(448,804)	9,704,182	3,034,149	12,738,331
Profit	-	-	-	-	113,214	113,214	-	-	-	113,214	4,149	117,363
Other comprehensive income	-	-	-	-	-	-	29,287	(1,189)	28,098	28,098	9,004	37,102
Total comprehensive income	-	-	-	-	113,214	113,214	29,287	(1,189)	28,098	141,312	13,153	154,465
Changes in ownership interests in subsidiaries	-	12,756	-	-	-	-	-	-	-	12,756	(12,756)	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	72,622	72,622
Balance at March 31, 2021	\$ 5,417,185	3,017,347	1,127,420	731,766	(14,762)	1,844,424	(419,517)	(1,189)	(420,706)	9,858,250	3,107,168	12,965,418
Balance at January 1, 2022	\$ 5,417,185	2,583,772	1,127,420	448,804	472,330	2,048,554	(445,903)	(1,189)	(447,092)	9,602,419	2,956,685	12,559,104
Profit	-	-	-	-	133,825	133,825	-	-	-	133,825	27,226	161,051
Other comprehensive income	-	-	-	-	339	339	213,454	(150)	213,304	213,643	31,504	245,147
Total comprehensive income	-	-	-	-	134,164	134,164	213,454	(150)	213,304	347,468	58,730	406,198
Appropriation and distribution of retained earnings:												
Cash dividends of ordinary share	-	-	-	-	(379,203)	(379,203)	-	-	-	(379,203)	-	(379,203)
Cash dividends from capital surplus	-	(54,172)	-	-	-	-	-	-	-	(54,172)	-	(54,172)
Due to donated assets received	-	13	-	-	-	-	-	-	-	13	-	13
Changes in ownership interests in subsidiaries	-	6,815	-	-	-	-	-	-	-	6,815	(6,815)	-
Distribution cash dividend by subsidiaries to non-controlling shoats	-	-	-	-	-	-	-	-	-	-	(189,021)	(189,021)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	25,363	25,363
Balance at March 31, 2022	\$ 5,417,185	2,536,428	1,127,420	448,804	227,291	1,803,515	(232,449)	(1,339)	(233,788)	9,523,340	2,844,942	12,368,282

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2022	2021
Cash flows from operating activities:		
Profit before tax	\$ 266,487	155,638
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	117,524	146,171
Amortization expense	49,972	48,468
Expected credit loss (gain)	(2,461)	5,019
Net gain on financial assets or liabilities at fair value through profit or loss	11,944	9,173
Interest expense	12,896	10,651
Interest income	(4,130)	(5,929)
Loss on disposal of property, plant and equipment	50	240
Provisions for inventory obsolescence and devaluation loss	31,940	18,033
Total adjustments to reconcile profit	217,735	231,826
Changes in operating assets and liabilities:		
Notes and accounts receivable	(739,004)	1,684,932
Financial assets mandatorily at fair value through profit or loss	349	18,982
Inventories	(2,300,347)	(288,987)
Other current assets	(25,384)	(10,810)
Total changes in operating assets	(3,064,386)	1,404,117
Financial liabilities held for trading	(2,927)	(10,920)
Accounts payable	1,094,258	(1,284,715)
Other payable to related parties	(1,427)	300
Other current liabilities	(107,042)	(586,166)
Net defined benefit liability	(9,609)	(23,887)
Total changes in operating liabilities	973,253	(1,905,388)
Total changes in operating assets and liabilities	(2,091,133)	(501,271)
Total adjustments	(1,873,398)	(269,445)

(Continued)

See accompanying notes to consolidated financial statements.

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ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows(Continued)
For the three months ended March 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2022	2021
Cash flows generated from (used in) operations	(1,606,911)	(113,807)
Interest received	1,819	6,087
Interest paid	(12,501)	(8,490)
Income taxes paid	(31,289)	(3,815)
Net cash flows used in operating activities	(1,648,882)	(120,025)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(399,940)	(71,636)
Proceeds from repayments of financial assets at amortized cost	375,007	138,680
Proceeds from disposal of financial assets at fair value through profit or loss	-	11,851
Acquisition of property, plant and equipment	(270,662)	(76,288)
Proceeds from disposal of property, plant and equipment	680	975
Decrease (increase) in refundable deposits	3,791	(8,159)
Acquisition of intangible assets	(32,915)	(23,774)
Increase in other non-current assets	(81,652)	(33,320)
Net cash flows used in investing activities	(405,691)	(61,671)
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,137,621	272,457
Proceeds from long-term borrowings	26,000	-
Increase in guaranteed deposits received	330	2,371
Payment of lease liabilities	(7,709)	(15,685)
Donation received	13	-
Net cash flows from financing activities	1,156,255	259,143
Effect of exchange rate changes on cash and cash equivalents	176,788	36,779
Net decrease in cash and cash equivalents	(721,530)	114,226
Cash and cash equivalents at beginning of period	4,498,050	5,710,004
Cash and cash equivalents at end of period	\$ 3,776,520	5,824,230

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

March 31, 2022 and 2021

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

1. Company history

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

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

On July 23, 2020, Qisda Corporation (“Qisda”) acquired 19.02% of Alpha’s ordinary shares, before the acquisition, Qisda and its subsidiaries held 23.84%, totaling 42.86% of the ordinary shares, Qisda became the parent company after the acquisition.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on April 29, 2022.

3. New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

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

4. Summary of significant accounting policies:

(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 guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by the FSC, and do not include all of the information required by the IFRSs, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRSs endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except as described in the following paragraph, the Group's significant accounting policies are applied consistently for the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

(2) Employee benefits

The defined benefit pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time, as well as significant curtailments, settlements, or other significant one-time events.

(3) Basis of consolidation

A. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Main Business Activities	Shareholding		
			March 31, 2022	December 31, 2021	March 31, 2021
Alpha	Alpha Holdings Inc. (Alpha Holdings)	Investment holding	100.00%	100.00%	100.00%
Alpha	Alpha Solutions Co., Ltd. (Alpha Solutions)	Sale of network equipment, components and technical services	100.00%	100.00%	100.00%
Alpha	Alpha Networks Inc. (Alpha USA)	Sale, marketing and procurement service in USA	100.00%	100.00%	100.00%
Alpha	Alpha Networks (Hong Kong) Limited (Alpha HK)	Investment holding	100.00%	100.00%	100.00%
Alpha	Alpha Technical Services Inc. (ATS)	Post-sale service	100.00%	100.00%	100.00%
Alpha	Enrich Investment Corporation (Enrich Investment)	Investment holding	100.00%	100.00%	100.00%

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

Name of Investor	Name of Investee	Main Business Activities	Shareholding		
			March 31, 2022	December 31, 2021	March 31, 2021
Alpha	D-Link Asia Investment Pte. Ltd. (D-Link Asia)	Investment in manufacturing business	100.00%	100.00%	100.00%
Alpha	Hitron Technologies Inc. (Hitron Technologies)	Marketing on system integration of communication product and telecommunication products	62.24%	62.24%	62.24%
Alpha	Alpha Networks Vietnam Company Limited (Alpha VN) (note 3)	Production and sale of network products	100.00%	- %	- %
D-Link Asia	Alpha Networks (Chengdu) Co., Ltd. (Alpha Chengdu)	Research and development of network products	100.00%	100.00%	100.00%
D-Link Asia	Alpha Networks (Dongguan) Co., Ltd. (Alpha Dongguan)	Production and sale of network products	100.00%	100.00%	100.00%
Alpha Dongguan	Mirac Networks (Dongguan) Co., Ltd. (Mirac)	Production and sale of network products	100.00%	100.00%	100.00%
Alpha HK	Alpha Networks (Changshu) Co., Ltd. (Alpha Changshu)	Production and sale of network products	100.00%	100.00%	100.00%
Enrich Investment	Transnet Corporation (Transnet)	Operating in network communication products, provide system support services, integrated supply and import and export of network equipment	100.00%	100.00%	100.00%
Enrich Investment	Interactive Digital (note 1)	Telecommunication and broadband network system services	6.54%	6.64%	6.56%
Enrich Investment	Aespula Technology INC. (Aespula) (note 2)	Sale of network equipment, components and technical services	98.92%	98.92%	- %
Hitron Technologies	Hitron Technologies (Samoa) Inc (Hitron Samoa)	International trade	100.00%	100.00%	100.00%
Hitron Technologies	Interactive Digital Technologies Inc. (Interactive Digital) (note1)	Telecommunication and broadband network system services	42.40%	43.10%	43.10%

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

Name of Investor	Name of Investee	Main Business Activities	Shareholding		
			March 31, 2022	December 31, 2021	March 31, 2021
Hitron Technologies	Hitron Technologies Europe Holding B.V. (Hitron Europe) (note 4)	International trade	100.00%	100.00%	100.00%
Hitron Technologies	Hitron Technologies (Americas) Inc. (Hitron Americas)	International trade	100.00%	100.00%	100.00%
Hitron Technologies	Innoauto Technologies Inc. (Innoauto Technologies)	Investment and automotive electronics products	100.00%	100.00%	100.00%
Hitron Technologies	Hitron Technologies (Vietnam) Inc. (Hitron Vietnam)	Production and sale of broadband	100.00%	100.00%	100.00%
Hitron Samoa	Hitron Technologies (SIP) Inc (Hitron Suzhou)	Production and sale of broadband telecommunications products	100.00%	100.00%	100.00%
Hitron Samoa	Jietech Trading (Suzhou) Inc. (Jietech Suzhou)	Sale of broadband network products and related services	100.00%	100.00%	100.00%
Interactive Digital	Hwa Chi Technologies (Shanghai) Inc. (Hwa Chi Technologies)	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	100.00%	100.00%	100.00%

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

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

Note 3: Alpha Networks established a subsidiary in Vietnam in March 2022, to optimize the production capacity and enhance the overall product quality and cost competitiveness, the above-mentioned legal procedures have been completed.

Note 4: Non-significant subsidiaries, which is not reviewed by independent auditors.

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

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

(4) Income tax

Income tax expense in the financial statements is measured and disclosed in according to paragraph B12 of IAS 34 endorsed by the FSC.

Income tax expense for the period is best estimated by multiplying pretax income for the reporting period by the effective annual tax rate as forecasted by the management. This is recognized fully as income tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases are measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled and recognized directly in equity or other comprehensive income as income tax expense.

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 (in accordance with IAS 34 endorsed by the FSC) requires management to make judgments, estimations 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 estimations.

The preparation of the consolidated financial statements, the major sources of accounting judgments, estimations and assumptions of uncertainty are applied consistently with note 5 to the consolidated financial statements for the year ended December 31, 2021.

6. Explanation of significant accounts:

Except as described below, there were no significant changes in the description of significant accounts mentioned in the consolidated financial statements for the year ended December 31, 2021. For other information about the description of significant accounts, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2021.

(1) Cash and cash equivalents

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand	\$ 928	934	4,770
Checking and savings accounts	3,132,330	3,275,239	3,109,381
Time deposits	623,262	721,877	2,524,489
Cash equivalents	<u>20,000</u>	<u>500,000</u>	<u>185,590</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 3,776,520</u>	<u>4,498,050</u>	<u>5,824,230</u>

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

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

As of March 31, 2022, December 31 and March 31, 2021, deposits with original maturities of more than three months were \$399,940 thousand, \$375,007 thousand and \$71,325 thousand, respectively, and were recorded in financial assets measured at amortized cost.

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

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Financial assets mandatorily measured at fair value through profit or loss – current			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 2,520	1,425	2,156
Foreign exchange swaps	201	2,364	-
Non-derivative financial assets			
Stocks listed on domestic markets	65,003	63,776	57,611
Derivatives instrument – Convertible Bonds	-	-	141
Total	<u>\$ 67,724</u>	<u>67,565</u>	<u>59,908</u>
Financial liabilities hold for trading – current			
Forward exchange contracts	\$ 10,639	2,927	10,902
Foreign exchange swaps	1,813	-	6,701
	<u>\$ 12,452</u>	<u>2,927</u>	<u>17,603</u>

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:

	<u>March 31, 2022</u>		
	<u>Amount</u> <u>(in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Forward exchange contracts	EUR 9,280	EUR to NTD	April 2022 ~ July 2022
Forward exchange contracts	USD 6,126	USD to EUR	May 2022 ~ June 2022
Forward exchange contracts	USD 5,650	USD to NTD	April 2022 ~ July 2022
Forward exchange contracts	USD 49,000	CNY to USD	April 2022 ~ May 2022
Foreign exchange swaps	USD 21,000	USD to NTD	April 2022

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

December 31, 2021				
	Amount	(in thousands)	Currency	Maturity date
Forward exchange contracts	EUR	1,279	USD to EUR	January 2022
Forward exchange contracts	USD	1,248	USD to EUR	January 2022
Forward exchange contracts	USD	5,000	USD to NTD	February 2022
Forward exchange contracts	USD	30,000	CNY to USD	January 2022
Forward exchange contracts	EUR	3,479	EUR to NTD	January 2022 ~ March 2022
Forward exchange contracts	EUR	1,329	EUR to USD	January 2022
Forward exchange contracts	USD	1,000	NTD to USD	January 2022
Foreign exchange swaps	USD	21,000	USD to NTD	January 2022

March 31, 2021				
	Amount	(in thousands)	Currency	Maturity date
Forward exchange contracts	USD	13,000	USD to NTD	April 2021 ~ June 2021
Forward exchange contracts	USD	16,000	USD to CNY	April 2021
Forward exchange contracts	USD	6,940	USD to EUR	April 2021 ~ June 2021
Forward exchange contracts	EUR	5,629	EUR to NTD	April 2021
Forward exchange contracts	RMB	6,518	CNY to USD	April 2021
Foreign exchange swaps	USD	33,000	USD to NTD	April 2021

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

	March 31,	December 31,	March 31,
	2022	2021	2021
Notes and accounts receivable	\$ 4,804,262	4,065,130	5,148,602
Less: loss allowances	(9,685)	(12,018)	(37,475)
	\$ 4,794,577	4,053,112	5,111,127

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:

	March 31,	December 31,	March 31,
	2022	2021	2021
Financial assets measured at amortized cost– non-current	\$ 67,957	68,103	79,438
Less: loss allowances	(67,957)	(68,103)	(79,438)
	\$ -	-	-

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

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:

	March 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 4,570,432	0.00%	-
90 days past due	228,905	4.10%	9,377
91 to 180 days past due	4,925	6.25%	308
More than 181 days past due	<u>67,957</u>	100%	<u>67,957</u>
	<u>\$ 4,872,219</u>		<u>77,642</u>
	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 3,607,494	0.00%	-
90 days past due	457,633	2.63%	12,015
91 to 180 days past due	3	100%	3
More than 181 days past due	<u>68,103</u>	100%	<u>68,103</u>
	<u>\$ 4,133,233</u>		<u>80,121</u>
	March 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 4,671,086	0.027%	1,257
90 days past due	398,114	1.36%	5,412
91 to 180 days past due	1,442	10.89%	157
More than 181 days past due	<u>157,398</u>	69.94%	<u>110,087</u>
	<u>\$ 5,228,040</u>		<u>116,913</u>

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

	For the three months ended March 31,	
	2022	2021
Balance at January 1	\$ 80,121	111,894
Impairment losses recognized (reversal)	(2,461)	5,019
Write-off	(146)	-
Effect of changes in exchange rates	128	-
Balance at March 31	\$ 77,642	116,913

(4) Inventories

	March 31, 2022	December 31, 2021	March 31, 2021
Raw materials	\$ 7,785,036	5,806,276	3,856,990
Work in progress and semi-finished products	716,630	634,546	952,404
Finished goods and merchandises	3,005,563	2,798,000	2,490,930
	\$ 11,507,229	9,238,822	7,300,324

Component of operating cost were as below:

	For the three months March 31,	
	2022	2021
Cost of goods sold	\$ 5,541,681	6,101,249
Provision for inventory obsolescence and devaluation loss	31,940	18,033
	\$ 5,573,621	6,119,282

As of March 31, 2022, December 31 and March 31, 2021, the Group's inventories were not pledged.

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

	March 31, 2022	December 31, 2021	March 31, 2021
Current:			
Time deposits	\$ 399,940	375,007	71,325
Restricted deposits	-	-	12,817
Other receivables	-	-	14,386
	\$ 399,940	375,007	98,528

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

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Non-current:			
Restricted deposits	\$ 21,211	20,900	20,900
Refundable deposits	111,775	115,877	143,734
Overdue receivables	67,957	68,103	79,438
Less: loss allowances	<u>(67,957)</u>	<u>(68,103)</u>	<u>(79,438)</u>
	<u>\$ 132,986</u>	<u>136,777</u>	<u>164,634</u>

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

As of March 31, 2022, December 31 and March 31, 2021 the Group held bank time deposits with variable interest rates, and the average interest rates ranged between 0.22%~1.065%, 0.01%~0.815% and 0.12%~2.20%, respectively.

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

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

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Equity instrument at fair value through other comprehensive income:			
Non-publicly traded – CHAO LONG	<u>\$ 19,094</u>	<u>19,335</u>	<u>19,335</u>

As of March 31, 2022, December 31 and March 31, 2021, the Group's financial assets above were not pledged.

(7) Material non-controlling interests of subsidiaries

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

<u>Subsidiaries</u>	<u>Main operation place</u>	<u>Percentage of non-controlling interests</u>		
		<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Hitron Technologies Inc.	Taiwan	37.76%	37.76%	37.76%

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

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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Hitron Technologies Inc.'s collective financial information:

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Current assets	\$ 9,630,743	8,654,473	9,292,065
Non-current assets	4,144,513	3,895,286	4,117,965
Current liabilities	(6,794,354)	(5,468,171)	(5,998,986)
Non-current liabilities	(134,758)	(116,227)	(70,327)
Net assets	<u>\$ 6,846,144</u>	<u>6,965,361</u>	<u>7,340,717</u>
Non-controlling interests	<u>\$ (874,449)</u>	<u>(978,394)</u>	<u>(997,908)</u>
Net assets of investees	<u>\$ 5,971,695</u>	<u>5,986,966</u>	<u>6,342,809</u>
Book value of non-controlling interests	<u>\$ 2,087,252</u>	<u>2,093,017</u>	<u>2,227,384</u>

	<u>For the three months ended</u> <u>March 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating revenue	<u>\$ 2,438,510</u>	<u>2,820,243</u>
Profit	\$ 60,988	(7,044)
Other comprehensive income	83,433	25,759
Total comprehensive income	<u>\$ 144,421</u>	<u>18,715</u>
Profit attributable to non-controlling interests	<u>\$ 8,142</u>	<u>13,305</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 14,131</u>	<u>19,328</u>
Net cash flows from operating activities	\$ (492,161)	(575,665)
Net cash flows from investing activities	(300,277)	(73,360)
Net cash flows from financing activities	232,657	117,047
Effect of exchange rate changes on cash and cash equivalents	42,994	18,813
Net decrease in cash and cash equivalents	<u>\$ (516,787)</u>	<u>(513,165)</u>

(8) Property, plant and equipment

	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Office, transportation and other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Carrying amounts:						
Balance at January 1, 2022	<u>\$ 644,519</u>	<u>2,168,982</u>	<u>742,519</u>	<u>98,394</u>	<u>-</u>	<u>3,654,414</u>
Balance at March 31, 2022	<u>\$ 874,772</u>	<u>2,183,908</u>	<u>721,584</u>	<u>95,770</u>	<u>-</u>	<u>3,876,034</u>
Balance at January 1, 2021	<u>\$ 645,919</u>	<u>2,304,867</u>	<u>827,452</u>	<u>158,471</u>	<u>-</u>	<u>3,936,709</u>
Balance at March 31, 2021	<u>\$ 646,295</u>	<u>2,274,325</u>	<u>767,937</u>	<u>146,850</u>	<u>800</u>	<u>3,836,207</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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There were no significant additions, disposal of the Group property, plant and equipment for the three months ended March 31, 2022 and 2021. Please refer to note 12 of the depreciation. Please refer to note 6(9) of the consolidated financial statements for the year ended December 31, 2021 for other related information.

As of March 31, 2022, December 31 and March 31, 2021, the Group's property, plant and equipment were not pledged.

(9) Right-of-use assets

The Group leases many assets including land, buildings and transportation. The carrying amounts about leases were presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation and other equipment</u>	<u>Total</u>
Carrying amount:				
Balance at January 1, 2022	\$ <u>389,078</u>	<u>25,396</u>	<u>7,734</u>	<u>422,208</u>
Balance at March 31, 2022	\$ <u>392,359</u>	<u>40,242</u>	<u>7,484</u>	<u>440,085</u>
Balance at January 1, 2021	\$ <u>375,467</u>	<u>46,348</u>	<u>5,522</u>	<u>427,337</u>
Balance at March 31, 2021	\$ <u>371,795</u>	<u>39,977</u>	<u>5,101</u>	<u>416,873</u>

There were no significant additions, disposal of the right-of-use assets for the three months ended March 31, 2022 and 2021. Please refer to note 12 of the depreciation. Please refer to note 6(10) of the consolidated financial statements for the year ended December 31, 2021 for other related information.

As of March 31, 2022, December 31 and March 31, 2021, the Group's right-of-use assets were not pledged.

(10) Intangible asset

	<u>Core Technology</u>	<u>Brand Name</u>	<u>Customer relationship</u>	<u>Goodwill</u>	<u>Software application and other</u>	<u>Total</u>
Carrying amount						
Balance at January 1, 2022	\$ <u>157,343</u>	<u>183,901</u>	<u>308,739</u>	<u>578,900</u>	<u>115,962</u>	<u>1,344,845</u>
Balance at March 31, 2022	\$ <u>149,476</u>	<u>178,155</u>	<u>297,713</u>	<u>578,900</u>	<u>124,467</u>	<u>1,328,711</u>
Balance at January 1, 2021	\$ <u>188,812</u>	<u>206,889</u>	<u>352,844</u>	<u>578,900</u>	<u>108,130</u>	<u>1,435,575</u>
Balance at March 31, 2021	\$ <u>180,945</u>	<u>201,142</u>	<u>341,817</u>	<u>578,900</u>	<u>110,643</u>	<u>1,413,447</u>

There were no significant additions, disposal of the intangible assets for the three months ended March 31, 2022 and 2021. Please refer to note 12 of the depreciation. Please refer to note 6(11) of the consolidated financial statements for the year ended December 31, 2021 for other related information.

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

As of March 31, 2022, December 31 and March 31, 2021, the Group's intangible assets were not pledged.

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

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

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Prepayments for equipment	\$ 293,084	200,014	121,515
Business tax receivable	186,448	184,167	61,118
Advance payment	118,985	69,445	505,426
Income tax receivable	91,714	83,126	158,513
Others	<u>109,737</u>	<u>154,914</u>	<u>204,228</u>
	<u>\$ 799,968</u>	<u>691,666</u>	<u>1,050,800</u>
Other current assets	\$ 494,444	467,666	921,992
Other non-current assets	<u>305,524</u>	<u>224,000</u>	<u>128,808</u>
	<u>\$ 799,968</u>	<u>691,666</u>	<u>1,050,800</u>

(12) Short-term borrowings

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Unsecured bank loans	<u>\$ 5,182,573</u>	<u>4,044,952</u>	<u>3,115,219</u>
Unused short-term credit lines	<u>\$ 9,655,266</u>	<u>8,299,478</u>	<u>3,113,111</u>
Range of interest rates	<u>0.65%~</u> <u>1.74%</u>	<u>0.55%~</u> <u>1.00%</u>	<u>0.62%~</u> <u>1.35%</u>

There were no significant additions, disposal of the short-term borrowings for the three months ended March 31, 2022 and 2021. Please refer to note 6(13) of the consolidated financial statements for the year ended December 31, 2021 for other related information.

(13) Long-term borrowings

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Unsecured bank loans	<u>\$ 26,000</u>	<u>-</u>	<u>-</u>
Unused long-term credit lines	<u>\$ 2,050,000</u>	<u>2,050,000</u>	<u>2,050,000</u>
Range of interest rates	<u>0.405%</u>	<u>-</u>	<u>-</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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(14) Provisions

The provision for warranties relates mainly to network product sold and professional services provide. 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.

There were no significant additions, disposal of the provisions for the three months ended March 31, 2022 and 2021. Please refer to note 6(14) of the consolidated financial statements for the year ended December 31, 2021 for other related information.

(15) Other current liabilities

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Contract liabilities (note6(22))	\$ 934,822	832,407	880,380
Payroll and bonus payable	594,179	700,937	621,946
Lease payable (note6(17))	27,946	20,944	30,355
Other accounts payable-related parties (note7)	8,253	9,681	311
Others	<u>154,404</u>	<u>294,686</u>	<u>95,681</u>
	<u>\$ 1,719,604</u>	<u>1,858,655</u>	<u>1,628,673</u>

(16) Bonds payable

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Total convertible corporate bonds issued	\$ 600,000	600,000	600,000
Unamortized discounted payable	(4,790)	(7,229)	(13,069)
Cumulative converted amount	<u>(173,900)</u>	<u>(131,300)</u>	<u>(131,000)</u>
Subtotal	421,310	461,471	455,931
Less: Bonds payable due within one year	<u>(421,310)</u>	<u>(461,471)</u>	<u>(455,931)</u>
Total	<u>\$ -</u>	<u>-</u>	<u>-</u>
Embedded derivative – call and put options, included in financial assets at fair value through profit or loss	<u>\$ -</u>	<u>-</u>	<u>141</u>

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The conversion price was set at NTD78.50 at the time of issue. As of March 31, 2022, December 31 and March 31, 2021, the conversion price were \$67.0, \$67.0 and \$72.5, respectively.

As of March 31, 2022, the first convertible corporate bonds of the subsidiary Interactive Digital had accumulated converted 2,447 thousand shares, and the capital surplus had accumulated converted \$151,749 thousand.

Due to the first convertible corporate bond, the capital surplus generated by the Group was \$6,815 thousand for the three months ended March.

(17) Lease liabilities

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Current (recorded in other current liabilities)	\$ <u>27,946</u>	<u>20,944</u>	<u>30,355</u>
Non-current financial assets	\$ <u>229,513</u>	<u>224,220</u>	<u>201,200</u>

For the maturity analysis, please refer to note 6(28).

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended</u> <u>March 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>960</u>	<u>941</u>
Expenses relating to short-term leases and leases of low-value assets	\$ <u>10,123</u>	<u>8,158</u>

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

	<u>For the three months ended</u> <u>March 31,</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>18,792</u>	<u>24,784</u>

A. Real estate leases

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

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.

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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B. Other leases

As of the March 31, 2022, December 31 and March 31, 2021, 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.

As of the March 31, 2022, December 31 and March 31, 2021, the Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office, warehouse, parking space, staff dormitories and printer that have a lease term of 12 months or less or leases of low-value assets.

(18) Employee benefits

A. Defined benefit plans

Given there was no significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off event in the prior fiscal year, pension costs in the financial statements are measured and disclosed according to the actuarial results determined on December 31, 2021 and 2020.

For the information related to the Group's pension costs \$549 thousand and \$409 thousand for the three months ended March 31, 2022 and 2021, respectively.

B. Defined contribution plans

The pension costs under contribution plans amounted to \$37,774 thousand and \$39,448 thousand for the three months ended March 31, 2022 and 2021, respectively.

(19) Income taxes

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by management.

The components of income tax were as follows:

	For the three months ended March 31,	
	2022	2021
Current income tax expense		
Current period	\$ 105,436	38,269
Adjustment for prior period	-	6
Income tax expenses	\$ 105,436	38,275

As of March 31, 2022, income tax returns of the Company for the years through 2019 were assessed by the tax authority.

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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(20) Capital and other equity

Except as described in the following paragraph, there were no significant changes in the Group's capital and other equity interest for the three months ended March 31, 2022 and 2021. For related information about the shareholders' equity, please refer to note 6(20) of the consolidated financial statements for the year ended December 31, 2021.

A. Ordinary share capital

As of March 31, 2022, December 31 and March 31, 2021, the authorized capital of Alpha amounted to \$6,600,000 thousand, of which included the amount of \$500,000 thousand reserved for employee share options; the issued capital amounted to \$5,417,185 thousand.

B. Capital surplus

The balances of capital surplus were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Capital surplus – premium	\$ 2,491,661	2,545,833	2,979,208
Capital surplus – investments under equity method	29,789	22,974	22,954
Other	14,978	14,965	15,185
	<u>\$ 2,536,428</u>	<u>2,583,772</u>	<u>3,017,347</u>

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

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

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

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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C. Retained earnings

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

- (a) payment of all taxes;
- (b) offset prior years' operating losses;
- (c) of the remaining balance, 10% to be appropriated as legal reserve;
- (d) set aside special reserve in accordance with the Securities and Exchange Act or reverse special reserve previously provided; and
- (e) after the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to decide on this matter.

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

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

D. Earnings distribution

Earnings distribution for the years 2021 and 2020 was approved by the shareholders during their meeting on March 4, 2022 and May 7, 2021 as follows:

	<u>2021</u>	<u>2020</u>
Dividends distributed to ordinary shareholders		
Cash (dividends per share were NTD 0.7 and 0.2, respectively)	\$ <u>379,203</u>	<u>108,344</u>

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

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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E. Other equity and non-controlling interest

	Differences on translation of foreign operation financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Non-controlling interests	Total
Balance at 1 January 2022	\$ (445,903)	(1,189)	2,956,685	2,509,593
Differences on translation of foreign operation financial statements	213,454	-	31,389	244,843
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(150)	(91)	(241)
Changes in ownership interests in subsidiaries	-	-	(6,815)	(6,815)
Distribution cash dividend by subsidiaries to non-controlling interest	-	-	(189,021)	(189,021)
Increase (decrease) in non-controlling interests	-	-	52,795	52,795
Balance at March 31 2022	<u>\$ (232,449)</u>	<u>(1,339)</u>	<u>2,844,942</u>	<u>2,611,154</u>
Balance at 1 January 2021	\$ (448,804)	-	3,034,149	2,585,345
Differences on translation of foreign operation financial statements	29,287	-	9,725	39,012
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(1,189)	(721)	(1,910)
Changes in ownership interests in subsidiaries	-	-	(12,756)	(12,756)
Increase (decrease) in non-controlling interests	-	-	76,771	76,771
Balance at March 31 2021	<u>\$ (419,517)</u>	<u>(1,189)</u>	<u>3,107,168</u>	<u>2,686,462</u>

(21) Earnings per share

A. Basic earnings per share

	For the three months ended March 31,	
	2022	2021
Net income attributable to Alpha's ordinary shareholders	<u>\$ 133,825</u>	<u>113,214</u>
Weighted-average number of shares outstanding (in thousands of shares)	<u>541,719</u>	<u>541,719</u>
Basic earnings per share (NTD)	<u>\$ 0.25</u>	<u>0.21</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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B. Diluted earnings per share

	For the three months ended March 31,	
	2022	2021
Net income attributable to ordinary shareholders	<u>\$ 133,825</u>	<u>113,214</u>
Weighted average number of shares outstanding (in thousands of shares) (basic)	\$ 541,719	541,719
Effect of employee remuneration in shares	1,676	385
Weighted average number of shares outstanding (in thousands of shares) (diluted)	<u>\$ 543,395</u>	<u>542,104</u>
Diluted earnings per share (NTD)	<u>\$ 0.25</u>	<u>0.21</u>

(22) Revenues

A. The details of Revenues were as follows:

	For the three months ended March 31,	
	2022	2021
Primary geographical markets:		
United States	\$ 3,915,708	4,335,865
Taiwan	915,237	703,251
Others	<u>2,043,945</u>	<u>2,154,171</u>
	<u>\$ 6,874,890</u>	<u>7,193,287</u>
Major products/services lines:		
LAN/MAN	\$ 2,407,074	1,899,533
Wireless Broadband	3,908,352	3,492,817
Digital Multimedia	210,788	1,449,580
Others	<u>348,676</u>	<u>351,357</u>
	<u>\$ 6,874,890</u>	<u>7,193,287</u>

B. Contract balances

	March 31, 2022	December 31, 2021	March 31, 2021
Trade receivables (including related parties)	<u>\$ 4,794,577</u>	<u>4,053,112</u>	<u>5,111,127</u>
Contract liabilities - product (other current liabilities)	<u>\$ 934,822</u>	<u>832,407</u>	<u>880,380</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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For details on notes and accounts receivable, and loss allowance, please refer to note 6(3).

The amount of revenue recognized for the three months ended March 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were \$158,043 thousand and \$215,214 thousand, respectively.

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

(23) Remuneration to employees and directors

In accordance with the Articles of incorporation, 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 three months ended March 31, 2022 and 2021, the Alpha accrued and recognized its remuneration to employees amounting to \$18,986 thousand and \$14,392 thousand, and directors amounting to \$1,424 thousand and \$1,079 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of the period, multiplied by the percentage of remuneration to employees and directors as specified in the Alpha's articles. These remunerations were expensed under operating costs or operating expenses. If there is any change on the actual amount incurred and estimated amount, this shall be accounted for change in accounting estimates and recognize as profit or loss in the following year. However, if the Board of Directors resolved that the employee remuneration to be distributed through stock dividends, the closing price of the ordinary share on the day before the Board of Directors' meeting is used in the calculation for stock remuneration. Related information would be available at the Market Observation Post System website.

For the years ended December 31, 2021, the Alpha accrued and recognized its remuneration to employees and directors amounting to \$55,501 thousand and \$4,163 thousand, respectively. There is no difference between the remuneration to employees and directors and the actual distribution situation in 2021. For the year ended December 31, 2020, the Alpha's net profit of current period is not sufficient to compensate the cumulative loss, therefore, no remuneration to employees and directors was estimated. Related information would be available at the Market Observation Post System website.

(24) Interest income

The details of the Group's interest income of March 31, 2022 and 2021 were as follows:

	For the three months ended March 31,	
	2022	2021
Interest income from bank deposits and others	\$ 4,130	5,929

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(25) Other income

The details of the Group's other income of March 31, 2022 and 2021 were as follows:

	For the three months ended March 31,	
	2022	2021
Government grants income	\$ 1,491	7,093
Others	5,968	6,670
	<u>\$ 7,459</u>	<u>13,763</u>

(26) Other gains and losses

The details of the Group's other gains and losses of March 31, 2022 and 2021 were as follows:

	For the three months ended March 31,	
	2022	2021
Gain on financial asset (liabilities) at fair value through profit or loss, net	\$ (34,472)	6,480
Foreign exchange gain (loss), net	35,725	(2,198)
Others	(3,308)	(8,470)
	<u>\$ (2,055)</u>	<u>(4,188)</u>

(27) Finance costs

The details of the Group's finance costs of March 31, 2022 and 2021 were as follows:

	For the three months ended March 31,	
	2022	2021
Interest expense of borrowings, etc.	\$ 11,936	9,710
Interest expense of lease liability	960	941
	<u>\$ 12,896</u>	<u>10,651</u>

(28) Financial instruments

Except as described in the following paragraph, there were no significant changes in the Group's fair value of financial instruments exposed to credit risk, liquidity risk and market risk. For related information about the fair value on financial instruments, please refer to note 6(29) of the consolidated financial statements for the year ended December 31, 2021.

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

A. Credit risk

(a) Credit risk exposure

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

(b) Concentration of credit risk

The major customers of the Group are centralized in the networking related industries. The Group generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Group is mainly influenced by the networking industry. As of March 31, 2022, December 31 and March 31, 2021, 43%, 50% and 60%, respectively, of the Group's accounts receivable (including related parties) were from the top 7 customers. Although there is a potential in concentration of credit risk, the Group routinely assesses the collectability of its accounts receivable and makes a corresponding allowance for doubtful accounts.

(c) Credit risk of receivable

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

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

B. Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
March 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 5,182,573	(5,184,975)	(5,184,975)	-	-
Accounts payable (Included related-parties)	5,288,171	5,288,171	5,288,171	-	-
Other payables to related parties (other current liabilities)	8,253	(8,253)	(8,253)	-	-
Accrued expenses	547,599	(547,599)	(547,599)	-	-
Long term borrowings (Included maturity within 1 year)	26,000	(27,877)	(390)	(27,487)	-
Bond payables due within one year	421,310	(426,100)	(426,100)	-	-
Lease liabilities	257,459	(299,448)	(31,468)	(84,544)	(183,436)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	10,639	(2,037,498)	(2,037,498)	-	-
Inflows	(2,520)	2,029,379	2,029,379	-	-
Forward exchange Swaps:					
Outflows	1,813	(601,349)	(601,349)	-	-
Inflows	(201)	599,737	599,737	-	-
	<u>\$ 11,741,096</u>	<u>(1,215,812)</u>	<u>(920,345)</u>	<u>(112,031)</u>	<u>(183,436)</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 years</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 4,044,952	(4,046,341)	(4,046,341)	-	-
Accounts payable (Included related-parties)	4,193,913	(4,193,913)	(4,193,913)	-	-
Other payables to related parties (other current liabilities)	9,681	(9,681)	(9,681)	-	-
Accrued expenses	501,745	(501,745)	(501,745)	-	-
Bond payables due within one year	461,471	(468,700)	(468,700)	-	-
Lease liabilities	245,164	(287,932)	(25,676)	(59,657)	(202,599)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	2,927	(1,223,843)	(1,223,843)	-	-
Inflows	(1,425)	1,222,341	1,222,341	-	-
Forward exchange Swaps:					
Outflows	-	(581,343)	(581,343)	-	-
Inflows	(2,364)	583,707	583,707	-	-
	<u>\$ 9,456,064</u>	<u>(9,507,450)</u>	<u>(9,245,194)</u>	<u>(59,657)</u>	<u>(202,599)</u>
March 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 3,115,219	(3,119,149)	(3,119,149)	-	-
Accounts payable (Included related-parties)	5,543,388	(5,543,388)	(5,543,388)	-	-
Other payables to related parties (other current liabilities)	311	(311)	(311)	-	-
Accrued expenses	648,354	(648,354)	(648,354)	-	-
Bond payables due within one year	455,931	(469,000)	(469,000)	-	-
Lease liabilities	231,555	(271,387)	(33,532)	(46,557)	(191,298)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	10,902	(1,242,441)	(1,242,441)	-	-
Inflows	(2,156)	1,233,695	1,233,695	-	-
Forward exchange Swaps:					
Outflows	6,701	(941,327)	(941,327)	-	-
Inflows	-	934,626	934,626	-	-
	<u>\$ 10,010,205</u>	<u>(10,067,036)</u>	<u>(9,829,181)</u>	<u>(46,557)</u>	<u>(191,298)</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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C. Currency risk

(a) Exposure to currency risk

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

	March 31, 2022			December 31, 2021			March 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 111,273	28.60	3,182,408	111,869	27.68	3,096,534	272,476	28.53	7,773,740
CNY	1,251	4.4969	5,626	518	4.3454	2,251	306	4.3359	1,327
<u>Non-Monetary items</u>									
USD	33,266	28.60	Note	22,000	27.68	Note	3,500	28.53	Note
CNY	-	-	-	-	-	-	6,518	4.3359	-
EUR	-	31.975	Note	4,808	31.444	Note	5,629	33.608	Note
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	237,896	28.60	6,803,826	203,214	27.68	5,624,964	202,547	28.53	5,778,666
<u>Non-Monetary items</u>									
USD	48,510	28.60	Note	36,248	27.68	Note	65,440	28.53	Note
EUR	9,280	31.975	Note	1,279	31.444	-	-	-	-

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

(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign currency exchange gains and losses resulted from the translation of cash and cash equivalents, trade receivables, other receivables, short-term borrowings, trade payables and other payables which are denominated in foreign currencies. A strengthening (weakening) of 1% of the NTD against the USD and the CNY at March 31, 2022 and 2021, would have increased or decreased the profit before tax by \$36,158 thousand and \$19,964 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 three months ended March 31, 2022 and 2021, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$35,725 thousand and \$(2,198) thousand, respectively.

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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 \$6,106 thousand and \$47 thousand, respectively for the three months ended March 31, 2022 and 2021 with all other variable factors remaining constant. The change is mainly due to the Group's cash and cash equivalents, financial assets at amortized cost (non-current) and borrowings with variable rates.

E. Other market price risk

For the three months ended March 31, 2022 and 2021, the sensitivity analyses for the changes in securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

<u>Prices of securities at the reporting date</u>	For the three months ended	
	March 31,	
	<u>2022</u>	<u>2021</u>
financial assets at fair value through profit or loss		
Increasing 5%	\$ <u>3,250</u>	<u>2,881</u>
Decreasing 5%	\$ <u>(3,250)</u>	<u>(2,881)</u>
financial assets at fair value through other comprehensive income		
Increasing 5%	\$ <u>955</u>	<u>967</u>
Decreasing 5%	\$ <u>(955)</u>	<u>(967)</u>

F. Fair value of financial instruments

(a) Fair value hierarchy

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

(Continued)

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

	March 31, 2022				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss-derivative	\$ <u>67,724</u>	<u>65,003</u>	<u>2,721</u>	<u>-</u>	<u>67,724</u>
Non-current financial assets at fair value through other comprehensive income	\$ <u>19,094</u>	<u>-</u>	<u>-</u>	<u>19,094</u>	<u>19,094</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 3,776,520	-	-	-	-
Notes and accounts receivable (including related parties)	4,794,577	-	-	-	-
Financial assets measured at amortized cost – current and non-current	<u>532,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,104,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liability measured at fair value under repetitive basis					
Financial liability at fair value through profit or loss-derivative	\$ <u>12,452</u>	<u>-</u>	<u>12,452</u>	<u>-</u>	<u>12,452</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 5,288,171	-	-	-	-
Payable to related parties	8,253	-	-	-	-
Short-term borrowings	5,182,573	-	-	-	-
Long-term borrowings	26,000	-	-	-	-
Bonds Payable (due within one year)	421,310	-	-	-	-
Lease liabilities – current and non-current	<u>257,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 11,183,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

	December 31, 2021				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss-derivative	\$ <u>67,565</u>	<u>63,776</u>	<u>3,789</u>	<u>-</u>	<u>67,565</u>
Non-current financial assets at fair value through other comprehensive income	\$ <u>19,335</u>	<u>-</u>	<u>-</u>	<u>19,335</u>	<u>19,335</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 4,498,050	-	-	-	-
Notes and accounts receivable (including related parties)	4,053,112	-	-	-	-
Financial assets measured at amortized cost – current and non-current	<u>511,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,062,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liability measured at fair value under repetitive basis					
Financial liability at fair value through profit or loss-derivative	\$ <u>2,927</u>	<u>-</u>	<u>2,927</u>	<u>-</u>	<u>2,927</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 4,193,913	-	-	-	-
Payable to related parties	9,682	-	-	-	-
Short-term borrowings	4,044,952	-	-	-	-
Bond payables (due within one year)	461,471	-	-	-	-
Lease liabilities – current and non-current	<u>245,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,955,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

	March 31, 2021				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value under repetitive basis					
Derivative financial assets	\$ <u>2,297</u>	<u>-</u>	<u>2,297</u>	<u>-</u>	<u>2,297</u>
Financial assets mandatorily at fair value through profit or loss	\$ <u>57,611</u>	<u>57,611</u>	<u>-</u>	<u>-</u>	<u>57,611</u>
Non-current financial assets at fair value through other comprehensive income	\$ <u>19,335</u>	<u>-</u>	<u>-</u>	<u>19,335</u>	<u>19,335</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 5,824,230	-	-	-	-
Notes and accounts receivable (including related parties)	5,111,127	-	-	-	-
Financial assets measured at amortized cost – current and non-current	<u>263,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,198,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liability measured at fair value under repetitive basis					
Derivative financial liabilities	\$ <u>17,603</u>	<u>-</u>	<u>17,603</u>	<u>-</u>	<u>17,603</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 5,543,388	-	-	-	-
Payable to related parties	311	-	-	-	-
Short-term borrowings	3,115,219	-	-	-	-
Bonds Payable (due within one year)	455,931	-	-	-	-
Lease Liabilities – current and non-current	<u>231,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,346,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

(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.

(Continued)

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

- (c) There was no transfer between the different levels of fair value hierarchy for the three months ended March 31, 2022 and 2021.
- (d) Reconciliation of Level 3 fair values

	At fair value through other comprehensive profit or loss
Opening Balance, January 1, 2022	\$ 19,335
Unrealized gains from investments in equity instruments measure at fair value through other comprehensive income	<u>(241)</u>
Ending balance, March 31, 2022	<u>\$ 19,094</u>
Opening Balance, January 1, 2021	\$ 21,245
Unrealized gains from investments in equity instruments measure at fair value through other comprehensive income	<u>(1,910)</u>
Ending balance, March 31, 2021	<u>\$ 19,335</u>

- (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	As of March 31, 2022, December 31, 2021 and March 31, 2021, net asset value of comparable companies at 1.58 times, 1.88 times and 1.88 times.	Not applicable
Equity investments		As of March 31, 2022, December 31, 2021 and March 31, 2021, discount for lack of marketability of 21.74%, 21.14%, and 21.14%.	The fair value would decrease if lack of marketability and higher discount rate.

(Continued)

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

(29) Financial risk management

There were no significant changes in the Group's objectives and policies applied in the financial risk management from those in the consolidated financial statement for the year ended December 31, 2021. For related information about the financial risk management, please refer to note 6(32) of the consolidated financial statements for the year ended December 31, 2021.

(30) Capital management

The Group's objectives, policies and processes for capital management were consistent with the consolidated financial statements for the year ended December 31, 2021. There were no significant changes in quantified factors of capital management from those in the consolidated financial statement for the year ended December 31, 2021. For related information about the capital management, please refer to note 6(31) of the consolidated financial statements for the year ended December 31, 2021.

(31) Non-cash investing and financing activities

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

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

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

	January 1, 2022	Cash flows	Foreign exchange movement and other	March 31, 2022
Short-term borrowings	\$ 4,044,952	1,137,621	-	5,182,573
Long-term borrowings	-	26,000	-	26,000
Bonds payable (including maturity within 1 year)	461,471	-	(40,161)	421,310
Lease liabilities	245,164	(7,709)	20,004	257,459
Total liabilities from financing activities	<u>\$ 4,751,587</u>	<u>1,155,912</u>	<u>(20,157)</u>	<u>5,887,342</u>
			Foreign exchange movement and other	
	January 1, 2021	Cash flows	Foreign exchange movement and other	March 31, 2021
Short-term borrowings	\$ 2,842,762	272,457	-	3,115,219
Bonds payable (including maturity within 1 year)	526,507	-	(70,576)	455,931
Lease liabilities	241,748	(15,685)	5,492	231,555
Total liabilities from financing activities	<u>\$ 3,611,017</u>	<u>256,772</u>	<u>(65,084)</u>	<u>3,802,705</u>

(Continued)

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

7. Related-party transactions:

- (1) Parent company and ultimate controlling company

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

- (2) Names and relationship with related parties. The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statement:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Qisda Corporation (Qisda)	Parent Company
AEWIN Technologies Co., Ltd. (AEWIN Technologies)	Qisda's subsidiary
Sysage Technology Co., Ltd. (Sysata)	Qisda's subsidiary
BenQ Asia Pacific Corp (BQP)	Qisda's subsidiary
BenQ Healthcare Corporation (BHC)	Qisda's subsidiary
Qisda Optronics Corp (QTOS)	Qisda's subsidiary
Qisda Corporation (Suzhou) Co., Ltd. (QCSZ)	Qisda's subsidiary
Qisda Precision Industry (Suzhou) Co., Ltd. (QCPS)	Qisda's subsidiary
Global Intelligence Network Co., Ltd. (Ginnet)	Qisda's subsidiary
Qisda Vietnam Co., Ltd. (QVH)	Qisda's subsidiary
DFI Inc. (DFI)	Qisda's subsidiary
Dawning Technology Inc. (Dawningtech) (Note)	Qisda's subsidiary
Golden Spirit Co., Ltd. (GSC)	Qisda's subsidiary
Concord Medical Co., Ltd. (Concord)	Qisda's subsidiary
Unictron Technologies Corporation (Unictron Technologies)	Associate
BenQ Foundation	Substantive related party
Alpha Networks Inc. Foundation	Substantive related party

Note: Dawningtech had been punished in January 2021.

(Continued)

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

(3) Significant related-party transactions

A. Purchases

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

	For the three months ended March 31,	
	2022	2021
Parent Company	\$ -	565
Other related parties	<u>29,041</u>	<u>26,552</u>
	<u>\$ 29,041</u>	<u>27,117</u>

The payment terms for purchase from related parties were 30 to 90 days after purchase. The payment terms with related parties were not materially different from those with third parties.

B. Payable from Related Parties

The payables from related parties were as follows:

Account	Relationship	March 31, 2022	December 31, 2021	March 31, 2021
Accounts payable from related parties	Parent Company	\$ -	749	-
Accounts payable from related parties	Other related parties — Others	<u>40,003</u>	<u>30,194</u>	<u>49,498</u>
		<u>\$ 40,003</u>	<u>30,943</u>	<u>49,498</u>

C. Rendering of services and other expenses

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

	For the three months ended March 31,	
	2022	2021
Parent Company	\$ 130	-
Other related parties — Others	<u>5,850</u>	<u>297</u>
	<u>\$ 5,980</u>	<u>297</u>

(Continued)

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

The payables to related parties were as follows:

<u>Account</u>	<u>Related Party Category</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Other payable to related parties	Parent Company	\$ 221	919	-
Other payable to related parties	Other related parties – others	1,327	1,285	311
		<u>\$ 1,548</u>	<u>2,204</u>	<u>311</u>

D. Transactions of property, plant and equipment

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

<u>Account</u>	<u>Related Party Category</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Equipment	Parent Company	\$ -	500	-
Prepaid equipment	Other related parties – others	25,544	21,294	9,579
		<u>\$ 25,544</u>	<u>21,794</u>	<u>9,579</u>

The payables to related parties were as follows:

<u>Account</u>	<u>Related Party Category</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Other payable to related parties	Parent Company	\$ -	525	-
Other payable to related parties	Other related parties – others	6,705	5,472	-
		<u>\$ 6,705</u>	<u>5,997</u>	<u>-</u>

E. Various advances

As of March 31, 2022, December 31 and March 31, 2021, the receivable and payable from related parties due to the payment on behalf of the Group, which were recognized as other current assets and other current and liabilities, were as follows:

<u>Account</u>	<u>Related Party Category</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Other payable	Other related parties – Others	\$ -	(1,480)	-

(Continued)

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

(4) Key management personnel compensation

	For the three months ended March 31,	
	2022	2021
Short-term employee benefits	\$ 35,830	41,580
Share-based payment	-	-
	\$ 35,830	41,580

8. Pledged assets:

Pledged assets	Object	March 31, 2022	December 31, 2021	March 31, 2021
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Import guarantee for Customs	\$ 7,550	7,550	7,550
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for land lease	8,000	8,000	8,000
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for construction project	3,278	2,968	2,968
Time deposit (recorded in financial assets measured at amortized cost-current)	Guarantee for forward exchange contracts	-	-	12,817
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee to land lease	2,382	2,382	2,382
Refundable deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee to local authority for sales to abroad customers	11,842	11,228	11,776
Refundable deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for construction project	81,388	80,868	80,144
Refundable deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee to lawsuits	-	-	24,000
		\$ 114,440	112,996	149,637

(Continued)

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

9. Significant commitments and contingencies:

- (1) As of March 31, 2022, December 31 and March 31, 2021, the Group deposited notes in the bank amounting to \$4,733,512 thousand, \$4,652,662 thousand and \$4,837,041 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) Others

	March 31, 2022	December 31, 2021	March 31, 2021
Guarantee Notes Payable	\$ 4,444	4,585	7,693
Guarantee for construction projects	85,560	97,488	174,012

10. Losses Due to Major Disasters: None

11. Subsequent Events: None

12. Other:

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

By function	For the three months ended March 31,					
	2022			2021		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
By item						
Employee benefits						
Salary	180,244	594,480	774,724	238,744	489,084	727,828
Labor and health insurance	13,717	43,264	56,981	18,695	44,604	63,299
Pension	9,138	29,185	38,323	11,783	28,074	39,857
Remuneration of directors	-	8,977	8,977	-	5,593	5,593
Others	12,453	17,142	29,595	16,903	16,841	33,744
Depreciation	59,222	58,302	117,524	78,304	67,867	146,171
Amortization	650	49,322	49,972	338	48,130	48,468

13. Other disclosures:

- (1) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- A. Loans to other parties: Please refer to Table 1.
- B. Guarantees and endorsements for other parties: Please refer to Table 2.

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

- C. Securities held as of March 31, 2022 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20% of the capital stock: None
- E. Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None
- F. Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None.
- G. Related-party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock: Please refer to Table 4.
- H. Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock: Please refer to Table 5.
- I. Trading in derivative instruments: Please refer to note 6(2).
- J. Business relationships and significant intercompany transactions: Please refer to Table 6.
- (2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 7.
- (3) Information on investment in mainland China:
- A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 8.
- B. Limitation on investment in Mainland China: Please refer to Table 8.
- C. Significant transactions:
- The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.
- (4) Major shareholders:

Shareholder's Name	Shares	Percentage
Qisda Corporation	295,797,126	54.60 %

1. The main shareholder information in this table is calculated on the last business day at the end of each quarter by the Taiwan Depository & Clearing Corporation, based on those who held more than 5% of the company's ordinary shares and preferred shares and have completed unregistered non-physical securities delivered (including treasury shares). As for the share capital recorded in the company's financial report and the company's actual number of shares delivered without physical registration, there may be differences due to different basis of calculation.

(Continued)

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

2. In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider's equity declaration, please refer to Market Observation Post System website.

14. Segment information:

Information about reportable segments and their measurement and reconciliations

	For the three months ended March 31, 2022			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ <u>6,543,972</u>	<u>342,719</u>	<u>(11,801)</u>	<u>6,874,890</u>
Interest expenses	\$ <u>10,888</u>	<u>2,010</u>	<u>(2)</u>	<u>12,896</u>
Depreciation and amortization	\$ <u>152,855</u>	<u>14,703</u>	<u>(62)</u>	<u>167,496</u>
Reportable segment profit or loss	\$ <u>157,429</u>	<u>13,194</u>	<u>(9,572)</u>	<u>161,051</u>
Reportable segment assets	\$ <u>23,620,661</u>	<u>3,787,961</u>	<u>(11,933)</u>	<u>27,396,689</u>
Reportable segment liabilities	\$ <u>13,139,142</u>	<u>1,890,472</u>	<u>(1,207)</u>	<u>15,028,407</u>
	For the three months ended March 31, 2021			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ <u>6,845,058</u>	<u>356,918</u>	<u>(8,689)</u>	<u>7,193,287</u>
Interest expenses	\$ <u>8,554</u>	<u>2,098</u>	<u>(1)</u>	<u>10,651</u>
Depreciation and amortization	\$ <u>179,438</u>	<u>15,263</u>	<u>(62)</u>	<u>194,639</u>
Reportable segment profit or loss	\$ <u>104,361</u>	<u>22,091</u>	<u>(9,089)</u>	<u>117,363</u>
Reportable segment assets	\$ <u>21,937,171</u>	<u>3,629,390</u>	<u>(9,689)</u>	<u>25,556,872</u>
Reportable segment liabilities	\$ <u>11,095,052</u>	<u>1,497,107</u>	<u>(705)</u>	<u>12,591,454</u>

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Alpha Networks Inc. and Subsidiaries
Loans to other parties
For the three months ended March 31, 2022

Table 1

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Alpha HK	Alpha Changshu	Other receivable from related parties	Yes	998,140 (USD34,900 thousand)	998,140 (USD34,900 thousand)	998,140 (USD34,900 thousand)	-	2	-	Operating capital	-		-	2,350,613 (note 4)	2,350,613 (note 4)
3	Alpha Chengdu	Alpha Changshu	Same as above	Yes	179,876 (RMB40,000 thousand)	179,876 (RMB40,000 thousand)	179,876 (RMB40,000 thousand)	2%	2	-	Operating capital	-		-	598,190 (note 4)	598,190 (note 4)
5	D-Link Asia	Alpha Changshu	Same as above	Yes	143,000 (USD5,000 thousand)	143,000 (USD5,000 thousand)	143,000 (USD5,000 thousand)	-	2	-	Operating capital	-		-	1,894,501 (note 4)	1,894,501 (note 4)
4	Hitron Technologies	Hitron Vietnam	Same as above	Yes	858,000 (USD30,000 thousand)	858,000 (USD30,000 thousand)	629,200 (USD22,000 thousand)	1%	2	-	Operating capital	-		-	940,456 (note 5)	1,880,912 (note 5)
6	Alpha Dongguan	Alpha Changshu	Same as above	Yes	307,423 (RMB70,400 thousand)	271,613 (RMB60,400 thousand)	271,613 (RMB60,400 thousand)	2%	2	-	Operating capital	-		-	1,130,607 (note 4)	1,130,607 (note 4)

Note 1: The method of filling out the capital loan and nature is as follows:

- (1) relate business relationship, please fill in 1.
- (2) relate short-term financing, please fill in 2.

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

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

- Note 4: Alpha HK, D-Link Asia, Mirac and Alpha Dongguan, the subsidiaries whose voting shares are 100% owned, directly or indirectly, by Alpha, which are not located in Taiwan, for the purpose of landing operating capital, the amount of financing offered to a single company owned by the Company shall not exceed 100% of the lender's net worth.
- Note 5: The total amount of lending to a company by Hitron Technologies and its subsidiaries shall not exceed 40% of the net worth of the audited or reviewed financial statement for both parties. The lending reason and limit for each type of party is stated as below:
- a. For entities who have business transactions with Hitron Technologies, the lending amount shall not exceed the total transaction amount in the nearest 12 months or the estimated amount within the next 12 months. Furthermore, the lending amount shall not exceed 20% of the net worth of Hitron Technologies' latest audited or reviewed financial statements. The transaction referring to the higher of sales or purchase amount.
 - b. For entities who have a need in short term financing, the lending amount shall not exceed 20% of the net worth of Hitron Technologies' latest audited or reviewed financial statements.
 - c. Lending among foreign subsidiaries which Hitron Technologies has 100% of direct or indirect Voting rights, or foreign subsidiaries which Hitron Technologies has 100% of direct or indirect voting rights lending to Hitron Technologies, there is no limit to the amount and period of lending, but should state the limit and term of lending.

Alpha Networks Inc. and Subsidiaries
Guarantees and endorsements for other parties
For the three months ended March 31, 2022

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 and 4)	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 and 4)	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	4,761,670	57,200	57,200	5,686	-	0.60 %	9,523,340	Y	N	Y
0	Alpha	Alpha Changshu	note 3	4,761,670	200,200	200,200	9,590	-	2.08 %	9,523,340	Y	N	Y
1	Hitron Technologies	Hitron Europe	note 3	4,702,279	675,190	675,190	150,283	-	14.36 %	7,053,419	Y	N	N
1	Hitron Technologies	Hitron Americas	note 3	4,702,279	572,000	572,000	-	-	12.16 %	7,053,419	Y	N	N
1	Hitron Technologies	Hitron Vietnam	note 3	4,702,279	2,030,600	2,030,600	286,000	-	43.18 %	7,053,419	Y	N	N

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

Note 2: The total amount of guarantee provided by Alpha shall not exceed 100% of Alpha's equity.

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

Note 4: The total amount of Hitron Technologies' endorsement in security shall not exceed 150% of the net value of Hitron Technologies' latest financial statements; the amount of endorsement in security for a single enterprise shall not exceed 20% of the net value of Hitron Technologies' latest financial statements. However, there is no restriction for those directly or indirectly held subsidiaries with more than 50% of the voting shares and for those directly and indirectly hold 100% of the voting shares are indirectly endorsed and guaranteed, but it shall not exceed Hitron 100% of the net value of the latest financial statements. Other than the two regulations above, the total amount of Hitron Technologies' endorsement in security for each type of party shall not exceed the total transaction amount in the nearest 12 months or the estimated transaction amount within the next 12 months and 20% of the net worth of Hitron Technologies' latest audited or reviewed financial statements (the transaction referring to the higher of sales or purchase amount).

Alpha Networks Inc. and Subsidiaries
Securities held as of March 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)
March 31, 2022

Table 3

(In Thousands of New Taiwan Dollars/In Thousands of Shares)

Name of holder	Category and name of security	Relationship with company	Account	Ending balance				Note
				Shares/ Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
Alpha	TGC, Inc.	-	Non-current financial assets measured at fair value through profit and loss	500	-	1.83	-	
Hitron Technologies	TRANSCEND	-	Current financial assets at fair value through profit or loss	441	32,810	-	32,810	
Hitron Technologies	SENAO	-	Current financial assets at fair value through profit or loss	152	5,259	-	5,259	
Interactive Digital	TRANSCEND	-	Current financial assets at fair value through profit or loss	362	26,933	-	26,933	
Hitron Technologies	CHAO LONG MOTOR PARTS CORP	-	Non-current financial assets at fair value through other comprehensive income	668	19,094	1.79	19,094	
Hitron Technologies	IMAGETECH CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	120	-	1.20	-	
Hitron Technologies	TSUNAMI VISUAL TECHNOLOGIES, INC.	-	Non-current financial assets at fair value through other comprehensive income	1,220	-	9.34	-	
Hitron Technologies	PIVOT TECHNOLOGY CORP.	-	Non-current financial assets at fair value through other comprehensive income	198	-	10.94	-	
Hitron Technologies	CARDTEK TECHNOLOGY CO., LTD	-	Non-current financial assets at fair value through other comprehensive income	1,000	-	6.45	-	
Hitron Technologies	YESMOBILE HOLDINGS COMPANY LTD.	-	Non-current financial assets at fair value through other comprehensive income	294	-	0.75	-	
Hitron Technologies	CODENT NETWORKS (CAYMAN) LTD. (SPCIAL SHARES)	-	Non-current financial assets at fair value through other comprehensive income	1,570	-	-	-	

Alpha Networks Inc. and Subsidiaries
Related-party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock
For the three months ended March 31, 2022

Table 4

(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	Alpha USA	Subsidiary of Alpha	(Sales)	(1,196,225)	(29)%	90 days	-	-	1,013,695	30%	Note
Alpha	D-Link Asia	Subsidiary of Alpha	Purchase	839,083	21%	90 days	-	-	(337,226)	(17)%	Note
Alpha	Alpha Changshu	Subsidiary of Alpha	Purchase	1,817,801	45%	90 days	-	-	(508,933)	(26)%	
Alpha Changshu	Mirac	Subsidiary company to subsidiary	(Sales)	(176,285)	(9)%	90 days	-	-	125,189	19%	Note
Alpha HK	Alpha Changshu	Subsidiary company to subsidiary	(Sales)	(2,075,725)	(100)%	90 days	-	-	1,200,958	100%	Note
D-Link Asia	Alpha Dongguan	Subsidiary company to subsidiary	Purchase	839,083	56%	90 days	-	-	(366,702)	(39)%	Note
Hitron Technologies	Hitron Americas	Subsidiary company to subsidiary	(Sales)	(999,341)	(41)%	90 days	-	-	1,469,494	79%	Note
Hitron Technologies	Hitron Europe	Subsidiary company to subsidiary	(Sales)	(289,866)	(12)%	90 days	-	-	278,285	15%	Note
Hitron Vietnam	Hitron Technology	Subsidiary company to subsidiary	(Sales)	(1,645,549)	(67)%	60 days	-	-	1,123,900	60%	Note

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

Alpha Networks Inc. and Subsidiaries
Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock
March 31, 2022

Table 5

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period(note 1)	Loss Allowance	Note
					Amount	Action taken			
Alpha	Alpha USA	Subsidiary of Alpha	1,013,695	5.13	-	-	272,659	-	note 2
Alpha	Alpha HK	Subsidiary of Alpha	214,876	-	123	-	-	-	note 2
D-Link Asia	Alpha	Subsidiary company to parent	337,226	9.78	-	-	36,064	-	note 2
Alpha Changshu	Alpha	Subsidiary company to parent	508,933	16.50	3,701	-	88,662	-	note 2
Alpha Dongguan	D-Link Asia	Subsidiary company to subsidiary	366,702	9.03	-	-	36,064	-	note 2
Alpha Changshu	Mirac	Subsidiary company to subsidiary	125,189	5.58	-	-	97,739	-	note 2
Alpha HK	Alpha Changshu	Subsidiary company to subsidiary	1,200,958	6.62	58,234	-	89,533	-	note 2
D-Link Asia	Alpha Dongguan	Subsidiary company to subsidiary	578,093	4.70	14,516	-	36,032	-	note 2
Hitron Technologies	Hitron Americas	Subsidiary company to subsidiary	1,469,494	2.82	-	-	308,549	-	note 2
Hitron Technologies	Hitron Europe	Subsidiary company to subsidiary	278,285	5.95	-	-	83,011	-	note 2
Hitron Technologies	Hitron Vietnam	Subsidiary company to subsidiary	2,256,033	-	-	-	-	-	note 2
Hitron Vietnam	Hitron Technologies	Subsidiary company to subsidiary	1,123,900	7.49	-	-	149,102	-	note 2

Note 1: The collection situation as of April 15, 2022.

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

Alpha Networks Inc. and Subsidiaries
Business relationships and significant intercompany transactions
For the three months ended March 31, 2022

Table 6

(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	1,196,225	-	17.40%
0	Alpha	Alpha USA	Parent company to Subsidiary	Accounts receivable from related parties	1,013,695	90 days	3.70%
0	Alpha	Alpha Changshu	Parent company to Subsidiary	Purchase	1,817,801	-	26.44%
0	Alpha	Alpha Changshu	Parent company to Subsidiary	Accounts payable to related parties	508,933	90 days	1.86%
0	Alpha	D-Link Asia	Parent company to Subsidiary	Purchase	839,083	-	12.21%
0	Alpha	D-Link Asia	Parent company to Subsidiary	Accounts payable to related parties	337,226	90 days	1.23%
1	Alpha HK	Alpha Changshu	Subsidiary company to Subsidiary	Sales	2,075,725	-	30.20%
1	Alpha HK	Alpha Changshu	Subsidiary company to Subsidiary	Accounts receivable from related parties	1,200,958	90 days	4.38%
2	D-Link Asia	Alpha Dongguan	Subsidiary company to Subsidiary	Purchase	839,083	-	12.21%
2	D-Link Asia	Alpha Dongguan	Subsidiary company to Subsidiary	Accounts payable to related parties	366,702	90 days	1.34%
3	Alpha Changshu	Mirac	Subsidiary company to Subsidiary	Sales	176,285	-	2.56%
4	Hitron Technologies	Hitron Europe	Subsidiary company to Subsidiary	Sales	289,866	-	4.22%
4	Hitron Technologies	Hitron Europe	Subsidiary company to Subsidiary	Accounts receivable	278,285	90 days	1.02%
4	Hitron Technologies	Hitron Americas	Subsidiary company to Subsidiary	Sales	999,341	-	14.54%
4	Hitron Technologies	Hitron Americas	Subsidiary company to Subsidiary	Accounts receivable from related parties	1,469,494	90 days	5.36%
4	Hitron Technologies	Hitron Vietnam	Subsidiary company to Subsidiary	Other receivables	2,256,033	60 days	8.23%

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 Vietnam	Hitron Technologies	Subsidiary company to Subsidiary	Sales	1,645,549	-	23.94%
6	Hitron Vietnam	Hitron Technologies	Subsidiary company to Subsidiary	Accounts receivable from related parties	1,123,900	60 days	4.10%

Note: The significant intercompany transactions in this table reach 1% of Group revenue or total assets.

Alpha Networks Inc. and Subsidiaries
Information on investees (excluding information on investees in Mainland China)
For the three months ended March 31, 2022

Table 7

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2022			Net income (losses) of investee	Share of profits/ losses of investee	Note
				March 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
Alpha	Alpha Holdings	Cayman Islands	Investment holding	203,372	203,372	6,464	100.00 %	(25,461)	(4,117)	(4,117)	
Alpha	Alpha Solutions	Japan	Sale of network equipment, components and technical services	5,543	5,543	1	100.00 %	17,929	(1,070)	(1,070)	
Alpha	Alpha USA	CA USA	Sale, marketing and procurement service in USA	51,092	51,092	1,500	100.00 %	144,533	1,299	1,299	
Alpha	Alpha HK	Hong Kong	Investment holding	3,143,628	3,143,628	780,911	100.00 %	2,347,025	8,281	10,575	
Alpha	ATS	CA USA	Post-sale service	260,497 (USD8,100 thousand)	260,497 (USD8,100 thousand)	8,100	100.00 %	173,264	357	357	
Alpha	Enrich Investment	Taiwan	Investment holding	320,000	320,000	32,000	100.00 %	226,750	(6,933)	(6,933)	
Alpha	Hitron Technologies	Taiwan	Marketing on system integration of communication product and telecommunication products	4,811,000	4,811,000	200,000	62.24 %	3,884,444	73,775	32,892	
Alpha	D-Link Asia	Singapore	Investment in manufacturing business	1,692,805 note 2	1,692,805 note 2	86,946	100.00 %	1,888,438	62,609	59,451	
Alpha	Alpha VN	Vietnam	Production and sale of network products	249,193	-	-	100.00 %	252,935	(5,410)	(5,410)	
Enrich Investment	Interactive Digital	Taiwan	Telecommunication and broadband network system services	189,523	189,523	2,575	6.537 %	100,894	24,188	note 1	

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2022			Net income (losses) of investee	Share of profits/ losses of investee	Note
				March 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
Enrich Investment	Transnet Corporation	Taiwan	Operating network communication products, provide support system services, integrated supply and import and export of network equipment	50,000	50,000	5,000	100.00 %	20,120	(4,124)	note 1	
Enrich Investment	Aespula	Taiwan	Sale of network equipment components and technical services	80,000	80,000	8,000	98.92 %	73,085	(3,690)	notes 1 and 3	
Hitron Technologies	Hitron Samoa	Samoa	International trade	642,697	642,697	21,350	100.00 %	594,510	(7,445)	note 1	
Hitron Technologies	Interactive Digital	Taiwan	Telecommunication and broadband network system services	126,091	126,091	16,703	42.40 %	455,311	24,188	note 1	
Hitron Technologies	Hitron Europe	Netherlands	International trade	59,604	59,604	15	100.00 %	65,388	28,067	note 1	
Hitron Technologies	Hitron Americas	USA	International trade	90,082	90,082	300	100.00 %	169,031	90,651	note 1	
Hitron Technologies	Innoauto Technologies	Taiwan	Investments and automotive electronics products	20,000	20,000	2,000	100.00 %	3,553	(79)	note 1	
Hitron Technologies	Hitron Vietnam	Vietnam	Production and sale of broadband telecommunication products	1,511,735	1,511,735	-	100.00 %	1,593,420	38,676	note 1	

Note 1: Recognized by subsidiary.

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

Note 3: The percentage of ownership had included 87 thousand shares of preferred stock held by the original shareholders.

Alpha Networks Inc. and Subsidiaries
The names of investees in Mainland China, the main businesses and products, and other information
For the three months ended March 31, 2022

Table 8

(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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (note 2)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Alpha Chengdu	Research and development of network products	420,426	note 1	420,426	-	-	420,426	3,381	100.00%	3,381	598,190	-
Alpha Dongguan	Production and sale of network products	741,084	note 1	741,084	-	-	741,084 (note 6)	58,047	100.00%	58,047	1,130,607	-
Mirac	Production and sale of network products	307,326	note 1	307,326	-	-	307,326	17,595	100.00%	17,595	332,004	-
Alpha Changshu	Production and sale of network products	1,925,920	note 1	1,925,920	-	-	1,925,920	(1,991)	100.00%	(1,991)	1,392,431	-
Hitron Suzhou	Production and sale of broadband network products	641,763 (RMB141,547 thousand)	note 1	641,763	-	-	641,763	(3,946)	100.00% (note 9)	(7,444)	599,869	-
Jietech Suzhou	Sale of broadband network products and related services	31,139 (RMB5,425 thousand)	note 1	31,139	-	-	31,139	(3)	100.00% (note 9)	(1)	3,841	-
Hwa Chi Technologies	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	5,814 (USD200 thousand)	note 1	12,048	-	-	12,048	628	42.40% (notes 8 and 9)	269	6,692	21,314

(2) Limitation on investment in Mainland China

Company Name	Accumulated Investment in Mainland China as of March 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Alpha	3,261,784 note 3,4,7	4,123,685	note 5
Hitron Technologies	684,950	684,950	2,821,367

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

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

Note 3: Accumulated investments in Alpha Dongguan did not include the previously invested by D-Link Corporation HKD69,387 thousand (equivalent to approximately \$303,055 thousand).

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

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

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

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

Note 8: Hwa Chi is a China based investment company which invested Hitron (Samoa) through Alpha, however, it has switched to invest through Interactive Digital due to the Group's restructuring decision resolved in year 2012.

Note 9: This refers to the direct or indirect shares holding by Hitron technologies.