

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2023 and 2022**

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

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Independent Auditors' Review Report

To the Board of Directors
Alpha Networks Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Alpha Networks Inc. and its subsidiaries as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, 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 three months ended March 31, 2022, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. 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 Standards on Auditing of the Republic of China 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 three months ended March 31, 2022

As stated in Note 4(2), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$491,119 thousand, constituting 2% of consolidated total assets at March 31, 2022, total liabilities amounting to \$168,466 thousand, constituting 1% of consolidated total liabilities at March 31, 2022, and total comprehensive income amounting to \$28,067 thousand, constituting 7% of consolidated total comprehensive income for the three months ended March 31, 2022.



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 three months ended March 31, 2022 above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Alpha Networks Inc. and its subsidiaries as of March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022 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 reviews resulting in this independent auditors’ review report are Hai-Ning Huang and Wei-Ming Shin.

KPMG

Taipei, Taiwan (Republic of China)
May 2, 2023

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.

(Expressed in Thousands of New Taiwan Dollars)

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Standards on Auditing

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the three months ended March 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		For the three months ended March 31,			
		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(22) and 7)	\$ 7,869,340	100	6,874,890	100
5000	Operating costs (notes 6(4),(18),(23) and 7)	6,469,569	82	5,573,621	81
	Gross profit	1,399,771	18	1,301,269	19
	Operating expenses (notes 6(3),(18),(23) and 7):				
6100	Selling expenses	298,966	4	304,821	4
6200	Administrative expenses	315,152	4	311,652	5
6300	Research and development expenses	463,188	6	417,408	6
6450	Expected credit loss (gain) (note 6(3))	9,155	-	(2,461)	-
	Total operating expenses	1,086,461	14	1,031,420	15
	Net operating income	313,310	4	269,849	4
	Non-operating income and expenses:				
7010	Other income (note 6(25))	19,836	-	7,459	-
7020	Other gains and losses, net (note 6(26))	(45,409)	(1)	(2,055)	-
7050	Finance costs (note 6(27))	(31,541)	-	(12,896)	-
7100	Interest income (note 6(24))	17,061	-	4,130	-
	Total non-operating income and expenses	(40,053)	(1)	(3,362)	-
	Profit before tax	273,257	3	266,487	4
7950	Less: Income tax expenses (note 6(19))	86,403	1	105,436	2
	Profit	186,854	2	161,051	2
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans (note 6(18))	-	-	545	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (loss) (notes 6(20) and (28))	-	-	(241)	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	-	-	304	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements (note 6(20))	4,210	-	244,843	4
8300	Other comprehensive income, net of income tax	4,210	-	245,147	4
8500	Total comprehensive income	<u>\$ 191,064</u>	<u>2</u>	<u>406,198</u>	<u>6</u>
	Profit attributable to:				
8610	Owners of parent	\$ 173,899	2	133,825	2
8620	Non-controlling interests	12,955	-	27,226	-
		<u>\$ 186,854</u>	<u>2</u>	<u>161,051</u>	<u>2</u>
8700	Total comprehensive income attributable to:				
8710	Owners of parent	\$ 185,334	2	347,468	5
8720	Non-controlling interests	5,730	-	58,730	1
		<u>\$ 191,064</u>	<u>2</u>	<u>406,198</u>	<u>6</u>
	Earnings per share (New Taiwan dollars) (note 6(21))				
	Basic earnings per share	\$ 0.32		0.25	
	Diluted earnings per share	\$ 0.32		0.25	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Standards on Auditing

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Total other equity interest					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (deficit to be compensated)	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2022	\$ 5,417,185	2,583,772	1,127,420	448,804	472,330	2,048,554	(445,903)	(1,189)	(447,092)	9,602,419	2,956,685	12,559,104
Profit	-	-	-	-	133,825	133,825	-	-	-	133,825	27,226	161,051
Other comprehensive income (loss)	-	-	-	-	339	339	213,454	(150)	213,304	213,643	31,504	245,147
Total comprehensive income (loss)	-	-	-	-	134,164	134,164	213,454	(150)	213,304	347,468	58,730	406,198
Appropriation and distribution of retained earnings:												
Cash dividends of ordinary share	-	-	-	-	(379,203)	(379,203)	-	-	-	(379,203)	-	(379,203)
Donation from shareholders	-	13	-	-	-	-	-	-	-	13	-	13
Cash dividends from capital surplus	-	(54,172)	-	-	-	-	-	-	-	(54,172)	-	(54,172)
Changes in ownership interests in subsidiaries	-	6,815	-	-	-	-	-	-	-	6,815	(6,815)	-
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(189,021)	(189,021)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	25,363	25,363
Balance at March 31, 2022	\$ 5,417,185	2,536,428	1,127,420	448,804	227,291	1,803,515	(232,449)	(1,339)	(233,788)	9,523,340	2,844,942	12,368,282
Balance at January 1, 2023	\$ 5,417,185	2,544,401	1,169,989	447,091	1,019,195	2,636,275	(233,127)	6,578	(226,549)	10,371,312	3,185,307	13,556,619
Profit	-	-	-	-	173,899	173,899	-	-	-	173,899	12,955	186,854
Other comprehensive income (loss)	-	-	-	-	-	-	11,435	-	11,435	11,435	(7,225)	4,210
Total comprehensive income (loss)	-	-	-	-	173,899	173,899	11,435	-	11,435	185,334	5,730	191,064
Appropriation and distribution of retained earnings:												
Cash dividends of ordinary share	-	-	-	-	(915,504)	(915,504)	-	-	-	(915,504)	-	(915,504)
Donation from shareholders	-	16	-	-	-	-	-	-	-	16	-	16
Changes in ownership interests in subsidiaries	-	20,517	-	-	-	-	-	-	-	20,517	9,967	30,484
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(293,147)	(293,147)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	20,410	20,410
Balance at March 31, 2023	\$ 5,417,185	2,564,934	1,169,989	447,091	277,590	1,894,670	(221,692)	6,578	(215,114)	9,661,675	2,928,267	12,589,942

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 273,257	266,487
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	140,964	117,524
Amortization expense	55,264	49,972
Expected credit loss (reversal gain)	9,155	(2,461)
Net loss on financial assets or liabilities at fair value through profit or loss	6,055	11,944
Interest expense	31,541	12,896
Interest income	(17,061)	(4,130)
Loss on disposal of property, plant and equipment	-	50
Provisions for inventory obsolescence and devaluation loss	84,592	31,940
Gain on disposal of investments	(1,775)	-
Total adjustments to reconcile profit	308,735	217,735
Changes in operating assets and liabilities:		
Notes and accounts receivable	643,069	(739,004)
Financial assets mandatorily at fair value through profit or loss	(604)	349
Inventories	(76,699)	(2,300,347)
Other current assets	48,959	(25,384)
Financial liabilities held for trading	(9,836)	(2,927)
Accounts payable (including related parties)	160,785	1,094,258
Other payable to related parties	(2,968)	(1,427)
Other current liabilities	(832,949)	(107,042)
Net defined benefit liability	(41,782)	(9,609)
Decrease in other non-current liabilities	(12,597)	-
Total changes in operating assets and liabilities	(124,622)	(2,091,133)
Total adjustments	184,113	(1,873,398)

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with Standards on Auditing

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the three months ended March 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2023	2022
Cash flows generated from (used in) operations	\$ 457,370	(1,606,911)
Interest received	16,653	1,819
Interest paid	(27,436)	(12,501)
Income taxes paid	(34,370)	(31,289)
Net cash flows from (used in) operating activities	412,217	(1,648,882)
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	23,766	-
Acquisition of financial assets at amortized cost	(220,000)	(399,940)
Proceeds from repayments of financial assets at amortized cost	2,730	375,007
Acquisition of property, plant and equipment	(356,967)	(270,662)
Proceeds from disposal of property, plant and equipment	20,835	680
Decrease in refundable deposits	13,981	3,791
Acquisition of intangible assets	(23,956)	(32,915)
Decrease (increase) in other non-current assets	191,755	(81,652)
Net cash flows used in investing activities	(347,856)	(405,691)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	2,813,046	8,584,604
Repayments of short-term borrowings	(3,445,699)	(7,446,983)
Proceeds from bonds payable	631,884	-
Proceeds from long-term borrowings	-	26,000
Repayments of long-term borrowings	(26,000)	-
Increase (decrease) in guarantee deposits received	(443)	330
Payment of lease liabilities	(11,341)	(7,709)
Donation from shareholders	16	13
Net cash flows from (used in) financing activities	(38,537)	1,156,255
Effect of exchange rate changes on cash and cash equivalents	(103,195)	176,788
Net decrease in cash and cash equivalents	(77,371)	(721,530)
Cash and cash equivalents at beginning of period	4,084,284	4,498,050
Cash and cash equivalents at end of period	\$ 4,006,913	3,776,520

See accompanying notes to consolidated financial statements.

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the Three Months Ended March 31, 2023 and 2022

(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 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 May 2, 2023.

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, 2023:

- 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”

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

The Group does not expect the following new and amended standards, which have been issued by the International Accounting Standard Board ("IASB"), but 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 IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"
- Amendments to IFRS 16 "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 as 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 with the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

- (2) Basis of consolidation

A. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Main Business Activities	Shareholding		
			March 31, 2023	December 31, 2022	March 31, 2022
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 NETWORKS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business Activities	Shareholding		
			March 31, 2023	December 31, 2022	March 31, 2022
Alpha	Alpha Networks Inc. (Alpha USA)	Sale, marketing and procurement services 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)	Production and sale of network products	100.00%	100.00%	100.00%
D-Link Asia	Alpha Networks (Chengdu) Co., Ltd. (Alpha Chengdu)	Research and development of network products	100.00%	100.00%	100.00%
D-Link Asia	Alpha Networks (Dongguan) Co., Ltd. (Alpha Dongguan)	Production and sale of network products	100.00%	100.00%	100.00%
Alpha Dongguan	Mirac Networks (Dongguan) Co., Ltd. (Mirac)	Production and sale of network products	100.00%	100.00%	100.00%
Alpha HK	Alpha Networks (Changshu) Co., Ltd. (Alpha Changshu)	Production and sale of network products	100.00%	100.00%	100.00%
Enrich Investment	Transnet Corporation (Transnet)	Operating in network communication products, provide system support services, integrated supply and import and export of network equipment	100.00%	100.00%	100.00%

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

Name of Investor	Name of Investee	Main Business Activities	Shareholding		
			March 31, 2023	December 31, 2022	March 31, 2022
Enrich Investment	Interactive Digital Technologies Inc. (Interactive Digital) (note 1, 2)	Telecommunication and broadband network system services	6.40%	6.40%	6.54%
Enrich Investment	Aespula Technology INC. (Aespula)	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, 2)	Telecommunication and broadband network system services	41.49%	41.49%	42.40%
Hitron Technologies	Hitron Technologies Europe Holding B.V. (Hitron Europe) (note 3)	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 telecommunication products	100.00%	100.00%	100.00%
Hitron Samoa	Hitron Technologies (SIP) Inc (Hitron Suzhou)	Production and sale of broadband telecommunications products	100.00%	100.00%	100.00%
Hitron Samoa	Jietech Trading (Suzhou) Inc. (Jietech Suzhou)	Sale of broadband network products and related services	100.00%	100.00%	100.00%
Interactive Digital	Hwa Chi Technologies (Shanghai) Inc. (Hwa Chi Technologies)	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	100.00%	100.00%	100.00%

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

Note 1: The common stock conversion was conducted by the convertible bonds from Interactive Digital, and this caused the ownership of Hitron Technologies and Enrich Investment became lower.

Note 2: The Group did not own more than half of the ownership of the entities. As the Group 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 3: Non-significant subsidiaries were not reviewed by independent auditors as of March 31, 2022.

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

(3) 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 settlement, or other significant one-time events.

(4) Income tax

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

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

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRS (in accordance with IAS 34 endorsed by the FSC) requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimations.

The preparation of the consolidated financial statements, the major sources of accounting judgments, estimations and assumptions of uncertainty are applied consistently with note 5 of the consolidated financial statements for the year ended December 31, 2022.

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

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, 2022. 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, 2022.

(1) Cash and cash equivalents

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	\$ 1,000	996	928
Checking and savings accounts	2,722,564	3,472,071	3,132,330
Time deposits	483,349	536,217	623,262
Cash equivalents	<u>800,000</u>	<u>75,000</u>	<u>20,000</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 4,006,913</u>	<u>4,084,284</u>	<u>3,776,520</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 March 31, 2023, December 31 and March 31, 2022, deposits with original maturities of more than three months were \$220,000 thousand, \$0 thousand and \$399,940 thousand respectively, and were recorded in financial assets measured at amortized cost.

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

	March 31, 2023	December 31, 2021	March 31, 2022
Financial assets mandatorily measured at fair value through profit or loss – current			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 365	5,320	2,520
Foreign exchange swaps	2,044	-	201
Non-derivative financial assets			
Stocks listed on domestic markets	<u>37,572</u>	<u>55,764</u>	<u>65,003</u>
Total	<u>\$ 39,981</u>	<u>61,084</u>	<u>67,724</u>
Financial liabilities hold for trading – current			
Forward exchange contracts	\$ 6,260	7,900	10,639
Foreign exchange swaps	<u>139</u>	<u>1,936</u>	<u>1,813</u>
Total	<u>\$ 6,399</u>	<u>9,836</u>	<u>12,452</u>

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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:

March 31, 2023				
	Nominal principal (in thousands)		Currency	Maturity date
Forward exchange contracts	USD	1,760	USD to EUR	May 2023
Forward exchange contracts	USD	22,800	USD to NTD	April 2023 ~ July 2023
Forward exchange contracts	USD	15,960	USD to CNY	April 2023 ~ May 2023
Forward exchange contracts	EUR	4,630	EUR to NTD	April 2023 ~ May 2023
Foreign exchange swaps	CNY	28,000	NTD to CNY	April 2023
Foreign exchange swaps	USD	16,000	USD to NTD	April 2023
December 31, 2022				
	Nominal principal (in thousands)		Currency	Maturity date
Forward exchange contracts	USD	5,076	USD to EUR	January 2023 ~ February 2023
Forward exchange contracts	USD	22,500	USD to NTD	January 2023 ~ March 2023
Forward exchange contracts	USD	750	USD to CNY	January 2023 ~ February 2023
Forward exchange contracts	EUR	4,770	EUR to NTD	January 2023 ~ March 2023
Forward exchange contracts	EUR	3,575	EUR to USD	March 2023
Foreign exchange swaps	CNY	11,000	CNY to NTD	January 2023
Foreign exchange swaps	USD	26,000	USD to NTD	January 2023
Foreign exchange swaps	USD	5,000	CNY to USD	January 2023
March 31, 2022				
	Nominal principal (in thousands)		Currency	Maturity date
Forward exchange contracts	EUR	9,280	EUR to NTD	April 2022 ~ July 2022
Forward exchange contracts	USD	6,126	USD to EUR	May 2022 ~ June 2022
Forward exchange contracts	USD	5,650	USD to NTD	April 2022 ~ July 2022
Forward exchange contracts	USD	49,000	CNY to USD	April 2022 ~ May 2022
Foreign exchange swaps	USD	21,000	USD to NTD	April 2022

(3) Notes and accounts receivable, net

	March 31, 2023	December 31, 2022	March 31, 2022
Notes and accounts receivable	\$ 4,985,816	5,634,235	4,804,262
Less: loss allowances	(44,528)	(35,419)	(9,685)
	<u><u>\$ 4,941,288</u></u>	<u><u>5,598,816</u></u>	<u><u>4,794,577</u></u>

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The overdue accounts receivable was reclassified to overdue receivables under financial assets measured at amortized cost— non-current and loss allowances were fully provided, please refer to note 6(5).

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 analysis of expected credit loss on accounts receivables (including receivable from related parties) was as follows:

March 31, 2023			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 4,335,073	0.00%	-
Less than 90 days past due	488,443	0.83%	4,041
91 to 180 days past due	152,300	20.02%	30,487
More than 181 days past due	77,957	100%	77,957
	<u>\$ 5,053,773</u>		<u>112,485</u>
December 31, 2022			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 4,743,584	0.00%	-
Less than 90 days past due	874,415	3.71%	32,425
91 to 180 days past due	15,582	19.21%	2,994
More than 181 days past due	68,611	99.05%	67,957
	<u>\$ 5,702,192</u>		<u>103,376</u>
March 31, 2022			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 4,570,432	0.00%	-
Less than 90 days past due	228,905	4.10%	9,377
91 to 180 days past due	4,925	6.25%	308
More than 181 days past due	67,957	100%	67,957
	<u>\$ 4,872,219</u>		<u>77,642</u>

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The movements in the allowance for notes and trade receivables (including overdue receivables) were as follows:

	2023	2022
Balance at January 1	\$ 103,376	80,121
Impairment losses recognized (reversal)	9,155	(2,461)
Write-off	-	(146)
Effect of changes in exchange rates	(46)	128
Balance at March 31	<u><u>\$ 112,485</u></u>	<u><u>77,642</u></u>

(4) Inventories

	March 31, 2023	December 31, 2022	March 31, 2022
Raw materials	\$ 4,579,000	4,969,527	7,785,036
Work in progress and semi-finished products	1,221,433	763,057	716,630
Finished goods and merchandises	3,637,822	3,691,668	3,005,563
	<u><u>\$ 9,438,255</u></u>	<u><u>9,424,252</u></u>	<u><u>11,507,229</u></u>

The components of operating cost were as below:

	For the three months ended March 31,	
	2023	2022
Cost of goods sold	\$ 6,384,977	5,541,681
Provision for inventory obsolescence and devaluation loss	84,592	31,940
	<u><u>\$ 6,469,569</u></u>	<u><u>5,573,621</u></u>

As of March 31, 2023, December 31 and March 31, 2022, the Group's inventories were not pledged.

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

	March 31, 2023	December 31, 2022	March 31, 2022
Current:			
Time deposits	<u><u>\$ 220,000</u></u>	<u><u>-</u></u>	<u><u>399,940</u></u>
Non-current:			
Restricted deposits	\$ 18,938	21,662	21,211
Refundable deposits	109,174	123,211	111,775
Overdue receivables	67,957	67,957	67,957
Less: loss allowances	(67,957)	(67,957)	(67,957)
	<u><u>\$ 128,112</u></u>	<u><u>144,873</u></u>	<u><u>132,986</u></u>

ALPHA NETWORKS INC. AND SUBSIDIARIES

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

As of March 31, 2023, December 31 and March 31, 2022, the Group held bank time deposits with variable interest rates, and the average interest rates ranged between 0.56%~1.57%, 0.10%~1.065% and 0.22%~1.065%, respectively.

For the restricted cash in banks and refundable deposits, please refer to note 8.

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

	March 31, 2023	December 31, 2022	March 31, 2022
Domestic unlisted stocks	\$ 140,565	140,565	19,094
Foreign unlisted stocks	31,429	31,429	-
	<u>\$ 171,994</u>	<u>171,994</u>	<u>19,094</u>

As of March 31, 2023, December 31 and March 31, 2022, 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:

Subsidiaries	Main operation place	Percentage of non-controlling interests		
		March 31, 2023	December 31, 2022	March 31, 2022
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. The fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date are included in these information. Intragroup transactions were not eliminated in this information.

Hitron Technologies Inc.'s collective financial information:

	March 31, 2023	December 31, 2022	March 31, 2022
Current assets	\$ 9,419,460	9,562,665	9,630,743
Non-current assets	4,021,097	4,131,422	4,144,513
Current liabilities	(5,810,713)	(6,063,706)	(6,794,354)
Non-current liabilities	(662,086)	(120,156)	(134,758)
Net assets	<u>\$ 6,967,758</u>	<u>7,510,225</u>	<u>6,846,144</u>
Non-controlling interests	<u>\$ (934,352)</u>	<u>(1,009,803)</u>	<u>(874,449)</u>
Net assets of investees	<u>\$ 6,033,406</u>	<u>6,500,423</u>	<u>5,971,695</u>
Book value of non-controlling interests	<u>\$ 2,110,553</u>	<u>2,286,899</u>	<u>2,087,252</u>

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	For the three months ended March 31,	
	2023	2022
Operating revenue	\$ 2,810,623	2,438,510
Profit	\$ 18,920	60,988
Other comprehensive income	(19,134)	83,433
Total comprehensive income (loss)	\$ (214)	144,421
Profit attributable to non-controlling interests	\$ 11,223	8,142
Comprehensive income, attributable to non-controlling interests	\$ 17,246	14,131
Net cash flows from operating activities	\$ (197,231)	(465,209)
Net cash flows from investing activities	(232,871)	(300,277)
Net cash flows from financing activities	375,122	232,657
Effect of exchange rate changes on cash and cash equivalents	20,187	42,994
Net decrease in cash and cash equivalents	\$ (34,793)	(489,835)
Dividends paid to non-controlling interests	\$ 293,147	189,021

(8) Property, plant and equipment

	Land	Building	Machinery and equipment	Office, transportation and other facilities	Total
Cost:					
Balance at January 1, 2023	\$ 879,225	4,460,647	2,769,300	516,944	8,626,116
Additions	-	253,245	65,981	37,741	356,967
Disposals	-	-	(48,106)	(6,811)	(54,917)
Effect of changes in exchange rates and others	(522)	10,678	10,192	(437)	19,911
Balance at March 31, 2023	\$ 878,703	4,724,570	2,797,367	547,437	8,948,077
Balance at January 1, 2022	\$ 644,519	4,304,637	2,528,885	414,073	7,892,114
Additions	228,330	13,198	17,342	11,792	270,662
Disposals	-	-	-	(1,035)	(1,035)
Reclassification	-	(375)	-	-	(375)
Effect of changes in exchange rates	1,923	97,801	70,801	713	171,238
Balance at March 31, 2022	\$ 874,772	4,415,261	2,617,028	425,543	8,332,604
Depreciation and impairment loss:					
Balance at January 1, 2023	\$ -	2,301,316	1,766,403	336,340	4,404,059
Depreciation	-	41,689	64,512	21,807	128,008
Disposals	-	-	(27,572)	(6,510)	(34,082)
Effect of changes in exchange rates and others	-	10,709	7,542	733	18,984
Balance at March 31, 2023	\$ -	2,353,714	1,810,885	352,370	4,516,969
Balance at January 1, 2022	\$ -	2,135,655	1,786,366	315,679	4,237,700
Depreciation	-	38,270	57,438	12,866	108,574
Disposals	-	-	-	(306)	(306)
Effect of changes in exchange rates and others	-	57,428	51,640	1,534	110,602
Balance at March 31, 2022	\$ -	2,231,353	1,895,444	329,773	4,456,570

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	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Office, transportation and other facilities</u>	<u>Total</u>
Carrying amounts:					
Balance at January 1, 2023	\$ <u>879,225</u>	<u>2,159,331</u>	<u>1,002,897</u>	<u>180,604</u>	<u>4,222,057</u>
Balance at March 31, 2023	\$ <u>878,703</u>	<u>2,370,856</u>	<u>986,482</u>	<u>195,067</u>	<u>4,431,108</u>
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 March 31, 2022	\$ <u>874,772</u>	<u>2,183,908</u>	<u>721,584</u>	<u>95,770</u>	<u>3,876,034</u>

As of March 31, 2023, December 31 and March 31, 2022, the Group's property, plant and equipment were not pledged.

(9) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Transportation and other equipment</u>	<u>Total</u>
Carrying amount:				
Balance at January 1, 2023	\$ <u>389,322</u>	<u>32,277</u>	<u>6,261</u>	<u>427,860</u>
Balance at March 31, 2023	\$ <u>458,594</u>	<u>53,265</u>	<u>6,157</u>	<u>518,016</u>
Balance at January 1, 2022	\$ <u>389,078</u>	<u>25,396</u>	<u>7,734</u>	<u>422,208</u>
Balance at March 31, 2022	\$ <u>392,359</u>	<u>40,242</u>	<u>7,484</u>	<u>440,085</u>

There were no significant additions, disposal or recognition and reversal of impairment losses of the right-of-use assets for the three months ended March 31, 2023 and 2022. Please refer to note 12 of the depreciation. Please refer to note 6(9) of the consolidated financial statements for the year ended December 31, 2022 for other related information.

As of March 31, 2023, December 31 and March 31, 2022, 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, 2023	\$ <u>125,875</u>	<u>160,914</u>	<u>264,633</u>	<u>578,900</u>	<u>174,115</u>	<u>1,304,437</u>
Balance at March 31, 2023	\$ <u>118,008</u>	<u>155,167</u>	<u>253,606</u>	<u>578,900</u>	<u>167,368</u>	<u>1,273,049</u>
Balance at January 1, 2022	\$ <u>157,343</u>	<u>183,901</u>	<u>308,739</u>	<u>578,900</u>	<u>115,962</u>	<u>1,344,845</u>
Balance at March 31, 2022	\$ <u>149,476</u>	<u>178,155</u>	<u>297,713</u>	<u>578,900</u>	<u>124,467</u>	<u>1,328,711</u>

There were no significant additions, disposal or recognition and reversal of impairment losses of the intangible assets for the three months ended March 31, 2023 and 2022. Please refer to note 12 of the amortization. Please refer to note 6(10) of the consolidated financial statements for the year ended December 31, 2022 for other related information.

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As of March 31, 2023, December 31 and March 31, 2022, the Group's intangible assets were not pledged.

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

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

	March 31, 2023	December 31, 2022	March 31, 2022
Prepayments for equipment	\$ 186,381	381,766	293,084
Business tax receivable	130,259	124,984	186,448
Income tax receivable	122,364	109,615	91,714
Advance payment	114,153	98,016	118,985
Others	685,960	756,825	109,737
	<u>\$ 1,239,117</u>	<u>1,471,206</u>	<u>799,968</u>
Other current assets	\$ 1,037,076	1,074,308	494,444
Other non-current assets	202,101	396,898	305,524
	<u>\$ 1,239,177</u>	<u>1,471,206</u>	<u>799,968</u>

(12) Short-term borrowings

	March 31, 2023	December 31, 2022	March 31, 2022
Unsecured bank loans	<u>\$ 3,200,755</u>	<u>3,936,093</u>	<u>5,182,573</u>
Unused short-term credit lines	<u>\$ 13,763,865</u>	<u>11,946,142</u>	<u>9,655,266</u>
Range of interest rates	<u>1.5%~ 5.59%</u>	<u>1.4%~ 5.48%</u>	<u>0.65%~ 1.74%</u>

(13) Long-term borrowings

	March 31, 2023	December 31, 2022	March 31, 2022
Unsecured bank loans	\$ -	26,000	26,000
Less: current portion	-	(26,000)	-
Total	<u>\$ -</u>	<u>-</u>	<u>26,000</u>
Unused long-term credit lines	<u>\$ -</u>	<u>-</u>	<u>2,050,000</u>
Range of interest rates	<u>-</u>	<u>0.663%</u>	<u>0.405%</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.

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The provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

There were no significant additions, disposal of the provisions for the three months ended March 31, 2023 and 2022. Please refer to note 6(14) of the consolidated financial statements for the year ended December 31, 2022 for other related information.

(15) Other current liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
Payroll and bonus payable	\$ 914,565	1,232,338	594,179
Contract liabilities (note 6(22))	779,440	866,605	934,822
Lease liabilities (note 6(17))	38,038	26,601	27,946
Other accounts payable-related parties (note 7)	12,834	1,510	8,253
Others	179,464	211,037	154,404
	<u>\$ 1,924,341</u>	<u>2,338,091</u>	<u>1,719,604</u>

(16) Bonds payable

The details of unsecured convertible corporate bonds issued by Interactive Digital, a subsidiary of the Group were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Total convertible corporate bonds issued	\$ 600,000	600,000	600,000
Unamortized discounted payable	(29,874)	-	(4,790)
Cumulative converted amount	-	(227,700)	(173,900)
Subtotal	570,126	372,300	421,310
Less: Bonds payable due within one year	-	-	(421,310)
Less: Repayment due	-	(372,300)	-
Total bonds payable at the end of the period	<u>\$ 570,126</u>	<u>-</u>	<u>-</u>

In response to future operational needs, the issuance of the second secured convertible bonds was approved by the board of directors of Interactive Digital and FSC on October 24 and December 19, 2022 respectively. The second secured convertible bonds have a par value of \$600,000 thousand with a duration of 3 years from January 11, 2023 to January 11, 2026, and its conversion price at the issuance date is \$60.7.

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Other than converting into Interactive Digital's ordinary shares in accordance to the regulation no.10, or early redeeming in accordance to the regulation no.18, or repurchasing the written-off stock from Securities Dealers, Interactive Digital will repay the convertible bonds in lump-sum via cash, at face value, at maturity, within ten working days.

Being the guarantor for Interactive Digital's second convertible bonds, First Commercial Bank Co., Ltd.'s guaranty, which covers from the principal to any liabilities affiliated with it, starts once all funds are received and ends at the bonds' full settlement.

The first convertible corporate bonds of the subsidiary, Interactive Digital, at the conversion prices of \$78.5 and \$67.0, had matured on November 22 and March 31, 2022, respectively.

As of December 31 and March 31, 2022, the first convertible corporate bonds of the subsidiary, Interactive Digital, had cumulatively converted to 3,309 thousand and 2,447 thousand shares, with the capital surplus amounting to \$198,827 thousand and \$151,749 thousand, respectively; while the second convertible corporate bonds have yet to be converted.

(17) Lease liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
Current (recorded in other current liabilities)	<u><u>\$ 38,038</u></u>	<u><u>26,601</u></u>	<u><u>27,946</u></u>
Non-current	<u><u>\$ 225,268</u></u>	<u><u>217,451</u></u>	<u><u>229,513</u></u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2023	2022
Interest on lease liabilities	<u><u>\$ 978</u></u>	<u><u>960</u></u>
Expenses relating to short-term leases and leases of low-value assets	<u><u>\$ 8,936</u></u>	<u><u>10,123</u></u>

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

	For the three months ended March 31,	
	2023	2022
Total cash outflow for leases	<u><u>\$ 21,255</u></u>	<u><u>18,792</u></u>

A. Real estate leases

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

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

B. Other leases

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

As of the March 31, 2023, December 31 and March 31, 2022, 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 lease terms of 12 months or less or leases of low-value assets.

(18) Employee benefits

A. Defined benefit plans

Given that there was no significant market fluctuations since that time no 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, 2022 and 2021.

The pension costs under benefit plans amounted \$511 thousand and \$549 thousand for the three month ended March 31, 2023 and 2022, respectively.

B. Defined contribution plans

The pension costs under contribution plans amounted to \$41,038 thousand and \$37,774 thousand for the three month ended March 31, 2023 and 2022, respectively.

(19) Income taxes

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

The components of income tax were as follows:

	For the three months ended	
	March 31,	
	2023	2022
Current income tax expense		
Current period	\$ 86,403	105,436

As of March 31, 2023, Alpha's tax returns for the years through 2020 were assessed by the Tax Administration.

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(20) Capital and other equity

Except as described in the following paragraph, there were no significant changes in the Group's capital and other equity interest for the three months ended March 31, 2023 and 2022. For related information about the shareholders' equity, please refer to note 6(20) of the consolidated financial statements for the year ended December 31, 2022.

A. Ordinary share capital

As of March 31, 2023, December 31 and March 31, 2022, the authorized capital of Alpha amounted to \$8,000,000 thousand, \$8,000,000 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:

	March 31, 2023	December 31, 2022	March 31, 2022
Capital surplus – premium	\$ 2,491,661	2,491,661	2,491,661
Capital surplus – investments under equity method	58,278	37,762	29,789
Others	14,995	14,978	14,978
	<u>\$ 2,564,934</u>	<u>2,544,401</u>	<u>2,536,428</u>

According to the R.O.C Company Act, capital surplus can only be first 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 by the Board of Directors on March 4, 2022, the cash dividends of \$54,172 thousand, represents \$0.1 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.

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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- (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 if the distribution is in form of new shares, a shareholders meeting will be held to decide on this matter.

According to the R.O.C. Company Act, Alpha 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 shareholders' meeting.

According to the Alpha's dividend policy, the Alpha shall first take into consideration its investing environment, capital management and industry development, 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 of 2022 was approved by the Board of Directors on February 24, 2023. The appropriations and cash dividends per share were as follow:

	Earnings Distribution	Dividends per Share
Legal reserve	\$ 96,692	
Special reserve	(220,543)	
Cash dividends	<u>915,504</u>	1.69
	<u>\$ 791,653</u>	

The above-mentioned legal reserve and special reserve for 2022 are to be approved in the shareholders' meeting to be held on May 31, 2023.

Earnings distribution of 2021 was approved by the Board of Directors on March 4, 2022 and by the shareholders on May 31, 2022.

	Earnings Distribution	Dividends per Share
Legal reserve	\$ 42,569	
Special reserve	(1,713)	
Cash dividends	<u>379,203</u>	0.70
	<u>\$ 420,059</u>	

The above-mentioned earnings distribution of 2021 was consistent with the resolutions approved by the Board of Directors on March 4, 2022.

Related information would be available at the Market Observation Post System website.

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E. Other equity and non-controlling interest

	Differences on translation of foreign operation financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Non-controlling interests	Total
Balance at January 1, 2023	\$ (233,127)	6,578	3,185,307	2,958,758
Differences on translation of foreign operation financial statements	11,435	-	(7,225)	4,210
Changes in ownership interests in subsidiaries	-	-	9,967	9,967
Distribution of cash dividend by subsidiaries to non- controlling interest	-	-	(293,147)	(293,147)
Changes in non-controlling interests	-	-	33,365	33,365
Balance at March 31, 2023	<u>\$ (221,692)</u>	<u>6,578</u>	<u>2,928,267</u>	<u>2,713,153</u>
Balance at January 1, 2022	\$ (445,903)	(1,189)	2,956,685	2,509,593
Differences on translation of foreign operation financial statements	213,454	-	31,389	244,843
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(150)	(91)	(241)
Changes in ownership interests in subsidiaries	-	-	(6,815)	(6,815)
Distribution of cash dividend by subsidiaries to non- controlling interest	-	-	(189,021)	(189,021)
Changes in non-controlling interests	-	-	52,795	52,795
Balance at March 31, 2022	<u>\$ (232,449)</u>	<u>(1,339)</u>	<u>2,844,942</u>	<u>2,611,154</u>

(21) Earnings per share

A. Basic earnings per share

	For the three months ended March 31,	
	2023	2022
Profit attributable to Alpha's ordinary shareholders	\$ <u>173,899</u>	<u>133,825</u>
Weighted-average number of shares outstanding (in thousands of shares)	<u>541,719</u>	<u>541,719</u>
Basic earnings per share (NTD)	\$ <u>0.32</u>	<u>0.25</u>

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B. Diluted earnings per share

	For the three months ended March 31,	
	2023	2022
Profit attributable to Alpha's ordinary shareholders	<u>\$ 173,899</u>	<u>133,825</u>
Weighted average number of shares outstanding (in thousands of shares) (basic)	541,719	541,719
Effect of employee remuneration in shares	<u>2,816</u>	<u>1,676</u>
Weighted average number of shares outstanding (in thousands of shares) (diluted)	<u>544,535</u>	<u>543,395</u>
Diluted earnings per share (NTD)	<u>\$ 0.32</u>	<u>0.25</u>

(22) Revenues

A. The details of revenues were as follows:

	For the three months ended March 31,	
	2023	2022
Primary geographical markets:		
United States	\$ 5,162,817	3,915,708
Taiwan	1,118,154	915,237
Others	<u>1,588,369</u>	<u>2,043,945</u>
	<u>\$ 7,869,340</u>	<u>6,874,890</u>
Major products/services lines:		
Wireless Broadband	\$ 3,374,959	3,908,352
LAN/MAN	3,866,265	2,407,074
Digital Multimedia	276,022	210,788
Others	<u>352,094</u>	<u>348,676</u>
	<u>\$ 7,869,340</u>	<u>6,874,890</u>

B. Contract balances

	March 31, 2023	December 31, 2022	March 31, 2022
Trade receivables	<u>\$ 4,941,288</u>	<u>5,598,816</u>	<u>4,794,577</u>
Contract liabilities - product (other current liabilities)	<u>\$ 779,440</u>	<u>866,605</u>	<u>934,822</u>

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

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The amounts of revenue recognized for the three months ended March 31, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$217,728 thousand and \$158,043 thousand, respectively.

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

(23) Remuneration to employees and directors

In accordance with the Articles of incorporation, Alpha should contribute 10% to 22.5% of the profit as employee compensation and less than 1% as directors' remuneration when there is profit for the year. However, if Alpha 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 month ended March 31, 2023 and 2022, the Alpha accrued and recognized its remuneration to employees amounting to \$22,993 thousand and \$18,986 thousand, respectively, and directors amounting to \$1,724 thousand and \$1,424 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 are recognized 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 year ended 2022, the Alpha accrued and recognized its remuneration to employees and directors amounting to \$116,794 thousand and \$55,501 thousand respectively. For the year ended 2021, the Alpha accrued and recognized its remuneration to employees and directors amounting to \$55,501 thousand and \$4,163 thousand respectively. The above-mentioned remuneration was consisted to the resolution from the board of directors, and the related information would be available at the Market Observation Post System website.

(24) Interest income

The details of the Group's interest income for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended March 31,	
	2023	2022
Interest income from bank deposits and others	\$ <u>17,061</u>	<u>4,130</u>

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(25) Other income

The details of the Group's other income for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended March 31,	
	2023	2022
Government grants income	\$ 10,397	1,491
Others	9,439	5,968
	\$ 19,836	7,459

(26) Other gains and losses

The details of the Group's other gains and losses for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended March 31,	
	2023	2022
Gain (loss) on financial assets (liabilities) at fair value through profit or loss, net	\$ (2,065)	(34,472)
Foreign exchange gain (loss), net	(32,887)	35,725
Others	(10,457)	(3,308)
	\$ (45,409)	(2,055)

(27) Finance costs

The details of the Group's finance costs for the three months ended March 31, 2023 and 2022 were as follows:

	For the three months ended March 31,	
	2023	2022
Interest expense of borrowings, etc.	\$ 30,563	11,936
Interest expense of lease liability	978	960
	\$ 31,541	12,896

(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(28) of the consolidated financial statements for the year ended December 31, 2022.

A. Credit risk

(a) Credit risk exposure

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

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(b) Concentration of credit risk

The major customers of the Group are centralized in the networking related industries. The Group generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Group is mainly influenced by the networking industry. As of March 31, 2023, December 31 and March 31, 2022, 52%, 42% and 43%, respectively, of the Group's accounts receivable (including related parties) were from the top 7 customers. Although there is a potential in concentration of credit risk, the Group routinely assesses the collectability of its accounts receivable and makes a corresponding allowance for doubtful accounts.

(c) Credit risk of receivable

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

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

All of these financial assets were considered to have low credit risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(7) of the consolidated financial statements for the year ended December 31, 2022.

B. Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>
March 31, 2023					
Non-derivative financial liabilities					
Short-term borrowings	\$ 3,200,755	(3,207,483)	(3,207,483)	-	-
Accounts payable (included related-parties)	5,199,869	(5,199,869)	(5,199,869)	-	-
Other payables to related parties (other current liabilities)	12,834	(12,834)	(12,834)	-	-
Accrued expenses	511,831	(511,831)	(511,831)	-	-
Bond payables due within one year	-	(29,774)	(29,774)	-	-
Dividends payable	1,028,651	(1,028,651)	(1,028,651)	-	-
Lease liabilities	263,306	(297,282)	(41,200)	(65,392)	(190,690)
Bonds payable	570,126	(570,126)	-	(570,126)	-
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	6,260	(1,383,277)	(1,383,277)	-	-
Inflows	(365)	1,377,382	1,377,382	-	-
Foreign exchanges swaps:					
Outflows	139	(612,056)	(612,056)	-	-
Inflows	(2,044)	613,961	613,961	-	-
	<u>\$ 10,791,362</u>	<u>(10,861,840)</u>	<u>(10,035,632)</u>	<u>(635,518)</u>	<u>(190,690)</u>

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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>
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 3,936,093	(3,951,459)	(3,951,459)	-	-
Accounts payable (included related-parties)	5,031,113	(5,031,113)	(5,031,113)	-	-
Other payables to related parties (other current liabilities)	1,510	(1,510)	(1,510)	-	-
Accrued expenses	845,618	(845,618)	(845,618)	-	-
Long-term borrowings (included maturity within 1 year)	26,000	(26,004)	(26,004)	-	-
Lease liabilities	244,052	(283,494)	(29,841)	(56,882)	(196,771)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	7,900	(1,141,102)	(1,141,102)	-	-
Inflows	(5,320)	1,138,522	1,138,522	-	-
Foreign exchanges swaps:					
Outflows	1,936	(1,000,376)	(1,000,376)	-	-
Inflows	-	998,440	998,440	-	-
	<u>\$ 10,088,902</u>	<u>(10,143,714)</u>	<u>(9,890,061)</u>	<u>(56,882)</u>	<u>(196,771)</u>
March 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 5,182,573	(5,184,975)	(5,184,975)	-	-
Accounts payable (included related-parties)	5,288,171	(5,288,171)	(5,288,171)	-	-
Other payables to related parties (other current liabilities)	8,253	(8,253)	(8,253)	-	-
Accrued expenses	547,599	(547,599)	(547,599)	-	-
Long term borrowings	26,000	(27,877)	(390)	(27,487)	-
Bond payables due within one year	421,310	(426,100)	(426,100)	-	-
Dividends payable	622,396	(622,396)	(622,396)	-	-
Lease liabilities	257,459	(299,448)	(31,468)	(84,544)	(183,436)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	10,639	(2,037,498)	(2,037,498)	-	-
Inflows	(2,520)	2,029,379	2,029,379	-	-
Foreign exchanges swaps:					
Outflows	1,813	(601,349)	(601,349)	-	-
Inflows	(201)	599,737	599,737	-	-
	<u>\$ 12,363,492</u>	<u>(12,414,550)</u>	<u>(12,119,083)</u>	<u>(112,031)</u>	<u>(183,436)</u>

C. Currency risk

(a) Exposure to currency risk

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

	March 31, 2023			December 31, 2022			March 31, 2022			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
Financial assets										
Monetary items										
USD	\$	116,200	30.48	3,541,776	129,120	30.73	3,967,858	111,273	28.60	3,182,408
CNY		4,252	4.4377	18,869	1,588	4.4057	6,996	1,251	4.4969	5,626

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	March 31, 2023			December 31, 2022			March 31, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Non-Monetary items</u>									
USD	28,000	30.48	Note	10,240	30.73	Note	33,266	28.60	Note
EUR	1,760	33.315	Note	2,256	31.245	Note	-	31.975	Note
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	113,480	30.48	3,458,870	86,408	30.73	2,655,318	237,896	28.60	6,803,826
<u>Non-Monetary items</u>									
USD	26,760	30.48	Note	45,086	30.73	Note	48,510	28.60	Note
CNY	28,000	4.4377	Note	11,000	4.4057	-	-	-	-
EUR	4,630	33.315	Note	6,089	31.245	Note	9,280	31.975	Note

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

(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign currency exchange gains and losses resulted from the translation of cash and cash equivalents, trade receivables, other receivables, short-term borrowings, trade payables and other payables which are denominated in foreign currencies. A strengthening (weakening) of 1% of the NTD against the USD and the CNY as of March 31, 2023 and 2022, would have increased or decreased the profit before tax by \$1,018 thousand and \$36,158 thousand, respectively. The analysis assumed that all other variables remain constant, and 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 month ended March 31, 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(32,887) thousand and \$35,725 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 profit before tax would have increased or decreased by \$1,402 thousand and \$6,106 thousand, respectively for the three months ended March 31, 2023 and 2022 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.

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E. Other market price risk

For the three months ended March 31, 2023 and 2022, the sensitivity analyses for the changes in securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

<u>Prices of securities at the reporting date</u>	For the three months ended March 31,	
	2023	2022
Financial assets at fair value through profit or loss		
Increasing 5%	\$ <u>1,879</u>	<u>3,250</u>
Decreasing 5%	\$ <u>(1,879)</u>	<u>(3,250)</u>
Financial assets at fair value through other comprehensive income		
Increasing 5%	\$ <u>8,600</u>	<u>955</u>
Decreasing 5%	\$ <u>(8,600)</u>	<u>(955)</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:

		March 31, 2023			
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss – derivative	\$ <u>39,981</u>	<u>37,572</u>	<u>2,409</u>	<u>-</u>	<u>39,981</u>
Non-current financial assets at fair value through other comprehensive income	\$ <u>171,994</u>	<u>-</u>	<u>-</u>	<u>171,994</u>	<u>171,994</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 4,006,913	-	-	-	-
Notes and accounts receivable (including related parties)	4,941,288	-	-	-	-
Financial assets measured at amortized cost – current and non-current	<u>348,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>9,296,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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March 31, 2023					
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value under repetitive basis					
Financial liabilities at fair value through profit or loss – derivative	\$ <u>6,399</u>	<u>-</u>	<u>6,399</u>	<u>-</u>	<u>6,399</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 5,199,869	-	-	-	-
Other payable to related parties (other current liabilities)	12,834	-	-	-	-
Short-term borrowings	3,200,755	-	-	-	-
Dividends payable	1,208,651	-	-	-	-
Bonds payable (due within one year)	570,126	-	-	-	-
Lease liabilities – current and non-current	<u>263,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,455,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2022					
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss – derivative	\$ <u>61,804</u>	<u>55,764</u>	<u>5,320</u>	<u>-</u>	<u>61,084</u>
Non-current financial assets at fair value through other comprehensive income	\$ <u>171,994</u>	<u>-</u>	<u>-</u>	<u>171,994</u>	<u>171,994</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 4,084,284	-	-	-	-
Notes and accounts receivable	5,598,816	-	-	-	-
Financial assets measured at amortized cost –current and non-current	<u>144,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,827,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at fair value through profit or loss – derivative	\$ <u>9,836</u>	<u>-</u>	<u>9,836</u>	<u>-</u>	<u>9,836</u>

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		December 31, 2022			
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 5,031,113	-	-	-	-
Other payable to related parties (other current liabilities)	1,510	-	-	-	-
Short-term borrowings	3,936,093	-	-	-	-
Bonds Payable (due within one year)	26,000	-	-	-	-
Lease liabilities — current and non-current	244,052	-	-	-	-
Total	<u>\$ 9,238,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		March 31, 2022			
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss — derivative	<u>\$ 67,724</u>	<u>65,003</u>	<u>2,721</u>	<u>-</u>	<u>67,724</u>
Financial assets at fair value through other comprehensive income —non-current	<u>\$ 19,094</u>	<u>-</u>	<u>-</u>	<u>19,094</u>	<u>19,094</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 3,776,520	-	-	-	-
Notes and accounts receivable (including related parties)	4,794,577	-	-	-	-
Financial assets measured at amortized cost —current and non-current	532,926	-	-	-	-
Total	<u>\$ 9,104,023</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>\$ 12,452</u>	<u>-</u>	<u>12,452</u>	<u>-</u>	<u>12,452</u>

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	March 31, 2022				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 5,288,171	-	-	-	-
Other payable to related parties (other current liabilities)	8,253	-	-	-	-
Short-term borrowings	5,182,573	-	-	-	-
Long-term borrowings	26,000	-	-	-	-
Dividends payable	622,396	-	-	-	-
Bonds Payable (due within one year)	421,310	-	-	-	-
Lease liabilities — current and non- current	257,459	-	-	-	-
Total	\$ 11,806,162	-	-	-	-

(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:

For publicly traded stock, bank draft and bond with standard terms, conditions that traded in active market, the fair value of these financial assets and liabilities is based on quoted market prices.

ALPHA NETWORKS INC. AND SUBSIDIARIES

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

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

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

ii. Derivative financial instruments

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

(c) There was no transfer between the different levels of fair value hierarchy for the three months ended March 31, 2023 and 2022.

(d) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
Ending balance, March 31, 2023 (same as Opening Balance, January 1, 2023)	\$ <u><u>171,994</u></u>
Opening Balance, January 1, 2022	\$ 19,335
Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	<u>(241)</u>
Ending balance, March 31, 2022	\$ <u><u>19,094</u></u>

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

- (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—investments". Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income—equity investments without an active market	Price-equity ratios/Price-to-Earnings ratios method	As of March 31, 2023, December 31, 2022 and March 31, 2022, net asset values of comparable companies were at 1.61 times, 1.61 times and 1.58 times.	Not applicable
		As of March 31, 2023, December 31, 2022 and March 31, 2022, discount for lack of marketability of 19.30%, 19.30%, and 21.74%.	The fair value would decrease if lack of marketability and higher discount rate.
Financial assets at fair value through other comprehensive income—limited partnership	Equity method	Not applicable (Note)	Not applicable (Note)

Note: The funds of limited partnership was remained unused.

(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, 2022. For related information about the financial risk management, please refer to note 6(29) of the consolidated financial statements for the year ended December 31, 2022.

(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, 2022. There were no significant changes in quantified factors of capital management from those in the consolidated financial statement for the year ended December 31, 2022. For related information about the capital management, please refer to note 6(30) of the consolidated financial statements for the year ended December 31, 2022.

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

(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 from lease, please refer to note 6(9).

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

	January 1, 2023	Cash flows	Foreign exchange movement and other	March 31, 2023
Short-term borrowings	\$ 3,936,093	(632,653)	(102,685)	3,200,755
Long-term borrowings (including maturity within 1 year)	26,000	(26,000)	-	-
Bonds payable (including maturity within 1 year)	-	631,884	(61,758)	570,126
Lease liabilities	244,052	(11,341)	30,595	263,306
Total liabilities from financing activities	<u>\$ 4,206,145</u>	<u>(38,110)</u>	<u>(133,848)</u>	<u>4,034,187</u>

	January 1, 2022	Cash flows	Foreign exchange movement and other	March 31, 2022
Short-term borrowings	\$ 4,044,952	1,137,621	-	5,182,573
Long-term borrowings (including maturity within 1 year)	-	26,000	-	26,000
Bonds payable (including maturity within 1 year)	461,471	-	(40,161)	421,310
Lease liabilities	245,164	(7,709)	20,004	257,459
Total liabilities from financing activities	<u>\$ 4,751,587</u>	<u>1,155,912</u>	<u>(20,157)</u>	<u>5,887,342</u>

7. Related-party transactions:

(1) Parent company and ultimate controlling company

Qisda Corporation (Qisda), who is both the parent company and the ultimate controlling party of the Group, holds 54.60% of the Group's outstanding shares and has issued the consolidated financial statements available for public use.

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(2) Names and relationship with related parties.

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Qisda Corporation (Qisda)	Parent Company
AEWIN Technologies Co., Ltd. (AEWIN Technologies)	Qisda's subsidiary
Metaage Corporation (Metaage)(note)	Qisda's subsidiary
BenQ Asia Pacific Corp (BQP)	Qisda's subsidiary
BenQ Healthcare Corporation (BHC)	Qisda's subsidiary
Qisda Corporation (Suzhou) Co., Ltd. (QCSZ)	Qisda's subsidiary
Global Intelligence Network Co., Ltd. (Ginnet)	Qisda's subsidiary
DFI Inc. (DFI)	Qisda's subsidiary
Concord Medical Co., Ltd. (Concord)	Qisda's subsidiary
BenQ Technologies (Shanghai) Co., Ltd.	Qisda's subsidiary
BenQ AB DentCare Corp.	Qisda's subsidiary
Rapidtek Technologies Inc. (Rapidtek Technologies)	Qisda's associate
Uniction Technologies Corporation (Uniction Technologies)	Qisda's associate
BenQ Foundation	Substantive related party
Alpha 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:

	For the three months ended	
	March 31,	
	2023	2022
Parent Company	\$ 238	-

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 third parties and related parties were 30 to 90 days.

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

B. Purchases

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

	For the three months ended March 31,	
	2023	2022
Other related parties — others	\$ 15,923	29,041

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. Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable from related parties	Parent Company	\$ 250	-	-

D. Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	March 31, 2023	December 31, 2022	March 31, 2022
Accounts payable to related parties	Other related parties — Others	\$ 22,560	25,527	40,003

E. Rendering of services and other expenses

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

	For the three months ended March 31,	
	2023	2022
Parent Company	\$ 106	130
Other related parties — others	5,033	5,850
	\$ 5,139	5,980

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

The payables to related parties were as follows:

<u>Account</u>	<u>Related Party Category</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Other payable to related parties	Parent Company	\$ 111	493	221
Other payable to related parties	Other related parties — others	3,238	1,017	1,327
		<u>\$ 3,349</u>	<u>1,510</u>	<u>1,548</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Other related parties — others	\$ <u>275</u>	<u>25,544</u>

The amounts of payable to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Other payable to related parties	Other related parties — others	\$ <u>3,353</u>	<u>-</u>	<u>6,705</u>

F. Various advances

The receivables and payables from related parties due to the payments on behalf of the Group, which were recognized as other current assets and other current liabilities, were as follows:

<u>Account</u>	<u>Relationship</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Advance payments	Other related parties — others	\$ <u>95</u>	<u>-</u>	<u>-</u>

(4) Key management personnel compensation

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ <u>37,228</u>	<u>35,830</u>

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

8. Pledged assets:

Pledged assets	Object	March 31, 2023	December 31, 2022	March 31, 2022
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	558	3,279	3,278
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for 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 overseas customers	11,674	11,773	11,842
Refundable deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for construction project	77,587	85,601	81,388
		\$ 107,751	118,585	114,440

9. Significant commitments and contingencies:

- (1) As of March 31, 2023, December 31 and March 31, 2022, the Group deposited notes in the bank amounting to \$5,510,000 thousand, \$5,558,355 thousand and \$4,733,512 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 a 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.

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

(3) Others

	March 31, 2023	December 31, 2022	March 31, 2022
Guaranteed Notes Payable for tender contract	\$ 4,395	4,497	4,444
Guarantee for construction projects	99,566	91,749	85,560

10. Losses Due to Major Disasters: None

11. Subsequent Events: None

12. Other:

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

By item	For the three months ended March 31,					
	2023			2022		
	Cost of Sales	Operation Expenses	Total	Cost of Sales	Operation Expenses	Total
Employee benefits						
Salary	216,658	609,449	826,107	180,244	594,480	774,724
Labor and health insurance	18,853	47,266	66,119	13,717	43,264	56,981
Pension	8,806	32,743	41,549	9,138	29,185	38,323
Remuneration of directors	-	7,371	7,371	-	8,977	8,977
Others	13,863	19,070	32,933	12,453	17,142	29,595
Depreciation	78,746	62,218	140,964	59,222	58,302	117,524
Amortization	865	54,399	55,264	650	49,322	49,972

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. Financing provided to other parties: Please refer to Table 1.
- B. Guarantees and endorsements provided to 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 amounts exceeding \$300 million or 20% of the capital stock: Please refer to Table 4.

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- E. Acquisition of individual real estate with amounts exceeding \$300 million or 20% of the capital stock: None.
 - F. Disposal of individual real estate with amounts exceeding \$300 million or 20% of the capital stock: None.
 - G. Related-party transactions for purchases and sales with amounts exceeding \$100 million or 20% of the capital stock: Please refer to Table 5.
 - H. Receivables from related parties with amounts exceeding \$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.
- (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.

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

14. Segment information:

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

For the three months ended March 31, 2023				
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 7,544,146	325,194	-	7,869,340
Intersegment revenue	-	7,682	(7,682)	-
Total revenue	<u>\$ 7,544,146</u>	<u>332,876</u>	<u>(7,682)</u>	<u>7,869,340</u>
Interest expenses	<u>\$ 29,661</u>	<u>1,881</u>	<u>(1)</u>	<u>31,541</u>
Depreciation and amortization	<u>\$ 179,921</u>	<u>16,369</u>	<u>(62)</u>	<u>196,228</u>
Reportable segment profit or loss	<u>\$ 176,442</u>	<u>18,366</u>	<u>(7,954)</u>	<u>186,854</u>
March 31, 2023				
	Network related products	Others	Reconciliation and elimination	Total
Reportable segment assets	<u>\$ 22,934,401</u>	<u>3,679,914</u>	<u>(6,772)</u>	<u>26,607,543</u>
Reportable segment liabilities	<u>\$ 12,320,176</u>	<u>1,701,613</u>	<u>(4,187)</u>	<u>14,017,602</u>
For the three months ended March 31, 2022				
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 6,543,972	342,719	(11,801)	6,874,890
Interest expenses	\$ 10,888	2,010	(2)	12,896
Depreciation and amortization	\$ 152,855	14,703	(62)	167,496
Reportable segment profit or loss	<u>\$ 157,429</u>	<u>13,194</u>	<u>(9,572)</u>	<u>161,051</u>
March 31, 2022				
	Network related products	Others	Reconciliation and elimination	Total
Reportable segment assets	<u>\$ 23,620,661</u>	<u>3,787,961</u>	<u>(11,933)</u>	<u>27,396,689</u>
Reportable segment liabilities	<u>\$ 13,139,142</u>	<u>1,890,472</u>	<u>(1,207)</u>	<u>15,028,407</u>

Alpha Networks Inc. and Subsidiaries
Financing provided to other parties
For the three months ended March 31, 2023

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	611,000 (USD20,000 thousand)	609,600 (USD20,000 thousand)	-	3%	2	-	Operating capital	-		-	1,932,335 (note 2)	3,864,670 (note 3)
1	Alpha HK	Alpha Changshu	Same as above	Yes	992,875 (USD32,500 thousand)	990,600 (USD32,500 thousand)	990,600 (USD32,500 thousand)	-	2	-	Operating capital	-		-	2,227,151 (note 4)	2,227,151 (note 4)
2	Alpha Chengdu	Alpha Changshu	Same as above	Yes	267,180 (RMB60,000 thousand)	266,262 (RMB60,000 thousand)	266,262 (RMB60,000 thousand)	1.75%	2	-	Operating capital	-		-	605,254 (note 4)	605,254 (note 4)
3	Hitron Technologies	Hitron Vietnam	Same as above	Yes	916,500 (USD30,000 thousand)	914,400 (USD30,000 thousand)	411,480 (USD13,500 thousand)	1%	2	-	Operating capital	-		-	969,541 (note 5)	1,939,082 (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 individual financing amounts for a short term period shall not exceed 20% of the net worth of Alpha.

Note 3: The aggregate financing amount for a short term period shall not exceed 40% of the net worth of Alpha.

Note 4: Alpha HK, D-Link Asia, Alpha Chengdu 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 lending operating capital, the amount of financing offered to a single company owned by Alpha 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 refers 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 provided to other parties
For the three months ended March 31, 2023

Table 2

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 1 and 4)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note 2 and 4)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	Alpha	Alpha Dongguan	note 3	4,830,838	61,100	60,960	6,399	-	0.63 %	9,661,675	Y	N	Y
0	Alpha	Alpha Changshu	note 3	4,830,838	213,850	213,360	30,921	-	2.21 %	9,661,675	Y	N	Y
1	Hitron Technologies	Hitron Europe	note 3	4,847,704	623,562	623,562	-	-	12.86 %	7,271,556	N	N	N
1	Hitron Technologies	Hitron Americas	note 3	4,847,704	611,000	609,600	-	-	12.58 %	7,271,556	N	N	N
1	Hitron Technologies	Hitron Vietnam	note 3	4,847,704	2,444,000	2,438,400	518,160	-	50.30 %	7,271,556	N	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)
March 31, 2023

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 at fair value through profit and loss	500	-	1.83	-	
Alpha	IGNITION VENTURES	-	Non-current financial assets at fair value through other comprehensive income	-	31,429	-	31,429	
Enrich Investment	RAPIDTEK TECHNOLOGIES INC.	Qisda's associate	Non-current financial assets at fair value through other comprehensive income	1,500	108,750	6.00	108,750	
Hitron Technologies	TRANSCEND INFORMATION, INC.	-	Current financial assets at fair value through profit or loss	441	32,237	0.10	32,237	
Hitron Technologies	SENAO INTERNATIONAL CO, LTD.	-	Current financial assets at fair value through profit or loss	152	5,335	0.06	5,335	
Hitron Technologies	CHAO LONG MOTOR PARTS CORP.	-	Non-current financial assets at fair value through other comprehensive income	668	31,815	1.79	31,815	
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	YESMOBIRE HOLDINGS COMPANY LTD.	-	Non-current financial assets at fair value through other comprehensive income	294	-	0.75	-	
Hitron Technologies	CODENT NETWORKS (CAYMAN) LTD. (SPECIAL SHARES)	-	Non-current financial assets at fair value through other comprehensive income	1,570	-	-	-	

Alpha Networks Inc. and Subsidiaries
Individual securities acquired or disposed of with accumulated amounts exceeding \$300 million or 20% of the capital stock
For the three months ended March 31, 2023

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	Capital increase	Parent and subsidiary	-	613,700	-	303,100	-	-	-	-	-	873,571

Note: The ending balance included the amount of investment gains and losses, cumulative translation adjustments and other adjustments in the current period.

Alpha Networks Inc. and Subsidiaries
Related-party transactions for purchases and sales with amounts exceeding \$100 million or 20% of the capital stock
For the three months ended March 31, 2023

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)	(2,343,437)	(48)%	90 days	-		1,475,165	40%	Note
Alpha	D-Link Asia	Subsidiary of Alpha	Purchase	119,454	3%	90 days	-		(892,698)	(24)%	Note
Alpha	Alpha Changshu	Subsidiary of Alpha	Purchase	2,490,816	56%	90 days	-		(1,597,193)	(43)%	Note
Alpha Changshu	Mirac	Subsidiary to subsidiary	(Sales)	(110,370)	(4)%	90 days	-		98,116	6%	Note
Alpha HK	Alpha Changshu	Subsidiary to subsidiary	(Sales)	(1,940,972)	(100)%	90 days	-		1,250,835	94%	Note
D-Link Asia	Alpha Dongguan	Subsidiary to subsidiary	Purchase	119,454	15%	90 days	-		(898,099)	(74)%	Note
Hitron Technologies	Hitron Americas	Subsidiary to subsidiary	(Sales)	(1,485,166)	(53)%	90 days	-		2,385,747	128%	Note
Hitron Technologies	Hitron Europe	Subsidiary to subsidiary	(Sales)	(155,181)	(6)%	90 days	-		158,807	9%	Note
Hitron Vietnam	Hitron Technologies	Subsidiary to subsidiary	(Sales)	(2,444,403)	(87)%	60 days	-		3,126,887	168%	Note

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

Alpha Networks Inc. and Subsidiaries
Receivables from related parties with amounts exceeding \$100 million or 20% of the capital stock
March 31, 2023

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	1,475,165	6.69	-	-	500,854	-	note 2
Alpha	Alpha HK	Subsidiary of Alpha	428,242	-	38,922	-	-	-	note 2
Alpha	Hitron Technologies	Subsidiary of Alpha	300,000	-	-	-	-	-	note 2
D-Link Asia	Alpha	Subsidiary to parent	892,698	0.51	250	-	2,301	-	note 2
Alpha Changshu	Alpha	Subsidiary to parent	1,597,193	8.65	-	-	161,557	-	note 2
Alpha Dongguan	D-Link Asia	Subsidiary to subsidiary	898,099	0.49	444	-	2,301	-	note 2
Alpha HK	Alpha Changshu	Subsidiary to subsidiary	1,250,835	6.50	126,522	-	159,694	-	note 2
D-Link Asia	Alpha Dongguan	Subsidiary to subsidiary	317,486	4.20	2	-	2,300	-	note 2
Hitron Technologies	Hitron Americas	Subsidiary to subsidiary	2,385,747	2.54	-	-	392,573	-	note 2
Hitron Technologies	Hitron Europe	Subsidiary to subsidiary	158,807	2.86	-	-	-	-	note 2
Hitron Technologies	Hitron Vietnam	Subsidiary to subsidiary	639,438	-	-	-	-	-	note 2
Hitron Vietnam	Hitron Technologies	Subsidiary to subsidiary	3,126,887	3.18	-	-	1,148,759	-	note 2

Note 1: The collection situation as of April 21, 2023.

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

Alpha Networks Inc. and Subsidiaries
Business relationships and significant intercompany transactions
For the three months ended March 31, 2023

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 to Subsidiary	Sales	2,343,437	-	29.78%
0	Alpha	Alpha USA	Parent to Subsidiary	Accounts receivable from related parties	1,475,165	90 days	5.55%
0	Alpha	Alpha Changshu	Parent to Subsidiary	Purchase	2,490,816	-	31.65%
0	Alpha	Alpha Changshu	Parent to Subsidiary	Accounts payable to related parties	1,597,193	90 days	6.00%
0	Alpha	D-Link Asia	Parent to Subsidiary	Purchase	119,454	-	1.52%
0	Alpha	D-Link Asia	Parent to Subsidiary	Accounts payable to related parties	892,698	90 days	3.36%
0	Alpha	Alpha HK	Parent to Subsidiary	Accounts receivable from related parties	428,242	90 days	1.61%
0	Alpha	Hitron Technologies	Parent to Subsidiary	Dividends revenue	300,000	-	3.81%
0	Alpha	Hitron Technologies	Parent to Subsidiary	Other receivable from related parties	300,000	-	1.10%
1	Alpha HK	Alpha Changshu	Subsidiary to Subsidiary	Sales	1,940,972	-	24.66%
1	Alpha HK	Alpha Changshu	Subsidiary to Subsidiary	Accounts receivable to related parties	1,250,835	90 days	4.70%
2	D-Link Asia	Alpha Dongguan	Subsidiary to Subsidiary	Purchase	119,454	-	1.52%
2	D-Link Asia	Alpha Dongguan	Subsidiary to Subsidiary	Accounts payable to related parties	898,099	90 days	3.38%
3	Alpha Dongguan	D-Link Asia	Subsidiary to Subsidiary	Purchase	379,630	-	4.82%
3	Alpha Dongguan	D-Link Asia	Subsidiary to Subsidiary	Accounts payable to related parties	317,486	90 days	1.19%
3	Alpha Changshu	Mirac	Subsidiary to Subsidiary	Sales	110,370	-	1.40%
4	Hitron Technologies	Hitron Americas	Subsidiary to Subsidiary	Sales	1,485,166	-	18.87%

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
4	Hitron Technologies	Hitron Americas	Subsidiary to Subsidiary	Accounts receivable from related parties	2,385,747	90 days	8.97%
4	Hitron Technologies	Hitron Europe	Subsidiary to Subsidiary	Sales	155,181	-	1.97%
	Hitron Technologies	Hitron Vietnam	Subsidiary to Subsidiary	Other receivable from related parties	639,438	60 days	2.40%
5	Hitron Vietnam	Hitron Technologies	Subsidiary to Subsidiary	Sales	2,444,403	-	31.06%
5	Hitron Vietnam	Hitron Technologies	Subsidiary to Subsidiary	Accounts receivable from related parties	3,126,887	60 days	11.75%

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 three months ended March 31, 2023

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 March 31, 2023			Net income (losses) of investee	Share of profits/ losses of investee	Note
				March 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
Alpha	Alpha Holdings	Cayman Islands	Investment holding	208,500	208,500	6,464	100.00 %	-	-	-	
Alpha	Alpha Solutions	Japan	Sale of network equipment, components and technical services	5,543	5,543	1	100.00 %	18,223	(107)	(107)	
Alpha	Alpha USA	CA USA	Sale, marketing and procurement service in USA	51,092	51,092	1,500	100.00 %	157,406	(26)	(26)	
Alpha	Alpha HK	Hong Kong	Investment holding	3,143,628	3,143,628	780,911	100.00 %	2,215,940	12,691	15,353	
Alpha	ATS	CA USA	Post-sale service	260,497 (USD8,100 thousand)	260,497 (USD8,100 thousand)	8,100	100.00 %	186,631	518	518	
Alpha	Enrich Investment	Taiwan	Investment holding	400,000	400,000	40,000	100.00 %	299,503	(4,505)	(4,505)	
Alpha	Hitron Technologies	Taiwan	Marketing on system integration of communication product and telecommunication products	4,811,000	4,811,000	200,000	62.24 %	3,922,853	28,626	4,791	
Alpha	D-Link Asia	Singapore	Investment in manufacturing business	1,692,805 note 2	1,692,805 note 2	86,946	100.00 %	1,874,811	(20,317)	(14,796)	
Alpha	Alpha VN	Vietnam	Production of sale of network products	1,006,156	703,056	note 4	100.00 %	873,571	(39,872)	(39,872)	
Enrich Investment	Interactive Digital	Taiwan	Telecommunication and broadband network system services	189,523	189,523	2,575	6.40 %	103,864	29,359	note 1	
Enrich Investment	Transnet Corporation	Taiwan	Operating network communication products, provide support system services, integrated supply and import and export of network equipment	50,000	50,000	5,000	100.00 %	13,194	(3,502)	note 1	

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of March 31, 2023			Net income (losses) of investee	Share of profits/ losses of investee	Note
				March 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
Enrich Investment	Aespula	Taiwan	Sale of network equipment components and technical services	80,000	80,000	8,000	98.92 %	57,052	(6,223)	note 1, 3	
Hitron Technologies	Hitron Samoa	Samoa	International trade	172,179	642,697	5,850	100.00 %	140,027	27	note 1	
Hitron Technologies	Interactive Digital	Taiwan	Telecommunication and broadband network system services	126,091	126,091	16,703	41.49 %	498,936	29,359	note 1	
Hitron Technologies	Hitron Vietnam	Vietnam	Production and sale of broadband telecommunication products	1,511,735	1,511,735	note 4	100.00 %	2,512,909	286,153	note 1	
Hitron Technologies	Hitron Americas	USA	International trade	90,082	90,082	300	100.00 %	578,636	94,488	note 1	
Hitron Technologies	Hitron Europe	Netherlands	International trade	59,604	59,604	15	100.00 %	101,432	(5,186)	note 1	
Hitron Technologies	Innoauto Technologies	Taiwan	Investment	20,000	20,000	2,000	100.00 %	3,448	5	note 1	

Note 1: Recognized by subsidiary.

Note 2: This included the previous investments of \$218,631 thousand by D-Link corporation.

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

Note 4: Limited company.

Alpha Networks Inc. and Subsidiaries

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

For the three months ended March 31, 2023

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, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (note 3)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Alpha Chengdu	Research and development of network products	420,426	note 1(a)	420,426	-	-	420,426	4,636	100.00%	4,636	605,254	-
Alpha Dongguan	Production and sale of network products	787,496	note 1(a)	741,084	-	-	741,084 (note 7)	3,436	100.00%	3,436	1,601,341	-
Mirac	Production and sale of network products	107,131 (note 10)	note 1(a)	307,326	-	-	307,326	4,162	100.00%	4,162	156,115	-
Alpha Changshu	Production and sale of network products	1,925,920	note 1(b)	1,925,920	-	-	1,925,920	29,233	100.00%	29,233	1,210,550	-
Hitron Suzhou	Production and sale of Broadband network products	171,425 (RMB34,800 thousand)	note 1(c)	641,763	-	470,518	171,245	32	100.00% (note 9)	32	145,186	-
Jietech Suzhou	Sale of broadband network products and related services	31,139 (RMB5,425 thousand)	note 1(c)	31,139	-	-	31,139	(7)	100.00% (note 9)	(7)	3,761	-
Hwa Chi Technologies	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	5,814 (USD200 thousand)	note 2	12,048	-	-	12,048	271	41.49% (note 9)	113	5,298	23,037

(2) Limitation on investment in Mainland China

Name of Company	Accumulated Investment in Mainland China as of March 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Alpha	3,261,784 note 4, 5 and 8	4,123,685	note 6
Hitron Technologies	214,432	684,950	2,908,622

Note 1: Investments in companies in Mainland China through the existing companies in the third regions are as follows:

- (a) D-Link Asia
- (b) Alpha HK
- (c) Hitron Samoa

Note 2: Hwa Chi is a Chinese-based investment company, which was originally invested by Hitron (Samoa), a subsidiary of Alpha. 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 3: The amount was recognized based on the reviewed financial statements.

Note 4: The accumulated investments in Alpha Dongguan did not include the previously investment of HKD69,387 thousand (equivalent to approximately \$303,055 thousand) by D-Link Corporation.

Note 5: Alpha, who indirectly invested its subsidiary, Tongying Trading (Shenzhen) Co., Ltd., has liquidated all its rights and obligations and cancelled its registration in March 2008, resulting in the amount of \$5,461 thousand (the difference between the accumulated investment in Tongying Trading (Shenzhen) Co., Ltd. amounting to \$9,828 thousand and the remittance amount of \$4,367 thousand) to be recognized. The amount recognized above still needs to be included in the accumulated investment in Mainland China according to the principle of Investment Commission, MOEA.

Note 6: 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 7: Since the investment amount of \$46,412 thousand was derived from D-Link Asia's own funds, the accumulated investment amount from Taiwan didn't need to be included at the end of the period.

Note 8: Maintrend, a subsidiary which Alpha's indirectly invested in, has completed its liquidation procedures 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 9: This refers to the direct or indirect shareholding of Hitron technologies.

Note 10: The capital reduction registration procedures had been completed on December 19, 2022; however, the capital has yet to be remitted back as of March 31, 2023.