

ALPHA NETWORKS INC. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Review Report
For the Nine Months Ended September 30, 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 September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, as well as the changes in equity and cash flows for the nine months ended September 30, 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 of the consolidated financial statements for the nine months ended September 30, 2021, 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 conducted in accordance with the generally accepted auditing standards 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 of the consolidated financial statements for the nine months ended September 30, 2021

As stated in Note 4(2), the consolidated financial statement included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$271,570 thousand, constituting 1% of the consolidated total assets at September 30, 2021, the total liabilities amounting to \$92,265 thousand, constituting 1% of consolidated the total liabilities at September 30, 2021, and total comprehensive income amounting to \$140 thousand and \$40,531 thousand, constituting 0.1% and 12% of the total consolidated comprehensive income for the three months and nine months ended September 30, 2021.

Unqualified and Qualified Conclusion

Based on our reviews, 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 of the consolidated financial statements for the nine months ended September 30, 2021 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 September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021, as well as its consolidated cash flows for the nine months ended September 30, 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.

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

KPMG

Taipei, Taiwan (Republic of China)
October 27, 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 September 30, 2022 and 2021

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2022, December 31, 2021, and September 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2022		December 31, 2021		September 30, 2021		Liabilities and Equity		September 30, 2022		December 31, 2021		September 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(1))	\$ 3,833,536	13	4,498,050	19	3,513,207	15	2100	Short-term borrowings (note 6(12))	\$ 5,634,432	19	4,044,952	16	3,477,215	14
1110	Current financial assets at fair value through profit or loss (note 6(2))	67,016	-	67,565	-	61,872	-	2120	Current financial liabilities at fair value through profit or loss (note 6(2))	35,554	-	2,927	-	4,907	-
1136	Current financial assets at amortized cost (notes 6(1), (5) and 8)	-	-	375,007	2	565,875	2	2170	Accounts payable (including related parties) (note 7)	5,359,509	19	4,193,913	17	4,791,130	20
1170	Notes and accounts receivable, net (notes 6(3) and (22))	6,342,798	22	4,053,112	16	4,831,883	20	2209	Accrued expenses	740,928	3	501,745	2	457,784	2
130x	Inventories (note 6(4))	10,919,606	38	9,238,822	37	8,744,701	36	2230	Current tax liabilities	415,703	1	233,597	1	254,483	1
1470	Other current assets (notes 6(11) and 7)	1,163,596	4	467,666	2	520,734	2	2250	Current provisions (note 6(14))	358,439	1	286,255	1	313,254	1
		<u>22,326,552</u>	<u>77</u>	<u>18,700,222</u>	<u>76</u>	<u>18,238,272</u>	<u>75</u>	2321	Bonds payable, current portion (note 6(16))	371,449	1	461,471	2	459,813	2
								2399	Other current liabilities (notes 6(15), (17), (22) and 7)	1,964,618	7	1,858,655	8	1,674,213	7
										<u>14,880,632</u>	<u>51</u>	<u>11,583,515</u>	<u>47</u>	<u>11,432,799</u>	<u>47</u>
Non-current assets:								Non-Current liabilities:							
1517	Non-current financial assets at fair value through other comprehensive income (note 6(6))	19,094	-	19,335	-	19,335	-	2540	Long-term borrowings (note 6(13))	26,000	-	-	-	-	-
1535	Non-current financial assets at amortized cost (notes 6(3), (5) and 8)	147,273	1	136,777	-	129,099	-	2580	Non-current lease liabilities (note 6(17))	221,936	1	224,220	1	207,245	1
1600	Property, plant and equipment (notes 6(8) and 7)	3,909,406	13	3,654,414	15	3,726,611	15	2640	Net defined benefit liability (note 6(18))	194,978	1	204,784	1	196,549	1
1755	Right-of use asset (note 6(9))	440,661	1	422,208	2	409,943	2	2670	Other non-current liabilities (notes 6(14) and (19))	195,074	1	159,161	-	130,110	-
1780	Intangible assets (note 6(10))	1,321,546	5	1,344,845	5	1,378,261	6			<u>637,988</u>	<u>3</u>	<u>588,165</u>	<u>2</u>	<u>533,904</u>	<u>2</u>
1840	Deferred tax assets (note 6(19))	291,827	1	228,983	1	226,767	1		Total liabilities	<u>15,518,620</u>	<u>54</u>	<u>12,171,680</u>	<u>49</u>	<u>11,966,703</u>	<u>49</u>
1990	Other non-current assets (notes 6(11), (18) and 7)	499,576	2	224,000	1	220,529	1	Equity (notes 6(20) and (21)):							
		<u>6,629,383</u>	<u>23</u>	<u>6,030,562</u>	<u>24</u>	<u>6,110,545</u>	<u>25</u>	Equity attributable to owners of parent:							
								3110	Ordinary share capital	5,417,185	19	5,417,185	22	5,417,185	22
								3200	Capital surplus	2,544,420	9	2,583,772	10	2,583,765	11
								Retained earnings:							
								3310	Legal reserve	1,169,989	4	1,127,420	5	1,127,420	5
								3320	Special reserve	447,091	1	448,804	2	448,804	2
								3350	Unappropriated retained earnings	744,710	2	472,330	2	387,868	1
										<u>2,361,790</u>	<u>7</u>	<u>2,048,554</u>	<u>9</u>	<u>1,964,092</u>	<u>8</u>
								3400	Other equity interest	(9,835)	-	(447,092)	(2)	(486,530)	(2)
									Total equity attributable to owners of parent:	<u>10,313,560</u>	<u>35</u>	<u>9,602,419</u>	<u>39</u>	<u>9,478,512</u>	<u>39</u>
								36XX	Non-controlling interests (note 6(7))	3,123,755	11	2,956,685	12	2,903,602	12
									Total equity	<u>13,437,315</u>	<u>46</u>	<u>12,559,104</u>	<u>51</u>	<u>12,382,114</u>	<u>51</u>
Total assets		<u>\$ 28,955,935</u>	<u>100</u>	<u>24,730,784</u>	<u>100</u>	<u>24,348,817</u>	<u>100</u>	Total liabilities and equity		<u>\$ 28,955,935</u>	<u>100</u>	<u>24,730,784</u>	<u>100</u>	<u>24,348,817</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 and nine months ended September 30, 2022 and 2021

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

	For the three months ended				For the nine months ended				
	September 30,				September 30,				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(22))	\$ 9,230,870	100	6,705,956	100	24,392,938	100	21,454,273	100
5000	Operating costs (notes 6(4), (18), (23) and 7)	7,635,078	83	5,559,725	83	19,907,816	82	18,079,219	84
	Gross profit	1,595,792	17	1,146,231	17	4,485,122	18	3,375,054	16
	Operating expenses (notes 6(3), (18), (23) and 7):								
6100	Selling expenses	321,252	3	288,949	4	950,377	4	839,285	4
6200	Administrative expenses	337,310	4	317,185	5	1,001,385	4	931,867	4
6300	Research and development expenses	474,362	5	357,488	5	1,355,158	5	1,100,579	5
6450	Expected credit loss (gain) (note 6(3))	(4,548)	-	5,666	-	(1,219)	-	(2,247)	-
	Total operating expenses	1,128,376	12	969,288	14	3,305,701	13	2,869,484	13
	Net operating income	467,416	5	176,943	3	1,179,421	5	505,570	3
	Non-operating income and loss:								
7010	Other income (note 6(25))	30,171	-	30,337	-	51,006	-	68,781	-
7020	Other gains and losses, net (note 6(26))	(13,199)	-	(7,786)	-	(35,278)	-	(5,260)	-
7050	Finance costs (note 6(27))	(39,331)	-	(11,135)	-	(75,580)	-	(30,779)	-
7100	Interest income (note 6(24))	6,911	-	8,534	-	18,195	-	20,857	-
	Total non-operating income and loss	(15,448)	-	19,950	-	(41,657)	-	53,599	-
	Profit from continuing operations before tax	451,968	5	196,893	3	1,137,764	5	559,169	3
7950	Less: Income tax expenses (note 6(19))	93,544	1	56,685	1	298,249	1	164,491	1
	Profit	358,424	4	140,208	2	839,515	4	394,678	2
8300	Other comprehensive income:								
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss								
8311	Remeasurements of defined benefit plans (note 6(18))	-	-	-	-	545	-	-	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income (notes 6(20) and (28))	-	-	-	-	(241)	-	(1,910)	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	-	-	-	-	304	-	(1,910)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements (note 6(20))	285,667	3	(15,114)	-	566,145	2	(42,396)	-
8300	Other comprehensive income (loss)	285,667	3	(15,114)	-	566,449	2	(44,306)	-
8500	Total comprehensive income	\$ 644,091	7	125,094	2	1,405,964	6	350,372	2
	Income attributable to:								
8610	Owners of parent	\$ 315,262	4	111,841	2	692,100	3	341,226	2
8620	Non-controlling interests	43,162	-	28,367	-	147,415	1	53,452	-
		\$ 358,424	4	140,208	2	839,515	4	394,678	2
	Comprehensive income attributable to:								
8710	Owners of parent	\$ 530,712	6	99,458	2	1,129,696	5	303,500	2
8720	Non-controlling interests	113,379	1	25,636	-	276,268	1	46,872	-
		\$ 644,091	7	125,094	2	1,405,964	6	350,372	2
	Earnings per share (New Taiwan dollars) (note 6(21))								
	Basic earnings per share	\$ 0.58		0.21		1.28		0.63	
	Diluted earnings per share	\$ 0.58		0.21		1.27		0.63	

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 nine months ended September 30, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total retained earnings	Exchange differences on translation of foreign financial statements	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)			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	-	-	-	-	341,226	341,226	-	-	-	341,226	53,452	394,678
Other comprehensive income	-	-	-	-	-	-	(36,537)	(1,189)	(37,726)	(37,726)	(6,580)	(44,306)
Total comprehensive income	-	-	-	-	341,226	341,226	(36,537)	(1,189)	(37,726)	303,500	46,872	350,372
Appropriation and distribution of retained earnings:												
Reversal of special reserve	-	-	-	(282,962)	282,962	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(108,344)	(108,344)	-	-	-	(108,344)	-	(108,344)
Due to donated assets received	-	(220)	-	-	-	-	-	-	-	(220)	-	(220)
Cash dividends from capital surplus	-	(433,375)	-	-	-	-	-	-	-	(433,375)	-	(433,375)
Changes in ownership interests in subsidiaries	-	12,769	-	-	-	-	-	-	-	12,769	(12,769)	-
Distribution cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(238,145)	(238,145)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	73,495	73,495
Balance at September 30, 2021	<u>\$ 5,417,185</u>	<u>2,583,765</u>	<u>1,127,420</u>	<u>448,804</u>	<u>387,868</u>	<u>1,964,092</u>	<u>(485,341)</u>	<u>(1,189)</u>	<u>(486,530)</u>	<u>9,478,512</u>	<u>2,903,602</u>	<u>12,382,114</u>
Balance at January 1, 2022	<u>\$ 5,417,185</u>	<u>2,583,772</u>	<u>1,127,420</u>	<u>448,804</u>	<u>472,330</u>	<u>2,048,554</u>	<u>(445,903)</u>	<u>(1,189)</u>	<u>(447,092)</u>	<u>9,602,419</u>	<u>2,956,685</u>	<u>12,559,104</u>
Profit	-	-	-	-	692,100	692,100	-	-	-	692,100	147,415	839,515
Other comprehensive income	-	-	-	-	339	339	437,407	(150)	437,257	437,596	128,853	566,449
Total comprehensive income	-	-	-	-	692,439	692,439	437,407	(150)	437,257	1,129,696	276,268	1,405,964
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	42,569	-	(42,569)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,713)	1,713	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(379,203)	(379,203)	-	-	-	(379,203)	-	(379,203)
Due to donated assets received	-	13	-	-	-	-	-	-	-	13	-	13
Cash dividends from capital surplus	-	(54,172)	-	-	-	-	-	-	-	(54,172)	-	(54,172)
Changes in ownership interests in subsidiaries	-	14,807	-	-	-	-	-	-	-	14,807	(14,807)	-
Distribution cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(189,021)	(189,021)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	94,630	94,630
Balance at September 30, 2022	<u>\$ 5,417,185</u>	<u>2,544,420</u>	<u>1,169,989</u>	<u>447,091</u>	<u>744,710</u>	<u>2,361,790</u>	<u>(8,496)</u>	<u>(1,339)</u>	<u>(9,835)</u>	<u>10,313,560</u>	<u>3,123,755</u>	<u>13,437,315</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 Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,137,764	559,169
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	358,544	401,563
Amortization expense	157,014	158,725
Expected credit reversal gain	(1,219)	(2,247)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	43,325	(8,257)
Interest expense	75,580	30,779
Interest income	(18,195)	(20,857)
Dividend income	(6,391)	(2,677)
Loss on disposal of property, plant and equipment	957	8,517
Provisions for inventory obsolescence and devaluation loss	63,821	50,847
Total adjustments to reconcile profit	673,436	616,393
Changes in operating assets and liabilities:		
Notes and accounts receivable	(2,288,467)	1,971,442
Financial assets mandatorily at fair value through profit or loss	(7,222)	21,752
Inventories	(1,744,605)	(1,444,697)
Other current assets	(703,321)	92,915
Total changes in operating assets	(4,743,615)	641,412
Accounts payable (including related parties)	1,165,596	(2,036,973)
Other payable to related parties	6,334	5,206
Financial liabilities held for trading	(2,927)	(10,920)
Other current liabilities	460,969	(758,565)
Net defined benefit liability	(9,261)	(23,818)
Total changes in operating liabilities	1,620,711	(2,825,070)
Total changes in operating assets and liabilities	(3,122,904)	(2,183,658)
Total adjustments	(2,449,468)	(1,567,265)

(Continued)

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 (Continued)

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2022	2021
Cash flows used in operations	(1,311,704)	(1,008,096)
Interest received	18,986	18,702
Dividends received	6,391	2,677
Interest paid	(60,113)	(30,779)
Income taxes paid	(201,692)	(173,854)
Net cash flows used in operating activities	(1,548,132)	(1,191,350)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(399,940)	(1,552,111)
Proceeds from repayments of financial assets at amortized cost	774,947	1,124,916
Proceeds from disposal of financial assets at fair value through profit or loss	-	11,851
Consideration paid to non-controlling interests	-	(560)
Acquisition of property, plant and equipment	(422,528)	(186,183)
Proceeds from disposal of property, plant and equipment	6,292	8,828
Decrease (increase) in refundable deposits	(10,404)	27,376
Acquisition of intangible assets	(132,247)	(102,652)
Increase in other non-current assets	(276,748)	(113,284)
Net cash flows used in investing activities	(460,628)	(781,819)
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,589,480	634,453
Proceeds from long-term borrowings	26,000	-
Increase (decrease) in guarantee deposits received	(2,977)	433
Payment of lease liabilities	(24,511)	(32,563)
Cash dividends paid distributed to shareholders	(433,375)	(541,719)
Due to donation assets received	13	(220)
Cash dividends paid to non-controlling interest	(189,021)	(238,145)
Net cash flows from (used in) financing activities	965,609	(177,761)
Effect of exchange rate changes on cash and cash equivalents	378,637	(45,867)
Net decrease in cash and cash equivalents	(664,514)	(2,196,797)
Cash and cash equivalents at beginning of period	4,498,050	5,710,004
Cash and cash equivalents at end of period	\$ 3,833,536	3,513,207

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

Notes to the Consolidated Financial Statements

September 30, 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 October 27, 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. (“FSC”) which have already been adopted.

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

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

The Group does not expect the following 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 “Classification of Liabilities as Current or Non-current”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”

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.

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

(2) Basis of consolidation

A. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Main Business Activities	Shareholding		
			September 30, 2022	December 31, 2021	September 30, 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%
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%

(Continued)

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

Name of Investor	Name of Investee	Main Business Activities	Shareholding		
			September 30, 2022	December 31, 2021	September 30, 2021
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 Technologies Inc. (Interactive Digital) (note 1,4)	Telecommunication and broadband network system services	6.40%	6.64%	6.65%
Enrich Investment	Aespula Technology INC. (Aespula) (note 2)	Sale of network equipment, components and technical services	98.92%	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) (note 1,4)	Telecommunication and broadband network system services	41.50%	43.10%	43.10%
Hitron Technologies	Hitron Technologies Europe Holding B.V. (Hitron Europe) (note 5)	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%

(Continued)

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

Name of Investor	Name of Investee	Main Business Activities	Shareholding		
			September 30, 2022	December 31, 2021	September 30, 2021
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 Enrich Investment and Hitron Technologies did not subscribe for it. The common stock conversion was conducted from December 2020 to September 2022.

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 established a subsidiary in Vietnam in February 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: The Group did not own more than half of the ownership of the entities. As the Group owns more than half of the voting rights, directly and indirectly, and has the power to control the management and operating policies of the entities, the entities have been included in the Group's consolidated entities.

Note 5: Non-significant subsidiaries not reviewed by independent auditors as of September 30, 2021.

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

(3) 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.

(Continued)

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

(4) 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.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 1,007	934	5,441
Checking and savings accounts	2,427,758	3,275,239	2,497,816
Time deposits	1,069,771	721,877	1,009,950
Cash equivalents	<u>335,000</u>	<u>500,000</u>	<u>-</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 3,833,536</u>	<u>4,498,050</u>	<u>3,513,207</u>

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

As of September 30, 2022, December 31 and September 30, 2021, deposits with original maturities of more than three months were \$0 thousand, \$375,007 thousand and \$565,875 thousand, respectively, and were recorded in financial assets measured at amortized cost.

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

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

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</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	\$ 2,942	1,425	2,356
Foreign exchange swaps	7,720	2,364	800
Derivatives instrument – Convertible Bonds (Note 6(16))	-	-	47
Non-derivative financial assets			
Stocks listed on domestic markets	<u>56,354</u>	<u>63,776</u>	<u>58,669</u>
Total	<u>\$ 67,016</u>	<u>67,565</u>	<u>61,872</u>
Financial liabilities held for trading – current			
Forward exchange contracts	\$ 17,031	2,927	3,239
Foreign exchange swaps	<u>18,523</u>	<u>-</u>	<u>1,668</u>
Total	<u>\$ 35,554</u>	<u>2,927</u>	<u>4,907</u>

The Group uses derivative financial instruments to hedge the certain currency risk arising from its operating activities. The following derivative instruments, which were not qualified for hedge accounting, held by the Group, were recognized as financial assets at fair value through profit or loss and held-for-trading financial liabilities:

	<u>September 30, 2022</u>			
	<u>Nominal principal</u> <u>(in thousands)</u>		<u>Currency</u>	<u>Maturity date</u>
Forward exchange contracts	EUR	12,040	EUR to NTD	October 2022 ~ January 2023
Forward exchange contracts	USD	5,730	USD to EUR	October 2022 ~ December 2022
Forward exchange contracts	USD	7,700	USD to NTD	October 2022
Forward exchange contracts	USD	4,000	CNY to USD	October 2022
Forward exchange contracts	USD	850	USD to CNY	October 2022 ~ November 2022
Foreign exchange swaps	USD	21,000	USD to NTD	October 2022
Foreign exchange swaps	USD	33,500	CNY to USD	October 2022

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

December 31, 2021				
	Nominal principal (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

September 30, 2021				
	Nominal principal (in thousands)		Currency	Maturity date
Forward exchange contracts	USD	27,700	USD to NTD	October 2021 ~ December 2021
Forward exchange contracts	USD	2,169	USD to EUR	October 2021 ~ November 2021
Forward exchange contracts	EUR	5,106	EUR to NTD	October 2021 ~ December 2021
Forward exchange contracts	USD	31,000	CNY to USD	October 2021 ~ November 2021
Foreign exchange swaps	USD	21,000	USD to NTD	October 2021

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

	September 30, 2022	December 31, 2021	September 30, 2021
Notes and accounts receivable	\$ 6,353,463	4,065,130	4,835,364
Less: loss allowances	(10,665)	(12,018)	(3,481)
	\$ 6,342,798	4,053,112	4,831,883

The overdue accounts receivable was reclassified to overdue receivables under financial assets measured at amortized cost– non-current, please refer to note 6(5), and loss allowances are fully provided as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets measured at amortized cost– non-current	\$ 67,957	68,103	68,102
Less: loss allowances	(67,957)	(68,103)	(68,102)
	\$ -	-	-

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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:

	September 30, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 5,614,794	0.00%	-
Less than 90 days past due	738,015	1.45%	10,665
91 to 180 days past due	654	0.00%	-
More than 181 days past due	<u>67,957</u>	100%	<u>67,957</u>
	<u>\$ 6,421,420</u>		<u>78,622</u>
	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 3,607,494	0.00%	-
Less than 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>
	September 30, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 4,377,222	0.00%	179
Less than 90 days past due	457,317	0.72%	3,302
More than 181 days past due	<u>68,927</u>	98.8%	<u>68,102</u>
	<u>\$ 4,903,466</u>		<u>71,583</u>

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

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

	For the nine months ended September 30,	
	2022	2021
Balance at January 1	\$ 80,121	111,894
Impairment losses reversal	(1,219)	(2,247)
Write-off	-	(38,055)
Effect of changes in exchange rates	(280)	(9)
Balance at September 30	<u>\$ 78,622</u>	<u>71,583</u>

(4) Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Raw material	\$ 5,999,873	5,806,276	5,328,831
Work in progress and semi-finished products	1,050,053	634,546	870,559
Finished goods and merchandises	<u>3,869,680</u>	<u>2,798,000</u>	<u>2,545,311</u>
	<u>\$ 10,919,606</u>	<u>9,238,822</u>	<u>8,744,701</u>

Component of operating cost were as below:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Cost of goods sold	\$ 7,630,557	5,540,799	19,843,995	18,028,372
Provision for inventory obsolescence and devaluation loss	4,521	18,926	63,821	50,847
	<u>\$ 7,635,078</u>	<u>5,559,725</u>	<u>19,907,816</u>	<u>18,079,219</u>

As of September 30, 2022, December 31 and September 30, 2021, the Group's inventories were not pledged.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Current:			
Time deposits	<u>\$ -</u>	<u>375,007</u>	<u>565,875</u>

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Non-current:			
Restricted deposits	\$ 21,211	20,900	20,900
Refundable deposits	126,062	115,877	108,199
Overdue receivables	67,957	68,103	68,102
Less: loss allowances	<u>(67,957)</u>	<u>(68,103)</u>	<u>(68,102)</u>
	<u>\$ 147,273</u>	<u>136,777</u>	<u>129,099</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 September 30, 2022, December 31 and September 30, 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%~2.60%, 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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 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 September 30, 2022, December 31 and September 30, 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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 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
Notes to the Consolidated Financial Statements

Hitron Technologies Inc.'s collective financial information:

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Current assets	\$ 10,184,413	8,654,473	7,775,202
Non-current assets	4,226,237	3,895,286	3,921,395
Current liabilities	(6,829,167)	(5,468,171)	(4,721,188)
Non-current liabilities	<u>(154,520)</u>	<u>(116,227)</u>	<u>(69,427)</u>
Net assets	<u>\$ 7,426,963</u>	<u>6,965,361</u>	<u>6,905,982</u>
Non-controlling interests	<u>\$ (951,238)</u>	<u>(978,394)</u>	<u>(917,968)</u>
Net assets of investees	<u>\$ 6,475,724</u>	<u>5,986,966</u>	<u>5,988,014</u>
Book value of non-controlling interests	<u>\$ 2,277,573</u>	<u>2,093,017</u>	<u>2,093,414</u>
	<u>For the three months ended</u> <u>September 30,</u>	<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<u>2021</u>	<u>2022</u>	<u>2021</u>
Operating revenue	<u>\$ 3,162,718</u>	<u>2,168,518</u>	<u>8,642,851</u>
Profit	\$ 98,397	200,105	331,124
Other comprehensive income	<u>185,955</u>	<u>(7,234)</u>	<u>341,242</u>
Total comprehensive income	<u>\$ 284,352</u>	<u>192,871</u>	<u>672,366</u>
Profit attributable to non-controlling interests	<u>\$ 11,566</u>	<u>64,315</u>	<u>43,508</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 17,590</u>	<u>64,315</u>	<u>61,545</u>
Net cash flows from operating activities		\$ (515,019)	(759,865)
Net cash flows from investing activities		(14,639)	(547,935)
Net cash flows from financing activities		(289,457)	(778,785)
Effect of exchange rate changes on cash and cash equivalents		<u>186,832</u>	<u>5,902</u>
Net decrease in cash and cash equivalents		<u>\$ (632,283)</u>	<u>(2,080,683)</u>
Dividends paid to non-controlling interests		<u>\$ (189,021)</u>	<u>(238,145)</u>

(Continued)

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

(8) Property, plant and equipment

	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Office, transportation and other facilities</u>	<u>Total</u>
Cost:					
Balance at January 1, 2022	\$ 644,519	4,304,637	2,528,885	414,073	7,892,114
Additions	228,330	54,058	106,677	33,463	422,528
Disposals	-	(14,271)	(77,797)	(26,262)	(118,330)
Effect of changes in exchange rates and others	<u>8,509</u>	<u>165,332</u>	<u>134,318</u>	<u>12,782</u>	<u>320,941</u>
Balance at September 30, 2022	<u>\$ 881,358</u>	<u>4,509,756</u>	<u>2,692,083</u>	<u>434,056</u>	<u>8,517,253</u>
Balance at January 1, 2021	\$ 645,919	4,066,782	2,436,098	475,095	7,623,894
Additions	-	32,168	108,097	45,918	186,183
Disposals	-	-	(11,492)	(7,924)	(19,416)
Effect of changes in exchange rates and others	<u>(1,066)</u>	<u>190,648</u>	<u>21,952</u>	<u>(87,781)</u>	<u>123,753</u>
Balance at September 30, 2021	<u>\$ 644,853</u>	<u>4,289,598</u>	<u>2,554,655</u>	<u>425,308</u>	<u>7,914,414</u>
Depreciation and impairment loss:					
Balance at January 1, 2022	\$ -	2,135,655	1,786,366	315,679	4,237,700
Depreciation	-	119,373	162,227	49,723	331,323
Disposals	-	(14,271)	(71,702)	(25,108)	(111,081)
Effect of changes in exchange rates and others	<u>-</u>	<u>62,606</u>	<u>83,769</u>	<u>3,530</u>	<u>149,905</u>
Balance at September 30, 2022	<u>\$ -</u>	<u>2,303,363</u>	<u>1,960,660</u>	<u>343,824</u>	<u>4,607,847</u>
Balance at January 1, 2021	\$ -	1,761,915	1,608,646	316,624	3,687,185
Depreciation	-	121,987	175,927	65,538	363,452
Disposals	-	-	(438)	(1,633)	(2,071)
Effect of changes in exchange rates and others	<u>-</u>	<u>204,682</u>	<u>(5,602)</u>	<u>(59,843)</u>	<u>139,237</u>
Balance at September 30, 2021	<u>\$ -</u>	<u>2,088,584</u>	<u>1,778,533</u>	<u>320,686</u>	<u>4,187,803</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>3,654,414</u>
Balance at September 30, 2022	<u>\$ 881,358</u>	<u>2,206,393</u>	<u>731,423</u>	<u>90,232</u>	<u>3,909,406</u>
Balance at January 1, 2021	<u>\$ 645,919</u>	<u>2,304,867</u>	<u>827,452</u>	<u>158,471</u>	<u>3,936,709</u>
Balance at September 30, 2021	<u>\$ 644,853</u>	<u>2,201,014</u>	<u>776,122</u>	<u>104,622</u>	<u>3,726,611</u>

As of September 30, 2022, December 31 and September 30, 2021, the Group's property, plant and equipment were not pledged.

(Continued)

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

(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 September 30, 2022	\$ <u>397,775</u>	<u>35,445</u>	<u>7,441</u>	<u>440,661</u>
Balance at January 1, 2021	\$ <u>375,467</u>	<u>46,348</u>	<u>5,522</u>	<u>427,337</u>
Balance at September 30, 2021	\$ <u>370,401</u>	<u>30,541</u>	<u>9,001</u>	<u>409,943</u>

There were no significant additions, disposal or recognition and reversal of impairment losses of the right-of-use assets for the nine months ended September 30, 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 September 30, 2022, December 31 and September 30, 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 others</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 September 30, 2022	\$ <u>133,742</u>	<u>166,661</u>	<u>275,659</u>	<u>578,900</u>	<u>166,584</u>	<u>1,321,546</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 September 30, 2021	\$ <u>165,211</u>	<u>189,649</u>	<u>319,765</u>	<u>578,900</u>	<u>124,736</u>	<u>1,378,261</u>

There were no significant additions, disposal or recognition and reversal of impairment losses of the intangible assets for the nine months ended September 30, 2022 and 2021. Please refer to note 12 of the amortization. Please refer to note 6(11) of the consolidated financial statements for the year ended December 31, 2021 for other related information.

As of September 30, 2022, December 31 and September 30, 2021, the Group's intangible assets were not pledged.

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

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Prepayments for equipment	\$ 487,770	200,014	200,570
Income tax receivable	156,343	83,126	117,083
Business tax receivable	119,804	184,167	136,270
Advance payment	100,963	69,445	68,782
Others	<u>798,292</u>	<u>154,914</u>	<u>218,558</u>
	<u>\$ 1,663,172</u>	<u>691,666</u>	<u>741,263</u>
Other current assets	\$ 1,163,596	467,666	520,734
Other non-current assets	<u>499,576</u>	<u>224,000</u>	<u>220,529</u>
	<u>\$ 1,663,172</u>	<u>691,666</u>	<u>741,263</u>

(12) Short-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank loans	<u>\$ 5,634,432</u>	<u>4,044,952</u>	<u>3,477,215</u>
Unused short-term credit lines	<u>\$ 14,154,922</u>	<u>8,299,478</u>	<u>8,953,809</u>
Range of interest rates	<u>1.00%~ 4.55%</u>	<u>0.55%~ 1.00%</u>	<u>0.52%~ 1.16%</u>

(13) Long-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank loans	<u>\$ 26,000</u>	<u>-</u>	<u>-</u>
Unused long-term credit lines	<u>\$ 1,334,000</u>	<u>2,050,000</u>	<u>2,050,000</u>
Range of interest rates	<u>0.405%</u>	<u>-</u>	<u>-</u>

(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 nine months ended September 30, 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.

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

(15) Other current liabilities

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Contract liabilities (note 6(22))	\$ 920,536	832,407	824,471
Payroll and bonus payable	791,946	700,937	626,698
Lease payable (note 6(17))	28,307	20,944	24,414
Other accounts payable-related parties (note 7)	16,015	9,681	5,217
Others	<u>207,814</u>	<u>294,686</u>	<u>193,413</u>
	<u><u>\$ 1,964,618</u></u>	<u><u>1,858,655</u></u>	<u><u>1,674,213</u></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>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Total convertible corporate bonds issued	\$ 600,000	600,000	600,000
Unamortized discounted payable	(1,051)	(7,229)	(9,187)
Cumulative converted amount	<u>(227,500)</u>	<u>(131,300)</u>	<u>(131,000)</u>
Subtotal	371,449	461,471	459,813
Less: Bonds payable due within one year	<u>(371,449)</u>	<u>(461,471)</u>	<u>(459,813)</u>
Total	<u><u>\$ -</u></u>	<u><u>-</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><u>-</u></u>	<u><u>47</u></u>

The conversion price was set at NTD78.50 at the time of issue. As of September 30, 2022, December 31 and September 30, 2021, the conversion price were \$61.2, \$67.0 and \$67.0, respectively.

As of September 30, 2022, the first convertible corporate bonds of the subsidiary Interactive Digital had accumulated converted 3,306 thousand shares.

Due to the first convertible corporate bond, the capital surplus generated by the Group was \$14,807 thousand for the nine months ended September 30, 2022.

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

(17) Lease liabilities

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Current (recorded in other current liabilities)	\$ <u>28,307</u>	<u>20,944</u>	<u>24,414</u>
Non-current	\$ <u>221,936</u>	<u>224,220</u>	<u>207,245</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>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>919</u>	<u>857</u>	<u>2,821</u>	<u>2,285</u>
Expenses relating to short-term leases and leases of low-value assets	\$ <u>8,758</u>	<u>26,074</u>	<u>31,256</u>	<u>41,133</u>

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

	<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>58,588</u>	<u>73,392</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.

B. Other leases

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

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

As of the September 30, 2022, December 31 and September 30, 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, \$410 thousand, \$1,647 thousand and \$1,986 thousand for the three months and nine months ended September 30, 2022 and 2021, respectively.

B. Defined contribution plans

The pension costs under contribution plans amounted to \$38,014 thousand, \$36,854 thousand, \$113,405 thousand and \$113,070 thousand for the three months and nine months ended September 30, 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		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Current income tax expense				
Current period	\$ 91,996	54,379	296,701	163,643
Adjustment for prior period	<u>1,548</u>	<u>2,306</u>	<u>1,548</u>	<u>848</u>
Income tax expenses	<u>\$ 93,544</u>	<u>56,685</u>	<u>298,249</u>	<u>164,491</u>

As of September 30, 2022, income tax returns of the Company for the years through 2020 were assessed by the tax authority.

(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 nine months ended September 30, 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.

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

A. Ordinary share capital

As of September 30, 2022, December 31 and September 30, 2021, the authorized capital of Alpha amounted to \$8,000,000 thousand, \$6,600,000 thousand and \$6,600,000 thousand, respectively, 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:

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Capital surplus – premium	\$ 2,491,661	2,545,833	2,545,833
Capital surplus – investments under equity method	37,781	22,974	22,966
Other	<u>14,978</u>	<u>14,965</u>	<u>14,966</u>
	<u>\$ 2,544,420</u>	<u>2,583,772</u>	<u>2,583,765</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 actual distribution was consistent with the resolution approved by the Board of Directors. Related information will be available at the Market Observation Post System website.

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;

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

- (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 surplus 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 Board of Directors during their meeting on March 4, 2022 and May 7, 2021 as follows:

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

The above-mentioned earnings distribution were 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
Notes to the Consolidated Financial Statements

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 January 1, 2022	\$ (445,903)	(1,189)	2,956,685	2,509,593
Differences on translation of foreign operation financial statements	437,407	-	128,738	566,145
Remeasurements of defined benefit plans	-	-	206	206
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(150)	(91)	(241)
Changes in ownership interests in subsidiaries	-	-	(14,807)	(14,807)
Distribution cash dividend by subsidiaries to non-controlling interest	-	-	(189,021)	(189,021)
Changes in non-controlling interests	-	-	242,045	242,045
Balance at September 30, 2022	<u>\$ (8,496)</u>	<u>(1,339)</u>	<u>3,123,755</u>	<u>3,113,920</u>
Balance at January 1, 2021	\$ (448,804)	-	3,034,149	2,585,345
Differences on translation of foreign operation financial statements	(36,537)	-	(5,859)	(42,396)
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	-	-	(12,769)	(12,769)
Distribution cash dividend by subsidiary to non-controlling interest	-	-	(238,145)	(238,145)
Changes in non-controlling interests	-	-	126,947	126,947
Balance at September 30, 2021	<u>\$ (485,341)</u>	<u>(1,189)</u>	<u>2,903,602</u>	<u>2,417,072</u>

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

(21) Earnings per share

A. Basic earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Net income attributable to Alpha's ordinary shareholders	<u>\$ 315,262</u>	<u>111,841</u>	<u>692,100</u>	<u>341,226</u>
Weighted-average number of shares outstanding (in thousands of shares)	<u>541,719</u>	<u>541,719</u>	<u>541,719</u>	<u>541,719</u>
Basic earnings per share (NTD)	<u>\$ 0.58</u>	<u>0.21</u>	<u>1.28</u>	<u>0.63</u>

B. Diluted earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Net income attributable to Alpha's ordinary shareholders	<u>\$ 315,262</u>	<u>111,841</u>	<u>692,100</u>	<u>341,226</u>
Weighted average number of shares outstanding (in thousands of shares) (basic)	541,719	541,719	541,719	541,719
Effect of employee remuneration in shares	<u>3,353</u>	<u>1,728</u>	<u>3,706</u>	<u>1,728</u>
Weighted average number of shares outstanding (in thousands of shares) (diluted)	<u>545,072</u>	<u>543,447</u>	<u>545,425</u>	<u>543,447</u>
Diluted earnings per share (NTD)	<u>\$ 0.58</u>	<u>0.21</u>	<u>1.27</u>	<u>\$ 0.63</u>

(Continued)

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

(22) Revenues

A. The details of revenues were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Primary geographical markets:				
United States	\$ 5,328,256	3,818,211	14,044,277	12,982,843
Taiwan	1,309,641	921,844	3,433,552	2,425,837
Others	<u>2,592,973</u>	<u>1,965,901</u>	<u>6,915,109</u>	<u>6,045,593</u>
	<u>\$ 9,230,870</u>	<u>6,705,956</u>	<u>24,392,938</u>	<u>21,454,273</u>
	For the three months ended September 30		For the nine months ended September 30,	
	2022	2021	2022	2021
Major products/services lines:				
LAN/MAN	\$ 3,895,766	2,382,016	9,160,898	6,775,978
Wireless Broadband	4,266,502	3,023,771	12,701,374	9,639,863
Digital Multimedia	656,698	923,040	1,314,198	3,909,643
Others	<u>411,904</u>	<u>377,129</u>	<u>1,216,468</u>	<u>1,128,789</u>
	<u>\$ 9,230,870</u>	<u>6,705,956</u>	<u>24,392,938</u>	<u>21,454,273</u>

B. Contract balances

	September 30, 2022	December 31, 2021	September 30, 2021
Trade receivables	<u>\$ 6,342,798</u>	<u>4,053,112</u>	<u>4,831,883</u>
Contract liabilities - product (other current liabilities)	<u>\$ 920,536</u>	<u>832,407</u>	<u>824,471</u>

For details on notes and accounts receivable, and loss allowance, please refer to note 6(3).

The amounts of revenue recognized for the nine months ended September 30, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were \$214,601 thousand and \$413,413 thousand, respectively.

The contract liabilities primarily related 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.

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

(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 and nine months ended September 30, 2022 and 2021, the Alpha accrued and recognized its remuneration to employees amounting to \$43,919 thousand, \$14,347 thousand, \$92,370 thousand and \$44,584 thousand, and directors amounting to \$3,294 thousand, \$1,076 thousand, \$6,928 thousand and \$3,344 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 were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Interest income from bank deposits and others	\$ 6,911	8,534	18,195	20,857

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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(25) Other income

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Dividend income	\$ 6,391	2,677	6,391	2,677
Government grants income	9,962	17,324	19,439	29,930
Others	13,818	10,336	25,176	36,174
	\$ 30,171	30,337	51,006	68,781

(26) Other gains and losses

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Gain (loss) on financial assets (liabilities) at fair value through profit or loss, net	\$ 18,486	(30,554)	12,851	(16,775)
Foreign exchange gain (loss), net	(25,111)	27,139	(27,371)	25,145
Others	(6,574)	(4,371)	(20,758)	(13,630)
	\$ (13,199)	(7,786)	(35,278)	(5,260)

(27) Finance costs

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Interest expense of borrowings, etc.	\$ 38,412	10,278	72,759	28,494
Interest expense of lease liability	919	857	2,821	2,285
	\$ 39,331	11,135	75,580	30,779

(Continued)

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

(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.

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 September 30, 2022, December 31 and September 30, 2021, 45%, 50% and 54%, respectively, of the Group's accounts receivable 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.

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	<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>
September 30, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 5,634,432	(5,638,798)	(5,638,798)	-	-
Accounts payable (included related-parties)	5,359,509	(5,359,509)	(5,359,509)	-	-
Other payables to related parties (other current liabilities)	16,015	(16,015)	(16,015)	-	-
Accrued expenses	740,928	(740,928)	(740,928)	-	-
Long term borrowings (included maturity within 1 year)	26,000	(26,453)	(105)	(26,348)	-
Bond payables due within one year	371,449	(372,500)	(372,500)	-	-
Lease liabilities	250,243	(290,585)	(31,669)	(79,411)	(179,505)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	17,031	(951,125)	(951,125)	-	-
Inflows	(2,942)	937,036	937,036	-	-
Forward exchange Swaps:					
Outflows	18,523	(1,729,777)	(1,729,777)	-	-
Inflows	(7,720)	1,718,974	1,718,974	-	-
	<u>\$ 12,423,468</u>	<u>(12,469,680)</u>	<u>(12,184,416)</u>	<u>(105,759)</u>	<u>(179,505)</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>

(Continued)

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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>
September 30, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 3,477,215	(3,477,342)	(3,477,342)	-	-
Accounts payable (included related-parties)	4,791,130	(4,791,130)	(4,791,130)	-	-
Other payables to related parties (other current liabilities)	5,386	(5,386)	(5,386)	-	-
Accrued expenses	457,784	(457,784)	(457,784)	-	-
Bond payables due within one year	459,813	(469,000)	(469,000)	-	-
Lease liabilities	231,659	(271,008)	(27,725)	(55,916)	(187,367)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	3,239	(1,860,197)	(1,860,197)	-	-
Inflows	(2,356)	1,859,314	1,859,314	-	-
Forward exchange Swaps:					
Outflows	1,668	(584,526)	(584,526)	-	-
Inflows	(800)	583,658	583,658	-	-
	<u>\$ 9,424,738</u>	<u>(9,473,401)</u>	<u>(9,230,118)</u>	<u>(55,916)</u>	<u>(187,367)</u>

C. Currency risk

(a) Exposure to currency risk

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

	<u>September 30, 2022</u>			<u>December 31, 2021</u>			<u>September 30, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 125,776	31.75	3,993,388	111,869	27.68	3,096,534	134,308	27.84	3,739,141
CNY	10,631	4.4764	47,589	518	4.3454	2,251	273	4.2996	1,173
<u>Non-Monetary items</u>									
USD	27,120	31.75	Note	22,000	27.68	Note	11,000	27.84	Note
EUR	700	31.245	Note	4,808	31.444	Note	4,611	32.294	Note
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	204,584	31.75	6,495,542	203,214	27.68	5,624,964	229,948	27.84	6,401,745
<u>Non-Monetary items</u>									
USD	45,660	31.75	Note	36,248	27.68	Note	70,869	27.84	Note
EUR	11,340	31.245	Note	1,279	31.444	Note	495	32.294	Note

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

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign currency exchange gains and losses resulted from the translation of cash and cash equivalents, trade receivables, other receivables, 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 September 30, 2022 and 2021, would have increased or decreased the profit before tax by \$24,546 thousand and \$26,614 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 and nine months ended September 30, 2022 and 2021, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(25,111) thousand, \$27,139 thousand, \$(27,371) thousand and \$25,145 thousand, respectively.

D. Interest rate analysis

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

If the interest rate had increased or decreased by 0.25%, the Group's net income before tax would have increased or decreased by \$6,945 thousand and \$3,188 thousand, respectively for the nine months ended September 30, 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 nine months ended September 30, 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>	<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Financial assets at fair value through profit or loss		
Increasing 5%	\$ <u>2,818</u>	<u>2,933</u>
Decreasing 5%	\$ <u>(2,818)</u>	<u>(2,933)</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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Prices of securities at the reporting date	For the nine months ended September 30,	
	2022	2021
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:

	September 30, 2022				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss-derivative	\$ <u>67,016</u>	<u>56,354</u>	<u>10,662</u>	<u>-</u>	<u>67,016</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	\$ 3,833,536	-	-	-	-
Notes and accounts receivable	6,342,798	-	-	-	-
Financial assets measured at amortized cost – current and non-current	<u>147,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$10,323,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at fair value under repetitive basis					
Financial liabilities at fair value through profit or loss-derivative	\$ <u>35,554</u>	<u>-</u>	<u>35,554</u>	<u>-</u>	<u>35,554</u>

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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	September 30, 2022				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 5,359,509	-	-	-	-
Payable to related parties	16,015	-	-	-	-
Short-term borrowings	5,634,432	-	-	-	-
Long-term borrowings	26,000	-	-	-	-
Bonds Payable (due within one year)	371,449	-	-	-	-
Lease liabilities – current and non-current	250,243	-	-	-	-
Total	<u>\$ 11,657,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2021					
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss-derivative	<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	4,053,112	-	-	-	-
Financial assets measured at amortized cost – current and non-current	511,784	-	-	-	-
Total	<u>\$ 9,062,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at fair value under repetitive basis					
Financial liabilities at fair value through profit or loss-derivative	<u>\$ 2,927</u>	<u>-</u>	<u>2,927</u>	<u>-</u>	<u>2,927</u>

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	December 31, 2021				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
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	245,164	-	-	-	-
Total	<u>\$ 8,955,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
September 30, 2021					
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss	<u>\$ 61,872</u>	<u>58,669</u>	<u>3,203</u>	<u>-</u>	<u>61,872</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	\$ 3,513,207	-	-	-	-
Notes and accounts receivable	4,831,883	-	-	-	-
Financial assets measured at amortized cost – current and non-current	694,974	-	-	-	-
Total	<u>\$ 9,040,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at fair value under repetitive basis					
Financial liabilities at fair value through profit or loss-derivative	<u>\$ 4,907</u>	<u>-</u>	<u>4,907</u>	<u>-</u>	<u>4,907</u>

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	September 30, 2021				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 4,791,130	-	-	-	-
Payable to related parties	5,217	-	-	-	-
Short-term borrowings	3,477,215	-	-	-	-
Bonds Payable (due within one year)	459,813	-	-	-	-
Lease Liabilities – current and non- current	<u>231,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,965,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(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).

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ALPHA NETWORKS INC. AND SUBSIDIARIES
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The categories and nature of the fair value for the Group's financial instruments which without an active market are as below:

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

ii. Derivative financial instruments

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

(c) There was no transfer between the different levels of fair value hierarchy for the three months and nine months ended September 30, 2022 and 2021.

(d) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
Opening Balance, January 1, 2022	\$ 19,335
Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(241)
Ending balance, September 30, 2022	<u>\$ 19,094</u>
Opening Balance, January 1, 2021	\$ 21,245
Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(1,910)
Ending balance, September 30, 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".

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Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income—equity investments without an active market	Price-equity ratios	As of September 30, 2022, December 31, 2021 and September 30, 2021, net asset value of comparable companies at 1.58 times, 1.88 times and 1.88 times.	Not applicable
		As of September 30, 2022, December 31, 2021 and September 30, 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.

(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(30) 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).

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

	January 1, 2022	Cash flows	Foreign exchange movement and other	September 30, 2022
Short-term borrowings	\$ 4,044,952	1,589,480	-	5,634,432
Long-term borrowings	-	26,000	-	26,000
Bonds payable (including maturity within 1 year)	461,471	-	(90,022)	371,449
Lease liabilities	245,164	(24,511)	29,590	250,243
Total liabilities from financing activities	<u>\$ 4,751,587</u>	<u>1,590,969</u>	<u>(60,432)</u>	<u>6,282,124</u>

	January 1, 2021	Cash flows	Foreign exchange movement and other	September 30, 2021
Short-term borrowings	\$ 2,842,762	634,453	-	3,477,215
Bonds payable (including maturity within 1 year)	526,507	-	(66,694)	459,813
Lease liabilities	241,748	(32,563)	22,474	231,659
Total liabilities from financing activities	<u>\$ 3,611,017</u>	<u>601,890</u>	<u>(44,220)</u>	<u>4,168,687</u>

7. Related-party transactions:

- (1) Parent company and ultimate controlling company

On July 23, 2020, Qisda Corporation acquired the Alpha's 19.02% percent of common shares, increasing its ownership from 23.84% to 42.86%. Qisda Corporation is the ultimate controlling party of the Company, and has issued the consolidated financial statements available for public use.

- (2) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statement:

Name of related party	Relationship with the Group
Qisda Corporation (Qisda)	Parent Company
AEWIN Technologies Co., Ltd. (AEWIN Technologies)	Qisda's subsidiary
MetaAge Corporation (MetaAge) (note)	Qisda's subsidiary
BenQ Asia Pacific Corp (BQP)	Qisda's subsidiary
BenQ Healthcare Corporation (BHC)	Qisda's subsidiary

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<u>Name of related party</u>	<u>Relationship with the Group</u>
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
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: Sysage Technology Co., Ltd. had been renamed to MetaAge Corporation at June 23, 2022.

(3) Significant related-party transactions

A. Sales

The amounts of sales to related parties were as follows:

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Other related parties — other	\$ <u>-</u>	<u>812</u>	\$ <u>-</u>	<u>812</u>

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

The collection terms for related parties were 30 to 90 days.

B. Purchases

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

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Parent Company	\$ -	2,653	-	5,088
Other related parties — others	<u>47,259</u>	<u>32,029</u>	<u>100,988</u>	<u>68,518</u>
	<u>\$ 47,259</u>	<u>34,682</u>	<u>100,988</u>	<u>73,606</u>

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

C. Payable to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts payable to related parties	Parent Company	\$ -	749	2,753
Account payable to related parties	Other related parties — others	47,748	30,194	32,391
		<u>\$ 47,748</u>	<u>30,943</u>	<u>35,144</u>

D. 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:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Parent Company	\$ 117	(31)	374	134
Other related parties — others	8	1,877	6,373	6,843
	<u>\$ 125</u>	<u>1,846</u>	<u>6,747</u>	<u>6,977</u>

The payables to related parties were as follows:

<u>Account</u>	<u>Related Party Category</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Other payable to related parties	Parent Company	\$ 127	919	-
Other payable to related parties	Other related parties — others	-	1,285	3,353
Accounts payable	Parent Company	-	-	51
Accounts payable	Other related parties — others	-	-	1,982
		<u>\$ 127</u>	<u>2,204</u>	<u>5,386</u>

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E. Transactions of property, plant and equipment

Proceeds from disposal of equipment to related parties were as follows:

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Other related parties — others	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>1,690</u>

The amounts of other receivable from related parties were as follows:

<u>Account</u>	<u>Related Party</u> <u>Category</u>	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Other receivable from related parties	Other related parties — others	\$ <u>-</u>	<u>-</u>	<u>436</u>

The amounts of acquisition of equipment and intangible assets from related parties were as follows:

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Other related parties — others	\$ <u>550</u>	<u>-</u>	<u>32,480</u>	<u>-</u>

The amounts of payables and prepayments for equipment to related parties were as follows:

<u>Account</u>	<u>Related Party</u> <u>Category</u>	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Other payable to related parties	Parent Company	\$ -	525	-
Other payable to related parties	Other related parties — others	-	5,472	-
Prepayments for equipment	Other related parties — others	-	-	15,965
		\$ <u>-</u>	<u>5,997</u>	<u>15,965</u>

(Continued)

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

F. Various advances

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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Other payable to related parties	Other related parties — others	\$ <u>15,888</u>	<u>1,480</u>	<u>1,864</u>
Advance payments	Other related parties — others	\$ <u>-</u>	<u>-</u>	<u>48</u>

(4) Key management personnel compensation

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ <u>24,967</u>	<u>31,030</u>	<u>113,241</u>	<u>96,742</u>

8. Pledged assets:

<u>Pledged assets</u>	<u>Object</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
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	3,279	2,968	2,968
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	12,603	11,228	11,368
Refundable deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for construction project	<u>82,553</u>	<u>80,868</u>	<u>80,868</u>
		<u>\$ 116,367</u>	<u>112,996</u>	<u>113,136</u>

(Continued)

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

9. Significant commitments and contingencies:

- (1) As of September 30, 2022, December 31 and September 30, 2021, the Group deposited notes in the bank amounting to \$4,673,425 thousand, \$4,652,662 thousand and \$4,710,228 thousand, respectively in order to obtain the credits limit of bank financing, foreign exchange facilities and contracts of government grants.
- (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

	September 30, 2022	December 31, 2021	September 30, 2021
Guaranteed Notes Payable for tender contract	\$ 3,390	4,585	3,798
Guarantee for construction projects	88,228	97,488	93,098

10. Losses Due to Major Disasters: None.

11. Subsequent Events: None

12. Other:

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

By item	By function		For the three months ended September 30			
	2022			2021		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	280,614	663,954	944,568	185,936	531,588	717,524
Labor and health insurance	15,562	43,610	59,172	15,614	43,293	58,907
Pension	9,030	29,533	38,563	9,559	27,705	37,264
Remuneration of directors	-	9,565	9,565	-	4,381	4,381
Others	14,280	22,534	36,814	14,633	26,514	41,147
Depreciation	59,109	61,571	120,680	61,322	62,646	123,968
Amortization	702	53,143	53,845	224	62,876	63,100

(Continued)

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

By item	By function					
	For the nine months ended September 30,					
	2022			2021		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	679,566	1,928,770	2,608,336	617,149	1,586,843	2,203,992
Labor and health insurance	45,641	129,010	174,651	48,584	130,852	179,436
Pension	27,621	87,431	115,052	30,890	84,166	115,056
Remuneration of directors	-	27,158	27,158	-	21,342	21,342
Others	42,689	59,069	101,758	48,249	75,733	123,982
Depreciation	179,118	179,426	358,544	201,599	199,964	401,563
Amortization	2,056	154,958	157,014	762	157,963	158,725

13. Other disclosures:

(1) Information on significant transactions:

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

- A. Loans to other parties: Please refer to Table 1.
- B. Guarantees and endorsements for other parties: Please refer to Table 2.
- C. Securities held (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of \$300 million or 20% of the capital stock: Please refer to Table 4.
- E. Acquisition of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None.
- F. Disposal of individual real estate with amount exceeding the lower of \$300 million or 20% of the capital stock: None.
- G. Related-party transactions for purchases and sales with amounts exceeding the lower of \$100 million or 20% of the capital stock: Please refer to Table 5.
- H. Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock: Please refer to Table 6.
- I. Trading in derivative instruments: Please refer to note 6(2).
- J. Business relationships and significant intercompany transactions: Please refer to Table 7.

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

(Continued)

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

(3) Information on investment in Mainland China:

- A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 9.
- B. Limitation on investment in Mainland China: Please refer to Table 9.
- C. Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

(4) Major shareholders:

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

1. The main shareholder information in this table is calculated on the last business day at the end of each quarter by the Taiwan Depository & Clearing Corporation, based on those who held more than 5% of the company's ordinary shares and preferred shares and have completed unregistered non-physical securities delivered (including treasury shares). As for the share capital recorded in the company's financial report and the company's actual number of shares delivered without physical registration, there may be differences due to different basis of calculation.
2. In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee who opened the trust account by the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, his shareholding includes his own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider's equity declaration, please refer to Market Observation Post System website.

(Continued)

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

14. Segment information:

Information about reportable segments and their measurement and reconciliations were as follows:

	For the three months ended September 30, 2022			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 8,844,535	386,335	-	9,230,870
Intersegment revenues	-	8,106	(8,106)	-
Total revenue	<u>\$ 8,844,535</u>	<u>394,441</u>	<u>(8,106)</u>	<u>9,230,870</u>
Reportable segment profit or loss	<u>\$ 346,651</u>	<u>18,530</u>	<u>(6,757)</u>	<u>358,424</u>
	For the three months ended September 30, 2021			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 6,333,922	372,034	-	6,705,956
Intersegment revenues	-	6,387	(6,387)	-
Total revenue	<u>\$ 6,333,922</u>	<u>378,421</u>	<u>(6,387)</u>	<u>6,705,956</u>
Reportable segment profit or loss	<u>\$ 97,923</u>	<u>48,960</u>	<u>(6,675)</u>	<u>140,208</u>
	For the nine months ended September 30, 2022			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 23,229,214	1,163,724	-	24,392,938
Intersegment revenues	-	29,772	(29,772)	-
Total revenue	<u>\$ 23,229,214</u>	<u>1,193,496</u>	<u>(29,772)</u>	<u>24,392,938</u>
Interest expenses	<u>\$ 69,754</u>	<u>5,831</u>	<u>(5)</u>	<u>75,580</u>
Depreciation and amortization	<u>\$ 470,084</u>	<u>45,660</u>	<u>(186)</u>	<u>515,558</u>
Reportable segment profit or loss	<u>\$ 792,005</u>	<u>72,204</u>	<u>(24,694)</u>	<u>839,515</u>
	September 30, 2022			
	Network related products	Others	Reconciliation and elimination	Total
Reportable segment assets	<u>\$ 25,439,313</u>	<u>3,523,173</u>	<u>(6,551)</u>	<u>28,955,935</u>
Reportable segment liabilities	<u>\$ 14,019,129</u>	<u>1,512,729</u>	<u>(13,238)</u>	<u>15,518,620</u>

(Continued)

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

	For the nine months ended September 30, 2021			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 20,342,408	1,111,865	-	21,454,273
Intersegment revenues	-	23,296	(23,296)	-
Total revenue	<u>\$ 20,342,408</u>	<u>1,135,161</u>	<u>(23,296)</u>	<u>21,454,273</u>
Interest expenses	<u>\$ 24,481</u>	<u>6,299</u>	<u>(1)</u>	<u>30,779</u>
Depreciation and amortization	<u>\$ 515,053</u>	<u>45,421</u>	<u>(186)</u>	<u>560,288</u>
Reportable segment profit or loss	<u>\$ 302,765</u>	<u>112,313</u>	<u>(20,400)</u>	<u>394,678</u>
	September 30, 2021			
	Network related products	Others	Reconciliation and elimination	Total
Reportable segment assets	<u>\$ 20,963,701</u>	<u>3,392,091</u>	<u>(6,975)</u>	<u>24,348,817</u>
Reportable segment liabilities	<u>\$ 10,577,110</u>	<u>1,402,156</u>	<u>(12,563)</u>	<u>11,966,703</u>

(Continued)

Alpha Networks Inc. and Subsidiaries
Loans to other parties
For the nine months ended September 30, 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		
0	Alpha	Alpha VN	Other receivable from related parties	Yes	635,000 (USD20,000 thousand)	635,000 (USD20,000 thousand)	-	3%	2	-	Operating capital	-		-	2,062,712 (note 2)	4,125,424 (note 3)
1	Alpha HK	Alpha Changshu	Same as above	Yes	1,108,075 (USD34,900 thousand)	1,108,075 (USD34,900 thousand)	1,108,075 (USD34,900 thousand)	-	2	-	Operating capital	-		-	2,228,696 (note 4)	2,228,696 (note 4)
2	Alpha Chengdu	Alpha Changshu	Same as above	Yes	179,876 (RMB40,000 thousand)	-	-	2%	2	-	Operating capital	-		-	601,821 (note 4)	601,821 (note 4)
3	D-Link Asia	Alpha Changshu	Same as above	Yes	158,750 (USD5,000 thousand)	158,750 (USD5,000 thousand)	158,750 (USD5,000 thousand)	-	2	-	Operating capital	-		-	2,234,315 (note 4)	2,234,315 (note 4)
4	Alpha Dongguan	Alpha Changshu	Same as above	Yes	307,423 (RMB70,400 thousand)	-	-	2%	2	-	Operating capital	-		-	1,446,744 (note 4)	1,446,744 (note 4)
5	Hitron Technologies	Hitron Vietnam	Same as above	Yes	952,500 (USD30,000 thousand)	952,500 (USD30,000 thousand)	428,625 (USD13,500 thousand)	1%	2	-	Operating capital	-		-	1,049,633 (note 5)	2,099,266 (note 5)

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

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

Note 2: The total amount for lending to a company for funding for a short-term period shall not exceed 20% 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 nine months ended September 30, 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	5,156,780	63,500	63,500	5,479	-	0.62 %	10,313,560	Y	N	Y
0	Alpha	Alpha Changshu	note 3	5,156,780	222,250	222,250	-	-	2.15 %	10,313,560	Y	N	Y
1	Hitron Technologies	Hitron Europe	note 3	5,248,165	688,790	597,045	99,984	-	11.38 %	7,872,248	Y	N	N
1	Hitron Technologies	Hitron Americas	note 3	5,248,165	598,760	571,500	-	-	10.89 %	7,872,248	Y	N	N
1	Hitron Technologies	Hitron Vietnam	note 3	5,248,165	2,283,750	2,063,750	590,550	-	39.32 %	7,872,248	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 (excluding investment in subsidiaries, associates and joint ventures)
September 30, 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	28,445	-	28,445	
Hitron Technologies	SENAO	-	Current financial assets at fair value through profit or loss	152	4,560	-	4,560	
Interactive Digital	TRANSCEND	-	Current financial assets at fair value through profit or loss	362	23,349	-	23,349	
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

**Individual securities acquired or disposed of with accumulated amounts exceeding the lower of than \$300 million or 20% of the capital stock
For the nine months ended September 30, 2022**

Table 4

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

Name of company	Category and name of security	Account	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance (note)	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Alpha	Alpha VN	Investments accounted for using equity method	Cash capital increase	Parent company and subsidiary	-	-	-	510,378	-	-	-	-	-	493,363

Note: The ending balance was the include the amount of investment gains and losses, cumulative translation adjustments and other adjustments of investment accounted for using equity method in the current period.

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 nine months ended September 30, 2022

Table 5

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Alpha	Alpha USA	Subsidiary of Alpha	(Sales)	(4,939,534)	(33)%	90 days	-	-	1,397,079	31%	Note
Alpha	D-Link Asia	Subsidiary of Alpha	Purchase	3,361,336	24%	90 days	-	-	(978,414)	(28)%	Note
Alpha	Alpha Changshu	Subsidiary of Alpha	Purchase	6,712,352	47%	90 days	-	-	(1,285,558)	(36)%	Note
Alpha	Hitron Technology	Subsidiary of Alpha	(Sales)	(115,258)	(1)%	90 days	-	-	54,353	1%	Note
Alpha Changshu	Mirac	Subsidiary company to subsidiary	(Sales)	(506,035)	(7)%	90 days	-	-	71,822	5%	Note
Alpha HK	Alpha Changshu	Subsidiary company to subsidiary	(Sales)	(6,459,041)	(100)%	90 days	-	-	1,267,472	100%	Note
D-Link Asia	Alpha Dongguan	Subsidiary company to subsidiary	Purchase	3,361,336	59%	90 days	-	-	(1,113,471)	(60)%	Note
Hitron Technology	Hitron Americas	Subsidiary company to subsidiary	(Sales)	(4,193,663)	(48)%	90 days	-	-	2,228,951	86%	Note
Hitron Technology	Hitron Europe	Subsidiary company to subsidiary	(Sales)	(854,083)	(10)%	90 days	-	-	368,173	14%	Note
Hitron Vietnam	Hitron Technology	Subsidiary company to subsidiary	(Sales)	(6,918,242)	(80)%	60 days	-	-	2,136,092	83%	Note
Hitron Suzhou	Hitron Technology	Subsidiary company to subsidiary	(Sales)	(126,950)	(1)%	60 days	-	-	27,238	1%	Note

Note: The relevant transactions and ending balance were eliminated in the consolidated financial statements.

Alpha Networks Inc. and Subsidiaries
Receivables from related parties with amounts exceeding the lower of \$100 million or 20% of the capital stock
September 30, 2022

Table 6

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period(note 1)	Loss Allowance	Note
					Amount	Action taken			
Alpha	Alpha USA	Subsidiary of Alpha	1,397,079	5.85	-	-	687,841	-	note 2
Alpha	Alpha HK	Subsidiary of Alpha	429,799	-	376	-	-	-	note 2
D-Link Asia	Alpha	Subsidiary company to parent	978,414	6.75	114	-	32,221	-	note 2
Alpha Changshu	Alpha	Subsidiary company to parent	1,285,558	10.79	-	-	670,009	-	note 2
Alpha Dongguan	D-Link Asia	Subsidiary company to subsidiary	1,113,471	6.01	282,910	-	32,221	-	note 2
Alpha HK	Alpha Changshu	Subsidiary company to subsidiary	1,267,472	6.69	75,629	-	9,804	-	note 2
D-Link Asia	Alpha Dongguan	Subsidiary company to subsidiary	753,573	4.70	17,044	-	32,219	-	note 2
Hitron Technologies	Hitron Americas	Subsidiary company to subsidiary	2,228,951	3.12	-	-	472,500	-	note 2
Hitron Technologies	Hitron Europe	Subsidiary company to subsidiary	368,173	4.75	-	-	13,302	-	note 2
Hitron Technologies	Hitron Vietnam	Subsidiary company to subsidiary	594,039	-	-	-	-	-	note 2
Hitron Vietnam	Hitron Technologies	Subsidiary company to subsidiary	2,136,092	6.66	-	-	242,248	-	note 2

Note 1: The collection situation as of October 21, 2022.

Note 2: The relevant transactions and ending balance were eliminated in the consolidated financial statements.

Alpha Networks Inc. and Subsidiaries
Business relationships and significant intercompany transactions
For the nine months ended September 30, 2022

Table 7

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account	Amount	Payment terms	Percentage of the consolidated operating revenue or total assets
0	Alpha	Alpha USA	Parent company to Subsidiary	Sales	4,939,534	-	20.25%
0	Alpha	Alpha USA	Parent company to Subsidiary	Accounts receivable from related parties	1,397,079	90 days	4.82%
0	Alpha	Alpha Changshu	Parent company to Subsidiary	Purchase	6,712,352	-	27.52%
0	Alpha	Alpha Changshu	Parent company to Subsidiary	Accounts payable to related parties	1,285,558	90 days	4.44%
0	Alpha	D-Link Asia	Parent company to Subsidiary	Purchase	3,361,336	-	13.78%
0	Alpha	D-Link Asia	Parent company to Subsidiary	Accounts payable to related parties	978,414	90 days	3.38%
0	Alpha	Alpha HK	Parent company to Subsidiary	Accounts receivable from related parties	429,799	90 days	1.48%
1	Alpha HK	Alpha Changshu	Subsidiary company to Subsidiary	Sales	6,459,041	-	26.48%
1	Alpha HK	Alpha Changshu	Subsidiary company to Subsidiary	Accounts receivable from related parties	1,267,472	90 days	4.38%
2	D-Link Asia	Alpha Dongguan	Subsidiary company to Subsidiary	Purchase	3,361,336	-	13.78%
2	D-Link Asia	Alpha Dongguan	Subsidiary company to Subsidiary	Accounts payable to related parties	1,113,471	90 days	3.85%
3	Alpha Changshu	Mirac	Subsidiary company to Subsidiary	Sales	506,035	-	2.07%
4	Hitron Technologies	Hitron Europe	Subsidiary company to Subsidiary	Sales	854,083	-	3.50%
4	Hitron Technologies	Hitron Europe	Subsidiary company to Subsidiary	Accounts receivable from related parties	368,173	90 days	1.27%
4	Hitron Technologies	Hitron Americas	Subsidiary company to Subsidiary	Sales	4,193,663	-	17.19%
4	Hitron Technologies	Hitron Americas	Subsidiary company to Subsidiary	Accounts receivable from related parties	2,228,951	90 days	7.70%
4	Hitron Technologies	Hitron Vietnam	Subsidiary company to Subsidiary	Other receivables from related parties	594,039	60 days	2.05%

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account	Amount	Payment terms	Percentage of the consolidated operating revenue or total assets
5	Hitron Vietnam	Hitron Technologies	Subsidiary company to Subsidiary	Sales	6,918,242	-	28.36%
5	Hitron Vietnam	Hitron Technologies	Subsidiary company to Subsidiary	Accounts receivable from related parties	2,136,092	60 days	7.38%

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

Alpha Networks Inc. and Subsidiaries
Information on investees (excluding information on investees in Mainland China)
For the nine months ended September 30, 2022

Table 8

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2022			Net income (losses) of investee	Share of profits/ losses of investee	Note
				September 30, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
Alpha	Alpha Holdings	Cayman Islands	Investment holding	208,500	208,500	6,464	100.00 %	(18,102)	3,241	3,241	
Alpha	Alpha Solutions	Japan	Sale of network equipment, components and technical services	5,543	5,543	1	100.00 %	17,265	(576)	(576)	
Alpha	Alpha USA	CA USA	Sale, marketing and procurement service in USA	51,092	51,092	1,500	100.00 %	163,162	3,919	3,919	
Alpha	Alpha HK	Hong Kong	Investment holding	3,143,628	3,143,628	780,911	100.00 %	2,225,512	(102,701)	(100,003)	
Alpha	ATS	CA USA	Post-sale service	260,497 (USD8,100 thousand)	260,497 (USD8,100 thousand)	8,100	100.00 %	193,164	1,116	1,116	
Alpha	Enrich Investment	Taiwan	Investment holding	320,000	320,000	32,000	100.00 %	220,186	(14,361)	(14,361)	
Alpha	Hitron Technologies	Taiwan	Marketing on system integration of communication product and telecommunication products	4,811,000	4,811,000	200,000	62.24 %	4,198,151	350,401	179,012	
Alpha	D-Link Asia	Singapore	Investment in manufacturing business	1,692,805 note 2	1,692,805 note 2	86,946	100.00 %	2,219,413	407,624	395,628	
Alpha	Alpha VN	Vietnam	Production and sale of network products	510,378	-	-	100.00 %	493,363	(71,805)	(71,805)	
Enrich Investment	Interactive Digital	Taiwan	Telecommunication and broadband network system services	189,523	189,523	2,575	6.40 %	105,929	105,185	note 1	

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2022			Net income (losses) of investee	Share of profits/ losses of investee	Note
				September 30, 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 %	14,238	(10,006)	note 1	
Enrich Investment	Aespula	Taiwan	Sale of network equipment components and technical services	80,000	80,000	8,000	98.92 %	67,671	(9,104)	notes 1 and 3	
Hitron Technologies	Hitron Samoa	Samoa	International trade	642,697	642,697	21,350	100.00 %	611,795	11,883	note 1	
Hitron Technologies	Interactive Digital	Taiwan	Telecommunication and broadband network system services	126,091	126,091	16,703	41.50 %	502,238	105,185	note 1	
Hitron Technologies	Hitron Europe	Netherlands	International trade	59,604	59,604	15	100.00 %	135,491	90,792	note 1	
Hitron Technologies	Hitron Americas	USA	International trade	90,082	90,082	300	100.00 %	443,527	222,031	note 1	
Hitron Technologies	Innoauto Technologies	Taiwan	Investments and automotive electronics products	20,000	20,000	2,000	100.00 %	3,462	(170)	note 1	
Hitron Technologies	Hitron Vietnam	Vietnam	Production and sale of broadband telecommunication products	1,511,735	1,511,735	-	100.00 %	2,048,115	414,611	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
Information on investment in Mainland China
For the nine months ended September 30, 2022

Table 9

(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 September 30, 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	9,692	100.00%	9,692	601,821	-
Alpha Dongguan	Production and sale of network products	787,496	note 1	741,084	-	-	741,084 (note 6)	376,104	100.00%	376,104	1,446,744	-
Mirac	Production and sale of network products	307,326	note 1	307,326	-	-	307,326	14,802	100.00%	14,802	327,862	-
Alpha Changshu	Production and sale of network products	1,925,920	note 1	1,925,920	-	-	1,925,920	(227,328)	100.00%	(227,328)	1,159,655	-
Hitron Suzhou	Production and sale of broadband network products	641,763 (RMB141,547 thousand)	note 1	641,763	-	-	641,763	15,563	100.00% (note 9)	11,914	617,093	-
Jietech Suzhou	Sale of broadband network products and related services	31,139 (RMB5,425 thousand)	note 1	31,139	-	-	31,139	(34)	100.00% (note 9)	(31)	3,793	-
Hwa Chi Technologies	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	5,814 (USD200 thousand)	note 8	12,048	-	-	12,048	1,380	41.50% (notes 8 and 9)	586	5,158	23,018

(2) Limitation on investment in Mainland China

Company Name	Accumulated Investment in Mainland China as of September 30, 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	3,148,899

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: According to the Operation Headquarters confirmation document, with letter no.11120417620, issued by the Industrial Development Bureau, MOEA, obtained by Alpha on June 8, 2022, the upper limit on its investment in mainland China pursuant to the “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: Maintrend, an indirectly invested subsidiary of Alpha, has completed its liquidation on various rights and obligations; thus, cancelled its registration on July 23, 2018. However, Alpha's cumulative investment of \$164,622 thousand still needs to be included in the cumulative amount of investments from Taiwan to China according to the regulations of the Investment Commission, MOEA.

Note 8: Hwa Chi is a China based investment company which was originally invested by Hitron (Samoa), Alpha's subsidiary. However, due to the Group's restructuring, the investor was changed to Interactive Digital instead, based on the resolution approved during the board meeting in 2012.

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