

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 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 September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, as well as the changes in equity and cash flows for the nine months ended September 30, 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

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.

Conclusion

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 September 30, 2023 and 2022, and of its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 30, 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)

October 31, 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.

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

Consolidated Balance Sheets

September 30, 2023, December 31, 2022, and September 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2023		December 31, 2022		September 30, 2022						September 30, 2023		December 31, 2022		September 30, 2022	
Assets		Amount	%	Amount	%	Amount	%			Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:										Current liabilities:							
1100	Cash and cash equivalents (note 6(1))	\$ 3,910,165	16	4,084,284	15	3,833,536	13	2100		Short-term borrowings (note 6(12))		\$ 2,957,502	12	3,936,093	14	5,634,432	19
1110	Current financial assets at fair value through profit or loss (note 6(2))	13,900	-	61,084	-	67,016	-	2120		Current financial liabilities at fair value through profit or loss (note 6(2))		19,332	-	9,836	-	35,554	-
1136	Current financial assets at amortized cost (notes 6(1), (5) and 8)	20,000	-	-	-	-	-	2170		Accounts payable (including related parties) (note 7)		4,000,847	16	5,031,113	19	5,359,509	19
1170	Notes and accounts receivable, net (notes 6(3) and (22))	4,384,976	18	5,598,816	21	6,342,798	22	2209		Accrued expenses		590,007	2	845,618	3	740,928	3
130x	Inventories (note 6(4))	8,035,970	33	9,424,252	35	10,919,606	38	2230		Current tax liabilities		394,477	2	475,146	2	415,703	1
1470	Other current assets (notes 6(11) and 8)	<u>1,068,865</u>	<u>4</u>	<u>1,074,308</u>	<u>4</u>	<u>1,163,596</u>	<u>4</u>	2250		Current provisions (note 6(14))		398,757	2	385,198	1	358,439	1
		<u>17,433,876</u>	<u>71</u>	<u>20,242,744</u>	<u>75</u>	<u>22,326,552</u>	<u>77</u>	2321		Bonds payable, current portion (note 6(16))		-	-	-	-	371,449	1
								2322		Long-term borrowings, current portion (note 6(13))		-	-	26,000	-	-	-
								2399		Other current liabilities (notes 6(15), (17), (22) and 7)		<u>2,018,944</u>	<u>8</u>	<u>2,338,091</u>	<u>9</u>	<u>1,964,618</u>	<u>7</u>
Non-current assets:												<u>10,379,866</u>	<u>42</u>	<u>13,047,095</u>	<u>48</u>	<u>14,880,632</u>	<u>51</u>
1517	Non-current financial assets at fair value through other comprehensive income (note 6(6))	171,994	1	171,994	-	19,094	-			Non-Current liabilities:							
	Non-current financial assets at amortized cost (notes 6(3), (5) and 8)	144,328	-	144,873	-	147,273	1	2530		Bonds payable(note 6(16))		413,596	2	-	-	-	-
1535								2540		Long-term borrowings (note 6(13))		-	-	-	-	26,000	-
1600	Property, plant and equipment (notes 6(8) and 7)	4,363,260	18	4,222,057	16	3,909,406	13	2580		Non-current lease liabilities (note 6(17))		301,765	1	217,451	1	221,936	1
1755	Right-of use asset (note 6(9))	590,926	2	427,860	2	440,661	1	2640		Net defined benefit liability (note 6(18))		104,131	-	145,642	-	194,978	1
1780	Intangible assets (note 6(10) and 7)	1,203,546	5	1,304,437	5	1,321,546	5	2670		Other non-current liabilities (notes 6(14) and (19))		<u>141,530</u>	<u>1</u>	<u>166,207</u>	<u>1</u>	<u>195,074</u>	<u>1</u>
1840	Deferred tax assets (note 6(19))	230,806	1	222,151	1	291,827	1					<u>961,022</u>	<u>4</u>	<u>529,300</u>	<u>2</u>	<u>637,988</u>	<u>3</u>
1990	Other non-current assets (notes 6(11) and (18))	<u>527,124</u>	<u>2</u>	<u>396,898</u>	<u>1</u>	<u>499,576</u>	<u>2</u>			Total liabilities		<u>11,340,888</u>	<u>46</u>	<u>13,576,395</u>	<u>50</u>	<u>15,518,620</u>	<u>54</u>
		<u>7,231,984</u>	<u>29</u>	<u>6,890,270</u>	<u>25</u>	<u>6,629,383</u>	<u>23</u>			Equity (notes 6(20) and (21)):							
										Equity attributable to owners of parent:							
								3110		Ordinary share capital		<u>5,417,185</u>	<u>22</u>	<u>5,417,185</u>	<u>20</u>	<u>5,417,185</u>	<u>19</u>
								3200		Capital surplus		<u>2,582,329</u>	<u>10</u>	<u>2,544,401</u>	<u>9</u>	<u>2,544,420</u>	<u>9</u>
										Retained earnings:							
								3310		Legal reserve		1,266,681	5	1,169,989	4	1,169,989	4
								3320		Special reserve		226,548	1	447,091	2	447,091	1
								3350		Unappropriated retained earnings		<u>723,752</u>	<u>3</u>	<u>1,019,195</u>	<u>4</u>	<u>744,710</u>	<u>2</u>
												<u>2,216,981</u>	<u>9</u>	<u>2,636,275</u>	<u>10</u>	<u>2,361,790</u>	<u>7</u>
								3400		Other equity interest		<u>(76,825)</u>	<u>-</u>	<u>(226,549)</u>	<u>(1)</u>	<u>(9,835)</u>	<u>-</u>
										Total equity attributable to owners of parent:		<u>10,139,670</u>	<u>41</u>	<u>10,371,312</u>	<u>38</u>	<u>10,313,560</u>	<u>35</u>
								36XX		Non-controlling interests (note 6(7))		<u>3,185,302</u>	<u>13</u>	<u>3,185,307</u>	<u>12</u>	<u>3,123,755</u>	<u>11</u>
										Total equity		<u>13,324,972</u>	<u>54</u>	<u>13,556,619</u>	<u>50</u>	<u>13,437,315</u>	<u>46</u>
Total assets		\$ <u>24,665,860</u>	<u>100</u>	<u>27,133,014</u>	<u>100</u>	<u>28,955,935</u>	<u>100</u>			Total liabilities and equity		\$ <u>24,665,860</u>	<u>100</u>	<u>27,133,014</u>	<u>100</u>	<u>28,955,935</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the three months and nine months ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		For the three months ended September 30,				For the nine months ended September 30,			
		2023		2022		2023		2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (notes 6(22) and 7)	\$ 5,861,401	100	9,230,870	100	21,476,066	100	24,392,938	100
5000	Operating costs (notes 6(4),(18),(23) and 7)	<u>4,674,810</u>	<u>80</u>	<u>7,635,078</u>	<u>83</u>	<u>17,527,248</u>	<u>82</u>	<u>19,907,816</u>	<u>82</u>
	Gross profit	<u>1,186,591</u>	<u>20</u>	<u>1,595,792</u>	<u>17</u>	<u>3,948,818</u>	<u>18</u>	<u>4,485,122</u>	<u>18</u>
	Operating expenses (notes 6(3),(18),(23) and 7):								
6100	Selling expenses	337,950	6	321,252	3	992,778	4	950,377	4
6200	Administrative expenses	264,762	4	337,310	4	853,348	4	1,001,385	4
6300	Research and development expenses	478,607	8	474,362	5	1,435,165	7	1,355,158	5
6450	Expected credit loss (gain) (note 6(3))	<u>423</u>	<u>-</u>	<u>(4,548)</u>	<u>-</u>	<u>(30,660)</u>	<u>-</u>	<u>(1,219)</u>	<u>-</u>
	Total operating expenses	<u>1,081,742</u>	<u>18</u>	<u>1,128,376</u>	<u>12</u>	<u>3,250,631</u>	<u>15</u>	<u>3,305,701</u>	<u>13</u>
	Net operating income	<u>104,849</u>	<u>2</u>	<u>467,416</u>	<u>5</u>	<u>698,187</u>	<u>3</u>	<u>1,179,421</u>	<u>5</u>
	Non-operating income and expenses:								
7010	Other income (note 6(25))	20,193	-	30,171	-	61,917	-	51,006	-
7020	Other gains and losses, net (note 6(26))	28,724	-	(13,199)	-	(9,999)	-	(35,278)	-
7050	Finance costs (note 6(27))	(47,028)	-	(39,331)	-	(118,876)	-	(75,580)	-
7100	Interest income (note 6(24))	<u>16,275</u>	<u>-</u>	<u>6,911</u>	<u>-</u>	<u>56,501</u>	<u>-</u>	<u>18,195</u>	<u>-</u>
	Total non-operating income and expenses	<u>18,164</u>	<u>-</u>	<u>(15,448)</u>	<u>-</u>	<u>(10,457)</u>	<u>-</u>	<u>(41,657)</u>	<u>-</u>
	Profit before tax	123,013	2	451,968	5	687,730	3	1,137,764	5
7950	Less: Income tax expenses (note 6(19))	<u>48,394</u>	<u>1</u>	<u>93,544</u>	<u>1</u>	<u>148,542</u>	<u>-</u>	<u>298,249</u>	<u>1</u>
	Profit	<u>74,619</u>	<u>1</u>	<u>358,424</u>	<u>4</u>	<u>539,188</u>	<u>3</u>	<u>839,515</u>	<u>4</u>
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(20))	-	-	-	-	-	-	545	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (loss) (notes 6(20))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(241)</u>	<u>-</u>
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304</u>	<u>-</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements (note 6(20))	<u>267,253</u>	<u>5</u>	<u>285,667</u>	<u>3</u>	<u>216,110</u>	<u>1</u>	<u>566,145</u>	<u>2</u>
8300	Other comprehensive income (loss), net of income tax	<u>267,253</u>	<u>5</u>	<u>285,667</u>	<u>3</u>	<u>216,110</u>	<u>1</u>	<u>566,449</u>	<u>2</u>
8500	Total comprehensive income	<u>\$ 341,872</u>	<u>6</u>	<u>644,091</u>	<u>7</u>	<u>755,298</u>	<u>4</u>	<u>1,405,964</u>	<u>6</u>
	Profit attributable to:								
8610	Owners of parent	\$ 83,394	1	315,262	4	496,210	3	692,100	3
8620	Non-controlling interests	<u>(8,775)</u>	<u>-</u>	<u>43,162</u>	<u>-</u>	<u>42,978</u>	<u>-</u>	<u>147,415</u>	<u>1</u>
		<u>\$ 74,619</u>	<u>1</u>	<u>358,424</u>	<u>4</u>	<u>539,188</u>	<u>3</u>	<u>839,515</u>	<u>4</u>
8700	Total comprehensive income attributable to:								
8710	Owners of parent	\$ 301,017	5	530,712	6	645,934	4	1,129,696	5
8720	Non-controlling interests	<u>40,855</u>	<u>1</u>	<u>113,379</u>	<u>1</u>	<u>109,364</u>	<u>-</u>	<u>276,268</u>	<u>1</u>
		<u>\$ 341,872</u>	<u>6</u>	<u>644,091</u>	<u>7</u>	<u>755,298</u>	<u>4</u>	<u>1,405,964</u>	<u>6</u>
	Earnings per share (New Taiwan dollars) (note 6(21))								
	Basic earnings per share	<u>\$ 0.15</u>		<u>0.58</u>		<u>0.92</u>		<u>1.28</u>	
	Diluted earnings per share	<u>\$ 0.15</u>		<u>0.58</u>		<u>0.91</u>		<u>1.27</u>	

See accompanying notes to consolidated financial statements.

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 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	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	-	-	-	-	692,100	692,100	-	-	-	692,100	147,415	839,515
Other comprehensive income (loss)	-	-	-	-	339	339	437,407	(150)	437,257	437,596	128,853	566,449
Total comprehensive income (loss)	-	-	-	-	692,439	692,439	437,407	(150)	437,257	1,129,696	276,268	1,405,964
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	42,569	-	(42,569)	-	-	-	-	-	-	-
Special reserve	-	-	-	(1,713)	1,713	-	-	-	-	-	-	-
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	-	14,807	-	-	-	-	-	-	-	14,807	(14,807)	-
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(189,021)	(189,021)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	94,630	94,630
Balance at September 30, 2022	\$ 5,417,185	2,544,420	1,169,989	447,091	744,710	2,361,790	(8,496)	(1,339)	(9,835)	10,313,560	3,123,755	13,437,315
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	-	-	-	-	496,210	496,210	-	-	-	496,210	42,978	539,188
Other comprehensive income (loss)	-	-	-	-	-	-	149,724	-	149,724	149,724	66,386	216,110
Total comprehensive income (loss)	-	-	-	-	496,210	496,210	149,724	-	149,724	645,934	109,364	755,298
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	96,692	-	(96,692)	-	-	-	-	-	-	-
Special reserve	-	-	-	(220,543)	220,543	-	-	-	-	-	-	-
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	-	37,912	-	-	-	-	-	-	-	37,912	(37,912)	-
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(296,382)	(296,382)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	224,925	224,925
Balance at September 30, 2023	\$ 5,417,185	2,582,329	1,266,681	226,548	723,752	2,216,981	(83,403)	6,578	(76,825)	10,139,670	3,185,302	13,324,972

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 687,730	1,137,764
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	425,371	358,544
Amortization expense	163,856	157,014
Expected credit reversal gain	(30,660)	(1,219)
Net loss on financial assets or liabilities at fair value through profit or loss	5,128	43,325
Interest expense	118,876	75,580
Interest income	(56,501)	(18,195)
Dividend income	(1,786)	(6,391)
Loss on disposal of property, plant and equipment	7,787	957
Provisions for inventory obsolescence and devaluation loss	190,993	63,821
Loss on disposal of intangible assets	3,073	-
Total adjustments to reconcile profit	<u>826,137</u>	<u>673,436</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable	1,284,381	(2,288,467)
Financial assets mandatorily at fair value through profit or loss	5,320	(7,222)
Inventories	1,245,784	(1,744,605)
Other current assets	11,026	(703,321)
Financial liabilities held for trading	(9,836)	(2,927)
Accounts payable (including related parties)	(1,038,538)	1,165,596
Other payable to related parties	(404)	6,334
Other current liabilities	(597,223)	460,969
Net defined benefit liability	(41,511)	(9,261)
Decrease in other non-current liabilities	(24,313)	-
Total changes in operating assets and liabilities	<u>834,686</u>	<u>(3,122,904)</u>
Total adjustments	<u>1,660,823</u>	<u>(2,449,468)</u>

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the nine months ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2023	2022
Cash flows generated from (used in) operations	\$ 2,348,553	(1,311,704)
Interest received	55,269	18,986
Dividends received	1,786	6,391
Interest paid	(115,018)	(60,113)
Income taxes paid	(283,027)	(201,692)
Net cash flows from (used in) operating activities	2,007,563	(1,548,132)
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	56,025	-
Acquisition of financial assets at amortized cost	(240,000)	(399,940)
Proceeds from repayments of financial assets at amortized cost	220,000	774,947
Acquisition of property, plant and equipment	(500,436)	(422,528)
Proceeds from disposal of property, plant and equipment	50,373	6,292
Decrease (increase) in refundable deposits	8,564	(10,404)
Acquisition of intangible assets	(65,379)	(132,247)
Increase in other non-current assets	(114,146)	(276,748)
Net cash flows used in investing activities	(584,999)	(460,628)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	12,716,198	29,868,493
Repayments of short-term borrowings	(13,783,747)	(28,279,013)
Proceeds from bonds payable	631,884	-
Proceeds from long-term borrowings	-	26,000
Repayments of long-term borrowings	(26,000)	-
Decrease in guarantee deposits received	(133)	(2,977)
Payment of lease liabilities	(27,910)	(24,511)
Cash dividends paid to shareholders	(915,504)	(433,375)
Donation from shareholders	16	13
Cash dividends paid to non-controlling interest	(296,382)	(189,021)
Net cash flows (used in) from financing activities	(1,701,578)	965,609
Effect of exchange rate changes on cash and cash equivalents	104,895	378,637
Net decrease in cash and cash equivalents	(174,119)	(664,514)
Cash and cash equivalents at beginning of period	4,084,284	4,498,050
Cash and cash equivalents at end of period	\$ 3,910,165	3,833,536

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ALPHA NETWORKS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the nine months ended September 30, 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 October 31, 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”

The Group has initially adopted the following new amendment, which do not have a significant impact on its consolidated financial statement, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules”

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

4. Summary of significant accounting policies:

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by the FSC, and do not include all of the information required by the IFRSs, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRSs endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except as described in the following paragraph, the Group's significant accounting policies are applied consistently 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.

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

(2) Basis of consolidation

A. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Main Business Activities	Shareholding		
			September 30, 2023	December 31, 2022	September 30, 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	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%
Alpha	Alpha Networks (Chengdu) Co., Ltd. (Alpha Chengdu) (note 3)	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 HK	Alpha Networks (Changshu) Co., Ltd. (Alpha Changshu)	Production and sale of network products	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			
			September 30, 2023	December 31, 2022	September 30, 2022	
Alpha Changshu	Mirac Networks (Dongguan) Co., Ltd. (Mirac) (note 4)	Production and sale of network products	100.00%	100.00%	100.00%	
Alpha Changshu	Alpha Networks (Changshu Trading) Co., Ltd. (Alpha Changshu Trading) (note 5)	Production and sale of network products	100.00%	- %	- %	
Enrich Investment	Transnet Corporation (Transnet)	Operating network communication products and systems integration services, and import and export of network equipment	100.00%	100.00%	100.00%	
Enrich Investment	Interactive Digital Technologies Inc. (Interactive Digital) (note 1 & 2)	Telecommunication and broadband network system services	5.97%	6.40%	6.40%	
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	38.72%	41.49%	41.50%	
Hitron Technologies	Hitron Technologies Europe Holding B.V. (Hitron Europe)	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%	

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

Name of Investor	Name of Investee	Main Business Activities	Shareholding		
			September 30, 2023	December 31, 2022	September 30, 2022
Hitron Samoa	Hitron Technologies (SIP) Inc (Hitron Suzhou)	Production and sale of broadband telecommunications products	100.00%	100.00%	100.00%
Hitron Samoa	Jietech Trading (Suzhou) Inc. (Jietech Suzhou)	Sale of broadband network products and related services	100.00%	100.00%	100.00%
Interactive Digital	Hwa Chi Technologies (Shanghai) Inc. (Hwa Chi Technologies)	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	100.00%	100.00%	100.00%

Note 1: 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: D-Link Asia signed an agreement with Alpha on June 15, 2023 to transfer 100% equity of Alpha Chengdu to Alpha.

Note 4: Alpha Dongguan signed an agreement with Alpha on May 5, 2023 to transfer 100% equity of Mirac to Alpha Changshu.

Note 5: Alpha Changshu established a new subsidiary Alpha Networks (Changshu Trading) Co., Ltd. (Alpha Changshu Trading) in the second quarter of 2023, with a 100% shareholding ratio.

B. 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.

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 1,283	996	1,007
Checking and savings accounts	2,994,062	3,472,071	2,427,758
Time deposits	914,820	536,217	1,069,771
Cash equivalents	<u>-</u>	<u>75,000</u>	<u>335,000</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 3,910,165</u>	<u>4,084,284</u>	<u>3,833,536</u>

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

As of September 30, 2023, December 31 and September 30, 2022, deposits with original maturities of more than three months were \$20,000 thousand, \$0 thousand and \$0 thousand respectively, and were recorded in financial assets measured at amortized cost. Please refer to note 6(5).

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

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial assets mandatorily measured at fair value through profit or loss – current			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ 7,697	5,320	2,942
Foreign exchange swaps	685	-	7,720
Non-derivative financial assets			
Stocks listed on domestic markets	<u>5,518</u>	<u>55,764</u>	<u>56,354</u>
Total	<u><u>\$ 13,900</u></u>	<u><u>61,084</u></u>	<u><u>67,016</u></u>
Financial liabilities hold for trading – current			
Forward exchange contracts	\$ 6,721	7,900	17,031
Foreign exchange swaps	<u>12,611</u>	<u>1,936</u>	<u>18,523</u>
Total	<u><u>\$ 19,332</u></u>	<u><u>9,836</u></u>	<u><u>35,554</u></u>

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

	<u>September 30, 2023</u>			
	<u>Nominal principal (in thousands)</u>		<u>Currency</u>	<u>Maturity date</u>
Forward exchange contracts	USD	10,000	USD to NTD	October 2023
Forward exchange contracts	USD	4,850	USD to CNY	October 2023 ~ November 2023
Forward exchange contracts	EUR	980	EUR to NTD	October 2023
Forward exchange contracts	NTD	153,475	NTD to USD	October 2023
Forward exchange contracts	USD	3,000	USD to VND	October 2023
Foreign exchange swaps	CNY	15,000	CNY to NTD	October 2023
Foreign exchange swaps	USD	41,000	USD to NTD	October 2023

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

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

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

(3) Notes and accounts receivable, net

	September 30, 2023	December 31, 2022	September 30, 2022
Notes and accounts receivable	\$ 4,389,793	5,634,235	6,353,463
Less: loss allowances	(4,817)	(35,419)	(10,665)
	<u>\$ 4,384,976</u>	<u>5,598,816</u>	<u>6,342,798</u>

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.

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

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

	September 30, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 4,056,384	0.00%	-
Less than 90 days past due	318,040	0.45%	1,443
91 to 180 days past due	14,223	16.53%	2,351
More than 181 days past due	69,103	99.82%	68,980
	\$ 4,457,750		72,774

	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
	\$ 5,702,192		103,376

	September 30, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 5,614,794	0.00%	-
Less than 90 days past due	738,015	1.45%	10,665
91 to 180 days past due	654	0.00%	-
More than 181 days past due	67,957	100%	67,957
	\$ 6,421,420		78,622

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

	For the nine months ended September 30,	
	2023	2022
Balance at January 1	\$ 103,376	80,121
Impairment losses reversal recognized	(30,660)	(1,219)
Effect of changes in exchange rates	58	(280)
Balance at September 30	\$ 72,774	78,622

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

(4) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 4,485,575	4,969,527	5,999,873
Work in progress and semi-finished products	629,691	763,057	1,050,053
Finished goods and merchandises	2,920,704	3,691,668	3,869,680
	<u>\$ 8,035,970</u>	<u>9,424,252</u>	<u>10,919,606</u>

The components of operating cost were as below:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Cost of goods sold	\$ 4,611,651	7,630,557	17,336,255	19,843,995
Provision for inventory obsolescence and devaluation loss	63,159	4,521	190,993	63,821
	<u>\$ 4,674,810</u>	<u>7,635,078</u>	<u>17,527,248</u>	<u>19,907,816</u>

As of September 30, 2023, December 31 and September 30, 2022, the Group's inventories were not pledged.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Current:			
Time deposits	\$ <u>20,000</u>	<u>-</u>	<u>-</u>
Non-current:			
Restricted deposits	\$ 29,703	21,662	21,211
Refundable deposits	114,625	123,211	126,062
Overdue receivables	67,957	67,957	67,957
Less: loss allowances	(67,957)	(67,957)	(67,957)
	<u>\$ 144,328</u>	<u>144,873</u>	<u>147,273</u>

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 September 30, 2023, December 31 and September 30, 2022, the Group held bank time deposits with variable interest rates, and the average interest rates ranged between 0.56%~7.5%, 0.10%~1.065% and 0.22%~1.065%, respectively.

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

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

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

	September 30, 2023	December 31, 2022	September 30, 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 September 30, 2023, December 31 and September 30, 2022, the Group's financial assets above were not pledged.

According to the agreements from the conference that held by the partners of Ignition Ventures, the lifetime of Ignition Ventures from October 2022 would be extended without limits. The carrying amount of above assets, which was classified as financial assets at fair value through other comprehensive income from the original investment, was \$31,429 thousand as of September 30, 2023.

The accounting treatment need not be applied retroactively to investments in limited partnership prior to June 30, 2023 based on the Q&A of the FSC, therefore, the Group continues to measure its investment of Ignition Ventures in this limited partnership at fair value through other comprehensive income.

(7) Material non-controlling interests of subsidiaries

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

		Percentage of non-controlling interests		
		September 30, 2023	December 31, 2022	September 30, 2022
<u>Subsidiaries</u>	<u>Main operation place</u>			
Hitron Technologies Inc.	Taiwan	37.76%	37.76%	37.76%

The following information of the aforementioned subsidiaries have been prepared in accordance with the IFRSs endorsed by the FSC. 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.

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

Hitron Technologies Inc.'s collective financial information:

	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 8,045,132	9,562,665	10,184,413
Non-current assets	4,050,121	4,131,422	4,226,237
Current liabilities	(4,159,993)	(6,063,706)	(6,829,167)
Non-current liabilities	(600,699)	(120,156)	(154,520)
Net assets	<u>\$ 7,334,561</u>	<u>7,510,225</u>	<u>7,426,963</u>
Non-controlling interests	<u>\$ (1,114,410)</u>	<u>(1,009,803)</u>	<u>(951,238)</u>
Net assets of investees	<u>\$ 6,220,151</u>	<u>6,500,422</u>	<u>6,475,724</u>
Book value of non-controlling interests	<u>\$ 2,181,068</u>	<u>2,286,899</u>	<u>2,277,573</u>

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Operating revenue	<u>\$ 1,578,573</u>	<u>3,162,718</u>	<u>7,195,432</u>	<u>8,642,851</u>
Profit (loss)	\$ (37,937)	98,397	33,198	331,124
Other comprehensive income	131,435	185,955	175,809	341,242
Total comprehensive income	<u>\$ 93,498</u>	<u>284,352</u>	<u>209,007</u>	<u>672,366</u>
Profit (loss) attributable to non-controlling interests	<u>\$ (18,223)</u>	<u>11,566</u>	<u>(9,520)</u>	<u>43,508</u>
Total comprehensive income, attributable to non-controlling interests	<u>\$ 31,406</u>	<u>17,590</u>	<u>56,865</u>	<u>61,545</u>
Net cash flows from operating activities			\$ 408,909	(515,019)
Net cash flows from investing activities			(10,964)	(14,639)
Net cash flows from financing activities			(389,851)	(289,457)
Effect of exchange rate changes on cash and cash equivalents			33,491	186,832
Net increase (decrease) in cash and cash equivalents			<u>\$ 41,585</u>	<u>(632,283)</u>
Dividends paid to non-controlling interests			<u>\$ (181,967)</u>	<u>(189,021)</u>

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

(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	-	270,339	158,307	71,790	500,436
Disposals	-	(7,319)	(447,716)	(65,831)	(520,866)
Effect of changes in exchange rates and others	3,220	61,500	42,714	8,076	115,510
Balance at September 30, 2023	<u>\$ 882,445</u>	<u>4,785,167</u>	<u>2,522,605</u>	<u>530,979</u>	<u>8,721,196</u>
Balance at January 1, 2022	\$ 644,519	4,304,637	2,528,885	414,073	7,892,114
Additions	228,330	54,058	106,677	33,463	422,528
Disposals	-	(14,271)	(77,797)	(26,262)	(118,330)
Effect of changes in exchange rates and others	8,509	165,332	134,318	12,782	320,941
Balance at September 30, 2022	<u>\$ 881,358</u>	<u>4,509,756</u>	<u>2,692,083</u>	<u>434,056</u>	<u>8,517,253</u>
Depreciation and impairment loss:					
Balance at January 1, 2023	\$ -	2,301,316	1,766,403	336,340	4,404,059
Depreciation	-	128,424	192,637	65,050	386,111
Disposals	-	(6,684)	(392,214)	(63,808)	(462,706)
Effect of changes in exchange rates and others	-	14,062	13,775	2,635	30,472
Balance at September 30, 2023	<u>\$ -</u>	<u>2,437,118</u>	<u>1,580,601</u>	<u>340,217</u>	<u>4,357,936</u>
Balance at January 1, 2022	\$ -	2,135,655	1,786,366	315,679	4,237,700
Depreciation	-	119,373	162,227	49,723	331,323
Disposals	-	(14,271)	(71,702)	(25,108)	(111,081)
Effect of changes in exchange rates and others	-	62,606	83,769	3,530	149,905
Balance at September 30, 2022	<u>\$ -</u>	<u>2,303,363</u>	<u>1,960,660</u>	<u>343,824</u>	<u>4,607,847</u>
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 September 30, 2023	<u>\$ 882,445</u>	<u>2,348,049</u>	<u>942,004</u>	<u>190,762</u>	<u>4,363,260</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 September 30, 2022	<u>\$ 881,358</u>	<u>2,206,393</u>	<u>731,423</u>	<u>90,232</u>	<u>3,909,406</u>

As of September 30, 2023, December 31 and September 30, 2022, the Group's property, plant and equipment were not pledged.

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(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	\$ 389,322	32,277	6,261	427,860
Balance at September 30, 2023	\$ 461,916	125,062	3,948	590,926
Balance at January 1, 2022	\$ 389,078	25,396	7,734	422,208
Balance at September 30, 2022	\$ 397,775	35,445	7,441	440,661

There were no significant additions, disposal or recognition and reversal of impairment losses of the right-of-use assets for the nine months ended September 30, 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 September 30, 2023, December 31 and September 30, 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	\$ 125,875	160,914	264,633	578,900	174,115	1,304,437
Balance at September 30, 2023	\$ 102,273	143,673	231,554	578,900	147,146	1,203,546
Balance at January 1, 2022	\$ 157,343	183,901	308,739	578,900	115,962	1,344,845
Balance at September 30, 2022	\$ 133,742	166,661	275,659	578,900	166,584	1,321,546

There were no significant additions, disposal or recognition and reversal of impairment losses of the intangible assets for the nine months ended September 30, 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.

As of September 30, 2023, December 31 and September 30, 2022, the Group's intangible assets were not pledged.

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

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

	September 30, 2023	December 31, 2022	September 30, 2022
Prepayments for property, plant and equipment	\$ 511,997	381,766	487,770
Business tax receivable	135,480	124,984	119,804
Income tax receivable	230,608	109,615	156,343
Advance payment	82,691	98,016	100,963
Others	635,213	756,825	798,292
	<u>\$ 1,595,989</u>	<u>1,471,206</u>	<u>1,663,172</u>
Other current assets	\$ 1,068,865	1,074,308	1,163,596
Other non-current assets	527,124	396,898	499,576
	<u>\$ 1,595,989</u>	<u>1,471,206</u>	<u>1,663,172</u>

(12) Short-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank loans	\$ 2,957,502	3,936,093	5,634,432
Unused short-term credit lines	\$ 13,077,244	11,946,142	14,154,922
Range of interest rates	1.70%~ 6.42%	1.40%~ 5.48%	1.00%~ 4.55%

(13) Long-term borrowings

	September 30, 2023	December 31, 2022	September 30, 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	\$ -	-	1,334,000
Range of interest rates	-	0.663%	0.405%

(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 nine months ended September 30, 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

	September 30, 2023	December 31, 2022	September 30, 2022
Payroll and bonus payable	\$ 694,275	1,232,338	791,946
Contract liabilities (note 6(22))	1,120,048	866,605	920,536
Lease liabilities (note 6(17))	31,094	26,601	28,307
Other accounts payable-related parties (note 7)	1,106	1,510	16,015
Others	172,421	211,037	207,814
	<u><u>\$ 2,018,944</u></u>	<u><u>2,338,091</u></u>	<u><u>1,964,618</u></u>

(16) Bonds payable

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

	September 30, 2023	December 31, 2022	September 30, 2022
Total convertible corporate bonds issued	\$ 600,000	600,000	600,000
Unamortized discounted payable	(17,604)	-	(1,051)
Cumulative converted amount	(168,800)	(227,700)	(227,500)
Subtotal	413,596	372,300	371,449
Less: Bonds payable due within one year	-	-	(371,449)
Less: Repayment due	-	(372,300)	-
Total bonds payable at the end of the period	<u><u>\$ 413,596</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

In response to future operational needs, Interactive Digital issued its 3-year second secured convertible bonds, having the duration period between January 11, 2023 and January 11, 2026, at a par value of \$600,000 thousand and a conversion price of \$60.7 at the issuance date, with the approval of its Board of Directors and FSC on October 24, 2022 and December 19, 2022, respectively. The above conversion price had been adjusted from \$60.7 to \$56.7 on July 23, 2023.

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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, had matured on November 22, 2022, and the conversion prices as of the issuance date and September 30, 2022 are \$78.5 and \$61.2, respectively.

As of December 31 and September 30, 2022, the first convertible corporate bonds of the subsidiary, Interactive Digital, had cumulatively converted to 3,309 thousand and 3,306 thousand shares, with the capital surplus amounting to \$198,827 thousand and \$198,652 thousand, respectively.

As of September 30, 2023, the second convertible corporate bonds of the subsidiary, Interactive Digital, had cumulatively converted to 2,884 thousand shares, with the capital surplus amounting to \$150,362 thousand.

(17) Lease liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Current (recorded in other current liabilities)	\$ 31,094	26,601	28,307
Non-current	<u>301,765</u>	<u>217,451</u>	<u>221,936</u>
	<u><u>\$ 332,859</u></u>	<u><u>244,052</u></u>	<u><u>250,243</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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest on lease liabilities	<u>\$ 2,881</u>	<u>919</u>	<u>5,652</u>	<u>2,821</u>
Expenses relating to short-term leases and leases of low-value assets	<u>\$ 9,058</u>	<u>8,758</u>	<u>27,466</u>	<u>31,256</u>

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

	For the nine months ended September 30,	
	2023	2022
Total cash outflow for leases	<u>\$ 61,028</u>	<u>58,588</u>

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A. Real estate leases

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

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

B. Other leases

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

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

(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 \$510 thousand, \$549 thousand, \$1,532 thousand and \$1,647 thousand for the three months and nine months ended September 30, 2023 and 2022, respectively.

B. Defined contribution plans

The pension costs under contribution plans amounted to \$39,253 thousand, \$38,014 thousand, \$119,602 thousand and \$113,405 thousand for the three months and nine months ended September 30, 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.

ALPHA NETWORKS INC. AND SUBSIDIARIES
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The components of income tax were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Current income tax expense (benefit)				
Current period	\$ 57,953	91,996	186,380	296,701
Adjustment for prior period	(9,559)	1,548	(37,838)	1,548
Income tax expenses	<u>\$ 48,394</u>	<u>93,544</u>	<u>148,542</u>	<u>298,249</u>

As of September 30, 2023, Alpha's tax returns have been assessed by the tax administration through 2021.

(20) Capital and other equity

Except as described in the following paragraph, there were no significant changes in the Group's capital and other equity interest for the nine months ended September 30, 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 September 30, 2023, December 31 and September 30, 2022, the authorized capital of Alpha amounted to \$8,000,000 thousand of which included the amount of \$500,000 thousand reserved for employee share options; the issued capital amounted to \$5,417,185 thousand.

B. Capital surplus

The balances of capital surplus were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Capital surplus – premium	\$ 2,491,661	2,491,661	2,491,661
Capital surplus – investments under equity method	75,674	37,762	37,781
Others	14,994	14,978	14,978
	<u>\$ 2,582,329</u>	<u>2,544,401</u>	<u>2,544,420</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.

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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;
- (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 for the years 2022 and 2021 was approved by the Board of Directors during their meeting on February 24, 2023 and March 4, 2022. Earnings distribution and cash dividends per share for 2022 and 2021 that were approved by the shareholders' meeting on May 31, 2023 and May 31, 2022 were as follow:

	2022		2021	
	Earnings Distribution	Dividends per Share	Earnings Distribution	Dividends per Share
Appropriation of legal reserve	\$ 96,692		42,569	
Reversal of special reserve	(220,543)		(1,713)	
Cash dividends	915,504	1.69	379,203	0.70
	\$ 791,653		420,059	

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The above-mentioned earnings distribution was consistent with the resolutions approved by the Board of Directors.

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

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	149,724	-	66,386	216,110
Changes in ownership interests in subsidiaries	-	-	(37,912)	(37,912)
Distribution of cash dividend by subsidiaries to non- controlling interest	-	-	(296,382)	(296,382)
Changes in non-controlling interests	-	-	267,903	267,903
Balance at September 30, 2023	<u>\$ (83,403)</u>	<u>6,578</u>	<u>3,185,302</u>	<u>3,108,477</u>
Balance at January 1, 2022	\$ (445,903)	(1,189)	2,956,685	2,509,593
Differences on translation of foreign operation financial statements	437,407	-	128,738	566,145
Re-measurement from defined benefit plans	-	-	206	206
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(150)	(91)	(241)
Changes in ownership interests in subsidiaries	-	-	(14,807)	(14,807)
Distribution of cash dividend by subsidiaries to non- controlling interest	-	-	(189,021)	(189,021)
Changes in non-controlling interests	-	-	242,045	242,045
Balance at September 30, 2022	<u>\$ (8,496)</u>	<u>(1,339)</u>	<u>3,123,755</u>	<u>3,113,920</u>

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(21) Earnings per share

A. Basic earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Profit attributable to Alpha's ordinary shareholders	\$ <u>83,394</u>	<u>315,262</u>	<u>496,210</u>	<u>692,100</u>
Weighted-average number of shares outstanding (in thousands of shares)	<u>541,719</u>	<u>541,719</u>	<u>541,719</u>	<u>541,719</u>
Basic earnings per share (NTD)	\$ <u>0.15</u>	<u>0.58</u>	<u>0.92</u>	<u>1.28</u>

B. Diluted earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Profit attributable to Alpha's ordinary shareholders	\$ <u>83,394</u>	<u>315,262</u>	<u>496,210</u>	<u>692,100</u>
Weighted average number of shares outstanding (in thousands of shares) (basic)	541,719	541,719	541,719	541,719
Effect of employee remuneration in shares	<u>1,716</u>	<u>3,353</u>	<u>2,426</u>	<u>3,706</u>
Weighted average number of shares outstanding (in thousands of shares) (diluted)	<u>543,435</u>	<u>545,072</u>	<u>544,145</u>	<u>545,425</u>
Diluted earnings per share (NTD)	\$ <u>0.15</u>	<u>0.58</u>	<u>0.91</u>	<u>1.27</u>

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(22) Revenues

A. The details of revenues were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Primary geographical markets:				
United States	\$ 3,297,159	5,328,256	13,347,897	14,044,277
Taiwan	836,905	1,309,641	2,902,598	3,433,552
Others	<u>1,727,337</u>	<u>2,592,973</u>	<u>5,225,571</u>	<u>6,915,109</u>
	<u>\$ 5,861,401</u>	<u>9,230,870</u>	<u>21,476,066</u>	<u>24,392,938</u>
Major products/services lines:				
Wireless Broadband	\$ 2,394,237	4,266,502	9,378,097	12,701,374
LAN/MAN	2,491,872	3,895,766	9,825,813	9,160,898
Digital Multimedia	625,368	656,698	1,104,066	1,314,198
Others	<u>349,924</u>	<u>411,904</u>	<u>1,168,090</u>	<u>1,216,468</u>
	<u>\$ 5,861,401</u>	<u>9,230,870</u>	<u>21,476,066</u>	<u>24,392,938</u>

B. Contract balances

	September 30, 2023	December 31, 2022	September 30, 2022
Trade receivables	\$ <u>4,384,976</u>	<u>5,598,816</u>	<u>6,342,798</u>
Contract liabilities (other current liabilities)	\$ <u>1,120,048</u>	<u>866,605</u>	<u>920,536</u>

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

The amounts of revenue recognized for the nine months ended September 30, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$440,703 thousand and \$214,601 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.

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For the three months and nine months ended September 30, 2023 and 2022, the Alpha accrued and recognized its remuneration to employees amounting to \$13,102 thousand, \$43,919 thousand, \$67,518 thousand and \$92,370 thousand, respectively, and directors amounting to \$983 thousand, \$3,294 thousand, \$5,064 thousand and \$6,928 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 as of December 31, 2022, the Alpha accrued and recognized its remuneration to employees and directors amounting to \$116,794 thousand and \$8,760 thousand respectively. For the year ended 2021, 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 were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Interest income from bank deposits and others	\$ <u>16,275</u>	<u>6,911</u>	<u>56,501</u>	<u>18,195</u>

(25) Other income

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Dividend income	\$ 1,786	6,391	1,786	6,391
Government grants income	5,058	9,962	31,032	19,439
Others	13,349	13,818	29,099	25,176
	\$ <u>20,193</u>	<u>30,171</u>	<u>61,917</u>	<u>51,006</u>

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(26) Other gains and losses

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Gain (loss) on financial assets (liabilities) at fair value through profit or loss, net	\$ (26,349)	18,486	(83,857)	12,851
Foreign exchange gain (loss), net	66,157	(25,111)	109,531	(27,371)
Others	(11,084)	(6,574)	(35,673)	(20,758)
	\$ 28,724	(13,199)	(9,999)	(35,278)

(27) Finance costs

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest expense of borrowings, etc.	\$ 44,147	38,412	113,224	72,759
Interest expense of lease liability	2,881	919	5,652	2,821
	\$ 47,028	39,331	118,876	75,580

(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 September 30, 2023, December 31 and September 30, 2022, 42%, 42% and 45%, 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>
September 30, 2023					
Non-derivative financial liabilities					
Short-term borrowings	\$ 2,957,502	(2,990,405)	(2,990,405)	-	-
Accounts payable (including related-parties)	4,000,847	(4,000,847)	(4,000,847)	-	-
Other payables to related parties (other current liabilities)	1,106	(1,106)	(1,106)	-	-
Accrued expenses	590,007	(590,007)	(590,007)	-	-
Lease liabilities	332,859	(404,385)	(42,635)	(127,635)	(234,115)
Bonds payable	413,596	(413,596)	-	(413,596)	-
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	6,721	(740,100)	(740,100)	-	-
Inflows	(7,697)	741,076	741,076	-	-
Foreign exchanges swaps:					
Outflows	12,611	(1,387,972)	(1,387,972)	-	-
Inflows	(685)	1,376,046	1,376,046	-	-
	<u>\$ 8,306,867</u>	<u>(8,411,296)</u>	<u>(7,635,950)</u>	<u>(541,231)</u>	<u>(234,115)</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 (including 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>
September 30, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 5,634,432	(5,638,798)	(5,638,798)	-	-
Accounts payable (including related parties)	5,359,509	(5,359,509)	(5,359,509)	-	-
Other payables to related parties (other current liabilities)	16,015	(16,015)	(16,015)	-	-
Accrued expenses	740,928	(740,928)	(740,928)	-	-
Long term borrowings (Included maturity within 1 year)	26,000	(26,453)	(105)	(26,348)	-
Bond payables due within one year	371,449	(372,500)	(372,500)	-	-
Lease liabilities	250,243	(290,585)	(31,669)	(79,411)	(179,505)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	17,031	(951,125)	(951,125)	-	-
Inflows	(2,942)	937,036	937,036	-	-
Foreign exchanges swaps:					
Outflows	18,523	(1,729,777)	(1,729,777)	-	-
Inflows	(7,720)	1,718,974	1,718,974	-	-
	<u>\$ 12,423,468</u>	<u>(12,469,680)</u>	<u>(12,184,416)</u>	<u>(105,759)</u>	<u>(179,505)</u>

C. Currency risk

(a) Exposure to currency risk

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

	<u>September 30, 2023</u>			<u>December 31, 2022</u>			<u>September 30, 2022</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
Financial assets									
Monetary items									
USD	\$ 120,260	32.27	3,880,790	129,120	30.73	3,967,858	125,776	31.75	3,993,388
CNY	1,695	4.4182	7,489	1,588	4.4057	6,996	10,631	4.4764	47,589

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	September 30, 2023			December 31, 2022			September 30, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Non-Monetary items</u>									
USD	4,000	32.27	Note	10,240	30.73	Note	27,120	31.75	Note
CNY	15,000	4.4182	Note	-	-	-	-	-	-
EUR	980	33.942	Note	2,256	31.245	Note	700	31.245	Note
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	102,983	32.27	3,323,261	86,408	30.73	2,655,318	204,584	31.75	6,495,542
<u>Non-Monetary items</u>									
USD	54,850	32.27	Note	45,086	30.73	Note	45,660	31.75	Note
CNY	-	-	-	11,000	4.4057	Note	-	-	-
EUR	-	-	-	6,089	31.245	Note	11,340	31.245	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 September 30, 2023 and 2022, would have increased or decreased the profit before tax by \$5,650 thousand and \$24,546 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 months and nine months ended September 30, 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$66,157 thousand, \$(25,111) thousand, \$109,531 thousand and \$(27,371) 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 liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities 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 \$166 thousand and \$6,945 thousand, respectively for the nine months ended September 30, 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 (current and non-current) and borrowings with variable rates.

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E. Other market price risk

For the nine months ended September 30, 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 nine months ended September 30,	
	2023	2022
Financial assets at fair value through profit or loss		
Increasing 5%	\$ <u>276</u>	<u>2,818</u>
Decreasing 5%	\$ <u>(276)</u>	<u>(2,818)</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:

	September 30, 2023				
	<u>Carrying amount</u>	<u>Fair Value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss – derivative	\$ <u>13,900</u>	<u>5,518</u>	<u>8,382</u>	<u>-</u>	<u>13,900</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	\$ 3,910,165	-	-	-	-
Notes and accounts receivable (including related parties)	4,384,976	-	-	-	-
Financial assets measured at amortized cost – current and non-current	<u>164,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>8,459,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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September 30, 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>19,332</u>	<u>-</u>	<u>19,332</u>	<u>-</u>	<u>19,332</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 4,000,847	-	-	-	-
Other payable to related parties (other current liabilities)	1,106	-	-	-	-
Short-term borrowings	2,957,502	-	-	-	-
Bonds payable	413,596	-	-	-	-
Lease liabilities – current and non-current	<u>332,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>7,705,910</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>61,084</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 measured at fair value under repetitive basis					
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	-	-	-	-
Long-term borrowings (including 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>
		September 30, 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>\$ 67,016</u>	<u>56,354</u>	<u>10,662</u>	<u>-</u>	<u>67,016</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	\$ 3,833,536	-	-	-	-
Notes and accounts receivable	6,342,798	-	-	-	-
Financial assets measured at amortized cost —current and non-current	147,273	-	-	-	-
Total	<u>\$ 10,323,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at fair value under repetitive basis					
Financial liabilities at fair value through profit or loss — derivative	<u>\$ 35,554</u>	<u>-</u>	<u>35,554</u>	<u>-</u>	<u>35,554</u>

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	September 30, 2022				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 5,359,509	-	-	-	-
Other payable to related parties (other current liabilities)	16,015	-	-	-	-
Short-term borrowings	5,634,432	-	-	-	-
Long-term borrowings	26,000	-	-	-	-
Bonds Payable (due within one year)	371,449	-	-	-	-
Lease liabilities—current and non- current	250,243	-	-	-	-
Total	\$ 11,657,648	-	-	-	-

(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.

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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 and nine months ended September 30, 2023 and 2022.

(d) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
Ending balance, September 30, 2023 (same as opening balance, January 1, 2023)	\$ 171,994
Opening balance, January 1, 2022	\$ 19,335
Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(241)
Ending balance, September 30, 2022	\$ 19,094

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- (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 September 30, 2023, December 31, 2022 and September 30, 2022, net asset values of comparable companies were at 1.61 times, 1.61 times and 1.58 times. As of September 30, 2023, December 31, 2022 and September 30, 2022, discount for lack of marketability of 18.10%~19.30%, 18.10%~19.30% and 21.74%.	Not applicable 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.

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(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	September 30, 2023
Short-term borrowings	\$ 3,936,093	(1,067,549)	88,958	2,957,502
Long-term borrowings (including maturity within 1 year)	26,000	(26,000)	-	-
Bonds payable	-	631,884	(218,288)	413,596
Lease liabilities	244,052	(27,910)	116,717	332,859
Total liabilities from financing activities	<u>\$ 4,206,145</u>	<u>(489,575)</u>	<u>(12,613)</u>	<u>3,703,957</u>

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

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.

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(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
Qisda Vietnam Co.,Ltd. (QVH)	Qisda's subsidiary
DFI Inc. (DFI)	Qisda's subsidiary
Concord Medical Co., Ltd. (Concord)	Qisda's subsidiary
BenQ Technologies (Shanghai) Co., Ltd. (BQIs)	Qisda's subsidiary
BenQ AB DentCare Corp. (BABD)	Qisda's subsidiary
AdvancedTEK International Corp. (AdvancedTEK)	Qisda's subsidiary
Darfon Electronics Corp. (DFN)	Qisda's associate
Rapidtek Technologies Inc. (Rapidtek Technologies)	Qisda's associate
Uniction Technologies Corporation (Uniction Technologies)	Qisda's associate
AUO Education Service Corp. (AUES)	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:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
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 related parties were 30 to 90 days.

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B. Purchases

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Other related parties	\$ <u>13,175</u>	<u>47,259</u>	<u>43,653</u>	<u>100,988</u>

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. Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	September 30, 2023	December 31, 2022	September 30, 2022
Accounts payable to related parties	Other related parties	\$ <u>17,512</u>	<u>25,527</u>	<u>47,748</u>

D. Rendering of services and other expenses

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Parent Company	\$ 1,095	117	1,495	374
Other related parties	104	8	3,651	6,373
	<u>\$ 1,199</u>	<u>125</u>	<u>5,146</u>	<u>6,747</u>

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	September 30, 2023	December 31, 2022	September 30, 2022
Other payable to related parties	Parent Company	\$ 948	493	127
Other payable to related parties	Other related parties	32	1,017	-
		<u>\$ 980</u>	<u>1,510</u>	<u>127</u>

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E. Transactions of property, plant and equipment

Acquisition of property, plant and equipment

	Amount			
	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Other related parties	\$ <u>1,931</u>	<u>550</u>	<u>2,206</u>	<u>550</u>

Acquisition of intangible assets

	Amount			
	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Other related parties	\$ <u>-</u>	<u>-</u>	<u>95</u>	<u>31,930</u>

The amounts of payable to related parties were as follows:

Account	Relationship	September 30, 2023	December 31, 2022	September 30, 2022
Other payable to related parties	Other related parties	\$ <u>126</u>	<u>-</u>	<u>-</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:

Account	Relationship	September 30, 2023	December 31, 2022	September 30, 2022
Other payable to related parties	Other related parties	\$ <u>-</u>	<u>-</u>	<u>15,888</u>

(4) Key management personnel compensation

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$ <u>15,787</u>	<u>24,967</u>	<u>71,606</u>	<u>113,241</u>

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

8. Pledged assets:

Pledged assets	Object	September 30, 2023	December 31, 2022	September 30, 2022
Time deposit (recorded in other current assets)	Guarantee for Foreign exchange forward	\$ -	286	-
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	3,279
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	12,409	11,773	12,603
Refundable deposit (recorded in financial assets measured at amortized cost-non-current)	Guarantee for construction project	84,364	85,601	82,553
		\$ 115,263	118,871	116,367

9. Significant commitments and contingencies:

- (1) As of September 30, 2023, December 31 and September 30, 2022, the Group deposited notes in the bank amounting to \$6,774,355 thousand, \$5,558,355 thousand and \$4,673,425 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

	September 30, 2023	December 31, 2022	September 30, 2022
Guaranteed Notes Payable for tender contract	\$ 16,190	4,497	3,390
Guarantee for construction projects	107,203	91,749	88,228

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 function By item	For the three months ended September 30,					
	2023			2022		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	131,124	576,915	708,039	280,614	663,954	944,568
Labor and health insurance	27,500	49,363	76,863	15,562	43,610	59,172
Pension	7,310	32,453	39,763	9,030	29,533	38,563
Remuneration of directors	-	6,832	6,832	-	9,565	9,565
Others	11,918	17,602	29,520	14,280	22,534	36,814
Depreciation	75,798	64,715	140,513	59,109	61,571	120,680
Amortization	1,043	52,674	53,717	702	53,143	53,845

By function By item	For the nine months ended September 30,					
	2023			2022		
	Cost of Sales	Operation Expenses	Total	Cost of Sales	Operation Expenses	Total
Employee benefits						
Salary	535,518	1,845,639	2,381,157	679,566	1,928,770	2,608,336
Labor and health insurance	72,010	143,012	215,022	45,641	129,010	174,651
Pension	24,513	96,621	121,134	27,621	87,431	115,052
Remuneration of directors	-	23,192	23,192	-	27,158	27,158
Others	37,422	50,626	88,048	42,689	59,069	101,758
Depreciation	234,260	191,111	425,371	179,118	179,426	358,544
Amortization	2,840	161,016	163,856	2,056	154,958	157,014

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

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.
- 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”.

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

(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.

14. Segment information:

Information on reportable segments and their reconciliation and elimination were as follows:

	For the three months ended September 30, 2023			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 5,521,000	340,401	-	5,861,401
Intersegment revenue	-	29,441	(29,441)	-
Total revenue	<u>\$ 5,521,000</u>	<u>369,842</u>	<u>(29,441)</u>	<u>5,861,401</u>
Interest expenses	<u>\$ 44,884</u>	<u>2,150</u>	<u>(6)</u>	<u>47,028</u>
Depreciation and amortization	<u>\$ 179,713</u>	<u>17,283</u>	<u>(2,766)</u>	<u>194,230</u>
Reportable segment profit or loss	<u>\$ 86,484</u>	<u>14,680</u>	<u>(26,545)</u>	<u>74,619</u>
	For the three months ended September 30, 2022			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 8,844,535	386,335	-	9,230,870
Intersegment revenue	-	8,106	(8,106)	-
Total revenue	<u>\$ 8,844,535</u>	<u>394,441</u>	<u>(8,106)</u>	<u>9,230,870</u>
Interest expenses	<u>\$ 37,310</u>	<u>2,023</u>	<u>(2)</u>	<u>39,331</u>
Depreciation and amortization	<u>\$ 158,739</u>	<u>15,848</u>	<u>(62)</u>	<u>174,525</u>
Reportable segment profit or loss	<u>\$ 346,651</u>	<u>18,530</u>	<u>(6,757)</u>	<u>358,424</u>

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

For the nine months ended September 30, 2023				
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 20,348,575	1,127,491	-	21,476,066
Intersegment revenue	-	47,978	(47,978)	-
Total revenue	<u>\$ 20,348,575</u>	<u>1,175,469</u>	<u>(47,978)</u>	<u>21,476,066</u>
Interest expenses	<u>\$ 112,147</u>	<u>6,737</u>	<u>(8)</u>	<u>118,876</u>
Depreciation and amortization	<u>\$ 541,607</u>	<u>50,510</u>	<u>(2,890)</u>	<u>589,227</u>
Reportable segment profit or loss	<u>\$ 495,687</u>	<u>93,750</u>	<u>(50,249)</u>	<u>539,188</u>
September 30, 2023				
	Network related products	Others	Reconciliation and elimination	Total
Reportable segment assets	<u>\$ 21,524,444</u>	<u>3,703,317</u>	<u>(561,901)</u>	<u>24,665,860</u>
Reportable segment liabilities	<u>\$ 9,860,712</u>	<u>1,488,329</u>	<u>(8,153)</u>	<u>11,340,888</u>
For the nine months ended September 30, 2022				
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 23,229,214	1,163,724	-	24,392,938
Intersegment revenue	-	29,772	(29,772)	-
Total revenue	<u>\$ 23,229,214</u>	<u>1,193,496</u>	<u>(29,772)</u>	<u>24,392,938</u>
Interest expenses	<u>\$ 69,754</u>	<u>5,831</u>	<u>(5)</u>	<u>75,580</u>
Depreciation and amortization	<u>\$ 470,084</u>	<u>45,660</u>	<u>(186)</u>	<u>515,558</u>
Reportable segment profit or loss	<u>\$ 792,005</u>	<u>72,204</u>	<u>(24,694)</u>	<u>839,515</u>
September 30, 2022				
	Network related products	Others	Reconciliation and elimination	Total
Reportable segment assets	<u>\$ 25,439,313</u>	<u>3,523,173</u>	<u>(6,551)</u>	<u>28,955,935</u>
Reportable segment liabilities	<u>\$ 14,019,129</u>	<u>1,512,729</u>	<u>(13,238)</u>	<u>15,518,620</u>

Alpha Networks Inc. and Subsidiaries
Financing provided to other parties
For the nine months ended September 30, 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	622,000 (USD20,000 thousand)	322,700 (USD10,000 thousand)	-	5.5%	2	-	Operating capital	-		-	2,027,934 (note 2)	4,055,868 (note 3)
1	Alpha HK	Alpha Changshu	Same as above	Yes	1,095,714 (CNY248,000 thousand)	1,095,714 (CNY248,000 thousand)	1,095,714 (CNY248,000 thousand)	-	2	-	Operating capital	-		-	2,264,459 (note 4)	2,264,459 (note 4)
2	Alpha Chengdu	Alpha Changshu	Same as above	Yes	267,180 (CNY60,000 thousand)	265,092 (CNY60,000 thousand)	265,092 (CNY60,000 thousand)	1.75%	2	-	Operating capital	-		-	467,409 (note 4)	467,409 (note 4)
3	Hitron Technologies	Hitron Vietnam	Same as above	Yes	933,000 (USD30,000 thousand)	-	-	1%	2	-	Operating capital	-		-	1,015,261 (note 5)	2,030,522 (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 nine months ended September 30, 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	5,069,835	64,540	64,540	-	-	0.64 %	10,139,670	Y	N	Y
0	Alpha	Alpha Changshu	note 3	5,069,835	225,890	225,890	29,666	-	2.23 %	10,139,670	Y	N	Y
1	Hitron Technologies	Hitron Europe	note 3	5,076,305	631,113	-	-	-	- %	7,614,458	N	N	N
1	Hitron Technologies	Hitron Americas	note 3	5,076,305	615,600	-	-	-	- %	7,614,458	N	N	N
1	Hitron Technologies	Hitron Vietnam	note 3	5,076,305	2,554,740	935,830	129,080	-	18.44 %	7,614,458	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)
September 30, 2023

Table 3

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

Name of holder	Category and name of security	Relationship with company	Account	Ending balance				Note
				Shares/Units	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	Qisda's associate	Non-current financial assets at fair value through other comprehensive income	1,751	108,750	5.84	108,750	
Hitron Technologies	SENAO INTERNATIONAL CO, LTD.	-	Current financial assets at fair value through profit or loss	152	5,518	0.06	5,518	
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 nine months ended September 30, 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	-	364,200	-	-	-	-	-	906,454
Alpha	Alpha Chengdu	Investments accounted for using equity method	D-Link Asia	Parent and subsidiary	-	-	-	453,169	-	-	-	-	-	467,409

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 nine months ended September 30, 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)	(6,029,943)	(44)%	90 days	-		1,429,164	41%	Note
Alpha	D-Link Asia	Subsidiary of Alpha	Purchase	892,562	8%	90 days	-		(1,248)	-%	Note
Alpha	Alpha Changshu	Subsidiary of Alpha	Purchase	6,201,894	52%	90 days	-		(1,337,079)	(55)%	Note
Alpha Changshu	Mirac	Subsidiary to subsidiary	(Sales)	(286,304)	(4)%	90 days	-		76,304	5%	Note
Alpha HK	Alpha VN	Subsidiary to subsidiary	(Sales)	(531,073)	(9)%	90 days	-		413,963	24%	Note
Alpha HK	Alpha Changshu	Subsidiary to subsidiary	(Sales)	(5,050,278)	(83)%	90 days	-		964,935	55%	Note
D-Link Asia	Alpha Dongguan	Subsidiary to subsidiary	Purchase	892,562	68%	90 days	-		(14,861)	(62)%	Note
Hitron Technologies	Hitron Americas	Subsidiary to subsidiary	(Sales)	(3,205,143)	(65)%	90 days	-		1,402,618	70%	Note
Hitron Technologies	Hitron Europe	Subsidiary to subsidiary	(Sales)	(292,737)	(6)%	90 days	-		38,906	2%	Note
Hitron Vietnam	Hitron Technologies	Subsidiary to subsidiary	(Sales)	(5,210,254)	(100)%	60 days	-		2,101,462	100%	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
September 30, 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	1,429,164	5.83	-	-	-	-	note 2
Alpha Changshu	Alpha	Subsidiary to parent	1,337,079	8.09	-	-	290,714	-	note 2
Alpha HK	Alpha Changshu	Subsidiary to subsidiary	964,935	6.39	94,264	-	153,531	-	note 2
Alpha HK	Alpha VN	Subsidiary to subsidiary	413,963	3.42	-	-	-	-	note 2
Hitron Technologies	Hitron Americas	Subsidiary to subsidiary	1,402,618	2.32	-	-	129,047	-	note 2
Hitron Technologies	Hitron Vietnam	Subsidiary to subsidiary	133,414	-	-	-	-	-	note 2
Hitron Vietnam	Hitron Technologies	Subsidiary to subsidiary	2,101,462	2.72	-	-	-	-	note 2

Note 1: The collection situation as of October 20, 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 nine months ended September 30, 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	6,029,943	-	28.08%
0	Alpha	Alpha USA	Parent to Subsidiary	Accounts receivable from related parties	1,429,164	90 days	5.79%
0	Alpha	Alpha Changshu	Parent to Subsidiary	Purchase	6,201,894	-	28.88%
0	Alpha	Alpha Changshu	Parent to Subsidiary	Accounts payable to related parties	1,337,079	90 days	5.42%
0	Alpha	D-Link Asia	Parent to Subsidiary	Purchase	892,562	-	4.16%
0	Alpha	Hitron Technologies	Parent to Subsidiary	Dividends revenue	300,000	-	1.40%
0	Alpha	Alpha Chengdu	Parent to Subsidiary	Research expense	217,569	-	1.01%
1	Alpha HK	Alpha Changshu	Subsidiary to Subsidiary	Sales	5,050,278	-	23.52%
1	Alpha HK	Alpha Changshu	Subsidiary to Subsidiary	Accounts receivable from related parties	964,935	90 days	3.91%
1	Alpha HK	Alpha VN	Subsidiary to Subsidiary	Sales	531,073	-	2.47%
1	Alpha HK	Alpha VN	Subsidiary to Subsidiary	Accounts receivable from related parties	413,963	90 days	1.68%
2	D-Link Asia	Alpha Dongguan	Subsidiary to Subsidiary	Purchase	892,562	-	4.16%
3	Alpha Dongguan	D-Link Asia	Subsidiary to Subsidiary	Purchase	433,724	-	2.02%
3	Alpha Changshu	Mirac	Subsidiary to Subsidiary	Sales	286,304	-	1.33%
4	Hitron Technologies	Hitron Americas	Subsidiary to Subsidiary	Sales	3,205,143	-	14.92%
4	Hitron Technologies	Hitron Americas	Subsidiary to Subsidiary	Accounts receivable from related parties	1,402,618	90 days	5.69%
4	Hitron Technologies	Hitron Europe	Subsidiary to Subsidiary	Sales	292,737	-	1.36%
5	Hitron Vietnam	Hitron Technologies	Subsidiary to Subsidiary	Sales	5,210,254	-	24.26%
5	Hitron Vietnam	Hitron Technologies	Subsidiary to Subsidiary	Accounts receivable from related parties	2,101,462	60 days	8.52%

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

Alpha Networks Inc. and Subsidiaries
Information on investees (excluding information on investees in Mainland China)
For the nine months ended September 30, 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 September 30, 2023			Net income (losses) of investee	Share of profits/ losses of investee	Note
				September 30, 2023	December 31, 2022	Shares	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 %	17,450	123	123	
Alpha	Alpha USA	USA	Sale, marketing and procurement service in USA	51,092	51,092	1,500	100.00 %	168,643	1,834	1,834	
Alpha	Alpha HK	Hong Kong	Investment holding	3,143,628	3,143,628	780,911	100.00 %	2,246,479	58,999	54,892	
Alpha	ATS	USA	Post-sale service	260,497 (USD8,100 thousand)	260,497 (USD8,100 thousand)	8,100	100.00 %	199,199	2,065	2,065	
Alpha	Enrich Investment	Taiwan	Investment holding	400,000	400,000	40,000	100.00 %	294,722	(15,370)	(15,370)	
Alpha	Hitron Technologies	Taiwan	Marketing on system integration of communication product and telecommunication products	4,811,000	4,811,000	200,000	62.24 %	4,039,083	37,572	(15,693)	
Alpha	D-Link Asia	Singapore	Investment in manufacturing business	134,880 note 2 and 5	1,692,805 note 2	5,309	100.00 %	231,482	(64,060)	(46,288)	
Alpha	Alpha VN	Vietnam	Production of sale of network products	1,067,256	703,056	note 4	100.00 %	906,454	(119,285)	(119,285)	
Enrich Investment	Interactive Digital	Taiwan	Telecommunication and broadband network system services	189,523	189,523	2,575	5.97 %	111,049	126,731	note 1	
Enrich Investment	Transnet	Taiwan	Operating network communication products and systems integration services, and import and export of network equipment	50,000	50,000	5,000	100.00 %	5,233	(11,462)	note 1	
Enrich Investment	Aespula	Taiwan	Sale of network equipment components and technical services	80,000	80,000	8,000	98.92 %	52,027	(11,247)	note 1, 3	

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2023			Net income (losses) of investee	Share of profits/ losses of investee	Note
				September 30, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value			
Hitron Technologies	Hitron Samoa	Samoa	International trade	172,179	642,697	5,850	100.00 %	181,442	40,101	note 1	
Hitron Technologies	Interactive Digital	Taiwan	Telecommunication and broadband network system services	126,091	126,091	16,703	38.72 %	566,163	126,731	note 1	
Hitron Technologies	Hitron Vietnam	Vietnam	Production and sale of broadband telecommunication products	1,511,735	1,511,735	note 4	100.00 %	2,948,712	415,521	note 1	
Hitron Technologies	Hitron Americas	USA	International trade	90,082	90,082	300	100.00 %	360,829	(34,823)	note 1	
Hitron Technologies	Hitron Europe	Netherlands	International trade	59,604	59,604	15	100.00 %	81,469	(20,789)	note 1	
Hitron Technologies	Innoauto Technologies	Taiwan	Investment	20,000	20,000	2,000	100.00 %	3,456	13	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.

Note 5: D-Link Asia carried out the capital reduction returning USD50,500 thousand on September 22, 2023 (equivalent to approximately \$1,557,925 thousand).

Alpha Networks Inc. and Subsidiaries

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

For the nine months ended September 30, 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 September 30, 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 2(b)	420,426	-	-	420,426	16,735	100.00%	16,735	467,409	143,336
Alpha Dongguan	Production and sale of network products	328,913 (note 11)	note 1(a)	741,084	-	458,583	282,501 (note 7)	(160,376)	100.00%	(160,376)	246,927	674,602
Mirac	Production and sale of network products	107,131 (note 10)	note 1(b)	307,326	-	-	307,326	10,783	100.00%	10,783	106,068	-
Alpha Changshu	Production and sale of network products	1,925,920	note 1(b)	1,925,920	-	-	1,925,920	19,312	100.00%	19,312	1,196,072	-
Alpha Changshu Trading	Production and sale of network products	7,390 (CNY1,700 thousand)	note 1(b)	-	-	-	-	(9,116)	100.00%	(9,116)	(1,621)	-
Hitron Suzhou	Production and sale of broadband network products	171,245 (CNY34,800 thousand)	note 1(c)	641,763	-	470,518	171,245	40,102	100.00% (note 9)	40,102	185,111	-
Jietech Suzhou	Sale of broadband network products and related services	31,139 (CNY5,425 thousand)	note 1(c)	31,139	-	-	31,139	(18)	100.00% (note 9)	(18)	3,732	-
Hwa Chi Technologies	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	5,814 (USD200 thousand)	note 2(a)	12,048	-	-	12,048	2,408	38.72% (note 9)	932	5,297	23,037

(2) Limitation on investment in Mainland China

Name of Company	Accumulated Investment in Mainland China as of September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Alpha	3,266,094 note 4, 5 and 8	4,123,685	note 6
Hitron Technologies	214,432	223,700	3,045,783

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: Other methods:

- (a) 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.
- (b) The entire shares of Alpha Chengdu, which was originally fully owned by D-Link Asia, had been transferred to Alpha on June 15, 2023 based on the agreement entered into by D-Link Asia and Alpha.

Note 3: The amount was recognized based on the reviewed financial statements.

Note 4: The accumulated investments in Alpha Dongguan did not include the previous 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 September 30, 2023.

Note 11: The capital reduction registration procedures had been completed on August 17, 2023; however, the capital had been remitted back and has yet to be reported to Investment Commission, MOEA as of September 30, 2023.