

Stock Code: 3380

Alpha Networks Inc.

2022 ANNUAL REPORT

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Letter to Shareholders

Dear Shareholders,

I. 2022 Operating Result

(I) Implementation Results of Business Plan in 2022

Looking back over the past year, the overall revenue growth for the year was driven by the easing of material shortages and COVID-19 restrictions lifting in Mainland China. In terms of products and markets, in addition to the continuing efforts and growth in the existing markets, the sales in new markets including Europe, Asia Pacific and South America also increased.

Looking forward to 2023, despite the uncertainty of the economy and order from customers due to high inflation and interest rate hikes, the problem of material shortage is expected to slightly ease. Apart from the launch of the new businesses in private network and Internet of Vehicle (IoV), under the momentum of major products such as network switches, Wi-Fi 6 and 5G, the driving force of product shipment expected to ramp up comparing to last year. The Company is looking forward with cautious optimism about the operation and growth of 2023 and work hard to maintain growth momentum.

(II) Budget Implementation Status

The Company did not disclose its financial forecast for 2022.

(III) Analysis of Financial Results and Profitability

In 2022, the consolidated revenue was NT\$33.634 billion, which was 20.7% growth comparing to last year. The consolidated gross margin was 18.6%, which was about 2.1% growth comparing to last year of 16.5%. The consolidated net operating profit was NT\$1,715 million. The net profit attributable to the owners of the parent company was NT\$917 million, which was equivalent to NT\$1.69 per share.

(IV) Research and Development Status

The Company has complete network communication software/hardware technologies, and its research and development focuses in 2022 were as follows:

1. The three main fields in technology research and product development are 5G/6G, Fiber, MEC & AI, as well as the key technologies and products derived from the three main fields.

(1) 5G :

The focus was on the development of Radio Unit (RU), Distributed Unit (DU) and Centralized Unit (CU), Sub-6G, Millimeter Wave 5G CPE, and 5G Small Cell devices. Wi-Fi 6/Wi-Fi 6E/Wi-Fi 7 wireless network technologies were combined to penetrate the enterprise and family markets.

(2) 6G :

The focus was on the development of ground communication user terminal for low-earth-orbit satellites.

(3) Fiber :

The focus was on the development of OLT (local end) and ONT (customer end) equipment for 10G-PON optical fiber network as well as G.fast telecommunication local end and terminal equipment.

(4) MEC & AI :

The focus was on the development of MEC software server integration platform, the introduction of AI applications (AI DevOps), and the improvement of 5G core network stability and compatibility.

2. To took advantage of the integration of 5G, Fiber, MEC & AI to provide the end-to-end solutions of 5G private network with high cost-performance ratio. Smart factory, smart health, smart agriculture, and smart building were the key focused market sectors.
3. Continually to develop telecommunication-class switches and industry-class switches due to the trend in 5G and IoT.
4. To develop 800G high-speed Ethernet switches for data centers and conducted tests and simulations of signal and power integrity engineering development of high-speed network.
5. To integrate 24GHz millimeter-wave radar into home monitoring equipment for motion detection; in addition, edge computing was introduced to improve the accuracy of image recognition.
6. To develop side blind spot detection radar, AI Dashcams above L3, Radar + AVM Sensor Fusion and industrial embedded radars that comply with UN regulations UN/ECE R151.

II. Summary of Business Plan for 2022

(I) Business Direction

1. Continuously commit to group resource integration for the synergy.
2. To improve the Company's service quality and strengthen the core competitive advantages.
3. Continue to develop strategic partnership with customers and suppliers.
4. To accelerate the development and mass production schedule of new products, contributing to the Company's profitability and competitiveness.
5. Continue to seek suitable strategic partners to expand the Company's territory.

(II) Sales Volume Forecast and Basis

The 2023 sales forecast and planning of the Company are as follows:

1. LAN/MAN Business Unit

The Company's development in the field of Ethernet high-speed network switches covers switches in data center level, enterprise level, telecom level and industrial level. As the demand for huge data flow in data centers continues to increase, 100G switches have become mainstream. The penetration of 400G switches increased. The release of the IEEE 800G technical standard have made 800G high-speed switches the next wave of data center critical solutions.

The continuously evolving Wi-Fi technology and speed has driven the increase of the demand of Multi-Gigabit switches. The interface bandwidth for upload was also improved. The original circuit design was simplified, combined with the high-density Multi-Gigabit PHY chips developed by chip suppliers and power over Ethernet with high-power (PoE++). All of these have made Wi-Fi deployment easier, increasing the growth rate of high power supply switches. The Company continued to develop 5G xHaul transmission switches in telecom level, OLT optical cable central office equipment, and telecom core network switch. With high precision time synchronization design, they were able to meet the requirements of high bandwidth and low latency so as to improve our customers' market competitiveness.

2. Wireless Broadband Business Unit

Due to the irreversible change of global trends caused by COVID-19, the demand for long-distance work or working from home is rising rapidly and has become trend of workplace. However, long-distance work or collaboration highly relies on the timely transmission of large volume of data, images and voices. The rapid

growth of the demand for high bandwidth such as working from home and smart home environment implementation pushed global telecom operators to accelerate the upgrade of fiber fixed-line network infrastructure, speed up the deployment of 5G network and significantly increase the number of Wi-Fi APs deployment. Therefore, besides the continuing focus on the expansion of 5G enterprise vertical market and the development of the wireless radio unit (RU), the Company also has developed customizable end-to-end solutions which can be flexibly applied in various vertical fields. We also continuously devote in developing to fulfill the demand in 5G telecommunication market application service, integrate 5G CPE (5G FWA) and 5G small cell (RU, CDU) product solutions and develop 10G-PON high speed bandwidth optical fiber network product solution. The telecom operators have greatly increased the number of wireless base stations (Wi-Fi APs) and the terminal devices of high-speed Wi-Fi 6 wireless network such as router and extender to meet the high surged demand of high bandwidth from long-distance work of enterprises and the smart home network, which will continuously bring the new demand for the Company's Wi-Fi 6, 6E enterprise-grade wireless AP and home router. Moreover, the development of Wi-Fi 7 brought the great enhancement of network bandwidth and is much easier to integrate 5G network products such as 5G FWA and 10G-XGSPON ONT. In the face of 10G network era and the next generation broadband network Multi-10G, the product integration solution will create more revenue in not only the home network market but also telecom and enterprise user market for the Company in the next three years. In addition, the demand for related network and communication products such as wireless, fiber optical, and mobile continued to grow in 2022 and the supply shortage of semi-conductor capacity gradually eased. However, due to the panic caused by material shortage, the over-estimated demand caused global ICT and telecommunication product inventory increased since 2022Q4. It is estimated that it will take the first half of 2023 to consume the excess inventory. Overall demand in wireless, fiber optical, and mobile related telecommunication products will gradually recover in the second half of 2023.

3. Digital Multimedia Business Unit

Driven by the growing demand of IoT and 5G, smart home and home security surveillance image products will be the driving forces for the sustainable growth of Digital Multimedia BU in the future.

In addition to the vertical integration of new key technologies such as the applications of millimeter wave radar, AI deep learning and software related algorithms like face recognition, motion detection and the connection with public and private clouds will be important forces to improve product differentiation and ODM/OEM/JDM competitiveness.

4. Mobile Enterprise Solutions Business Line

In the face of higher trend in car accidents caused by blind spots of large vehicles, the Company has conducted vehicle road test with customers on side blind spot detection radar that complies with UN regulation UN/ECER151. The improvement of erroneous report rate or missed report rate have been included in version upgrade plan. At the same time, the Company actively carried out the integration and implementation plan of ADAS Domain Controller and AEB/LKA controlled unit with electric bus companies, with the aim of aligning the demand of ADAS by Taiwan electric buses with international standards.

(III) Major Production and Marketing Strategies of 2023

1. To strengthen the relationship with suppliers and develop alternative plan for substitute materials to stabilize the material sources and delivery momentum.
2. To collaborate with the Vietnam subsidiary that newly joined the mass production to optimize the capacity

allocation and improve the overall manufacturing quality of products and the competitive advantages in cost.

3. Actively to expand core businesses, combine with group resources to provide the comprehensive solutions to customers.

III. Future Development Strategies of the Company

The Company's long-term strategies are as follows to enhance profitability and maintain sustainability:

- (I) Deeply to cultivate long-term partnership with customers and suppliers to expand markets.
- (II) Strictly to control the quality and cost of manufacturing to improve the operation efficiency and profitability of the Company.
- (III) Continue to invest in the development of advanced technologies and strengthen the core competitive advantages.
- (IV) To improve corporate governance and strictly implement corporate social responsibility.

IV. Impact of External Competitive Environment, Regulatory Environment and Overall Business Environment

The Company will continue to develop core technologies and advanced integrated products to enhance product value, avoid price competition in low-end products, and actively expand sales channels and provide customers with complete solutions. On the business environment, although COVID-19 pandemic and supply chain bottleneck have continued to ease, the high inflation crisis, interest rate raising, and geo-political interference contributed uncertainties in global economy and international trade situation. On the other side, the development of technology applications in 5G, IoV and AI as well as work-from-home lifestyle have now become unavoidable trends, which brought growth opportunities to the network communication industry.

In addition to strengthening its core competitiveness and integrating cross-product line technology, the Company will continue to focus on enhancing corporate sustainability, focusing on environmental protection, social responsibility and corporate governance performance as well as promoting its ESG strategy, implementing various tasks such as environmental protection and friendly workplace.

Looking forward to 2023, the Company will continue to adopt a prudent approach to maintain a stable market layout. Apart from optimizing its existing businesses and product portfolio, adding new products and services in its existing channels, the Company will also actively expand new channels and new field applications. The focus on IoV will be 4D Imaging millimeter-wave Radar. Innovative 5G related products and services will be provided. Cloud management platform service will be expanded. Continuous merges and acquisitions will be made to make up deficiency in technology and channels in the hope of increasing profitability.

Alpha wish you good health and all the best!

Sincerely!

Chairperson: Wen-Fang Huang

Company Profile

I. Founding Date: September 4, 2003

II. Corporate History:

Date	Summary
August 2003	Alpha Networks Inc. was founded as a spin-off of the D-Link Corporation with capital of NT\$2 billion. Launch of the world's fastest VDSL product (50M/30M). The number of the broadband integrated access device (IAD) produced and sold to Japan reached 1 million.
September 2003	The Company obtained ISO14001 and TL9000 certification.
October 2003	The Company acquired MTT (the third party of Russia) certification.
November 2003	The Company developed the worldwide fastest (50M) ADSL2++ product.
December 2003	The Company developed digital media player (DMA series) and network driver for participating in the Consumer Electronics Show (CES) held in January 2004. The Company's home network gateway was the first product to pass IPv6 certification among the network communication companies in Taiwan. The Company won the 2003 network accessories procurement tender of Department of Education, Taipei City Government, with the firewall and layer 3 switch products.
February 2004	The Company completed the seasoned equity offering which resulted in the paid-up capital increased to NT\$2.5 billion.
February 2004	The Company's DPH-80 and DVG-102 products were included in the VoIP product testing & assessment of Network Benchmarking Lab of ITRI. And, the products surpassed similar offerings of domestic and foreign manufacturers in voice quality and SIP compatibility.
March 2004	The Company submitted the first integrated access device (IAD) with IPv6 support for testing by IPv6 certifier in the world. The Company, ahead of competitors, launched digital multimedia player (the DMA series) which received high praises from customers in Europe and USA. The Company formed the strategic alliance with Quanta Computer which acquired a 17% ownership interests in the Company.
April 2004	The ADSL Wireless IAD passed certification of IPv6 Ready Logo Committee.
December 2004	Alpha Networks Inc. was listed on TWSE.
January 2005	The wireless voice integration gateway won the Taiwan Excellence Award.
May 2005	The Company was ranked 2004 Taiwan Manufacturing Top 1000 in Business Weekly issue No. 912. Besides, the Company was also ranked 2 nd in the fastest growing businesses and 6 th in the communication electronics category.
December 2005	The Ethernet passive optical network switch won the Hsinchu Science Park Innovative Products Award.
January 2006	The first unsecured convertible corporate bond was issued.
April 2006	The board of directors of the Company resolved the merger of Sun Asia Enterprise.
July 2006	The Company was named Info Tech 100 by Business Next Magazine.
October 2006	The merger of Sun Asia Enterprise is completed.
October 2006	The Company obtained certificate for SONY OEM Partner.
January 2007	The Company received the INTEL ViiV certification for the wireless digital media player.
March 2007	Wistron Corporation acquired a 5.63% ownership interests in the Company and was one of the major shareholders of the Company.
September 2007	The Company launched WiMAX products.

October 2007	The Company invested Aescu Technology and went forward medical communication equipment industry.
May 2008	The Company launched the "real-time bio-information monitor system" for a solution for remote healthcare service.
May 2008	The Company was ranked 143 rd among 2007 Taiwan Manufacturing Top 1000 in Commonwealth Magazine issue No. 396 and 6 th in the communication and networking category.
October 2008	The Company was chosen by Microsoft as the only worldwide technology development partner for Microsoft Media Center Extender for Windows 7.
February 2009	After being evaluated on corporate governance, corporate commitment, social engagement and environmental protection aspects, the Company was ranked 30 th among Commonwealth Magazine's 2009 "Excellence in Corporate Social Responsibility TOP50."
April 2009	The Chengdu R&D center was opened.
May 2009	The Company was ranked 129 th among 2008 Taiwan Manufacturing Top 1000 in Commonwealth Magazine issue No. 421 and 7 th in the communication and networking category.
May 2009	The ECG device passed GMP certification.
December 2009	The Company, ahead of competitors, reached the mass production and shipment milestone in Datacenter Switch (a cloud server switch).
December 2009	The Company, ahead of competitors, completed development of 40GE Switch Product Module and offered to telecom carriers for testing and evaluation.
January 2010	The Company started to ship the PON Broadband Access Switch (MDU).
March 2010	The Company developed the 3G Femtocell AP with cost-effective feature and integration of software & hardware and participated in ETSI Femtocell Plugfest.
June 2010	The HD player passed certification of DLNA 1.5 Server, Player and Renderer.
September 2010	The Company launched the cloud service, LINKnLOOK, for IP Cam offering simple setup and reliable connection.
September 2010	The North America maintenance center was established in Irvine, CA.
October 2010	The Company launched OTT set top box with 2.5-inch 1TB drive built in. The product came pre-installed with Facebook and video on demand services including Netflix and Blockbuster.
October 2010	The Company's two manufacturing sites, Hsinchu Plant & Dongguan Plant, passed ISO 14064-1 certification and obtained the application instructions of greenhouse gas survey.
October 2010	The Company completed the 1 st submission of the product greenhouse gas certification and received the carbon footprint certification.
January 2011	The Company, ahead of competitors, launched HD digital media player with multiple features including DVB-T, time shifting with simultaneous two-way scheduled recording, picture-in-picture and online streaming.
May 2011	The Changshu Plant in Jiangsu was opened.
September 2011	The maintenance center was established in Kanagawa Prefecture, Japan.
October 2011	The Company issued the 2 nd unsecured convertible bond.
November 2011	The development and testing of rackmount switch supporting 192 ports 40GE sockets for cloud data center was done.
December 2011	The "Changshu Mingzhen Technology Service Co., Ltd.," one of the Company's maintenance centers, was established in Changshu, Jiangsu.
January 2012	The Company developed synchronized playback and remote control functions for media player on PC, smartphone, tablet and TV.
January 2012	The Company completed the development of the most advanced 3G anti-interference technology to solve carriers' issues concerning the interference from signals of base stations when installing Femtocell.

April 2012	The development and testing of IEEE802.11ac router, IEEE802.11ac network adapter and IEEE802.11ac USB Dongle was completed.
May 2012	The Company was ranked 146 th among 2011 Taiwan Manufacturing Top 1000 in Commonwealth Magazine issue No. 496 and 8 th in the communication and networking category.
August 2012	The Company Alpha Networks developed the fastest, high-capacity and physical layer-free flagship switch for cloud data center supporting 32 ports 40GE sockets.
March 2013	The new department, Mobile Enterprise Solutions Business Unit, was established.
March 2013	The Company was awarded the invention patents in Republic of China, USA and People's Republic of China for the firewall traversal solution for cloud computing. This technology can be used on video streaming products including IP Cam.
May 2013	The Company was ranked 142 nd among 2012 Taiwan Manufacturing Top 1000 in Commonwealth Magazine issue No. 522 and 9 th in the communication and networking category.
July 2013	The Changshu Plant passed the certification of ISO13485, Medical Devices Quality Management Systems.
August 2013	The Changshu Plant passed the certification of TS16949, Global Quality Management System Standard for the Automotive Industry.
September 2013	The Company completed the development and testing of IoV product, 24GHz automotive radar sensors.
December 2013	The sales volume of the network media players reached more than 5 million units worldwide, the top-selling product of similar ones.
May 2014	The Company was ranked 141 st among 2013 Taiwan Manufacturing Top 1000 in Commonwealth Magazine issue No. 547 and 7 th in the communication and networking category.
November 2014	The Company was awarded the design patents in China, Japan and Australia for the "Non-isolated DC/DC circuit design" of the high-speed power line adapter.
January 2015	The Company obtained MFi Manufacturing License from Apple Inc.
February 2015	The Company successfully developed and tested the fastest, high-density and high-capacity switch for high-end cloud data center supporting 32 ports 100GE sockets and supports the ONIE standard.
February 2015	The Company successfully developed and tested 24GHz automotive radar sensors in blind spot detection for large transport vehicles.
March 2015	The cloud data center switch SNX-60A0-486F capable of supporting up to 40G passed ONIE certification.
March 2015	The Company completed the development and testing of HD 4K/HEVC digital set-top box.
June 2015	The Company successfully developed and tested 2.5G /5G /10G multi-speed switch.
August 2015	The Company successfully tested high-end cloud data center switch supporting 48 ports 25G Fiber downlink sockets and 4 ports 100G uplink sockets.
October 2015	The 180-degree fisheye IP Cam was entering into mass production and launched.
October 2015	The Company designed STB with 4 802.11ac 5G antennas and 2 BT/FR4CE 2.4G antennas on board.
October 2015	The Company passed the AEO (Authorized Economic Operator) renewal certification.
December 2015	The Company successfully applied and tested 24GHz automotive radar sensors in rear collision detection for general vehicles.
February 2016	The Company successfully tested high-density rackmount switch for cloud data center containing 128 and 512 optical sockets.
August 2016	The Company successfully tested switches designed for Internet service providers supporting 48 ports 10G Fiber downlink sockets and 6 ports 100G uplink sockets.
November 2016	The smart home gateway passed the Z-Wave Plus certification.
November 2016	The Company successfully developed and tested the enterprise Access Point (AC3400) with dual Wi-Fi 5Ghz modules and 2.5Gbps Ethernet uplink socket.

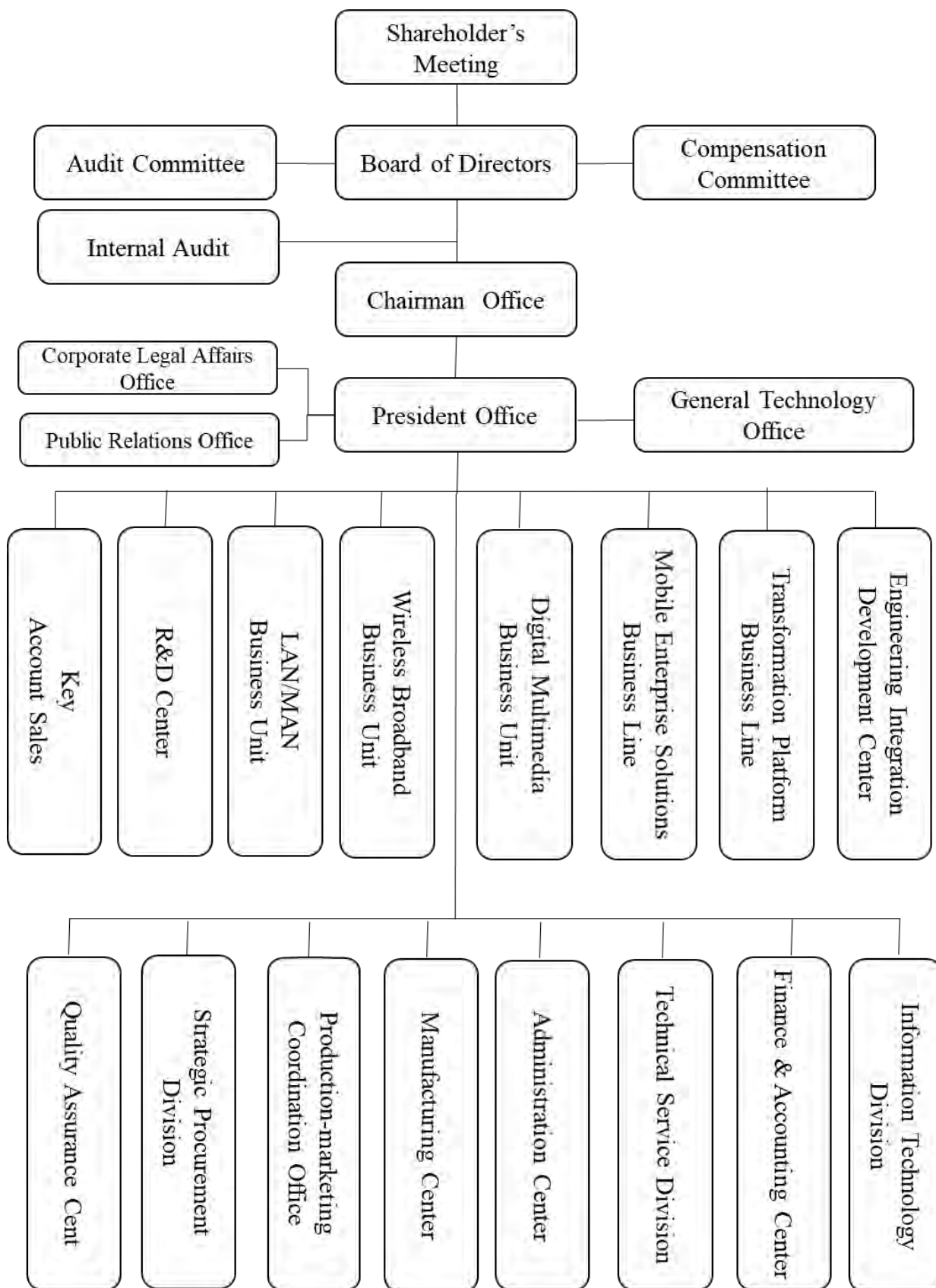
October 2017	The Company provided E2E solutions for smart parking application, including NB-IoT sensors, NB-IoT small cells, cloud IoT platforms and APP programs.
October 2017	The Company successfully developed and tested new functions enabling IP Camera images transmitted to Google Chromecast through Google Home
November 2017	The Company completed the development and testing of 24 dBm Small Cell & C-RAN platform integrating 4G and Wi-Fi for higher download speed.
November 2017	The Company designed its first local end equipment switch with G.fast technology.
December 2017	The Company demonstrated the network backbone switch with IEEE1588v2 technology in RRH (Remote Radio Head) and C-RAN (Cloud of Radio Access Network) applications.
December 2017	The Company provided customers with 24 GHz 3-in-1 radar solution incorporating automotive camera for real car test.
December 2017	The Company successfully implemented human/face detection and recognition (IVA solution) on IP Camera and Hub
March 2018	Qisda Corporation acquired shares of the Company through private placement of equity as a strategic investor.
June 2018	The "Self-Organizing Network" (SON) jointly developed by Industrial Technology Research Institute (ITRI), Far EasTone and the Company won the JUDGES' CHOICE in the Small Cell Forum (SCF) Awards.
August 2018	The Company was named one of the recommended 10GPON ONU suppliers on OPENCORD website.
October 2018	The mmWave radars were shipped to industrial customers. The solution was adopted by ACER iTS for radar-assisted vehicle detection, which works with parking information App.
November 2018	The 24GHz mm Wave Radar was shipped to Southeast Asia markets.
February 2019	The Company was designated as the disaggregated cell site gateway (DCSG) supplier for TIP (Telecom Infra Project).
March 2019	The Wi-Fi 6 wireless routers, outdoor 4G small cells and Wi-Fi 6-enabled VDSL IAD were shipped worldwide.
June 2019	The IP Cameras with integrated IVA technology and ZigBee smart gateway were shipped worldwide.
August 2019	The outdoor wireless battery-powered IP cameras were shipped worldwide.
November 2019	The indoor enterprise 5G NR radio units (RU) were shipped worldwide.
December 2019	The MPTCP-enabled Hybrid VDSL/LTE IADs were shipped worldwide.
December 2019	The Company acquired the shares of Hitron Technologies through private placement.
January 2020	The Company acquired 100 million shares of Hitron Technologies through the tender offer.
May 2020	The Company cooperated with a US system provider for its 1 st AVM system and obtained the customer certification. The AVM systems were successfully shipped to the North America's largest logistics company.
October 2020	The Company started shipping the 5G end-to-end enterprise network equipment to Japan and the local 5G private network PoC field trial was kickoff in Japan.
November 2020	The Company successfully obtained the customer certification for the truck version of the internal wheel difference radar system and the Company began to ship the radar systems.
December 2020	The Company obtained the customer certification for the mm wave radar and began to ship the radars to Thai automakers.
December 2020	The Company shipped more than 6 million units of IP Camera.
January 2021	The Company developed independent 5G enterprise network end-to-end solutions successfully.
August 2021	The Company invested in Aespula Technology Inc. a company with industry-leading 5G PHY technology.
December 2021	The Company entered the field of low-orbit satellite communication equipment development officially.
January, July 2022	Hsinchu Factory & Dongguan Factory passed the ISO 14064-1:2018 verification from subcontractor.
February 2022	The Company developed a new generation of 4D radar to improve the resolution of the radar in the horizontal

	and pitch directions, as well as increase the accuracy of the ADAS.
October 2022	The Company has the honor to get the silver medal of “Electronic Information Manufacturing _ Category 1” from “Taiwan Corporate Sustainability Awards”.
November 2022	The Company obtained an order from an Asian customer to cooperate in the production of smart traffic detection radar.
November 2022	Vietnam factory passed ISO9001 and ISO14001 certification.

Corporate Governance

I. Organization Structure:

(I) Organization Chart



(II) Business Scope for Main Departments

Departments	Functions and Responsibilities
Internal Audit	Establish robust, reasonable and effective internal control system and execute accordingly.
President Office	Formulate strategies and implementation details with operational goals outlined by the board of directors and execute accordingly.
Corporate Legal Affairs Office	Ensure the legal status of the Company's investment, technology, procurement, marketing, creditor's rights, intellectual property rights and other related businesses. To safeguard the Company's maximum rights and interests.
Public Relations Office	Shape corporate image and manage public relations, including duration, operation of the foundation and participation in ESG report compilation.
General Technology Office	Coordinate and handle networking technologies appropriately.
Key Account Sales	Manage relationship and service with major customers; communicate with BUs and expand the markets to achieve the Company's operational goals.
LAN/MAN BU	Execution of operational goals; promotion, planning, research, development and testing of Ethernet switch and related products.
R&D Center	Responsible for the effective use of R&D resources, communication and integration with each BU, and assisting them to achieve the company's and BU's operational goals
Wireless Broadband BU	Execution of operational goals; promotion, planning, research, development and testing of wireless broadband products.
Digital Multimedia BU	Execution of operational goals; promotion, planning, research, development and testing of digital multimedia products.
Transformation Platform Business Line	Execute the Company's established business goals and complete the business promotion, product planning, product development and testing of the development of 5G multi-access edge computing and cloud native platform technology application products
Mobile Enterprise Solutions Business Line	Execution of operational goals; promotion, planning, research, development and testing of mobile enterprise solution products.
Technical Service Division	Planning and execution of cabling works, safety standards and EMC technology for network-related hardware.
Engineering Integration Development Center	Execution of the quality policy, assurance for the product design quality, establishment of the standard flow for auto test and providing the efficient technical support service to enhance customer satisfaction.
Quality Assurance Center	Enforce quality enhancement and maintenance across the organization, ensure that product quality meets customers' requirements and develop systematic platforms for product information and experience.
Production-marketing Coordination Office	Utilize the Company's resources efficiently for stable production with the least inventory to achieve the highest output, generate the maximum profit and satisfy the needs of customers.
Strategic Procurement Division	In response to the raw material market and the Company's product trends, formulate procurement strategies and plan, implement and supervise the processes related to supplier management and procurement operations.
Manufacturing Center	Supervise, plan and manage the production, quality, delivery and service of manufacturing departments. Explore improvements in terms of quality, cost and timeliness of shipment in line with customers' requirements.
Administration Center	Comprehensively manage human resources, environmental protection, labor safety and health planning, supervision and promotion.
Information Technology Division	Launch Information Technology and Management Information Systems of the Company and offer improvement suggestions.
Finance & Accounting Center	Planning and control of internal financial policies and accounting systems in accordance with laws and operational requirements.

II. Information Regarding Directors, President, Vice Presidents, Associate Vice Presidents and Managers of Departments and Divisions

(I) Directors

1. Directors Information

April 2, 2023; unit: shares, %

Title	Nationality or Place of Registration	Name	Gender & Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding by Spouse & Minors		Shareholding in the Names of Other Persons		Career (Academic) Backgrounds	Selected Current Positions at Alpha and Other Companies (Note 1)	Remark (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			
Chairperson	Republic of China	Representative of Qisda Corporation	-	01/28/2021	3	06/15/2018	295,163,126	54.49%	295,797,126	54.60%	0	0.00%	0	0.00%	-	-	The reason why the chairman also serves as the president is to represent the company externally and effectively coordinating the management team to expand 5G networks business, and play a comprehensive effect.
	Republic of China	Wen-Fang Huang	Female 51~60	01/28/2021	3	06/15/2018	0	0.00%	0	0.00%	0	0.00%	0	0.00%	B.S. Economic, NTU EMBA, NTU Vice President & General Manager, Commercial & Industrial Products of Qisda Corp Director of Qisda Optronics Corp.	President and CEO, Alpha Networks, Inc. Chairperson, Hitron Technologies Inc. Chairperson, Innoauto Technologies Inc. Director, BenQ Foundation Chairperson, Alpha Foundation (Note 1)	
Vice Chairperson	Republic of China	Representative of Qisda Corporation	-	01/28/2021	3	06/15/2018	295,163,126	54.49%	295,797,126	54.60%	0	0.00%	0	0.00%	-	-	At the same time, in order to strengthen the independence and supervision function of the board of directors, the board of directors of the Company has three independent directors and more than half of the directors are not an employee or a manager of the Company, so as to improve the operation of the board of directors and comply with the principles of corporate governance.
	Republic of China		-	01/28/2021	3	06/15/2018	0	0.00%	0	0.00%	0	0.00%	0	0.00%	B.S. Electrical Engineering, NCKU M.S. International Business Management, Thunderbird School of Global Management MBA, NCCU	Chairperson, Qisda Corporation Director, Darfon Electronics Corp. Chairperson, DFI Inc. Director, Hitron Technologies Inc. Chairperson, BenQ Medical Technology Corporation Chairperson, Partner Tech Corp Director, BenQ Materials Corp. Director, BenQ corporation Director, Darly Venture Inc Director, Darly2 Venture, Inc. Director, Darly Consulting Corporation. Director, BenQ Healthcare Consulting Corporation Director, BenQ Hospital Management Consulting (NanJing) Co., LTD. Director, NANJING BenQ Hospital Co., Ltd Director, Suzhou BenQ Hospital Co., Ltd. Director, Qisda Corporation Director, BenQ BM Holding Corp. Director, BenQ BM Holding Cayman Corp. Director, Qisda (L) Corp. Director, Darly Venture (L) Ltd. Director, BenQ Foundation Director, Phoenix Venture Capital Co., Ltd. Director, Phoenix 2 Venture Capital Co., Ltd. Director, Phoenix 3 Venture Capital Co., Ltd.	
	Republic of China	Chi-Hong Chen	Male 61~70	01/28/2021	3	06/15/2018	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Technology Product Center EVP, BenQ Corp.		

Title	Nationality or Place of Registration	Name	Gender & Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding by Spouse & Minors		Shareholding in the Names of Other Persons		Career (Academic) Backgrounds	Selected Current Positions at Alpha and Other Companies (Note 1)	Remark (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			
Director (Note3)	Republic of China	Representative of Qisda Corporation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Republic of China	Yu-Chin Lin	Male 51-60	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director (Note3)	Republic of China	Representative of Qisda Corporation	-	01/28/2021	3	06/15/2018	295,163,126	54.49%	295,797,126	54.60%	0	0.00%	0	0.00%	EMBA, Tsing Hua University in Beijing MBA, Greenwich University Senior Vice President, Qisda Corporation President of Global Supply Chain COO, BenQ China VP of Global Manufacturing, BenQ	President, Qisda Corporation Director, AU Optronics Corporation Director, Qisda Corporation Director, Topview Optronics Corp. Chairperson, Simula Technology Inc. Chairperson, Action Star Technology. Chairperson, Dataimage Corporation Chairperson, DIVA Laboratories. Ltd. Chairperson, Qisda Optronics Corp. Director, BenQ Foundation	
	Republic of China	Han-Chou, Huang	Male 61-70	04/29/2022	3	04/29/2022	0	0.00%	0	0.00%	0	0.00%	0	0.00%			
Director	Republic of China	Representative of Qisda Corporation	-	01/28/2021	3	06/15/2018	295,163,126	54.49%	295,797,126	54.60%	0	0.00%	0	0.00%	-	-	
	Republic of China	Chiu-Chin Hung	Female 51-60	01/28/2021	3	01/28/2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	EMBA, National Taiwan University MBA, California State University, Fullerton Chief Financial Officer, Daxon Technology Co., Ltd.	Chief Financial Officer, Qisda Corp. Director, Darfon Electronics Corp. Director, Sysage Technology Co., Ltd Director, Simula Technology Inc. Director, Data Image Corporation Director, K2 International Medical Inc. Director, BenQ corporation. Chairperson, Darly Venture Inc. Chairperson, Darly2 Venture Inc. Chairperson, Darly Consulting Corporation. Director, BenQ Healthcare Consulting Corporation Director, BenQ Hospital Management Consulting (NanJing) Co., LTD. Director, NANJING BenQ Hospital Co., Ltd. Director, Suzhou BenQ Hospital Co., Ltd. Director, Suzhou BenQ Investment Co., Ltd. Director, BenQ Biotech (Shanghai) Co., Ltd. Director, Shanghai Filter Technology Co., Ltd. Director, Qisda Corporation. Director, BenQ Co.,Ltd Director, BenQ BM Holding Corp. Director, BenQ BM Holding Cayman Corp. Director, Qisda Sdn. Bhd. Director, Qisda (L) Corp. Director, Darly Venture (L) Ltd.	

Title	Nationality or Place of Registration	Name	Gender & Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding by Spouse & Minors		Shareholding in the Names of Other Persons		Career (Academic) Backgrounds	Selected Current Positions at Alpha and Other Companies (Note 1)	Remark (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			
Independent Director (Note 1)	Republic of China	Shu-Hsing Li	Male 61~70	01/28/2021	3	01/28/2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D., New York University B.B.A., National Chengchi University Vice President for Financial Affairs, National Taiwan University Dean of College of Management, National Taiwan University Chairperson, Department of Accounting, National Taiwan University President, Taiwan Accounting Association	Chair Professor, Department of Accounting, Tunghai University Independent Director, Fubon Financial Holding Co., Ltd. Independent Director, Healthconn Corp. Independent Director, Sharehope Medicine Co., Ltd.	
Independent Director (Note 1)	Republic of China	Cheng-Jung Chiang	Male 61~70	01/28/2021	3	01/28/2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D., Business Administration, University of Maryland, U.S.A EMBA, Program, National Chengchi University, Independent Director, Chen Full International Co., Ltd. Independent Director, Glory Science Co., Ltd.	Chairperson and General Manager, Taiwan-Asahi Environmental Technology Co., Ltd Chairperson and General Manager, Diamond Technical & Trading Corp. Independent Director, Sampo Corporation Independent Director, Cherman Metal Industrial Corp. Independent Director, FIT Holding Co., Ltd. Adjunct Professor, Dept. of Aerospace Engineering, Tamkang University	-
Independent Director (Note 1)	Republic of China	Ming-Der Hsieh	Male 51~60	01/28/2021	3	06/12/2020	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D., Electrical Engineering, Michigan State University, U.S.A Dean, Miin Wu School of Computing, National Cheng Kung University Chairperson, Taiwan IC Design Society Dean of Department of Electrical Engineering, National Cheng Kung University Deputy General Director, Information and Communications Research Laboratories, Industrial Technology Research Institute	Professor, Department of Electrical Engineering, National Cheng Kung University CTO, Institute of Electro-Optics, Industrial Technology Research Institute.	-

Note 1: Please refer to the section "Directors, Supervisors and Presidents of Affiliates" in the annual report.

Note 2: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto must be disclosed.

Note 3: The institutional director, Qisda Corp., reassigned Mr. Han-Chou Huang served as the institutional director representative of the Company on April 29, 2022. Mr. Yu-Chin Lin was promoted to the president of the group business group.

Note 4: Any Executive, Director, or supervisor who is a spouse or relative within the second degree of kinship: None.

2. Substantial Shareholders of the Institutional Shareholder

Name of Institutional Shareholder (Note1)	Substantial Shareholders of the Institutional Shareholders	Shareholding Percentage (%)
Qisda Corporation	AU Optronics Corporation.	17.04%
	Acer Inc.	4.55%
	Taishin International Bank entrusted with the Qisda Corporation Employee Stock Ownership Trust Account	3.38%
	Konly Venture Corporation.	2.55%
	Darfon Electronics Corp.	2.03%
	Citibank Taiwan in Custody for Norges Bank.	1.23%
	E.SUN Commercial Bank Ltd.	1.02%
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds.	0.98%
	New Labor Pension Fund.	0.97%
	Citibank Taiwan in Custody for Polumin Developing Countries fund LLC.	0.97%

Note1: Directors are Institutional Shareholders.

Note2: The shareholding reference date was March 31, 2023.

3. Substantial Shareholders of Institutional Shareholders Who Are the Substantial Shareholders of the Company's Institutional Shareholders.

Name of Institutional Shareholders	Substantial Shareholders of the Institutional Shareholders	Shareholding Percentage (%)
AU Optronics Corporation (Note1)	Qisda Corporation	6.90%
	Bank SinoPac in Custody for the Employees Stock Ownership Trust account for the Committee of Employees Stock Ownership Trust of AU Optronics Corp.	4.88%
	Quanta Computer Inc.	4.61%
	ADR of AU Optronics Corp.	2.63%
	Yuanta Taiwan Dividend Plus ETF	1.40%
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.05%
	New Labor Pension Fund	0.91%
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	0.79%
	Goldman Sachs International	0.77%
	Fubon Life Assurance Co., Ltd.	0.62%
Acer Incorporated (Note2)	Hung Rouan Investment Corp.	2.42%
	Taishin International Bank entrusted with Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	1.87%
	Fubon Taiwan high dividend 30 ETF	1.42%
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.32%
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.23%
	Stan Shih	1.15%
	Youe Chung Capital Corporation	1.10%
	Standard Chartered Bank in Custody for iShares ESG Aware MSCI Emerging Markets ETF	0.95%
	Citibank Taiwan in Custody for Acer GDR	0.94%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Universities Superannuation	0.81%

Name of Institutional Shareholders	Substantial Shareholders of the Institutional Shareholders	Shareholding Percentage (%)
	Scheme Limited.	
Konly Venture Corporation. (Note 3)	AU Optronics Corporation	100%
Darfon Electronics Corp. (Note4)	Qisda Corporation	20.72%
	BenQ Corporation	5.01%
	Taishin International Bank entrusted with the Darfon Electronics Corp, Employee Stock Ownership Trust Account	1.79%
	Mega International Commercial Bank Co., Ltd.	1.62%
	Kai-Chien Su	1.45%
	JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1.12%
	Chang Hwa Commercial Bank Ltd.	1.11%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	1.02%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.95%
	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	0.93%

Note 1: The shareholding reference date was July 2, 2021.

Note 2: The shareholding reference date was April 12, 2022.

Note 3: MOEA registration publicity materials.

Note 4: The shareholding reference date was April 18, 2022.

Directors' information

I. Professional Qualifications and Independence Analysis of Directors

Criteria Name	Professional qualifications and experience (Note)	Independence situation (Note)	Number of Other Public Companies Concurrently Serving as an Independent Director
Representative of Qisda Corporation: Wen-Fang Huang	<ol style="list-style-type: none"> Profile: EMBA, NTU, served as vice president in Commercial & Industrial Products of Qisda Corp chairperson/board member of other listed companies. Current Position: Chairperson of Alpha Networks Inc. and Hitron Technologies Inc. Many industry experience, familiar with industry-related connections and emphasis on public welfare. Not been involved in any of situations defined in Article 30 of the Company Act. 	Not applicable	0
Representative of Qisda Corporation: Chi-Hong Chen	<ol style="list-style-type: none"> Profile: MBA, Thunderbird American Graduate School, USA and EVP of Technology Product Center, BenQ Corporation and President, Qisda Corporation. Current Position: CEO, Qisda Corporation and Director, BenQ Foundation. Possess multi-industry experience and leadership skills, is good at business judgment, crisis management and international market outlook familiar with industry-related connections and emphasis on public welfare and lead the Group towards the sustainable operation of the enterprise. Not been involved in any of situations defined in Article 30 of the Company Act. 	Not applicable	0
Representative of Qisda Corporation: Han-Chou, Huang	<ol style="list-style-type: none"> Profile: MBA, University of Greenwich, China and resident, Global Supply Chains, Qisda Corporation and Vice president, Qisda Corporation. Current Position: President, Qisda Corporation and Director, BenQ Foundation 	Not applicable	0

	3. Many industry experience, familiar with industry-related contacts and emphasis on public welfare. Not been involved in any of situations defined in Article 30 of the Company Act.		
Representative of Qisda Corporation: Chiu-Chin Hung	<ol style="list-style-type: none"> 1. Profile: EMBA, NTU, Fullerton, Chief Financial Officer, Daxon Technology Co., Ltd. 2. Current Position: Chief Financial Officer, Qisda Corporation. 3. Many industry experience, is good at leadership decision-making, operational judgment, business management and crisis management. Not been involved in any of situations defined in Article 30 of the Company Act. 	Not applicable	0
Shu-Hsing Li	<ol style="list-style-type: none"> 1. Ph.D., Department of Accounting, New York University; Vice President of Finance, National Taiwan University, Dean of School of Management, National Taiwan University, Director of the Department of Accounting and Research Institute, National Taiwan University, Chairperson of the Taiwan Accounting Association. 2. Chair Professor, Department of Accounting, Tunghai University; Independent Director, Fubon Financial Holding Co., Ltd., Healthconn Corp. and Sharehope Medicine Co., Ltd. 3. Not been involved in any of situations defined in Article 30 of the Company Act. 	Compliant	3
Ming-Der Hsieh	<ol style="list-style-type: none"> 1. Ph.D., Electrical Engineering, Michigan State University, U.S.A; Dean, Miin Wu School of Computing, National Cheng Kung University; Chairperson, Taiwan IC Design Society; Dean of Department of Electrical Engineering, National Cheng Kung University; Deputy General Director, Information and Communications Research Laboratories, Industrial Technology Research Institute 2. Professor, Department of Electrical Engineering, National Cheng Kung University 3. Many industry and academic experience. Not been involved in any of situations defined in Article 30 of the Company Act. 	Compliant	0
Cheng-Jung Chiang	<ol style="list-style-type: none"> 1. Ph.D., Business Administration, University of Maryland ,U.S.A; Independent Director, Chen Full International Co., Ltd., Glory Science Co., Ltd. and Giga Solar Materials Corp. 2. Chairperson and General Manager, Taiwan-Asahi Environmental Technology Co., Ltd , Chairperson and General Manager, Diamond Technical & Trading Corp. , Independent Director, Sampo Corporation, Chernan Metal Industrial Corp., FIT Holding Co., Ltd. and Adjunct Professor, Dept. of Aerospace Engineering, Tamkang University 3. Not been involved in any of situations defined in Article 30 of the Company Act. 	Compliant	3

Note: Independence: including but not limited to whether the person, spouse, relatives within the second degree of kin act as directors, supervisors or employees of the company or its related enterprises;) The number and proportion of shares held in the company; whether he is a director, supervisor or subject of a company that has a specific relationship with the company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations on the Establishment of Independent Directors of Public Companies and Matters to be Complied with). Employed persons; the amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.

II. Diversification and Independence of Board

(I) Diversification of Board

1. The Company's board of directors has formulated the "Corporate Governance Code of Practice", and in Chapter 3 "Strengthening the Functions of the Board of Directors", there is a policy of diversification. The nomination and selection of members of the board of directors of the company adopts a candidate nomination system. In addition to evaluating the qualifications of each candidate's academic experience, and referring to the opinions of stakeholders, the "Director Election Method" and the "Corporate Governance Code of Practice" are followed to ensure Diversity and independence of directors. According to the company's "Corporate Governance Code", the composition of the board of directors should consider diversity, and formulate appropriate diversification policies based on its own operation, operation mode and development needs, including but not limited to the following two major aspects: (1) Basic conditions and values: age and identity, etc., (2) Professional knowledge and skills: professional background, professional skills and industry experience, etc.

2. The implementation of diversification of the board of directors of the company in 2022 was as follows

Title	Name	Gender	Diverse Industry and Professional Skills							Term of office of independent director
			Business Management	Industry information	Venture capital investment	Sustainable development	Finance and Accounting	Information Technology	Academic Research	
Chairperson	Wen-Fang Huang	Female	√	√		√	√	√		
Vice Chairperson	Chi-Hong Chen	Male	√	√	√	√		√		
Director	Han-Chou Huang	Male	√	√		√		√		
Director	Chiu-Chin Hung	Female	√	√	√		√			
Independent Director	Shu-Hsing Li	Male	√	√			√		√	Three terms or less
Independent Director	Ming-Der Hsieh	Male	√	√				√	√	Three terms or less
Independent Director	Cheng-Jung Chiang	Male	√	√		√			√	Three terms or less

Concurrently an employee of the Company accounts for 14.29% and 42.86% of independent directors respectively. Two director is aged between 51-60 and five directors between 61-70 years of age.

The specific management objectives and achievement of the Company's diversification policy are as follows

The specific management objectives	Achievement
Directors who concurrently serve as company managers should not exceed one-third of the directors' seats	Achieved
More than one-third of independent directors	Achieved
Term of office of independent director less three terms	Achieved
Two seats for Female Directors	Achieved

3. In consideration of the list for Alpha's Board Members, Number of Directors who has experience in business management, multi-industry knowledge, and venture capital investment, and is committed to environmentally sustainable development and public welfare contributions exceed half of all Directors; besides that, the Independent Director Shu-Hsing Li have possess financial accounting expertise, the Independent Director Ming-Der Hsieh and Cheng-Jung Chiang have a background in information technology industry and academia, respectively. The diverse experience and capabilities of the members of the Board of Directors of the Company have greatly contributed to the overall business operation of the Company.

(II)The Board of Director Independence

The Company currently has a total of 7 directors, including 3 independent directors (accounting for 42.86% of the directors respectively), and the number of independent directors exceeds one-third. By the end of 2022, all independent directors meet the regulations of the Securities and Futures Bureau of the Financial Supervisory Commission for independent directors, and there is no relationship between the directors of a spouse or within the second degree of kinship. Therefore, there is no requirement of Article 26-3 of the Securities and Exchange Act, and the matter of item 3 & 4. In conclusion, the Board of Directors of the Company is independent.

(II) Information of President, Vice President, Associate Vice President and Managers of Each Department and Division

April 2, 2023; Unit: share

Title	Nationality	Gender	Name	On-board Date	Current Shareholding		Shareholding by Spouse & Minors		Career (Academic) Backgrounds	Selected Current Positions at and Other Companies (Note 1)	Remark (Note 2)
					Shares	%	Shares	%			
CEO & President (Note 3)	Republic of China	Female	Wen-Fang Huang	03/19/2021	0	0.00%	0	0.00%	B.S. Economic, NTU EMBA, NTU Vice President & General Manager, Commercial & Industrial Products of Qisda Corp Director of Qisda Optronics Corp.	Chairperson, Hitron Technologies Inc. Director, Interactive Digital Technologies Inc. Director, BenQ Foundation Chairperson, Alpha Foundation (Note 1)	The reason why the chairperson also serves as the CEO and President is to represent the Company externally and effectively coordinating the management team to effectively implement investment and mergers and acquisitions, lead the value transformation of Alpha, quickly strengthen the medical business, accelerate on solution development, expand 5G networks business, and play a comprehensive effect. At the same time, in order to strengthen the independence and supervisory functions of the
President (Note 4)	Republic of China	Male	Yu-Chin Lin	-	-	-	-	-	-	-	
Associate Vice President	Republic of China	Male	David Chou	05/03/2016	140,000	0.03%	18,000	0.00%	MSEE, Polytechnic University Manager at Industrial Technology Research Institute	Director, Alpha Foundation Director, Hitron Technologies Inc. (Note 1)	
Associate Vice President (Note 5)	Republic of China	Male	Nicholas Ting	-	-	-	-	-	Master, Texas State University Senior Manager, Dell Associate Vice President, Coretronic Director, Compal Vice President, Wong's	-	
Associate Vice President (Note 2)	Republic of China	Male	Morgan Chiu	09/01/2020	0	0.00%	0	0.00%	Master of Graduate Institute of HRM, NCU Vice President, Altek Corporation	(Note 1)	
Senior Director Head of R&D	Republic of China	Male	Wen-Jiunn Tsai	09/01/2020	20,000	0.00%	0	0.00%	Ph.D., University of Massachusetts Master, Arizona State University Bachelor of Electronic Engineering, NCTU Associate Vice President, Arcadyan Technology Corporation Chairperson and CEO, Airdio Wireless Inc. CTO, AboCom Corporation Vice President, Giga Solution	(Note 1)	

Title	Nationality	Gender	Name	On-board Date	Current Shareholding		Shareholding by Spouse & Minors		Career (Academic) Backgrounds	Selected Current Positions at and Other Companies (Note 1)	Remark (Note 2)
					Shares	%	Shares	%			
Director Head of Finance & Accounting	Republic of China	Female	Shao-Ling Chen	03/17/2020	50,000	0.01%	0	0.00%	Financial Management Section, Department of Business Management, Taichung Institute of Technology Master of Commerce, Department of International Business, NTU Senior Finance Manager, Parexel International Co., Ltd. Finance Manager, UTStarcom Inc., Asia Pacific. Finance Manager, WorldCom Inc.	(Note 1)	board of directors, the board of directors of the company has three independent directors, and two-thirds of the directors are not employees or managers, so as to improve the operation of the board of directors and comply with the principles of corporate governance

The Company's shares held by managers in the name of other persons: None.

Any spouse or relative within the second degree of kinship of any manager who serves as the Company's executive: None

Note 1: Please refer to the section "Directors, supervisors and presidents of affiliates" in annual report.

Note 2: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto must be disclosed.

Note 3: Wen-Fang Huang served as President on April 30, 2022.

Note 4: Mr. Yu-Chin Lin was promoted to the president of the group business group, and resigned as the general manager of the Company on April 29, 2022.

Note 5: Mr. Nicholas Ting was resigned on March 3, 2023.

III. Compensation of Directors, Supervisors, President and Vice President

(I) Compensation Paid to Directors

December 31, 2022; Unit: NTD thousand; thousand shares

Title	Name	Director's Compensation								(A+B+C+D) as a % of Profit (Note 5)		Remuneration Earned by a Director Who is an Employee of the Company or of All Consolidated Entities								(A+B+C+D+E+F+G) as a % of Profit (Note 5)		Compensation Paid to Directors from Non-consolidated Affiliates (Note 8)
		Base Compensation (A) (Note 1)		Pension (B) (Note 2)		Remuneration to Directors (C) (Note 3)		Allowances (D) (Note 4)		Base Compensation, Bounces and Allowances (E) (Note 6)		Pension (F) (Note 2)		Employee's Remuneration (G) (Note 7)				The Company	From All Consolidated Entities (Note 9)			
		The Company	From All Consolidated Entities (Note 9)	The Company	From All Consolidated Entities (Note 9)	The Company	From All Consolidated Entities (Note 9)	The Company	From All Consolidated Entities (Note 9)	The Company	From All Consolidated Entities (Note 9)	The Company	From All Consolidated Entities (Note 9)	The Company		From All Consolidated Entities (Note 9)						
Chairperson	Wen-Fang Huang	7,000	9,320	0	0	6,132	6,132	320	470	1.47%	1.74%	31,780	31,780	0	0	9,390	9,390	0	0	5.96%	6.23%	160,892
Vice Chairperson	Chi-Hong Chen																					
Director	Qisda Corporation																					
Directors (Note 11)	Representative of Qisda Corporation: Yu-Chin Lin																					
Director	Qisda Corporation																					
Directors (Note 11)	Representative of Qisda Corporation: Han-Chou, Huang																					
Director	Qisda Corporation																					
Director	Representative of Qisda Corporation: Chiu-Chin Hung																					
Independent Director	Shu-Hsing Li	4,200	4,200	0	0	2,628	2,628	120	120	0.76%	0.76%	0	0	0	0	0	0	0	0	0.76%	0.76%	0
Independent Director	Ming-Der Hsieh																					
Independent Director	Cheng-Jung Chiang																					

1. Please describe the independent directors' compensation policies, procedures, standards and structure, as well as the linkage to duties, risk and time spent:

The board of directors is authorized to determine and distribute the compensation paid to directors pursuant to the Company's articles of incorporation, based on individual director's participation and contributions to the Company's operations and pursuant to the "Compensation Policy to the Directors and Functional Committee Members" in reference to domestic and overseas industry standards. When distributing earnings, the Board of Directors will resolve on the amount of directors' remunerations based on the Company's articles of incorporation. Independent directors are ex officio members of the audit committee. In addition to the base remuneration paid to directors, the Company takes into account of each director's individual responsibilities, risks and time spent to determine reasonable remunerations. The remuneration of directors is paid in accordance with the "Remuneration Regulations for Directors and Functional Committee Members". Directors who also serve as managers do not participate in the distribution of remuneration. It is also stipulated in the Company's articles of association that if the Company makes profits, it should allocate no more than 1% as directors' remuneration.

2. In addition to the information disclosed in the table above, any director of the Company provided services to any of all consolidated entities included in the financial statements and received compensation for such services (e.g. provided consultation services in a non-employee capacity):
None.

Table of Compensation Range

Compensation Range for Directors	Names of Directors			
	Sum of the First Four Items (A+B+C+D)		Sum of the First Seven Items (A+B+C+D+E+F+G)	
	The Company	From All Consolidated Entities (Note 9)	The Company	From parent Company and all subsidiaries and investees (Note 10)
Less than NT\$ 1,000,000	Wen-Fang Huang, Yu-Chin Lin, Chi-Hong Chen, Chiu-Chin Hung, Han-Chou, Huang	Yu-Chin Lin, Chiu-Chin Hung, Han-Chou, Huang	Chi-Hong Chen, Chiu-Chin Hung, Han-Chou, Huang	—
NT\$ 1,000,000 (included) ~ 2,000,000 (excluded)	—	Wen-Fang Huang, Chi-Hong Chen	—	—
NT\$ 2,000,000 (included) ~ 3,500,000 (excluded)	Ming-Der Hsieh, Shu-Hsing Li, Cheng-Jung Chiang	Ming-Der Hsieh, Shu-Hsing Li, Cheng-Jung Chiang	Ming-Der Hsieh, Shu-Hsing Li, Cheng-Jung Chiang	Ming-Der Hsieh, Shu-Hsing Li, Cheng-Jung Chiang
NT\$ 3,500,000 (included) ~ 5,000,000 (excluded)	—	—	—	—
NT\$ 5,000,000 (included) ~ 10,000,000 (excluded)	—	—	—	—
NT\$ 10,000,000 (included) ~ 15,000,000 (excluded)	Qisda Corporation	Qisda Corporation	Qisda Corporation	Qisda Corporation
NT\$ 15,000,000 (included) ~ 30,000,000 (excluded)	—	—	Wen-Fang Huang, Yu-Chin Lin	Wen-Fang Huang, Yu-Chin Lin
NT\$ 30,000,000 (included) ~ 50,000,000 (excluded)	—	—	—	Han-Chou, Huang
NT\$50,000,000 (included) ~ 100,000,000 (excluded)	—	—	—	—
NT\$100,000,000 and above	—	—	—	Chi-Hong Chen
Total	9 (Include 1 corporation)	9 (Include 1 corporation)	9 (Include 1 corporation)	9 (Include 1 corporation)

Note 1: Refer to compensation paid to directors in 2022, including base compensations, allowances, severance pays, bonuses and incentives.

Note 2: The amount of provisions and payments comply with regulations in 2022.

Note 3: Directors' Remuneration in 2022.

Note 4: Refer to directors' allowances in 2022 (including provisions of base compensation, travel fees, special allowances, various allowances, accommodations, or company cars and other physical items for serving as representatives of institutional directors or supervisors designated by the Company on behalf of its subsidiaries).

Note 5: Profit refers to the profit for the year in the 2022 parent company only financial statements of Alpha Networks Inc.

Note 6: Refers to compensation paid to directors who also served as president, vice president, other managers or employees in 2022 including base compensation, job allowance, severance pay, bonuses, incentives, travel fees, special allowances, various allowances, accommodation, company cars and other physical items, etc. Any salary expenses recognized under IFRS 2 Share-Based Payment, including employee stock option plan, employee restricted stock and cash capital increase by stock subscription shall also be included in compensation.

Note 7: Refers to compensation paid to directors who also served as president, vice president, other managers or employees in 2022 those who obtain employee compensation (including stock and cash), the amount of employee compensation shall be distributed according to the proposal approved by the board of directors on February 24, 2023.

Note 8: Remuneration (including remuneration of employees, directors and supervisors) and business execution fees and other related remunerations received by directors as directors, supervisors or managers of the subsidiary's foreign investment business in 2022

Note 9: All companies included in the consolidated statements include the Company.

Note 10: The total amount of remuneration paid by the parent company and all invested enterprises (including the Company) to the directors of the Company.

Note 11: Qisda Corporation reassigned the legal person director representative on April 29, 2022, and reassigned Mr. Han-Chou, Huang as the legal person director representative of the Company. Mr. Yu-Chin Lin was promoted to president of the group business group.

(II) Compensation Paid to Supervisors: Not applicable; Since June 15, 2012, the audit committee has been responsible for the implementation of the authority of supervisors as required by the relevant laws and regulations

(III) Compensation Paid to the President and Vice Presidents

December 31, 2022; Unit: NTD thousand

Title	Name	Salary (A) (Note 2)		Pension (B) (Note 3)		Bonus and Special Allowances (C) (Note 4)		Employee Remuneration (D) (Note 5)				(A+B+C+D) as a % of Profit (Note 6)		Compensation from Non- consolidated Affiliates (Note 7)
		The Company	From All Consolidated Entities (Note 8)	The Company	From All Consolidated Entities (Note 8)	The Company	From All Consolidated Entities (Note 8)	The Company		From All Consolidated Entities (Note 7)		The Company	From All Consolidated Entities (Note 8)	
								Cash	Stock	Cash	Stock			
CEO (Note 1)	Wen-Fang Huang	28,344	28,344	0	0	3,436	3,436	9,390	0	9,390	0	4.49%	4.49%	8,898
President (Note 1)	Yu-Chin Lin													

Table of Compensation Range

Compensation Range for Each President and Vice President	Names of the President and Vice Presidents	
	The Company	All Consolidated Entities (E) (Note 9)
Less than NT\$ 1,000,000	—	—
NT\$ 1,000,000 (included) ~ 2,000,000 (excluded)	—	—
NT\$ 2,000,000 (included) ~ 3,500,000 (excluded)	—	—
NT\$ 3,500,000 (included) ~ 5,000,000 (excluded)	—	—
NT\$ 5,000,000 (included) ~ 10,000,000 (excluded)	—	—
NT\$ 10,000,000 (included) ~ 15,000,000 (excluded)	—	—
NT\$ 15,000,000 (included) ~ 30,000,000 (excluded)	Wen-Fang Huang, Yu-Chin Lin	Wen-Fang Huang, Yu-Chin Lin
NT\$ 30,000,000 (included) ~ 50,000,000 (excluded)	—	—
NT\$50,000,000 (included) ~ 100,000,000 (excluded)	—	—
NT\$100,000,000 and above	—	—
Total	2	2

Note 1: Mr. Yu-Chin, Lin was promoted to president of the group business group, and resigned as president of the Company on April 29, 2022; Mrs. Wen-Fang, Huang concurrently took the post of president on April 30, 2022.

Note 2: Refer to compensation paid to President and Vice Presidents in 2022, including base compensations, allowances and severance pays.

Note 3: The amount of provisions and payments comply with regulations in 2022.

Note 4: Refer to President and Vice Presidents' allowances in 2022 (including provisions of base compensation, travel fees, special allowances, various allowances, accommodations, or company cars and other physical items for serving as representatives of institutional directors or supervisors designated by the Company on behalf of its subsidiaries).

Note 5: Employee remuneration in 2022, according to the Company's board of directors approved the proposed distribution of employee remuneration amount on February 24, 2023.

Note 6: Profit refers to the profit for the year in the 2022 parent company only financial statements of Alpha Networks Inc.

Note 7: Refers to the remuneration, remuneration (including the remuneration of employees, directors and supervisors) and business execution expenses received by the general manager and deputy general managers as directors, supervisors or managers of the subsidiary's foreign investment business or the parent company in 2022 and other related remuneration.

Note 8: All companies included in the consolidated statements include the Company.

Note 9: The total amount of remuneration paid by the parent company and all invested enterprises (including the Company) to the President and Vice Presidents of the Company.

(IV) Employees' Profit Sharing Paid to Managers:

Unit: NTD thousand

Title	Name	Stock (Note 1)	Cash (Note 1)	Total	Total as a % of Profits (Note 2)
CEO and President (Note 3)	Wen-Fang Huang	0	18,390	18,390	2.01%
President (Note 4)	Yu-Chin Lin				
Associate Vice President	David Chou				
Associate Vice President (Note 5)	Nicholas Ting				
Associate Vice President	Morgan Chiu				
Senior Director Head of R&D	Wen-Jiunn Tsai				
Director Head of Finance & Accounting Center	Shao-Ling Chen				

Note 1: It is employee compensation in 2022.

Note 2: Refers to the net profit after tax in the 2022 standalone financial report.

Note 3: Mrs. Wen-Fang, Huang concurrently took the post of president on April 30, 2022.

Note 4: Mr. Yu-Chin, Lin was promoted to president of the group business group, and resigned as president of the Company on April 29, 2022.

Note 5: Mr. Nicholas Ting was resigned on March 3, 2023.

(V) Compare and Analyze the Total Compensation Paid to Directors, Supervisors, President and Vice Presidents of the Company as a Percentage of Profits Stated in the Parent Company Only Financial Statements or Individual Financial Statements in the Most Recent Two Years. Describe the Compensation Policies, Standards, Packages of Compensation, the Procedures for Determining Compensation and the Linkage to Business Performance and Future Risk Exposure:

1. The Total compensation Paid to Directors, Supervisors, President and Vice Presidents of the Company as a Percentage of Profits Stated in the Parent Company Only Financial Statements or Individual Financial Statements Analysis

Unit: NTD thousand

	2022	2021
Net income after taxes on the Company's Parent Company Only Financial Statements	917,075	433,888
Ratio of compensation for Directors paid by the Company	2.22%	3.79%
Ratio of compensation for Directors paid by all companies listed in the Consolidated Financial Statements	2.49%	3.94%
Ratio of compensation for Managers such as Vice President or above paid by the Company	4.49%	6.54%
Ratio of compensation for Managers such as Vice President or above paid by all companies listed in the Consolidated Financial Statements	4.49%	6.54%

2. Compensation policies, standards and combinations, procedures for determining compensation, and their relevance to business performance and future risks. In order to regularly evaluate the remuneration of directors and managers, the evaluation results of the Company's "Measures for Performance Evaluation of the Board of Directors" and the "Measures for Performance Management" applicable to managers and employees are used as the basis respectively.
 - (1) The remuneration of the directors of the Company is paid by the board of directors in accordance with the authorization of the Company's articles of incorporation, according to the director's participation in the Company's operation and contribution and with reference to the "remuneration rules for directors and functional committee members" stipulated by domestic and foreign industry standards. The procedures for determining compensation are handled in accordance with article 30 of the Company's articles of incorporation. If there is a profit in the year, no more than 1% of the profit shall be appropriated as directors' compensation. The Company regularly evaluates the remuneration of directors in accordance with the "Measures for the Performance Evaluation of the Board of Directors" and the relevant performance evaluation and the reasonableness of the remuneration are reviewed by the Remuneration Committee and the Board of Directors.
 - (2) The Company's manager's remuneration, according to the relevant regulations on remuneration (salary) management, handles various work allowances and bonuses to sympathize with and reward employees for their hard work. Relevant bonuses also depend on the Company's annual operating performance, financial status, operating status and personal work performance appraisal. According to Article 30 of the Articles of Incorporation of the Company, more than 10% to 22.5% shall be allocated as employee compensation (including managers) if the Company makes a profit in the current year. The results of the performance appraisal carried out by the Company in accordance with the "Performance Management Measures" are used as the reference basis for issuing managers' bonuses. Managers' performance appraisal items are divided into 1. Financial indicators: According to the Company's management profit and loss statement, the contribution of each business group to the Company's profit is allocated and the target

achievement rate of the manager is considered. 2. Non-Financial indicators: The practice of the Company's core values, the ability of operation and management and the participation in sustainable operations, etc., calculate the remuneration for its business performance and review the remuneration system at any time according to the actual operating conditions and relevant laws and regulations.

IV. Implementation of Corporate Governance

(I) Operations of the Board of Directors:

The board of directors convened 4 (A) regular meetings in 2022 with the following attendance status:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks
Chairperson	Wen-Fang, Huang	4	0	100%	-
Vice Chairperson	Chi-Hong, Chen	4	0	100%	-
Director (Note)	Representative of Qisda Corporation: Yu-Chin, Lin	2	0	100%	-
Director (Note)	Representative of Qisda Corporation: Han-Zhou Huang	2	0	100%	-
Director	Representative of Qisda Corporation: Chiu-Chin Hung	4	0	100%	-
Independent Director	Shu-Hsing Li	4	0	100%	-
Independent Director	Ming-Der, Hsieh	4	0	100%	-
Independent Director	Cheng-Jung Chiang	4	0	100%	-

Note: The institutional director, Qisda Corp. reappointed the representative on April 29, 2022. Mr. Han-Zhou Huang was reassigned as the institutional director representative of the Company, and Mr. Yu-Chin, Lin was promoted to president of the group business group.

Other items shall be recorded:

A. When one of the following matters occurs during the operation of the board of directors, the dates, terms, contents of proposals of the meetings, the opinions of all independent directors and the responses of the Company shall be clearly described:

- Items listed in Article 14-3 of the Securities and Exchange Act: The Company has established an audit committee and the provisions of Article 14-3 of the Securities and Exchange Act are not applicable. For relevant information, please refer to the "Operation of the Audit Committee" in this annual report.
- In addition to the aforementioned matters, any other resolutions made by the board of directors where an independent director expressed a dissenting or qualified with records stated in writing: None.

B. When directors abstain themselves from being a stakeholder in certain proposals, the name of the directors, the contents of the proposal, reasons for abstentions and the results of voting counts shall be stated:

Date	Name	Proposals	Reasons for Avoid Conflicts of Interest	Participation in Voting
March 4, 2022	Representative of Qisda Corporation: Wen-Fang Huang, Chi-Hong Chen, Yu-Chin Lin and Chiu-Chin Hung	To Release the Newly Elected Directors and Their Representatives from Non- competition Restrictions	Release the Newly Elected Directors	Do not participate in discussion and voting
	Chairperson, Wen-Fang Huang Vice Chairperson, Chi-Hong Chen	Donate to BenQ Foundation	The directors of BenQ Foundation	Do not participate in discussion and voting
	Chairperson, Wen-Fang Huang Director, Yu-Chin Lin	Donate to Alpha Foundation	The directors of Alpha Foundation	Do not participate in discussion and voting
April 29, 2022	Representative of Qisda Corporation: Wen-Fang Huang, Chi-Hong Chen, Yu-Chin Lin and Chiu-Chin Hung	Handle with private placement common stock supplementary and issuance for listing	The director of the Company, Qisda Corp, was the placee and avoids interests.	Do not participate in discussion and voting
	Chairperson, Wen-Fang Huang	Change of the president of the Company	Mr. Yu-Chin Lin, the president of the Company, was promoted to the president of the group business group, and Mrs. Wen-Fang Huang, the chairperson of the board, was appointed as the	Do not participate in discussion and voting

			general manager.	
October 27, 2022	Representative of Qisda Corporation: Wen-Fang Huang, Chi-Hong Chen, Yu-Chin Lin and Chiu-Chin Hung	Approved the subsidiary Enrich Investment Corporation to invest in the common stock of Rapidtek Technologies Inc.	The director of the Company, Qisda Corp, was to invest in the common stock of Rapidtek Technologies Inc. and avoids interests.	Do not participate in discussion and voting
	Chairperson, Wen-Fang Huang	Lending Funds to subsidiary Enrich Investment Corporation	Chairperson Wen-Fang Huang is also the chairperson of Enrich Investment Corporation, so she avoided interests	Do not participate in discussion and voting
	Chairperson, Wen-Fang Huang	Capital increase subsidiary Enrich Investment Corporation	Chairperson Wen-Fang Huang is also the chairperson of Enrich Investment Corporation, so she avoided interests	Do not participate in discussion and voting

C. Implementation Status of Board Evaluation

The board of directors approved the “The Rules for Performance Evaluation of the Board of Directors” on November 9, 2020, which stipulated the requirements of commencing performance appraisal of the Board at least once per year. The Company completed the evaluation of the board of directors at least once per year and an external professional independent agency or a team of external experts and scholars conducts a performance evaluation of the board of directors at least once every three years.

(a) The Company completed the performance evaluation of the board of directors at the end of 2022, and reported the evaluation results of the board of directors held on February 24, 2023. The evaluation results of the board of directors, director members and two functional committees were all "excellent", which is enough indicates that the functions and operational efficiency of the company's board of directors and functional committees are good.

(b) Implementation status:

Evaluation Cycles	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Items
The Company completed the evaluation of the board of directors at least once per year and an external professional independent agency or a team of external experts and scholars conducts a performance evaluation of the board of directors at least once every three years.	From January 1, 2022 to December 31, 2022	Internal assessment of the board and self-assessment by each board member, the members of the audit committee and the members of the remuneration committee	Including internal self-evaluation of the board of directors, self-evaluation of directors, self-evaluation of the audit committee and remuneration committee, appointment of external professional institutions and experts for performance evaluation	<ul style="list-style-type: none"> (i) The measurement items of the performance evaluation of the board of directors and director members of the Company include the following aspects: <ul style="list-style-type: none"> a) Understanding of the goals and tasks of the Company. b) The participation degree of the Company's operations. c) Internal relationship management and communication. d) The decision-making quality of the board. e) The composition and structure of the board. f) Awareness of the responsibilities of directors. g) Selection and appointment of directors, professional qualification and continuous education. h) Internal control (ii) The measurement items of the performance evaluation of the members of the audit committee of the Company include the following aspects: <ul style="list-style-type: none"> a) The participation degree of the Company's operations. b) Acknowledgement of responsibilities of the audit committee. c) Improve the decision-making quality of the audit committee. d) Composition of the audit committee and election of members. e) Internal control. (iii) The measurement items of the performance evaluation of the remuneration committee of the Company include the following aspects: <ul style="list-style-type: none"> a) The participation degree of the Company's operations. b) Acknowledgement of responsibilities of the remuneration committee.

Evaluation Cycles	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Items
				c) Improve the decision-making quality of the remuneration committee. d) Composition of the remuneration committee and election of members.

Note: External performance evaluation of the board of directors: expected to be implemented in 2023.

D. Targets for strengthening the functions of the board of directors in the current and the most recent year (e.g., setting up an audit committee and enhancing information transparency) and evaluation of target implementation:

- (a) The Company already established the audit committees and the remuneration committees and at the same time the Company regularly and irregularly discloses the operation and training status of the committees to the public in the Market Observation Post System to achieve the real-time and transparent information disclosure.
- (b) According to Article 26-3 Article 8 of the Securities and Exchange Law, the Company has established "rules of procedure for the board of directors", the content of the board of directors, operating procedures, matters to be stated in the minutes, announcements and other matters to be complied with, all of which are handled in accordance with the rules and exercise power with a high degree of self-discipline and prudence.
- (c) In order to implement corporate governance, enhance the functions of the board of directors and strengthen the operation efficiency of the board of directors, the board of directors has passed the "performance evaluation management of the board of directors" on November 09, 2020, including "functional committees" and stipulated that the performance evaluation should be carried out once a year.
- (d) The Company's directors were re-elected on January 28, 2021 and the original 1 female director was increased to 2 female directors.
- (e) The Company has approved the resolution of the board of directors since March 17, 2020 to set up a corporate governance supervisor to be responsible for corporate governance related affairs.
- (f) Please refer to (2) Operation of Audit Committee, (3) Operation of Corporate Governance and Governance Practices of Listed and OTC Companies in "Corporate Governance Operation" of this annual report for the Company's current and most recent years to strengthen the objectives and implementation of the functions of the Board of Directors Circumstances and reasons for discrepancies in the codes and (4) If the Company has set up a remuneration committee, it shall disclose its composition, responsibilities and operation.

The Company adheres to the consistent attitude of information transparency and immediately publishes important resolutions on the public information observatory after the meeting of the board of directors to maintain shareholders' rights and interests and regularly holds legal person briefings to enhance investors' recognition of the Company.

(II) Status of the Audit Committee:

The audit committee convened 4 (A) regular meetings in 2022 with the following attendance status:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks
Independent Director	Shu-Hsing Li	4	0	100%	
Independent Director	Ming-Der Hsieh	4	0	100%	
Independent Director	Cheng-Jung Chiang	4	0	100%	

Other items that shall be recorded:

1. If any of the following matters occurs during the operation of the Audit Committee, the dates, terms, contents of the proposal of the Board meetings, the opinions of all Independent Directors and the responses by the Company shall be clearly described:

- (1) Matters included in Article 14-5 of the Securities and Exchange Act.
- (2) Except the preceding ones, other resolutions which were not approved by the audit committee but were approved by two thirds or more of all directors.

The resolutions of each board meeting are in accordance with the above 1. and 2. The list is summarized as follows:

Audit Committee	Contents of Proposals	Reasons for Abstentions	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolutions Approved by 2/3 of the Board of Directors without the Approval of the Audit Committee	
Mar.4, 2022 The first meeting	• Proposal of the 2021 “Internal Control System Effectiveness Assessment”.	None	V	None	
	•Proposal of 2021 consolidated financial statements and 2022 operation plans.	None	V	None	
	•Proposal of The Company's 2021 Earnings Distribution	None	V	None	
	•To approve the amendment of the “Procedures for Acquisition or Disposal of Assets”.	None	V	None	
	•Proposal of the service fees of CPAs in 2022	None	V	None	
	Resolution result (2022.3.4): All members of the audit committee agreed to approve.				
The Company's handling of the opinions of the audit committee: all members of the audit committee agreed to approve, so it is not applicable.					
Apr.29, 2022 The second meeting	•Proposal of 2022Q1 consolidated financial statements	None	V	None	
	•Handling with supplementary and issuance of private equity common stock stocks and application for listing	None	V	None	
	Resolution result (2022.4.29): All members of the audit committee agreed to approve.				
	The Company's handling of the opinions of the audit committee: all members of the audit committee agreed to approve, so it is not applicable.				
Aug.1, 2022 The third meeting	•Proposal of 2022Q2 consolidated financial statements	None	V	None	
	•Lending Funds to the Company's 100% Vietnam subsidiary	None	V	None	
	Resolution result (2022.8.1): All members of the audit committee agreed to approve.				
The Company's handling of the opinions of the audit committee: all members of the audit committee agreed to approve, so it is not applicable.					
Oct.27, 2022 The fourth meeting	•Proposal of the 2023 internal audit plan.	None	V	None	
	•Proposal of 2022Q3 consolidated financial statements.	None	V	None	
	• Proposal of the appointment of CPAs for the audit of 2023 financial statements.	None	V	None	
	•Approved for subsidiary Enrich Investment Corporation invest in Aespula Technology Inc.	None	V	None	
	•Proposal of Lending Funds to subsidiary Enrich Investment Corporation.	None	V	None	
	•Proposal of capital increase subsidiary Enrich Investment Corporation.	None	V	None	
	Resolution result (2022.10.27): All members of the audit committee agreed to approve.				
The Company's handling of the opinions of the audit committee: all members of the audit committee agreed to approve, so it is not applicable.					

- For the implementation of Directors' avoidance due to conflicts of interest of Directors, please clearly specify the names of Directors, the content of the proposals, the reasons of avoidance due to conflicts of interest and the participation in the voting and resolution: None.
- Communication between independent directors, the internal audit officer and CPAs (which should include the major issues, channels and results of the audits on the corporate finance and/or operations, etc.):

The Audit Committee of the Company regular meets and discusses by quarterly and invites accountants, internal audit, financial accounting and other units to report or discuss the audit findings of the most recent financial statements (including the responsibility and independence of the lead accountant, audit or review) to the members of the Audit Committee. Scope and method, second quarter or annual financial report review or review results, analysis of important financial ratios, important accounting treatments, important regulatory updates and other related issues), internal audit results (including the report on audit matters in this period, the implementation of this period Post-period follow-up event report and update of important audit laws and regulations), major litigation case reports, financial business overview and other information.

All independent directors communicated well with internal audit officer and accountants. In order to let the members of the audit committee have a better understanding of the relevant laws and regulations and the actual operation of the

Company, the Company also arranges meetings from time to time to conduct other special reports, such as risk management and other topics, so that the members of the audit committee can assist investors to ensure the Company's corporate governance and information. Transparency and other aspects of credibility to protect shareholders' rights.

(1) Communication between independent directors and internal audit officer:

Date and Terms of 2021 Audit Committee	Attendees	Key points of Communications	Suggestions and Corrections
Mar.4, 2022 The first meeting	Independent Director, Shu-Hsing Li	The 2021 Internal Control System Statement and Self-Assessment Implementation Result Report.	None
	Independent Director, Ming-Der Hsieh Independent Director, Cheng-Jung Chiang Audit Officer, He-Zheng Lin	The audit key report from October to December in 2021 and the follow-up situation after the period.	None
Apr.29, 2022 The second meeting	Independent Director, Shu-Hsing Li Independent Director, Ming-Der Hsieh Independent Director, Cheng-Jung Chiang Audit Officer, He-Zheng Lin	The audit key report from January to March in 2022 and the follow-up situation after the period.	None
Aug.1, 2022 The third meeting	Independent Director, Shu-Hsing Li Independent Director, Ming-Der Hsieh Independent Director, Cheng-Jung Chiang Audit Officer, He-Zheng Lin	The audit key report from April to June in 2022 and the follow-up situation after the period.	None
Oct.27, 2022 The fourth meeting	Independent Director, Shu-Hsing Li Independent Director, Ming-Der Hsieh	The audit key report from July to September in 2022 and the follow-up situation after the period.	None
	Independent Director, Cheng-Jung Chiang Audit Officer, He-Zheng Lin	Review of the 2023 Audit Plan.	None

(2) Communication between independent directors and CPAs:

Date	Attendees	Communications between the Independent Directors and the CPAs	Suggestions and Corrections
Mar.4, 2022	Independent Director, Shu-Hsing Li Independent Director, Ming-Der Hsieh Independent Director, Cheng-Jung Chiang CPA, Hai-Ning, Huang Audit Officer, He-Zheng Lin	1. 2021 Financial Report Review Results Report. 2. The material regulatory changes and matters to be followed. 3. Company's own financial report	None
Aug.1, 2022	Independent Director, Shu-Hsing Li Independent Director, Ming-Der Hsieh Independent Director, Cheng-Jung Chiang CPA, Hai-Ning, Huang Audit Officer, He-Zheng Lin	1. 2022 Q2 Financial Report Review Results Report. 2. The material regulatory changes and matters to be followed.	None

4. Annual key functions and operations:

(1) Annual key functions

1. Regularly communicate the audit report results with the internal audit officer according to the annual audit.
2. Regularly communicate with the Company's certified accountants on financial statement review or audit results.
3. Review financial reports.
4. Assess the effectiveness of the internal control system.
5. Pre-review of the appointment, dismissal, remuneration and service matters of the certified public accountant.
6. Review the cases of "Procedures for Acquiring or Disposing of Assets", "Procedures for Lending Funds to others" and "Procedures for Endorsement Guarantees".

7. Legal compliance.

(2) 2022 operations: Proposals of the Audit Committee meetings have all been reviewed or approved by members of the Audit Committee with no dissent from any of the Independent Directors.

(III) Implementation of corporate governance, differences between the implementation results and the contents of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons of the differences:

Evaluation Item	Implementation Status			Differences between Implementation and the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Causes of the Differences
	Yes	No	Explanation	
I. Does the Company follow the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies” to establish and disclose its corporate governance practices?	✓		The Company has established the "Code of Practice on Corporate Governance", which is related to protecting the rights and interests of shareholders, strengthening the functions of the board of directors, respecting the rights and interests of stakeholders and enhancing information transparency.	Comply with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”
II. The Shareholding Structure & Shareholders' Rights (I) Does the Company establish the internal operating procedures to handle the shareholders’ proposals, inquiries, disputes and litigations issues? If yes, has these procedures been implemented accordingly? (II) Does the Company possess a list major shareholders and beneficial owners of these shareholders? (III) Has the Company built and executed a risk management system and firewall mechanism between the Company and its affiliates? (IV) Has the Company established the internal guidelines prohibiting insider trading on the undisclosed information?	✓ ✓ ✓ ✓		(I) The Company has a spokesperson, proxy spokesperson and investor relations unit and fully discloses the contact information on the Company’s website. Shareholders can respond to their opinions by telephone or email. The Company will handle it according to relevant operating procedures. (II) The Company owns the list of major shareholders and beneficial owners of these shareholders. The Company regularly declares the changes in the shareholdings of directors, managers and major shareholders holding more than ten percent of the shares of the Company, as well as regularly announces in the Market Observation Post System on a monthly base. (III) The Company has established and implemented the firewall and risk control mechanism of affiliated companies in the Company’s internal control system and "subsidiary management measures" according to the regulations. (IV) The Company has formulated the "Major Information Processing and Insider Trading Prevention Operational Procedures", which has regulated the insider trading prevention and other related matters and will also review from time to time that these measures are in correlation with the current laws and practical management needs. The relevant education and publicity for the current directors, managers and employees has been completed. The course content includes the confidential work of important information, as well as the reasons for the formation of insider trading, the identification process and the description of transaction examples to let relevant personnel know in 2021. There were 204 people/184 total hours in the annual education publicity course in 2022. Before the publication of quarterly operating results since 2022, the Company has conducted education and publicity on the provisions of Article 157-1 of the Securities and Exchange Act to insiders, supervisors and colleagues with specific positions, including reminders during the period of silence, insider trading The scope and object of the prohibition, the scope and disclosure method of information that has a significant impact on stock prices, penalties and legal regulations, etc., to specifically implement the prevention of insider trading. And cooperate with the competent authorities to promulgate the revised provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies ", the Company will advertise and remind insiders by email 30 days before the announcement of the annual financial report and 15 days before the announcement of the quarterly financial report and remind insiders not to dispose of shareholdings during this period since 2022.	Comply with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”
III. Composition and Responsibilities of the Board of Directors (I) Has the board of directors established a diversification policy of the composition of the board of directors and has it been implemented accordingly?	✓		(I) According to the Company's "Code of Practice on Corporate Governance", Article 20, Paragraph 3 stipulates that the composition of the board of directors should be diversified, such as different professional backgrounds, work fields or genders, etc. and have the necessary knowledge, skills and qualities to perform their duties. . In order to achieve the ideal goals of corporate governance, the board of directors as a whole should have the following capabilities: 1. Operational judgment.	Comply with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”

Evaluation Item	Implementation Status			Differences between Implementation and the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Causes of the Differences
	Yes	No	Explanation	
			<p>2. Accounting and financial analysis skills. 3. Operation and management ability. 4. Crisis handling capacity. 5. Industry knowledge. 6. International perspective. 7. Leadership. 8. Decision making.</p> <p>For the implementation of board diversity by individual directors, please refer to the specific management objectives and achievement of the Board Diversity and Independence and Director Diversity Policy in Section III, Corporate Governance Operation of this Annual Report.</p> <p>The Board of Directors has formulated the "Director Nomination Regulations", which specifies the relevant procedures and standards for the nomination, qualification and evaluation of director candidates. The nomination of directors of the Company is through a rigorous selection process, which not only considers diverse backgrounds, professional abilities and experience, but also attaches great importance to their personal reputation for ethical behavior and leadership. At present, the board of directors of the Company consists of 7 directors with different professional backgrounds. Members include professors, industry leaders and professional managers, including two female directors and there are currently three independent directors, accounting for 43% of all director seats.</p> <p>Through the rich knowledge of the directors, the professional experience sharing of Qisda's Institutional Director, industry insight and business judgment, we strive to create good results for the Company.</p>	
(II) Other than the remuneration committee and the audit committee which are required by law, does the Company plan to set up other functional committees voluntarily?	✓		<p>(II)The Company has established a risk management committee. For details of its operation, please refer to the special chapter on risk management in the annual report. In addition, although the Company does not have a nomination committee at present, the election of directors (including independent directors) of the Company in practical operation is based on candidate nomination system. The list of candidates for current directors (including independent directors) is proposed by shareholders who hold more than 1% of the Company's total shares or the board of directors.</p>	
(III) Has the Company established the methodology for evaluating the performance of the board of directors and use results as reference for directors' remuneration and renewal?	✓		<p>(III) On November 9, 2020, the board of directors of the Company has passed the "Rules for Performance Evaluation of the Board of Directors". The internal performance evaluation shall be conducted at least once a year and the performance evaluation by external independent institutions or panel of external experts and scholars shall be conducted at least once every three years.</p> <p>The internal performance evaluation of the board of directors is carried out by the corporate governance director and the stock affairs unit and is carried out by means of internal questionnaires.</p> <p>The Company completed the board evaluation by the end of 2022. And the evaluation was presented in the board meeting held on February 24, 2023 as a reference for the continuous improvement of the functions of the board of directors.</p> <p>The board of directors are assessed on the following eight aspects:</p> <ol style="list-style-type: none"> (1) Understanding of the Company's goals and mission (2) Involvement in the Company's operation (3) Internal relationship management and communication (4) Enhancement of the quality of the board's decision-making (5) Composition and structure of the board of directors (6) Awareness of directors' responsibilities (7) Election of board members and continuous knowledge development (8) Internal control <p>The evaluation was conducted by means of internal questionnaires. The evaluation of the operation of the board of directors was based on two parts: the operation of the board of directors and the degree of participation of the directors.</p> <p>The evaluation result of the directors' evaluation of the operation of the board of directors is "excellent". Based on</p>	

Evaluation Item	Implementation Status			Differences between Implementation and the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Causes of the Differences																											
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(IV) Does the Company regularly evaluate the independence of CPAs?	✓		<p>the evaluation results of the board of directors for 2022, the overall operation efficiency of the board of directors is good.</p> <p>According to the provisions in Article 30 of the articles of incorporation, the director compensation shall not exceed the 1% of annual profit. The remuneration committee and the board of directors decide the director compensation based on the Company’s operating results, the “Remuneration Guidelines for Directors and Members of Functional Committee” and the evaluation results.</p> <p>(IV) Qisda may, by a resolution adopted by the Audit Committee and Board of Directors, regularly hire the attesting CPA (including independence assessment) on an annual basis. The Company shall require the CPA to provide the independence statement and his / her brief biography document before meeting, ensure that the accounting firm (attesting CPAs and members of audit team) follows the request for independence. Independence assessment indicators of CPA:</p> <table border="1"> <thead> <tr> <th>Evaluation Items</th> <th>Results</th> <th>Independence</th> </tr> </thead> <tbody> <tr> <td>1. Whether the CPAs have a direct or significant indirect financial interests relationship with the Company</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>2. Whether the CPAs have any financing or guarantee arrangements with the Company or the directors of the Company</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>3. Whether the CPAs have a close business relationship and potential employment relationship with the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>4. Whether the CPAs and their audit team members currently or in the past two years have served as directors, managers or positions that have a significant impact on the audit assignment in the Company</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>5. Whether the CPAs provide the Company with non-audit services that may directly affect the audit assignment?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>6. Whether the CPAs broker the stocks or other marketable securities issued by the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>7. Whether the CPAs act as the defenders of the Company or coordinate conflicts with other third parties on behalf of the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>8. Whether the CPAs are related to the Company’s directors, managers, or persons with positions that have a significant influence on the audit case</td> <td>No</td> <td>Yes</td> </tr> </tbody> </table> <p>The Company evaluates the CPA’s independence and competency once per year. The evaluation result of 2022 has been proposed for a resolution by the board of directors and was reviewed and approved by the Audit Committee and the Board of Directors on Oct. 27, 2022, the CPA met the Company’s requirement about independence and competency and should be held qualified to act as the Company’s CPA.</p>	Evaluation Items	Results	Independence	1. Whether the CPAs have a direct or significant indirect financial interests relationship with the Company	No	Yes	2. Whether the CPAs have any financing or guarantee arrangements with the Company or the directors of the Company	No	Yes	3. Whether the CPAs have a close business relationship and potential employment relationship with the Company?	No	Yes	4. Whether the CPAs and their audit team members currently or in the past two years have served as directors, managers or positions that have a significant impact on the audit assignment in the Company	No	Yes	5. Whether the CPAs provide the Company with non-audit services that may directly affect the audit assignment?	No	Yes	6. Whether the CPAs broker the stocks or other marketable securities issued by the Company?	No	Yes	7. Whether the CPAs act as the defenders of the Company or coordinate conflicts with other third parties on behalf of the Company?	No	Yes	8. Whether the CPAs are related to the Company’s directors, managers, or persons with positions that have a significant influence on the audit case	No	Yes	
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IV. Does the Company appoint the competent and appropriate corporate governance personnel and the corporate governance officer to be responsible for corporate governance matters (including but not limited to furnishing required information for business execution by directors and supervisors, assisting compliance of laws, handling matters related to the meetings of the board of directors and shareholders' meetings in accordance with the laws and recording meeting minutes of the board of directors and shareholders' meeting)?	✓		<p>On March 17, 2020, the Company, after a resolution adopted by the board of directors, hired Kathy Chen to take part as a role of financial division and corporate governance officer responsible for supervision and planning of corporate governance. Chen’s qualifications meet the requirements of the position in the provisions regarding the corporate governance officer set out in Paragraph One of Article 3-1 of the “Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies”. The major responsibilities of the corporate governance officer include providing the information required by the directors and audit committee and the latest regulations regarding corporate operation, providing assistance in legal compliance of the directors and audit committee, handling matters related to the meetings of the board of directors and shareholders' meetings in accordance with the laws, preparing the meeting minutes of the board of directors and shareholders' meetings and providing assistance in assuming office to directors and the audit committee members and continuous education.</p> <p>The execution in 2022 is updated as follows: 1. Assist all directors to perform their duties, provide the</p>	Comply with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”																											

Evaluation Item	Implementation Status			Differences between Implementation and the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Causes of the Differences																				
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			<p>required information and arrange the continuous education for directors.</p> <p>2. Regularly inform the board members dedicated to the revised regulations regarding corporate business operation and corporate governance.</p> <p>3. Inspect the confidential levels of relevant information and provide the corporate information required by the directors to maintain the communication and smooth interaction between directors and manager.</p> <p>4. Review the release of announcement of material information upon the adoption of important resolutions after the meetings to ensure the compliance and correctness of the material information and the information transparency to investors.</p> <p>5. The all board members have completed continuous education at least 6 courses.</p> <p>6. There were four meetings of the board of directors and four meetings of the audit committee convened in 2022.</p> <p>7. There were one general shareholders' meeting was convened in 2022.</p> <p>8. The Company purchases liability insurance for directors and reports to the board of directors on insurance renewal matters in August 2022.</p> <p>The continuing education status of the corporate governance officer is as follows:</p> <table border="1"> <thead> <tr> <th>Host by</th> <th>Courses</th> <th>Date</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>Securities & Futures Institute</td> <td>Prevention of insider trading publicity meeting in 2022</td> <td>2022/06/10</td> <td>3</td> </tr> <tr> <td>Taiwan Corporate Governance Association</td> <td>Case analysis of disputes over management rights</td> <td>2022/08/19</td> <td>3</td> </tr> <tr> <td>Securities & Futures Institute</td> <td>Protection of Trade Secrets</td> <td>2022/09/08</td> <td>3</td> </tr> <tr> <td>TWSE</td> <td>Release of reference guidelines for independent directors and audit committees to exercise their powers and directors and supervisors promotion meeting</td> <td>2022/09/29</td> <td>3</td> </tr> </tbody> </table> <p>Note: As of 2022.</p>	Host by	Courses	Date	Hours	Securities & Futures Institute	Prevention of insider trading publicity meeting in 2022	2022/06/10	3	Taiwan Corporate Governance Association	Case analysis of disputes over management rights	2022/08/19	3	Securities & Futures Institute	Protection of Trade Secrets	2022/09/08	3	TWSE	Release of reference guidelines for independent directors and audit committees to exercise their powers and directors and supervisors promotion meeting	2022/09/29	3	
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V. Has the Company established a means of communicating with stakeholders (including but not limited to shareholders, employees, customers, suppliers and so on.) or created a stakeholder section on the Company's website in response to stakeholders' questions on corporate responsibilities?	✓		<p>The Company has built an ESG website area (https://www.alphanetworks.com/csr) on the Company's website since 2015 to transparently disclose information about the company's sustainable development of the company. We also has [Stakeholders] website page to provide communication channels for stakeholders to respond appropriately and immediately to issues of concern. The (online) stakeholder questionnaire was also launched in October 2022. All stakeholders can express their focus online, which provides an important direction for the Company to consolidate its sustainable development strategy. Financial and business information is also regularly announced on the public information observation station and the Company's website, and major information is also released in a timely manner for events that may affect stakeholders.</p> <p>Since 2021, report to the board of directors every year on "Corporate Social Responsibility (Sustainable Development) Implementation Plan and Achievements". In addition, report the communication with various stakeholders to the board of directors on a regular basis every year (at least once a year). The communication situation of various stakeholders in 2022 was reported to the board of directors on February 24, 2023, and fully disclosed in the sustainable report of the Company. For details, please refer to the Company's Corporate Social Responsibility Report.</p>	Comply with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"																				
VI. Has the Company appointed a registrar for the matters of the shareholders' meeting?	✓		The Company has appointed CTBC Bank Co., Ltd. Stock Affairs Department as the registrar for the shareholders' meeting.	Comply with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"																				
VII. Information Disclosure (I) Has the Company set up a website containing the information regarding	✓		(I) The Company has established the Investor Relations section in its website in Chinese and English and Simplified Chinese	Comply with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM																				

Evaluation Item	Implementation Status			Differences between Implementation and the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Causes of the Differences Listed Companies”
	Yes	No	Explanation	
the financial, business operations and corporate governance status? (II) Does the Company use other information disclosure channels (such as setting up the English website, appointing personnel responsible for gathering and disclosing the information, establishing a spokesperson system and webcasting the investor conference etc.)? (III) Does the Company publicly announce the annual financial reports within two months after the end of each fiscal year and announce the first, second and third quarter financial reports as well as the operating prior to the designated deadlines?	✓		(www.alphanetworks.com) that discloses the information regarding financial, business operations and corporate governance and the Company also discloses the information in Market Observation Post System in accordance with related regulations. (II) The Company has set up a Chinese and English corporate website to provide relevant information for shareholders and interested parties (www.alphanetworks.com, Chinese and English version) and appointed Shao-ling, Chen as the spokesperson. Dedicated personnel are responsible for company information collection and disclosure and provide the replays of investor conferences on the corporate website. (III) The Company publicly announced the 2022 consolidated financial statements and parent company only financial statement on February 24, 2023. The 2022 first quarter, second quarter and third quarter financial statements, plus the monthly operating status, were publicly announced on the Market Observation Post System prior to the designated deadlines and then showed on the Company’s website.	
VIII. Has the Company disclosed other important information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholders’ rights, continuing education records of directors and supervisors, risk management policy and execution of risk measurement standards, execution of customer policy and purchasing liability insurance directors and supervisors.)? (I)Employee Rights and Employee Care (II)Investor Relations (III)Supplier relationship (IV)Rights of interested parties (V)Situation of training for directors and supervisors	✓		(I)Employee Rights and Employee Care: The Company has always placed great emphasis on talent development; we encourage employees to participate in training courses, arrange a multitude of welfare measures and have an Employee Safety and Health Department in place to prevent and share information on hazard prevention. Furthermore, health seminars and checkups are organized from time to time to provide assurance over employees’ safety and health. During the COVID-19, provide colleagues with necessary information and resources for epidemic prevention publicity and health management. Please refer to this Annual Report Overview of Operation of Labor-Management Relations. (II)The finance division has designated personnel to handle shareholder-related matters. In accordance with relevant regulations, the designated personnel will immediately announce information about financial, business and insider shareholding changes in the Market Observation Post System in accordance with relevant regulations to achieve the publicity and transparency of information. Besides, there is the investor contact information in the corporate website. (III)The Company has established a supplier review and evaluation process and the relevant internal departments will review the supplier’s quality/service level, green products, environmental safety and health risks, ethical standards and social responsibility. Only those who pass the review can become partners. (IV)The Company’s website has an ESG section, which actively discloses the relevant measures and results of Alpha’s sustainable development and provides communication and interaction channels for various interested parties on the ESG section [Interested parties] webpage. People interaction and communication. The identification of issues concerned by interested parties and the implementation effectiveness of various corporate sustainable development are also disclosed in the corporate sustainable development report every year and are reported to the board of directors on a regular basis (at least once a year). (V)The Company’s 2022 training for directors has been handled in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of	Comply with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”

Evaluation Item	Implementation Status			Differences between Implementation and the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Causes of the Differences
	Yes	No	Explanation	
(VI) Implement risk management policies and risk measures	✓		<p>TWSE Listed and TPEX Listed Companies" issued by the Taiwan Stock Exchange Corporation. For the training of directors of the Company in 2022, please refer to the latest annual director's training.</p> <p>(VI) The Company formally established the "Risk Management Committee" (hereinafter referred to as RMC) in accordance with the "Risk Management Vision, Policies and Procedures" passed by the board of directors. RMC regularly (quarterly) or irregularly identifies risks and outputs risks. The radar chart summarizes the identified risks into company-level major risks and proposes countermeasures in 2022. RMC collects, identifies and aggregates corporate risks according to four major dimensions (strategic risk, operational risk, financial risk and hazard risk) and manages risks through procedures such as risk identification, risk prevention and risk transfer. RMC's operation status and risk management results are reported to the board of directors by regularly (at least once a year, reported on February 24, 2023) and relevant information is disclosed on the Company's website. The Company has set up a risk management committee to formulate risk management policies and regularly evaluate company risks to reduce corporate risks. For relevant information, please refer to the special chapter on risk management.</p> <p>Note: "Risk Management Vision, Policies and Procedures" was approved by the Board of Directors on February 24, 2023, and the article was amended and renamed "Risk Management Policies and Procedures".</p>	
(VII) Implementation of Customer Policy	✓		(VII) The Company usually maintains close contact with customers, informs the products that meet their interests at any time and ensures that the products meet the expected reliability and quality.	
(VIII) Purchase of Liability Insurance for Directors	✓		(VIII) The Company has purchased liability insurance for directors and managers, regularly assesses the insurance amount every year and reports the renewal of directors' liability insurance to the board of directors.	
<p>IX. The improvement status for the results of Corporate Governance Evaluation announced by Governance Center of Taiwan Stock Exchange Corporate (TWSE) in recent years. In addition, the Company shall propose the first priority matters and measures.</p> <ol style="list-style-type: none"> 1. The Company has set up a section for interested parties on the Company website to understand and respond to important corporate social responsibility issues that interested parties are concerned about. Strengthen and improve projects such as corporate social responsibility. 2. The financial report of the Company is planned to be approved by the board of directors 7 days before the announcement and the financial report will be announced within 1 day after the approval date or the submission date from 2022. 3. After the annual evaluation results are announced, the Company will review the projects that have not yet met the standards and continue to improve to implement information disclosure and transparency, reduce information asymmetry and enhance shareholders' rights. 				

Note: Please refer to the Company's 2022 annual report for the corporate governance operation of the Company's subsidiary Hitron Technologies Inc.

(IV) Composition, Duties and Operations of the Company's Remuneration Committee:

1. Information regarding the members of the remuneration committee

Position	Criteria		Independence Situation (Note)	Number of Other Public Companies Concurrently Serving as a Remuneration Committee Member
	Name	Professional Qualifications and Experience		
Independent Director (convener)	Ming-Der Hsieh	Please refer to Professional qualifications and independence analysis of directors	Compliant	0
Independent Director	Shu-Hsing Li		Compliant	3
Independent Director	Cheng-Jung Chiang		Compliant	3

Note: Independence; including but not limited to whether the person, spouse, or relatives within the second degree act as directors, supervisors or employees of the Company or its related enterprises;) The number and proportion of shares held in the Company; whether he is a director, supervisor or subject of a Company that has a specific relationship with the Company (refer to the provisions of Article 3, Paragraph 1, Subparagraphs 5 to 8 of the Regulations on the Establishment of Independent Directors of Public Companies and Matters to be Complied with). Employed persons; the amount of remuneration received for providing business, legal, financial, accounting and other services to the Company or its affiliates in the last two years.

2. Responsibilities of the Remuneration Committee:

The Remuneration Committee shall faithfully perform the following functions and powers with the attention of a good manager, and submit the recommendations to the Board of Directors for discussion:

- (1) Formulate and regularly review the policies, systems, standards and structures for performance evaluation and salary of directors and managers.
- (2) Regularly evaluate and determine the remuneration of directors and managers.

3. Information of Operations of the Remuneration Committee

- (1) There are three members in the remuneration committee.
- (2) Term of the current Committee: From January 28, 2021 to January 27, 2024. Three meetings (A) of the remuneration committee are convened in 2022 and the attendance information is as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks
The convener	Ming-Der Hsieh	3	0	100	-
Member	Shu-Hsing Li	3	0	100	-
Member	Cheng-Jung Chiang	3	0	100	-

4. Discussion from the Remuneration Committee in 2022 and up to the publication date of this annual report, resolutions, and ways the Company handled opinions from committee members:

Date	Meeting session	Contents of Resolutions	Results of Resolutions	Company's Response to the Opinions from the Remuneration Committee
2022.3.4	3 rd of the 5 th term	1.Report on the performance evaluation results of the remuneration committee 2.2021 annual salary report for senior managers. 3.Proportion of employee and director compensation allocation. 4.It is proposed to propose the 2022 annual salary index plan for senior managers.	All attending members of the remuneration committee agreed.	The resolution of the board of directors was approved by all the attending directors.
2022.4.29	2 nd of the 5 th term in extraordinary meeting	1.Appointment of manager severance pay distribution report. 2.Proposal on the remuneration of the chairperson, CEO and president	All attending members of the remuneration committee agreed.	The resolution of the board of directors was approved by all the attending directors.
2022.10.27	3 rd in 2022	It is proposed to propose the 2022 annual salary index for senior managers	All attending members of the remuneration committee agreed.	The resolution of the board of directors was approved by all the attending directors.

Other items that shall be recorded:

- I. If the board of directors chooses not to adopt or revise recommendations proposed by the remuneration committee, the date of the meeting of the board of directors, session, contents of proposals, results of resolutions and the Company's actions toward opinions provided by the remuneration committee shall be described in detail (also, where the salary and compensation approved by the meeting of the board of directors is better than the one recommended by the remuneration committee, the differences and the reason for the approval shall be described in detail): None.
- II. For the resolutions made by the remuneration committee, if there are members who hold objection or reservation to a resolution and such objection or reservation is on record or raised through a written statement, the date, session, contents of proposals, all members' opinions and ways in handling these opinions should be elaborated: None.

(V) Status on Execution of Social Responsibility, the Differences between the Execution and the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and the Reasons of the Difference:

Promotion Items	The Executions			Differences between the Execution and the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and the Reasons of the Differences
	Yes	No	Summary	
I. Whether the Company has established a governance structure to promote sustainable development and set up a (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle senior management and the supervision of the board of directors?	✓		<p>1. The Company has formulated a code of practice for the practice of sustainable development of enterprises and established the sustainable development policy of enterprises as: a. Implement corporate governance; b. Develop a sustainable environment; c. Provide a friendly workplace; d. Maintain society Public welfare; e. Strengthen the disclosure of sustainable development information.</p> <p>2. The sustainable development governance structure of the Company includes the board of directors, the "Sustainable Development Committee" and the "Sustainability Report Compilation Group", as described below:</p> <p>a. The Company has set up "CSR Committee" since 2018 and changed its name to "Sustainable Development Committee" (hereinafter referred to as ESG Committee) in 2021. The ESG Committee is responsible for condensing the Company's strategies for sustainable development and integrating internal Various organizations, including the Accounting Center, Business Units, Manufacturing Center, Quality Center, Labor Safety Department, Human Resources Department and Alpha Foundation, have invested in various tasks for the sustainable development of the enterprise and have provided information on the Company. The progress of the sustainable development of enterprise and the communication with interested parties shall be reported to the board of directors by regularly (at least once a year) and the board will review the relevant strategies and request the ESG committee to make adjustments if necessary (and reported to the board in 2023.2.24).</p> <p>b. In addition, in order to comply with and implement the principle of "strengthening information disclosure for sustainable development", the ESG Committee has established a "Sustainability Report Compilation Team" to strengthen both "Promotion of Work Items (ESG Committee)" and "Transparent Disclosure (Compilation Team)")" and divide the work. The report compilation team compiles and publishes the Company's Sustainability Report every year according to the operating method, which fully discloses the relevant information of the sustainable development of the Company. In addition, before the issuance of the sustainability report, the content is verified by an external third-party impartial unit and checked by the ESG committee before it is released to the public. The Company participated in the TCSA Taiwan Enterprise Sustainability Report Awards with its 2021 sustainability report, and won the "Electronic Information Manufacturing Industry - Category 1" silver award, which fully proves that the Company will be sustainable. Transparently implement the efforts and achievements in the sustainability report in August 2022.</p> <p>3. For the governance structure and operation structure of the Company in the sustainable development of the enterprise, please refer to the ESG section of the Company website. (https://www.alphanetworks.com/csr)</p>	Comply with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”

Promotion Items	The Executions			Differences between the Execution and the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and the Reasons of the Differences
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II. Does the Company follow materiality principle to conduct the risk assessment for environmental, social and corporate governance topics related to corporate operation and establish risk management related policy or strategy?	✓		<p>1. According to the five principles of interest parties (dependency, responsibility, tension, influence and multiple viewpoints), the Company’s ESG Committee identifies important interest parties including: employees, customers, suppliers, investors, media, etc. In addition, with reference to international trends, research reports and documents related to sustainable development, third-party evaluation agencies and issues that internal units attach importance to, extensive internal and external investigations and collection of information on various important stakeholders (environmental, social) and corporate governance, etc.) issues, through stakeholder surveys and statistics, to effectively identify, measure and evaluate issues that may have a significant impact on the Company, investors and other stakeholders, and comprehensive assessment as a corporate sustainability An important development direction basis for development, and a concrete action plan for ESG strategy and planning.</p> <p>2. With reference to GRI Standards, the ESG Committee listed a total of 31 issues of concern to interest parties in terms of corporate governance, environmental protection and social responsibility and conducted a stakeholder survey. The total of 278 questionnaires were collected in 2022. By communicating with interest parties to understand their concerns on the environment, society and corporate governance and then appropriately planning sustainable development strategies to respond to interest parties expectations and create the value of the Company to interest parties.</p> <p>3. Based on the evaluation, determine the relevant ESG strategy, environmental, social and corporate governance implementation projects and results, please refer to the ESG section of the Company’s website, or the annual sustainability report issued by the Company (available in the ESG section 【 Sustainability Report Download 】 Website Download)</p>	Comply with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”
<p>III. Environmental Issues</p> <p>(I) Does the Company establish an environmental management system according to industry characteristics?</p>	✓		<p>(I) All manufacturing plants of the Company have established an environmental management system to promote environmental management activities and have passed ISO14001:2015 certification by a third-party certification organization. At the same time, in order to effectively implement the management of hazardous substances and reduce the greenhouse gas emissions of the organization, establish a relevant management system and obtain IECQ QC080000:2017 and ISO 14064-1 certification and the relevant environmental management system can effectively reduce the impact and impact on the environment.</p> <ul style="list-style-type: none"> • Environmental management system total achieved 5 Target Projects in 2022: 	Comply with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”

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			<ul style="list-style-type: none"> GHG emission reduction $\geq 3\%$; Completed the new version of ISO14064-1:2018 checking and calculation method training. The Hsinchu Factory, Dongguan Factory and Changshu Factory will introduce the new version of the planning standard from 2022. <p>The Company’s Official Website: Environmental Sustainability - Alpha Networks Inc. The Sustainability Report of the Company can be downloaded from the ESG section【Sustainability Report Download】 Website)</p>																					
(II) Is the Company committed to enhancing resource efficiency and to the use of recycled materials with low environmental impact?	✓		<p>(II) All products of the Company are complied with EU RoHS, WEEE and other instructions in 2021 and the Company continues to execute product performance improvement to meet the requirements of the EU ErP directive under strict control. In the product development stage, Life Cycle Thinking (LCT) is introduced and green design concepts are successively added and adjustments are made in accordance with the updates of international environmental regulations.</p> <ol style="list-style-type: none"> The Company follows the EU WEEE product design principles, chooses the components that can be recycled and reused as much as possible and avoids coating, welding and adhesion and other difficult-to-disassemble designs. The Company meets WEEE requirements and makes product dismantling manuals and WEEE 3R report related technical documents to ensure that the product recovery rate target is achieved. The concept of life cycle is introduced in the product development stage. It is expected that at all stages of the product life cycle, including the acquisition of raw materials, manufacturing, distribution and sales, use and waste recycling, etc., the major environmental considerations can be identified and the goal is to minimize the environment impact. The energy efficiency of the product is based on the EU’s ErP and the consideration of the relevant implementation method (EC) No.1275/2008 Energy consumption in standby and shutdown modes of household or office equipment and (EU) 2019/1782 external power supply. With the green material management platform and under strict internal control of the Company, except for the introduction of lead-free manufacturing processes, all manufacturing parts are complied with EU RoHS and REACH regulations. <ul style="list-style-type: none"> Statistics on the number of products complying with environmental regulations in 2022 <table border="1"> <thead> <tr> <th>Pieces\Month</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Number of pieces to be completed</td> <td>687</td> </tr> <tr> <td>Actual number of pieces</td> <td>687</td> </tr> <tr> <td>Achieved rate %</td> <td>100</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Products compliance declaration in 2022 <table border="1"> <thead> <tr> <th>Types</th> <th>Pieces</th> </tr> </thead> <tbody> <tr> <td>China RoHS</td> <td>19</td> </tr> <tr> <td>REACH</td> <td>97</td> </tr> <tr> <td>RoHS</td> <td>125</td> </tr> <tr> <td>Substances List</td> <td>8</td> </tr> <tr> <td>TSCA</td> <td>206</td> </tr> </tbody> </table>	Pieces\Month	Total	Number of pieces to be completed	687	Actual number of pieces	687	Achieved rate %	100	Types	Pieces	China RoHS	19	REACH	97	RoHS	125	Substances List	8	TSCA	206	Comply with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”
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(III) Does the Company evaluate the current and future climate change potential risks and opportunities and take response measures to climate related issues?	✓		<p>(III) The Company is well aware of the impact caused by the earth's climate, ecology and environment. As a member of the global citizen, the Company shall fulfill the corporate responsibilities in order to respond to the global green new deal and green economy. Since 2013, it has participated in the "Carbon Disclosure Project (CDP)" and registered the greenhouse gas inventory records on the project website. After the disclosure, CDP will announce the annual disclosure and performance results for customers and relevant interested parties for reference. The project includes the disclosure of projects such as climate change, water and supplier participation in 2021. The Company will continue to pay attention to global climate change and other related issues and work together to improve it.</p> <p>The CDP result from 2019 to 2022</p> <table border="1"> <thead> <tr> <th>Result \ Year</th> <th>2019</th> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Climate change</td> <td>C</td> <td>B-</td> <td>B-</td> <td>B-</td> </tr> <tr> <td>Saving water</td> <td>B-</td> <td>B</td> <td>B-</td> <td>B-</td> </tr> <tr> <td>Supplier engagement assessment</td> <td>B-</td> <td>C</td> <td>C</td> <td>-</td> </tr> </tbody> </table>	Result \ Year	2019	2020	2021	2022	Climate change	C	B-	B-	B-	Saving water	B-	B	B-	B-	Supplier engagement assessment	B-	C	C	-	Comply with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"																
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(IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity over the past two years and formulate policies regarding carbon reduction, greenhouse gas emission reduction, water consumption reduction or other waste management?	✓		<p>(IV)The Company collects data about greenhouse gas emissions, water consumption and total waste weight every year and formulates energy saving and carbon reduction, greenhouse gas reduction, water consumption reduction and waste management, which are disclosed in the annual corporate social responsibility report. Relevant statistics in 2022 are as follows:</p> <p>(1) The Company (Hsinchu Factory) is in response to the requirements of the new version of ISO14064-1:2018 to identify greenhouse gases, including: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated Carbides (PFCs), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) and other seven greenhouse gases. The operating boundaries of the Company (Hsinchu Plant) include direct greenhouse gas emission sources (type 1), indirect greenhouse gas emission sources (type 2, type 3, type 4, type 5, type 6). The total amount of greenhouse gas emission sources of Mingtai Technology (Hsinchu Plant) in 2011 was 533,513.58 ton CO2e, and the emissions of each category are shown below.</p> <ul style="list-style-type: none"> The statistics of the Company in 2022 as follows: <table border="1"> <thead> <tr> <th>Type</th> <th>Type 1</th> <th>Type 2</th> <th>Type 3</th> <th>Type 4</th> <th>Type 5</th> <th>Type 6</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>(ton CO2e)</td> <td>91.38</td> <td>4,471.90</td> <td>585.08</td> <td>18,293.74</td> <td>510,071.49</td> <td>-</td> <td>533,513.58</td> </tr> <tr> <td>(%)</td> <td>0.02%</td> <td>0.84%</td> <td>0.11%</td> <td>3.43%</td> <td>95.61%</td> <td>-</td> <td>100.00%</td> </tr> </tbody> </table> <p>(2)The sewage of the Company produced is sewage and kitchen sewage. It is not the waste water generated by the process, it is only self-disclosed sewage, including discharge water. Effluent Testing: the Company entrusts an environmental inspection and measurement agency approved by the Environmental Protection Administration of the Executive Yuan every year and test and save test report. Flowmeter calibration: Use a calibration ruler to measure and record the head overflow height actually in the triangular weir water tank pipeline on site.</p> <ul style="list-style-type: none"> The statistics of the Company in the past two years (2021 ~2022) are as follows: <table border="1"> <thead> <tr> <th>Year</th> <th>Hsinchu Emissions (tons)</th> <th>Dongguan Emissions (tons)</th> <th>Changshu Emissions (tons)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>22,193</td> <td>48,908</td> <td>79,787</td> </tr> <tr> <td>2022</td> <td>29,110</td> <td>27,351</td> <td>73,014</td> </tr> </tbody> </table>	Type	Type 1	Type 2	Type 3	Type 4	Type 5	Type 6	Total	(ton CO2e)	91.38	4,471.90	585.08	18,293.74	510,071.49	-	533,513.58	(%)	0.02%	0.84%	0.11%	3.43%	95.61%	-	100.00%	Year	Hsinchu Emissions (tons)	Dongguan Emissions (tons)	Changshu Emissions (tons)	2021	22,193	48,908	79,787	2022	29,110	27,351	73,014	Comply with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
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			<p>(3)The Company formulates waste management procedures and establishes an internal effective waste management system to avoid environmental pollution due to improper waste management. Waste is divided into general waste, hazardous industrial waste and business waste. The Hsinchu Plant has set up a waste storage area that meets the regulations and entrusts the waste disposal company that has been approved by the government and has not been penalized in the past year to deal with it. To achieve waste reduction targets.</p> <ul style="list-style-type: none"> The statistics of the Company’s Hsinchu, Dongguan and Changshu factories in the past two years from (2021~2022) are as follows <table border="1"> <thead> <tr> <th>Year</th> <th>General Waste (Kilogram)</th> <th>Hazardous industrial waste (Kilogram)</th> <th>Business Waste (Kilogram)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>634,801.10</td> <td>48,544.00</td> <td>159,900</td> </tr> <tr> <td>2022</td> <td>603,455</td> <td>62,587</td> <td>158,270</td> </tr> </tbody> </table> <p>The Sustainability Report of the Company can be downloaded from the ESG section 【Sustainability Report Download】 Website)</p>	Year	General Waste (Kilogram)	Hazardous industrial waste (Kilogram)	Business Waste (Kilogram)	2021	634,801.10	48,544.00	159,900	2022	603,455	62,587	158,270	
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<p>IV. Social Issues</p> <p>(I) Does the Company set up policies and procedures in compliance with laws and regulations as well as the international recognized human rights principles?</p>	✓		<p>(I) The Company abides by the Labor Standards Act and formulates work rules for employees in accordance with the law and implements them after reporting to the Hsinchu Science Park Administration for approval to protect the legitimate rights and interests of employees. In addition, an employee welfare committee is set up, which is functioned by labor representatives through internal elections of employees. This committee can plan and handle employee welfare matters. And adopt the standards consistent with the Responsible Business Alliance (RBA) code of conduct, abide by the regulations of each global operating base and protect the human rights of employees. In terms of policies, the Company has also formulated relevant policies and other internal management measures, clearly declaring to protect the rights of employees and take proper care of colleagues.</p> <p>Moreover, according to the Company’s hiring principles, the public recruitment and selection will be performed based on actual business needs. The Company puts the talent to better use and designate such talent to areas where they can thrive. No matter the ethnic or national origin of the person, race, color, age, gender, sexual orientation, gender identity, expression, nationality or area, physical disabilities, pregnancy, belief, political inclination, background, family responsibility, identity of soldiers dismissed from the military, genetic informatics or marital status and only it is otherwise expressly provided by the act, there shall be no unequal treatment or behaviors. And, the Company never hires children workers and ban forced laboring.</p>	Comply with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”												
<p>(II) Does the Company establish and implement the rational employee benefit measures (including remuneration, leave and other benefits...etc.), link operational performance or achievements with employee remuneration?</p>	✓		<p>(II) 1. Employee remuneration: The Company regularly measures the market salary level to formulate a reasonable salary and remuneration policy to ensure the overall salary competitiveness. It is stipulated in the Company's articles of incorporation that if the Company has a profit in the year, 10%~22.5% should be allocated as employee compensation and the Company's operation Linking performance and employee rewards. The average raised 4% salary pay in 2022.</p> <p>2. Employee benefits: The Company consistently applies its management philosophy based on respect for human dignity and care of employees. In order to fully support the mental and physical health of employees and their</p>	Comply with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”												

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			<p>families and life guarantees, the Company specifically provides the bonuses for Taiwan's three main annual festivals, performance bonuses, operation bonus, pay leaves, group insurance, and health inspections and so on. Moreover, besides relevant regulations on remuneration, time off and benefits in the work rules, there are also management rules such as salary management rules, employee leave management rules, overtime management rules, natural disaster leave standards, employee welfare subsidies and wide-ranging benefits established in the work rules so that the employees can concentrate their attention and put considerable effort into work.</p> <p>3. Workplace diversity and equality The Company focuses on gender equality, equal remuneration and promotion opportunities. 45% of employees were women and men and women were paid equally for equal work in 2022.</p> <p>The Company's new recruits starting salary ratio</p> <table border="1"> <thead> <tr> <th>Area</th> <th>Type</th> <th>Female</th> <th>Male</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Taiwan</td> <td>direct personnel</td> <td>1</td> <td>1</td> </tr> <tr> <td>indirect personnel</td> <td>1</td> <td>1</td> </tr> </tbody> </table> <p>Note: Ratio of starting salary of new recruits = starting salary of female new recruits / starting salary of male new recruits</p> <p>The average salary ratio of Alpha's new recruits</p> <table border="1"> <thead> <tr> <th>Area</th> <th>Type</th> <th>Female</th> <th>Male</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Taiwan</td> <td>direct personnel</td> <td>1.10</td> <td>1.10</td> </tr> <tr> <td>indirect personnel</td> <td>1.88</td> <td>1.88</td> </tr> </tbody> </table> <p>Note: Starting salary standard for new recruits/local legal basic salary</p> <p>4. Retirement systems The Company has established employee retirement methods and retirement systems, please refer to the "Labor-Management Relations" section of this annual report.</p>	Area	Type	Female	Male	Taiwan	direct personnel	1	1	indirect personnel	1	1	Area	Type	Female	Male	Taiwan	direct personnel	1.10	1.10	indirect personnel	1.88	1.88	
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(III) Does the Company provide a safe and healthy working environment to employees, with regular safety and health education?	✓		<p>(III) The Company strives to create a healthy and safe working environment, formulates occupational safety related regulations, conducts workplace hazard identification and risk assessment and change management, regularly implements occupational safety and health audits and implements the Taiwan Occupational Safety and Health Management System (TOSHMS). In addition, the following measures and activities are also implemented to enhance the concept of labor safety and provide a healthy working environment for employees:</p> <ol style="list-style-type: none"> 1. The training organization arranges for each new employee to conduct general education training on safety, hygiene and hazards. 2. General safety and health on-the-job education and training of employees. 3. Training of employees for special operations, such as first aid personnel, ionizing radiation operators, organic solvent operations supervisors, stacker operators, etc. 4. Relevant organizations conduct regular environmental and facility inspections weekly and monthly. 5. The work environment shall be tested regularly for organic solvents, noise, carbon dioxide and lighting. 6. The Company has set up sports venues and equipment in the factory for employees to exercise and regularly conducts employee health inspections every year to maintain their physical and mental health. 7. There was no occupational accident due to work and the frequency of disability injury was zero. 	Comply with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"																						

Promotion Items	The Executions			Differences between the Execution and the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and the Reasons of the Differences									
	Yes	No	Summary										
			<p>The Company continued to strengthen work safety promotion, regularly carried out automatic inspections, paid attention to the physical and mental conditions of colleagues and ensured the safety of colleagues during work in 2021 and 2022.</p> <p>The Company's industrial safety education training and promotion in the past two years</p> <table border="1"> <thead> <tr> <th>Year</th> <th>education training amount</th> <th>education training hours</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>995</td> <td>2,014</td> </tr> <tr> <td>2022</td> <td>1,657</td> <td>4,962</td> </tr> </tbody> </table>	Year	education training amount	education training hours	2021	995	2,014	2022	1,657	4,962	
Year	education training amount	education training hours											
2021	995	2,014											
2022	1,657	4,962											
(IV) Does the Company establish the effective career development training?	✓		<p>(IV)The company is well aware that training development is a long-term plan for the company, and talents are the most valuable assets of the company. Therefore, it spares no effort in employee training and career planning, and invests a huge training budget and resources year by year to expand multiple learning channels. In the face of the epidemic era, we will take active measures to carry out blended learning through digital transformation, so that employees can obtain the best learning and development opportunities. The company plans to have a complete training system (newcomer training/management training/professional training/external training), and at the same time update the e-learning system to provide employees with more diverse and refined learning channels to assist employees in the development of career capabilities.</p>	Comply with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”									
(V) Does the Company’s products and services comply with relevant laws, regulations and international guidelines for customers’ health and safety, privacy, sales, labeling and set policies to protect customers’ rights and consumer apple procedures?	✓		<p>(V) Based on the E-CAN values, the Company puts the customer's value and needs in the first place and must achieve 【customer value】 with its mission and it is not false marketing to customers.</p> <p>Besides, the Company is the foundry of Netcom products and the sales activities of products to end consumers are the affairs of the OEM customers. The Company does not directly face end consumers. The content of product labels is produced and posted according to customer needs. In line with the relevant laws and regulations of various places, The Company has not violated the information and labeling regulations of products and services in 2022, nor has it violated relevant marketing communication (including advertising, promotion) regulations.</p> <p>Moreover, the Company uses an objective method through the questionnaire survey of customer satisfaction, hoping to understand from different customer groups whether the products and services provided can meet the needs of customers, as a basis for continuous improvement.</p> <p>The 【interest parties】 of the ESG section of the Company's website provides communication and interaction channels for various interest parties. For the issues raised by each interest parties, a special person is responsible for handling related matters.</p>	Comply with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”									
(VI) Does the Company establish the supplier management policy and ask the suppliers to follow the related rules for the issues of environmental protection, occupational safety and health or labor rights and the implementation status?	✓		<p>(VI)According to the RBA Responsible Business Alliance Code of Conduct, the Company sets the basic guidelines for suppliers and asks suppliers to comply with relevant social responsibility and integrity commitments. The Company continues to implement supplier annual audits and new supplier introduction and requires all suppliers to comply with the standard for labor rights, health and safety, environmental protection, ethics, management systems and social impact.</p> <p>Suppliers are required to implement procurement management based on the green supply chain in addition to the evaluation of Quality, Cost, Delivery, Service and Technical capabilities. The control of hazardous substances is also included in the incoming material inspection procedures. Suppliers are required to immediately propose corrective and prevent recurrence measures for the raw materials of the anti-controlled substance regulations.</p>	Comply with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”									

Promotion Items	The Executions			Differences between the Execution and the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and the Reasons of the Differences
	Yes	No	Summary	
			<p>The average ratio of excellent (A) and good (B) suppliers was 98.46% and the ratio of poor (E) suppliers was 0.58% in 2022. The Company asks the inferior (E)-level suppliers to improve on a project basis and continuously asks the normal (C) and poor (D)-level suppliers to improve through counsel in order to enhance the overall delivery quality of suppliers.</p> <p>The supplier management policy in 2022.</p> <p>In order to create a green supply chain, the Company strictly requires suppliers to follow the "Alpha Environmental Management Substance Management Measures", and when necessary, submit a test report from a third impartial unit, and incorporate green management principles into the supplier management mechanism. A total of 41 material suppliers have signed "supplier procurement contracts" in 2022.</p> <p>Suppliers are expected to jointly fulfill their corporate social responsibilities, and do a good job in risk management and business continuity planning. Ensure commitment to comply with RBA requirements and must return the "Supplier RBA Self-Assessment Questionnaire" to understand the supplier's implementation results, and then start the on-site audit according to the supplier category and continue to track and supervise to ensure proper improvement. The main trading manufacturers of the Company (the ones with large volume and high transaction value) are evaluated by the procurement, engineering and quality assurance units based on quality, cost, delivery date, service and technical capabilities.</p> <p>If the score is lower than 70 points, it will be listed as an unqualified supplier. A total of 111 suppliers were evaluated for 151 suppliers/times, 0 suppliers were not recommended, and no supplier was suspended for new material transactions in the year.</p>	
V. Does the Company refer to international reporting rules or guidelines to publish the CSR report to disclose non-financial information of the Company? Has the Company obtained a 3 rd certification party verification or statement of assurance?	✓		<p>The Company's corporate social responsibility report was compiled with the latest GRI International General Report Preparation Guidelines (GRI Standard) and verified by the 3rd certification party of Taiwan German Rhein Technology Guardianship Co., Ltd. AA1000 Type I Moderate Assurance Level.</p> <p>From 2018 to 2022, there were six corporate social responsibility reports completed, all of which have been passed through AA1000 of Taiwan German Rhein Technology Guardianship Co., Ltd. Type I moderate assurance level verification.</p> <p>The Sustainability Report of the Company can be downloaded from the ESG section【Sustainability Report Download】Website)</p>	Comply with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"
VI. If the Company has established its own corporate social responsibility code of practices according to the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please describe the operational status and differences. The Company has established its own code of practices for corporate social responsibility and its related operations are implemented in accordance with the content of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies" and there are no major differences.				
VII. Other important information to facilitate better understanding of the Company's implementation of corporate social responsibility:				
<p>1. For the operating procedures of daily business activities, the Company designs appropriate internal control mechanisms for operations that may have potential corruption risks, so as to reduce the possibility of corruption and prevent it before it happens. The Company's audit unit regularly evaluates the management effect of the internal control mechanism and collects suggestions on various potential risks (including fraud and corruption) from senior managers of various departments, formulates appropriate audit plans and executes relevant audits accordingly. The committee and the board of directors report the audit results, so that the management can understand the current situation of corporate governance and achieve the purpose of management.</p> <p>2. Since 2018, the Company has issued a corporate social responsibility report every year, disclosing to all stakeholders of the operations, corporate governance, environmental protection, employee rights and social participation and other-oriented investment and performance. The report is available in Chinese and English. The content is published on the Company's website https://www.alphanetworks.com and it is available for all stakeholders to download and read.</p>				

(VI) Implementation of Integrity, Deviations and Causes of Deviations between Implementation and the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”:

Assessment Items	Implementation Status			Differences between Implementation and the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Causes of the Differences
	Yes	No	Summary	
<p>I. Establishment of the Corporate Ethics Policy and Implementation Measures</p> <p>(I) Does the Company establish the clear ethical management policies approved by the board of directors and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures and commitment regarding implementation of such policies from the board of directors and senior management?</p> <p>(II) Whether the Company has established the assessment mechanism for the risk of unethical behavior; regularly analyzes and evaluates within a business context, the business activities with higher risk of unethical behavior; has formulated a program to prevent unethical conduct with a scope on less than the activities prescribed in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”?</p> <p>(III) Whether the Company has established relevant polices that are duly enforced to prevent unethical behavior, provided implementation procedures, guidelines, consequences of violation and complaint procedures and periodically reviews and revises such policies?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company is willing to take social and environmental responsibilities and abide by corporate ethics practices, enhance the Company’s social image and comply with international standards for labor, health and safety, environmental protection and ethics and so on. The Company has established "Integrity Management Code" and "Ethics Code of Conducts" and "Alpha Networks Inc.’s Working Rules" which ask the board members, employees of the Company and all employees of affiliated companies to avoid conflicts of interest, follow laws and regulations, and strictly keep business secrets and to report any illegal or unethical behavior etc. It is also regulated and monitored through reliable internal control and financial statements.</p> <p>(II) The "Integrity Management Code" was approved by the board of directors on May 2, 2015 and was implemented. The Company has formulated the "Integrity Management Code" and "Ethics Code of Conducts" and introduced the importance of integrity during internal training. Moreover, it is committed to following the (RBA) Responsible Business Alliance, publicizing and practicing the Company's concept of integrity management and regularly cooperates with auditing, reviewing and revising. All employees of the Company should absolutely abide by the "Integrity Management Code", "Ethics Code of Conducts" and "Alpha Networks Inc.’s Working Rules". If a colleague is involved in corruption and fraud, he will be punished in accordance with the Company's "Disciplinary Management Rules".</p> <p>(III) The Company has formulated the "Integrity Management Code" and "Ethics Code of Conducts" and introduced the importance of integrity during internal training. Moreover, the Company is also committed to complying with the Responsible Business Alliance (RBA), to executing the integrity management and to regularly cooperating with audits and revising after reviews. The Company implements anti-fraud measures in the selection and recruitment process. All indirect newcomers are verified by authenticity before appointment. The implementation rate reached 100% in 2022.</p>	<p>Comply with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”</p>
<p>II. Ethic Management Practices</p> <p>(I) Whether the Company has assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business agreements?</p> <p>(II) Whether the Company has established the designated unit, set up under the board of directors, responsible for promoting the corporate ethics standards and regularly (at least once a year) reporting directly to the board for directors on its ethical management policy, prevention programs of unethical behavior and implementation status?</p> <p>(III) Whether the Company has established the policies for preventing conflicts of interests, providing the appropriate communication and complaint channels and implementing strictly?</p> <p>(IV) To implement relevant policies on ethical conducts, has the Company established the effective accounting and internal control systems, audit plans based on assessment of unethical conducts and have its ethical conduct program audited by internal auditors or</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company will evaluate the integrity record for both suppliers and customers and have relevant documents signed.</p> <p>(II) The Company has established an integrity management working group, which is implemented by the assistant manager of the administrative management center as the chairperson. Rules formulation, education and training, complaint channels and integrity risk inspection, etc., to ensure the implementation of the integrity management code and regularly (at least once a year) report the implementation situation to the board of directors, the latest report date is February 24, 2023.</p> <p>(III) The Company has established and enforced the "Integrity Management Code", "Ethics Code of Conducts" and "Employee Work Rules" to prevent conflicts of interests. Employees may report any illegal or unethical conduct using "Employee Opinion Box" or directly to the Human Resources Division.</p> <p>(IV) The Company follows the requirements of laws and regulations, continuously revises the internal control system and checks and evaluates the effectiveness of the implementation of the internal control system. The internal audit office draws up relevant audit plans based on the results of the risk assessment of dishonest conduct and conducts regular inspections. The internal audit office puts all the items</p>	<p>Comply with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”</p>

Assessment Items	Implementation Status			Differences between Implementation and the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Causes of the Differences
	Yes	No	Summary	
CPA periodically? (V) Does the Company regularly provide the internal and external ethical conduct training sessions?	✓		required by laws and regulations in its annual audit items and reports the audit results and improvements to the audit committee and the board of directors quarterly. The Company's accounting system is formulated in accordance with the requirements of laws and regulations. The CPAs also audit or review the Company's financial statements and issue audit or review reports and regularly report the results of the audit or review to the audit committee. (V) In order to establish a corporate culture of integrity management and to establish a good business operation structure, the Company has formulated the "Integrity Management Code", which is disclosed on the Company's website and is regularly reviewed and updated every year and colleagues can reach the code in the internal E-learning platform. Besides, the Company has formulated a "Ethics Code of Conducts" and each newcomer is required to sign a letter of integrity ensure that every colleague knows and complies with it. New recruits trained 265.4 hours on topics related to integrity and fraud prevention. In addition, external professional lecturers were invited to the factory to give lectures on integrity management to middle and senior executives. A total of 60 people participated, and the total training hours reached 150 hours in 2022.	
III. Implementation of Complaint Procedures (I) Does the Company establish the specific complaint and reward systems, set up the conveniently accessible channels as well as assign the appropriate special personnel to handle complaints received? (II) Whether the Company has established the standard operating procedures for the investigating the complaints received, follow-up measures after investigation completed and ensuring such complaints are handled in a confidentiality mechanism? (III) Does the Company adopt the measures to prevent a complainant from retaliation for filing a complaint?	✓ ✓ ✓		(I) The Company has the "Ethics Code of Conducts", dedicated personnel and reporting channels available to reflect and disclose issues to the senior management. Employees who are proven to have violated ethical behavior standards are handled according to the "Reward and Disciplinary Policy." (II) The Company's human resources department has established complete investigation procedures and related confidentiality mechanisms. (III) The Company has measures to protect complainants from being improperly handled due to complaints.	Comply with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
IV. Information Disclosure Does the Company disclose its business ethics guidelines as well as information about implementation of such guidelines on its websites and Market Observation Post System (MOPS)?	✓		The "Code of Integrity Management" and "Ethical Code of Conduct" are disclosed in the corporate governance section of the Company's website. In addition, relevant and reliable information related to integrity management is also disclosed in the annual report and the Company's sustainable report.	Comply with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
V. If the Companies has established corporate governance policies based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", please describe any discrepancy between the principles and the implementation. The Company established "Integrity Management Code" on May 2, 2016 and revised in November 2020; there was no significant deviation in terms of overall implementation between the code and "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies."				
VI. Other important information to facilitate better understanding of the Company's corporate conduct and ethics compliance practices: (I) In the "Rules and Procedures of Meetings of the Board of Directors", there is a system for avoiding the interests of directors. If the proposals listed by the board of directors have an interest in the board of directors and the representative, which may be harmful to the Company's interests, the opinions and inquiries shall be stated. And the directors with interests shall not participate in discussion and voting, avoid during discussion and voting and shall not act for other directors to exercise the voting rights. (II) The Company has a "Management Regulations for Prevention of Insider Trading", which clearly stipulates that directors, managers and employees shall not disclose material internal information they know to others and must not inquire or collect information from persons who know material internal information of the Company. If the aforementioned persons knows the material internal information which are not related to their personal duties, they are not allowed to disclose the material internal information that is not disclosed by the Company for reasons other than the execution of business. (III) The Company has established the "Integrity Management Code". In order to achieve a clean, transparent and responsible business philosophy, the Company formulates a policy based on integrity and establishes a good corporate governance and risk control mechanism to create sustainable development operating environment. (IV) Regarding the various operating procedures of daily operating activities, the Company has designed an appropriate internal control mechanism for operations that may have potential corruption risks to reduce the possibility of corruption and prevent problems before they occur. The internal audit office of the Company regularly evaluates the management status of the internal control mechanism and collects suggestions from the senior executives of various departments on various potential risks (including fraud and corruption), formulates appropriate audit plans and performs relevant audit based on them and regularly reports to the audit committee and the board of directors on the results of the internal audit. By doing so, the management understands the current status of corporate governance and achieves management goals. (V) For other information about the Company's integrity management, please refer to the Company's corporate social responsibility reports over the years,				

Assessment Items	Implementation Status			Differences between Implementation and the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Causes of the Differences
	Yes	No	Summary	
or refer to the corporate social responsibility section of the Company's ESG website. (https://www.alphanetworks.com/csr)				

Note: Please refer to the 2022 annual report of implementation of Integrity and measurement the Company's subsidiary Hitron Technologies Inc.

(VII) Disclose the Access to the "Corporate Governance Best Practice Principles" and Relevant Regulations:

- The Company has established the "Corporate Governance Best Practice Principles" on November 10, 2014. For the Company's corporate governance executions, please refer to the chapter of Implementation of Corporate Governance of this annual report and corporate governance report. Regulations such as the Company's "Integrity Management Code", "Corporate Social Responsibility Code of Practices", "Prevention of Insider Trading Regulations", "Procedures for Acquisition or Disposal of Assets", "Rules and Procedure for Shareholders' Meeting", "Organizational Rules for the Audit Committee", "Organizational Rules for the Remuneration Committee", "Procedures for Endorsements and Guarantees", "Rule for the Board of Directors Self-evaluation or Peer-evaluation", "Rules and Procedure for Meetings of the Board of Directors", "Regulations for the Election of Directors", "Procedures for Lending Funds to Other Parties", "Ethics Code of Conducts", etc., have been formulated and issued by the Company, please visit www.alphanetworks.com for details of these regulations.
- The directors of the Company uphold a high self-discipline and refrain from discussing and voting on proposals in the board of directors that have an interest in themselves or the legal person they represent. The Company's internal audit personnel also regularly check the compliance with the accounting system and internal control system and prepare audit reports for submission to the board of directors.
- The Company's managers and employees signed a confidentiality agreement at the beginning of their employment and publicized it.

(VIII) Other Important Information for Enhancing Understanding of the Implementation of Corporate Governance:

- The Company approved a resolution of the board of directors to appoint a corporate governance officer to protect the rights and interests of shareholders and strengthen the functions of the board of directors on March 17, 2020.
- The newly-elected directors of the Company will be given the brochure published by the authority with the contents including various laws, regulations and precautions to facilitate legal compliance.
- The Company approved the resolution of the board of directors to formulate the "major information processing and insider trading prevention operation procedures" on November 9, 2020, which will be promoted to directors and employees from time to time.

(IX) The Company regularly arranges for directors to attend corporate governance courses. Please see the following table for corporate governance training undertaken by directors and senior executives in 2022:

Title	Name	Date	Host by	Course Name	Hours
Chairperson	Wen-Fang Huang	06/30/2022	Taiwan Corporate Governance Association	ESG reporting trends and disclosure business implications	3
		12/06/2022	Taiwan Corporate Governance Association	Strengthening digital resilience and constructing strategies for strengthening information security governance of listed companies	3
Director	Chi-Hong Chen	06/30/2022	Taiwan Corporate Governance Association	ESG reporting trends and disclosure business implications	3
		12/06/2022	Taiwan Corporate Governance Association	Strengthening digital resilience and constructing strategies for strengthening information security governance of listed companies	3
Director	Han-Zhou Huang	06/30/2022	Taiwan Corporate Governance Association	ESG reporting trends and disclosure business implications	3
		12/06/2022	Taiwan Corporate Governance Association	Strengthening digital resilience and constructing strategies for strengthening information security governance of listed companies	3
Director	Chiu-Chin Hung	04/22/2022	Taiwan Institute for Sustainable Energy	Transform to net zero 2030	3
		06/28/2022	Taiwan Institute of Directors	Exploring the core competitiveness of the next generation in the age of drastic changes	3
		06/30/2022	Taiwan Corporate Governance Association	ESG reporting trends and disclosure business implications	3
		12/06/2022	Taiwan Corporate Governance Association	Strengthening digital resilience and constructing strategies for strengthening information security governance of listed companies	3
Independent Director	Shu-Hsing Li	04/21/2022	Independent Director Association Taiwan	Net zero carbon emissions and corporate governance, promotion and future development of Taiwan's sustainability classification criteria	3
		04/29/2022	Independent Director Association Taiwan	Carbon pricing mechanism - How Taiwan chooses and TCFD evaluation under climate change	3
		05/06/2022	Independent Director Association Taiwan	The net zero challenge of Taiwan's petrochemical industry and analysis of industrial low carbon technology and market transformation	3
Independent Director	Ming-Der, Hsieh	08/24/2022	Securities and Futures Institute	The latest development trend and countermeasures of international carbon tariffs	3
		10/04/2022	Securities and Futures Institute	How should directors and supervisors supervise enterprise risk management and crisis management	3
Independent Director	Cheng-Jung Chiang	03/22/2022	Taiwan Corporate Governance Association	2030/2050 Net zero emissions - sustainability challenges and opportunities for global enterprises	3
		04/22/2022	Taiwan Institute for Sustainable Energy	Transform to net zero 2030	3
		11/07/2022	Taiwan Corporate Governance Association	Global risk and corporate social responsibility	3
Accounting Officer	Shao-Ling Chen	06/16/2022~06/17/2022	Securities and Futures Institute	Continuing training courses for accounting officers of issuers, securities firms and securities exchanges	12

Note1: The date of inauguration of each director is January 28, 2021, and they have met the number of training hours in accordance with the regulations:

Note2: The accounting officer has met the training hours according to the regulations.

(X) Status of Implementation of Internal Control System

1. Statement of Internal Control System

Alpha Networks Inc.
Statement of Internal Control System

Date: February 24, 2023

Based on the findings of a self-assessment, Alpha Networks Inc. (Alpha) states the following with regard to its internal control system during the year 2022.

- I. Alpha's board of directors and management are responsible for establishing, implementing and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting and compliance with applicable rulings, laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms and Alpha takes immediate remedial actions in response to any identified deficiencies.
- III. Alpha evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communications and 5. monitoring activities.
- IV. Alpha has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- V. Base on the findings of such evaluation, Qisda believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency , reliability, timeliness, transparency of reporting and compliance with applicable rulings, laws and regulations.
- VI. This Statement is an integral part of Alpha's annual report for the year 2022 and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This statement was passed by the board of directors in their meeting held on February 24, 2023, with seven attending directors all affirming the content of this Statement.

Alpha Networks Inc.

Chairperson: Wen-Fang Huang

President: Wen-Fang Huang

2. Companies of Which CPAs are Retained to Review the Internal Control System Shall Disclose the Review Report Provided by the CPAs: Not applicable.

(XI) The Company and Its Personnel Have Been Punished by Law, or the Company Has Undertaken Disincentive Measures for Its Personnel for Breaching the Internal Control System, or Any Material Deficiencies and Revisions in the Most Recent Year Up to the Publication Date of the Annual Report: None.

(XII) Material Resolutions Approved by the Board Meeting and Shareholders' Meeting

Material Resolutions Approved by the Board Meeting		
Date	Proposals	Resolutions
2022.03.04 1 st Board of Meeting	1. 2021 Statement of Internal Control System and Self-evaluation Implementation Result Report	After consultation by the chairperson, all the present directors and independent directors approved.
	2. The Distribution of the Employees' Compensation and Directors' Remuneration of 2021	After consultation by the chairperson, all the present directors and independent directors approved.
	3. To Adopt the 2021 Business Report and Consolidated Financial Statements	After consultation by the chairperson, all the present directors and independent directors approved.
	4. To Adopt the 2021 Statement of Earnings Distribution	After consultation by the chairperson, all the present directors and independent directors approved.
	5. The Distribution of Cash Dividends from 2021 Earnings	After consultation by the chairperson, all the present directors and independent directors approved.
	6. The Cash Distribution of Capital Surplus	After consultation by the chairperson, all the present directors and independent directors approved.
	7. Approval of amendments of the "Articles of Incorporation".	After consultation by the chairperson, all the present directors and independent directors approved.
	8. Approve the Amendment of the "Procedures for Acquisition or Disposal of Assets"	After consultation by the chairperson, all the present directors and independent directors approved.
	9. To Release the Newly Elected Directors and Their Representatives from Non-competition Restrictions	After consultation by the chairperson, all the present directors and independent directors approved.
	10. Established the date and agenda of the 2022 Annual General Meeting of Shareholders	After consultation by the chairperson, all the present directors and independent directors approved.
	11. Newly and renew bank facilities	After consultation by the chairperson, all the present directors and independent directors approved.
	12. To examine 2022 accounting service fees	After consultation by the chairperson, all the present directors and independent directors approved.
	13. Donation to BenQ Foundation	Except for Wen-Fang Huang, the chairperson of the board, and Yu-Chin Lin, the vice chairperson, who had avoid serving as directors of the foundation, it was approved by the remaining directors present and independent directors assent and consent.
	14. Donation to Alpha Foundation	Except for Wen-Fang Huang, the chairperson of the board, and Chi-Hong Chen, the vice chairperson, who had avoid serving as directors of the foundation, it was approved by the remaining directors present and independent directors assent and consent.
	15. 2022 Salary Index for senior managers	After consultation by the chairperson, all the present directors and independent directors approved.
2022.04.29 2 nd Board of Meeting	1. The first quarter of 2022 consolidated financial report	After consultation by the chairperson, all the present directors and independent directors approved.
	2. Amendment to the Company's "Corporate Governance Code of Practice"	After consultation by the chairperson, all the present directors and independent directors approved.
	3. Amendments to the "Major Information Handling and Insider Trading Prevention Procedures"	After consultation by the chairperson, all the present directors and independent directors approved.
	4. Amendments to some articles of the Company's "Official Seals Use Management Measures"	After consultation by the chairperson, all the present directors and independent directors approved.
	5. Handle private placement common stock supplementary and issuance and application for listing	Except for representative of Qisda Corporation: Wen-Fang Huang, Chi-Hong Chen, Yu-Chin Lin and Chiu-Chin Hung who had avoid, it was approved by the remaining directors present and independent directors assent and consent.
	6. Change of the president of the Company	Except for Wen-Fang Huang, the chairperson of the board who had avoid, it was approved by the remaining directors present and independent directors assent and consent.
2022.08.01 3 rd Board of Meeting	1. The second quarter of 2022 consolidated financial report	After consultation by the chairperson, all the present directors and independent directors approved.
	2. Newly and renew bank facilities	After consultation by the chairperson, all the present directors and independent directors approved.
	3. Lending Funds to the Company's 100% Vietnam subsidiary	After consultation by the chairperson, all the present

Material Resolutions Approved by the Board Meeting		
Date	Proposals	Resolutions
		directors and independent directors approved.
	4. Amendments to the "Corporate Social Responsibility Code of Practice"	After consultation by the chairperson, all the present directors and independent directors approved.
2022.10.27 4 th Board of Meeting	1. Established the 2023 internal audit plan	After consultation by the chairperson, all the present directors and independent directors approved.
	2. The third quarter of 2022 consolidated financial report	After consultation by the chairperson, all the present directors and independent directors approved.
	3. Newly and renew bank facilities	After consultation by the chairperson, all the present directors and independent directors approved.
	4. The change of the CPAs of the Company and the proposed appointment of CPA for 2023 financial statements	After consultation by the chairperson, all the present directors and independent directors approved.
	5. Amendments to the "Standards of Procedures of the Board of Directors"	After consultation by the chairperson, all the present directors and independent directors approved.
	6. Revised "Internal Material Information Handling and Insider Trading Prevention Procedures"	After consultation by the chairperson, all the present directors and independent directors approved.
	7. Approved for the Company's subsidiary Enrich Investment Corporation invest in Aespula Technology Inc.	Except for representative of Qisda Corporation: Wen-Fang Huang, Chi-Hong Chen, Yu-Chin Lin and Chiu-Chin Hung who had avoid, it was approved by the remaining directors present and independent directors assent and consent.
	8. Lending Funds to the Company's subsidiary Enrich Investment Corporation	Except for Wen-Fang Huang, the chairperson of the board and serving as chairperson of Enrich Investment Corporation, who had avoid, it was approved by the remaining directors present and independent directors assent and consent.
	9. Capital increase subsidiary Enrich Investment Corporation	Except for Wen-Fang Huang, the chairperson of the board and serving as chairperson of Enrich Investment Corporation, who had avoid, it was approved by the remaining directors present and independent directors assent and consent.
	10. Adjustments to the compensation system for senior managers	Except for Wen-Fang Huang, the chairperson of the board and serving as manager, who had avoid, it was approved by the remaining directors present and independent directors assent and consent.
2023.02.24 1 st Board of Meeting	1. 2022 Statement of Internal Control System and Self-evaluation Implementation Result Report	After consultation by the chairperson, all the present directors and independent directors approved.
	2. Revised some provisions of the Company's "internal control system"	After consultation by the chairperson, all the present directors and independent directors approved.
	3. The Distribution of the Employees' Compensation and Directors' Remuneration of 2022	After consultation by the chairperson, all the present directors and independent directors approved.
	4. 2022 the Business Report and Consolidated Financial Statements	After consultation by the chairperson, all the present directors and independent directors approved.
	5. 2022 Earnings Distribution	After consultation by the chairperson, all the present directors and independent directors approved.
	6. The Distribution of Cash Dividends from 2022 Earnings	After consultation by the chairperson, all the present directors and independent directors approved.
	7. Elect the Eight Directors (Including Four Independent Directors)	After consultation by the chairperson, all the present directors and independent directors approved.
	8. Nomination of directors and candidates for independent directors	In accordance with Article 206 of the Company Act, Article 178 of the same law applies mutatis mutandis, all directors did not participate in the discussion and voting on matters that have an interest in themselves or the legal person directors they represent.
	9. To Release the Newly Elected Directors and Their Representatives from Non-competition Restrictions	In accordance with Article 206 of the Company Act, Article 178 of the same law applies mutatis mutandis, all directors did not participate in the discussion and voting on matters that have an interest in themselves or the legal person directors they represent.
	10. Amendment of the " Rules of Procedures for Shareholders' Meeting "	After consultation by the chairperson, all the present directors and independent directors approved.

Material Resolutions Approved by the Board Meeting		
Date	Proposals	Resolutions
	11. Amendments to the "Risk Management Vision, Policies and Procedures"	After consultation by the chairperson, all the present directors and independent directors approved.
	12. Amendments to the "Organizational Regulations of the Audit Committee"	After consultation by the chairperson, all the present directors and independent directors approved.
	13. Set the date and meeting agenda for the 2023 Annual General Meeting of Shareholders	After consultation by the chairperson, all the present directors and independent directors approved.
	14. Donation to BenQ Foundation	Except for chairperson: Wen-Fang Huang, vice chairperson: Chi-Hong Chen and director Han-Zhou Huang serving as directors of BenQ Foundation who had avoid, it was approved by the remaining directors present and independent directors assent and consent.
	15. Newly and renew bank facilities	After consultation by the chairperson, all the present directors and independent directors approved.
	16. To examine 2023 accounting service fees	After consultation by the chairperson, all the present directors and independent directors approved.
	17. Formulate the Company's pre-approved non-confirmed service policy	After consultation by the chairperson, all the present directors and independent directors approved.
	18. Remuneration distribution for 2022 senior managers and employees	Except for Wen-Fang Huang, the chairperson of the board and serving as manager, who had avoid, it was approved by the remaining directors present and independent directors assent and consent.
	19. 2022 Salary Index for senior managers	Except for Wen-Fang Huang, the chairperson of the board and serving as manager, who had avoid, it was approved by the remaining directors present and independent directors assent and consent.
	20. Senior managers' bonuses and salary adjustments are proposed to be implemented in accordance with the "Senior Managers' Salary Remuneration Policy and Principles" in 2023	Except for Wen-Fang Huang, the chairperson of the board and serving as manager, who had avoid, it was approved by the remaining directors present and independent directors assent and consent.

Material Resolutions Approved by Shareholders' Meeting		
Date	Proposals	Resolutions
2022.05.31	1. To adopt 2021 Business Report and Consolidated Financial Statements	The voting results for this proposal are as follows: Voting rights of shareholders present at the time of voting (including electronic voting): 381,147,854 Approval votes: 371,710,765, voting right 97.52% Disapproval votes: 171,761, voting right 0.04% Invalid votes: 0 , voting right 0.00% Abstention votes / no votes: 9,265,328, voting right 2.43% The proposal was approved by voted.
	2. To adopt the Proposal of the Distribution of 2021 Earnings	The voting results for this proposal are as follows: Voting rights of shareholders present at the time of voting (including electronic voting): 381,147,854 Approval votes: 371,956,630 , voting right 97.58% Disapproval votes: 175,518 , voting right 0.04% Invalid votes: 0 , voting right 0.00% Abstention votes / no votes: 9,015,706, voting right 2.36% The proposal was approved by voted.
	3. To approve the Amendment of "Articles of Incorporation"	The voting results for this proposal are as follows: Voting rights of shareholders present at the time of voting (including electronic voting): 381,147,854 Approval votes: 371,882,999 , voting right 97.56% Disapproval votes: 247,106 , voting right 0.06% ; Invalid votes: 0 , voting right 0.00% ; Abstention votes / no votes: 9,017,749 , voting right 2.36% The proposal was approved by voted.
	4. To approve the Amendment of the "Procedures for Acquisition or Disposal of	The voting results for this proposal are as follows:

Material Resolutions Approved by Shareholders' Meeting		
Date	Proposals	Resolutions
	Assets”	Voting rights of shareholders present at the time of voting (including electronic voting): 381,147,854 Approval votes:365,123,157, voting right 95.79% Disapproval votes:7,005,045, voting right 1.83% Invalid votes:0 , voting right 0.00% Abstention votes / no votes: 9,019,652 , voting right 2.36% The proposal was approved by voted.
	5. To release the Newly Elected Directors and Their Representatives from Non-competition Restrictions	The voting results for this proposal are as follows: Voting rights of shareholders present at the time of voting (including electronic voting): 381,147,854 Approval votes:371,848,690, voting right 97.56% Disapproval votes: 270,992 , voting right 0.07% Invalid votes:0 , voting right 0.00% Abstention votes / no votes: 9,028,172 , voting right 2.36% The proposal was approved by voted.

Implementation of Resolutions of the 2022 Annual General Meeting of Shareholders:

1. To adopt 2021 Business Report and Consolidated Financial Statements

Implementation Status: Approved

2. To adopt the Proposal of the Distribution of 2021 Earnings

Implementation Status: Approved. 2021 cash dividend, amounted to NT\$379,202,922, calculated based on 541,718,460 shares currently issued by the Company entitled to participate in the distribution, was distributed at NT\$0.7 per share. The chairperson set July 24, 2022 as the ex-dividend date, and August 12, 2022 as the payment date.

3. To approve the Amendment of “Articles of Incorporation”

Implementation Status: Approved. It was approved and registered by the Hsinchu Science Park Administration of the Ministry of Science and Technology on June 20, 2022.

4. To approve the Amendment of the “Procedures for Acquisition or Disposal of Assets”

Implementation Status: Approved. After amendment of the “Procedures for Acquisition or Disposal of Assets” effective on May 31, 2022.

5. To release the Newly Elected Directors and Their Representatives from Non-competition Restrictions

Implementation Status: The non-competition of the following directors holding important job positions in other companies has been released by the resolution of the shareholders' meeting.

Name	Release Non-competition Restrictions	
Representatives of Qisda Corporation: Wen-Fang Huang	Hitron Technologies Inc. Innoauto Technologies Inc. Aespula Technology Inc. BenQ Foundation	Chairperson Chairperson Director Director
Representatives of Qisda Corporation: Chi-Hong Chen	Phoenix Venture Capital Co., Ltd. Phoenix 2 Venture Capital Co., Ltd. Phoenix 3 Venture Capital Co., Ltd.	Director Director Director
Representatives of Qisda Corporation: Chiu-Chin Hung	Qisda Optronics Corp. Shanghai Filter Technology Co., Ltd.	Director Director
Representatives of Qisda Corporation: Yu-Chin, Lin	Aespula Technology Inc.	Chairperson

(XIII) Major Contents of Any Dissenting Opinions on Record or Stated in a Written Statement Made by Directors or Supervisors Regarding Material Resolutions Approved by the Meeting of the Board of Directors in the Most Recent Year Up to the Publication Date of this Report: None.

(XIV) In the Most Recent Year Up to the Publication Date of the Annual Report, a Summary of the Resignation and Dismissal of the Company's Personnel such as Chairperson, President, Accounting Manager, Financial Manager, Internal Audit

Officer and R&D Director:

Title	Name	Date of Appointment	Date of Discharge	Resign or Discharge Reason
President	Yu-Chin, Lin	September 1, 2011	April 29, 2022	Promoted to President of Qisda Corp. Business Group

V. Information on the Professional Fees of the Attesting CPAs:

Unit: NTD thousands

Name of Accounting Firm	Name of CPA	Period of Audit Service	Audit Fee	Non-audit Fee	Total	Remarks
KPMG	Hai-Ning, Huang	01/01/2022 ~ 12/31/2022	3,970	660	4,630	-
	Wei-Ming, Shih					

Note: Non-audit Fees mainly related to tax services etc.

- (1) Non-audit fees paid to the CPA, accounting firm of CPA and its affiliates were more than 25% of the audit fees: None.
- (2) Replacement of the accounting firm and the audit fees in the replacing year is less than that in the previous year: Not applicable.
- (3) Audit fees were reduced by over 10% compared with the previous year: None.

VI. Information on Replacement of CPAs:

(I) Regarding former CPA

Replacement date	October 27, 2022		
Reason and explanation for replacement	The CPAs are changed from Cheng-Chien, Chen to Wei-Ming, Shih because of the internal adjustment from the accounting firm.		
Explain why the appointer or CPA terminated or refused to accept the appointment	Parties	CPAs	Appointer
	Status		
	Appointment terminated	Not applicable	Not applicable
	Refused to accept (continue) appointment	Not applicable	Not applicable
Audit report opinions other than unqualified opinion over the last two years and reason	None		
Did issuer have a different opinion	None		
Other items requiring disclosure (disclosures for Clause 6.1.4~7, Article 10 of these guidelines)	None		

(II) Regarding the Succeeding CPA

Name of CPA firm	KPMG
Name of CPAs	Hai-Ning, Huang and Wei-Ming, Shih
Date of Appointment	October 27, 2022
Inquiries regarding the accounting treatment methods of specific transactions, accounting principles or opinions provided on financial report prior to the appointment and results	No
Written opinion of successor CPA regarding discrepancies in opinion with the prior CPA	No

(III) Former CPA Letters Regarding Clause 5.1 and 5.2.3, Article 10 of these Guidelines: Not applicable

VII. Has Any of the Company's Chairperson, President, or Managers Responsible for Finance or Accounting Duties Served in the Company's CPA Firm or Its Affiliated Company within the Most Recent Year: None.

VIII. The Status of Equity Transfer or Changes to Equity Pledge of Directors, Managers or Shareholders Holding More than 10% of the Company's Shares in the Most Recent Year Up to the Publication Date of this Report:

(I) Changes in shares held by directors, managers and shareholders holding 10% or more of shares:

Unit: shares

Title	Name	April 2, 2023		2022	
		Net Change of Shares Held	Net Change of Shares Pledged	Net Change of Shares Held	Net Change of Shares Pledged
Chairperson	Representatives of Qisda Corporation: Wen-Fang Huang	0	0	100,000,000 (100,000,000) (Note)	0
Director	Representatives of Qisda Corporation: Chi-Hong Chen				
Director	Representatives of Qisda Corporation: Yu-Chin, Lin				
Director	Representatives of Qisda Corporation: Chiu-Chin Hung				
More than 10% shareholding	Qisda Corporation				
Independent Director	Ming-Der Hsieh	0	0	0	0
Independent Director	Shu-Hsing Li	0	0	0	0
Independent Director	Cheng-Jung Chiang	0	0	0	0
CEO & President	Wen-Fang Huang	0	0	0	0
R&D Director	Wen-Jiunn Tsay	0	0	0	0
Associate Vice President	Morgan Chiu	0	0	0	0
Associate Vice President	David Chou	0	0	0	0
Accounting Officer, Corporate Governance Officer and Spokesperson	Shao-Ling Chen	0	0	0	0
President	Yu-Chin, Lin (Date of Dismissal: 04/29/2022)	0	0	0	0
Associate Vice President	Nicholas Ting (Date of Dismissal: 03/03/2023)	0	0	0	0

Note: Handled with private placement supplemented and issuance in 2022 that factors of increase and decrease in the number of shares

(II) Information of Equity Transfer: None.

(III) Information of Equity Pledge: None.

IX. Information of Relationships between Top 10 Shareholders Who are Related Parties, Spouses or Relatives within the Second Degree of Kinship Relationship:

April 2, 2023

Name (Note1)	Shares Held		Shares Held by Spouse or Minors		Total Share Held in the Name of Other Persons		Name & Relationship between the Top 10 Shareholders (Note2)	
	Shares	%	Shares	%	Shares	%	Title or Name	Relationship
Qisda Corporation	295,797,126	54.60%	0	0.00%	0	0.00%	Darly Consulting Corporation	Parent and Subsidiary Company
							Darly Venture Inc.	Parent and Subsidiary Company
							Darly2 Venture, Inc.	Parent and Subsidiary Company
Representatives of Qisda Corporation: Chi-Hong Chen	0	0.00%	0	0.00%	0	0.00%	None	None
Wistron Corporation	19,327,795	3.57%	0	0.00%	0	0.00%	Wise Cap Limited Company	Parent and Subsidiary Company
Representatives of Wistron Corporation : Xian-Ming, Lin	0	0.00%	0	0.00%	0	0.00%	None	None
Darly Consulting Corporation	12,710,000	2.35%	0	0.00%	0	0.00%	Qisda Corporation	Parent and Subsidiary Company
							Darly Venture Inc.	Parent and Subsidiary Company
							Darly2 Venture, Inc.	Parent and Subsidiary Company
Representatives of Darly Consulting Corporation: Chiu-Chin Hung	0	0.00%	0	0.00%	0	0.00%	None	None
Darly Venture Inc.	12,236,000	2.26%	0	0.00%	0	0.00%	Qisda Corporation	Parent and Subsidiary Company
							Darly Consulting Corporation	Parent and Subsidiary Company
							Darly2 Venture, Inc.	Parent and Subsidiary Company
Representatives of Darly Venture Inc.: Chiu-Chin Hung	0	0.00%	0	0.00%	0	0.00%	None	None
Mitsubishi UFJ Morgstan Securities Co., Ltd-Equity Trading Division (Proprietary Trading Desk)	4,438,000	0.82%	0	0.00%	0	0.00%	None	None
Darly2 Venture, Inc.	4,185,000	0.77%	0	0.00%	0	0.00%	Qisda Corporation	Parent and Subsidiary Company
							Darly Consulting Corporation	Parent and Subsidiary Company
							Darly Venture Inc.	Parent and Subsidiary Company
Representatives of Darly2 Venture Inc.: Chiu-Chin Hung	0	0.00%	0	0.00%	0	0.00%	None	None
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,288,750	0.61%	0	0.00%	0	0.00%	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	3,150,772	0.58%	0	0.00%	0	0.00%	None	None
Investment account of Japan Securities Finance Co., Ltd. managed by JPMorgan Chase Bank	3,037,000	0.56%	0	0.00%	0	0.00%	None	None
Wise Cap Limited Company	2,861,501	0.53%	0	0.00%	0	0.00%	Wistron Corporation	Parent and Subsidiary Company
Representatives of Wise Cap Limited Company: Fu-Qian, Lin	0	0.00%	0	0.00%	0	0.00%	None	None

Note 1: All the top ten shareholders should be listed and if they are legal person shareholders, the name of the legal person shareholder and the name of the representative should be listed separately.

Note 2: The shareholders listed in the previous disclosure include legal persons and natural persons and the relationship between them should be disclosed in accordance with the issuer's financial reporting standards.

X. Shareholdings and Joint Shareholdings of Businesses Invested by the Company, Directors, Supervisors, Executive Officers and Companies Directly or Indirectly Controlled by the Company:
None.

Capital and Shares

I. Capital and Shares

(I) Source of Capital

April 2, 2023; Unit: thousand shares; NTD thousands

Year / Month	Price	Authorized Capital		Paid-up Capital		Remarks				
		Shares	Amount	Shares	Amount	Source of Capital (NTD Thousands)	Approval Date	Certification No.	Capital Increase by Assets other than Cash	Others
September, 2003	11.77	300,000	3,000,000	200,000	2,000,000	Incorporated with a capital of NT\$2,000,000 through spin-off	2003/9/4	2003/9/4 No. Yuan-Shang-0920023079	Non-cash net assets totaling NT\$1,533,635	-
December, 2004	18	300,000	3,000,000	250,000	2,500,000	Seasoned equity offering \$500,000	2004/2/5	2004/2/5 No. Yuan-Shang-0930002818	-	-
August, 2005	10	300,000	3,000,000	282,900	2,829,000	Capitalization of earnings \$329,000	2005/8/18	2005/8/18 No. Yuan-Shang-0940021583	-	-
May, 2006	12.4	350,000	3,500,000	290,845	2,908,450	Exercise of employee warrants \$79,450	2006/5/9	2006/5/9 No. Yuan-Shang-0950010655	-	-
August, 2006	12.4	500,000	5,000,000	292,446	2,924,460	Exercise of employee warrants \$16,010	2006/8/16	2006/8/16 No. Yuan-Shang-0950020672	-	-
August, 2006	10	500,000	5,000,000	332,962	3,329,621	Capitalization of earnings \$405,161	2006/8/16	2006/8/16 No. Yuan-Shang-0950020672	-	-
October, 2006	10	500,000	5,000,000	333,512	3,335,121	Exercise of employee warrants \$5,500	2006/10/25	2006/10/25 No. Yuan-Shang-0950028601	-	-
October, 2006	10	500,000	5,000,000	355,292	3,552,922	Raised \$217,800 of capital for the merger of Sun Asia Enterprise	2006/10/25	2006/10/25 No. Yuan-Shang-0950028601	-	-
February, 2007	10	500,000	5,000,000	355,437	3,554,372	Exercise of employee warrants \$1,450	2007/2/16	2007/2/16 No. Yuan-Shang-0960004534	-	-
April, 2007	10	500,000	5,000,000	359,254	3,592,542	Exercise of employee warrants \$38,170	2007/4/26	2007/4/26 No. Yuan-Shang-0960010850	-	-
August, 2007	10	660,000	6,600,000	360,123	3,601,232	Exercise of employee warrants \$8,690	2007/8/23	2007/8/23 No. Yuan-Shang-0960022108	-	-
August, 2007	10	660,000	6,600,000	377,623	3,776,231	Conversion of corporate bonds \$175,000	2007/8/23	2007/8/23 No. Yuan-Shang-0960022108	-	-
August, 2007	10	660,000	6,600,000	400,101	4,001,007	Capitalization of earnings \$224,776	2007/8/23	2007/8/23 No. Yuan-Shang-0960022108	-	-
November, 2007	10	660,000	6,600,000	400,682	4,006,817	Exercise of employee warrants \$5,810	2007/11/12	2007/11/12 No. Yuan-Shang-0960029618	-	-
November, 2007	10	660,000	6,600,000	406,287	4,062,872	Conversion of corporate bonds \$56,055	2007/11/12	2007/11/12 No. Yuan-Shang-0960029618	-	-
February, 2008	10	660,000	6,600,000	409,056	4,090,562	Exercise of employee warrants \$27,690	2008/2/29	2008/2/29 No. Yuan-Shang-0970005716	-	-
February, 2008	10	660,000	6,600,000	411,604	4,116,037	Conversion of corporate bonds \$25,474	2008/2/29	2008/2/29 No. Yuan-Shang-0970005716	-	-
May, 2008	10	660,000	6,600,000	416,854	4,168,537	Exercise of employee warrants \$52,500	2008/5/14	2008/5/14 No. Yuan-Shang-0970012364	-	-
August, 2008	10	660,000	6,600,000	417,212	4,172,117	Exercise of employee warrants \$3,580	2008/8/26	2008/8/26 No. Yuan-Shang-0970023433	-	-
August, 2008	10	660,000	6,600,000	448,313	4,483,127	Capitalization of earnings \$311,010	2008/8/26	2008/8/26 No. Yuan-Shang-0970023433	-	-
November, 2008	10	660,000	6,600,000	448,774	4,487,737	Exercise of employee warrants \$4,610	2008/11/13	2008/11/13 No. Yuan-Shang-0970031854	-	-
February, 2009	10	660,000	6,600,000	448,835	4,488,347	Exercise of employee warrants \$610	2009/2/25	2009/2/25 No. Yuan-Shang-0980005035	-	-
May, 2009	10	660,000	6,600,000	448,949	4,489,497	Exercise of employee warrants \$1,150	2009/5/22	2009/5/22 No. Yuan-Shang-0980013981	-	-
September, 2009	10	660,000	6,600,000	449,422	4,494,227	Exercise of employee warrants \$4,730	2009/9/3	2009/9/3 No. Yuan-Shang-0980024050	-	-
September, 2009	10	660,000	6,600,000	449,471	4,494,717	Conversion of corporate bonds \$491	2009/9/3	2009/9/3 No. Yuan-Shang-0980024050	-	-
September, 2009	10	660,000	6,600,000	464,119	4,641,195	Capitalization of earnings \$146,477	2009/9/3	2009/9/3 No. Yuan-Shang-0980024050	-	-
November, 2009	10	660,000	6,600,000	464,203	4,642,035	Exercise of employee warrants \$840	2009/11/20	2009/11/20 No. Yuan-Shang-0980032344	-	-
March, 2010	10	660,000	6,600,000	465,457	4,654,575	Exercise of employee warrants \$12,540	2010/3/25	2010/3/25 No. Yuan-Shang-0990007827	-	-
May, 2010	25	660,000	6,600,000	465,513	4,655,132	Exercise of employee warrants \$562k	2010/5/26	2010/5/26 No. Yuan-Shang-0990014571	-	-

Year / Month	Price	Authorized Capital		Paid-up Capital		Remarks				
		Shares	Amount	Shares	Amount	Source of Capital (NTD Thousands)	Approval Date	Certification No.	Capital Increase by Assets other than Cash	Others
May, 2010	10	660,000	6,600,000	468,518	4,685,183	Conversion of corporate bonds \$30,047	2010/5/26	2010/5/26 No. Yuan-Shang-0990014571	-	-
August, 2010	25	660,000	6,600,000	468,543	4,685,433	Exercise of employee warrants \$250	2010/5/26	2010/8/6 No. Yuan-Shang-0990022836	-	-
August, 2010	10	660,000	6,600,000	470,955	4,709,557	Conversion of corporate bonds \$24,123	2010/8/6	2010/8/6 No. Yuan-Shang-0990022836	-	-
December, 2010	23.7	660,000	6,600,000	470,985	4,709,857	Exercise of employee warrants \$300	2010/8/6	2010/12/1 No. Yuan-Shang-0990035467	-	-
December, 2010	10	660,000	6,600,000	471,114	4,711,143	Conversion of corporate bonds \$1,286	2010/12/1	2010/12/1 No. Yuan-Shang-0990035467	-	-
February, 2011	23.7	660,000	6,600,000	471,236	4,712,365	Exercise of employee warrants \$1,222	2010/12/1	2011/3/2 No. Yuan-Shang-1000005462	-	-
February, 2011	24.8	660,000	6,600,000	471,335	4,713,355	Exercise of employee warrants \$990	2011/3/2	2011/3/2 No. Yuan-Shang-1000005462	-	-
February, 2011	10	660,000	6,600,000	475,618	4,756,184	Conversion of corporate bonds \$42,829	2011/3/2	2011/3/2 No. Yuan-Shang-1000005462	-	-
April, 2011	23.7	660,000	6,600,000	475,678	4,756,784	Exercise of employee warrants \$600	2011/3/2	2011/5/13 No. Yuan-Shang-1000013452	-	-
March, 2012	10	660,000	6,600,000	478,566	4,785,667	Conversion of corporate bonds \$28,883	2011/5/13	2012/3/19 No. Yuan-Shang-1010008041	-	-
May, 2012	10	660,000	6,600,000	514,338	5,143,383	Conversion of corporate bonds \$357,715	2012/3/19	2012/5/30 No. Yuan-Shang-1010016250	-	-
May, 2012	23.2	660,000	6,600,000	515,156	5,151,563	Exercise of employee warrants \$8,180	2012/5/30	2012/5/30 No. Yuan-Shang-1010016250	-	-
May, 2012	22.2	660,000	6,600,000	516,235	5,162,358	Exercise of employee warrants \$10,795	2012/5/30	2012/5/30 No. Yuan-Shang-1010016250	-	-
August, 2012	10	660,000	6,600,000	516,614	5,166,144	Conversion of corporate bonds \$3,786	2012/5/30	2012/8/31 No. Yuan-Shang-1010027575	-	-
August, 2012	23.2	660,000	6,600,000	516,779	5,167,794	Exercise of employee warrants \$1,650	2012/8/31	2012/8/31 No. Yuan-Shang-1010027575	-	-
August, 2012	22.2	660,000	6,600,000	516,947	5,169,474	Exercise of employee warrants \$1,680	2012/8/31	2012/8/31 No. Yuan-Shang-1010027575	-	-
November, 2012	20.9	660,000	6,600,000	516,997	5,169,974	Exercise of employee warrants \$500	2012/8/31	2012/11/28 No. Yuan-Shang-1010036791	-	-
November, 2012	10	660,000	6,600,000	513,676	5,136,764	Retirement of treasury stock \$33,210	2012/11/28	2012/11/28 No. Yuan-Shang-1010036791	-	-
March, 2013	10	660,000	6,600,000	513,831	5,138,310	Conversion of corporate bonds \$1,546	2012/11/28	2013/3/28 No. Yuan-Shang-1020009089	-	-
March, 2013	10	660,000	6,600,000	491,752	4,917,520	Retirement of treasury stock \$220,790	2013/3/28	2013/3/28 No. Yuan-Shang-1020009089	-	-
August, 2013	10	660,000	6,600,000	491,772	4,917,726	Conversion of corporate bonds \$206	2013/3/28	2013/8/29 No. Yuan-Shang-1020025846	-	-
March, 2014	10	660,000	6,600,000	494,344	4,943,441	Conversion of corporate bonds \$25,714	2013/8/29	2014/3/26 No. Zhu-Shang-1030009036	-	-
May, 2014	10	660,000	6,600,000	489,127	4,891,271	Retirement of treasury stock \$52,170	2014/3/26	2014/5/29 No. Zhu-Shang-1030015867	-	-
May, 2014	10	660,000	6,600,000	497,127	4,971,271	Conversion of corporate bonds \$80,000	2014/5/29	2014/5/29 No. Zhu-Shang-1030015867	-	-
April, 2015	10	660,000	6,600,000	492,127	4,921,271	Retirement of treasury stock \$50,000	2014/5/29	2015/4/10 No. Zhu-Shang-1040009624	-	-
August, 2015	10	660,000	6,600,000	442,914	4,429,144	Cash capital reduction \$492,127	2015/8/27	2015/8/27 No. Zhu-Shang-1040025336	-	-
July, 2016	10	660,000	6,600,000	434,470	4,344,697	Retirement of treasury stock \$84,447	2016/7/22	2016/7/22 No. Zhu-Shang-1050019711	-	-
October, 2017	10	660,000	6,600,000	444,470	4,444,697	Issuance of restricted shares to employees \$100,000	2017/10/19	2017/10/19 No. Zhu-Shang-1060028610	-	-
March, 2018	10	660,000	6,600,000	544,470	5,444,697	Private placement of new shares \$1,000,000	2018/3/29	2018/3/29 No. Zhu-Shang-1070009589	-	-
March, 2018	10	660,000	6,600,000	543,953	5,439,527	Recall and retirement of restricted stock \$5,170	2018/3/29	2018/3/29 No. Zhu-Shang-1070009589	-	-
January, 2019	10	660,000	6,600,000	543,517	5,435,172	Recall and retirement of restricted stock \$2,255 Retirement of treasury stock \$2,100	2019/1/4	2019/1/4 No. Zhu-Shang-1080000041	-	-
April, 2019	10	660,000	6,600,000	543,262	5,432,617	Recall and retirement of restricted stock \$2,555	2019/4/2	2019/4/2 No. Zhu-Shang-1080009196	-	-
July, 2019	10	660,000	6,600,000	543,129	5,431,287	Recall and retirement of restricted stock \$1,330	2019/7/3	2019/7/3 No. Zhu-Shang-1080018595	-	-

Year / Month	Price	Authorized Capital		Paid-up Capital		Remarks				
		Shares	Amount	Shares	Amount	Source of Capital (NTD Thousands)	Approval Date	Certification No.	Capital Increase by Assets other than Cash	Others
September, 2019	10	660,000	6,600,000	542,891	5,428,907	Recall and retirement of restricted Stock \$2,380	2019/9/2	2019/9/2 No. Zhu-Shang-1080025442	-	-
November, 2019	10	660,000	6,600,000	542,727	5,427,273	Recall and retirement of restricted stock \$1,634	2019/11/20	2019/11/20 No. Zhu-Shang-1080033539	-	-
March, 2020	10	660,000	6,600,000	542,482	5,424,825	Recall and retirement of restricted stock \$2,448	2020/3/24	2020/3/24 No. Zhu-Shang-1090008003	-	-
June, 2020	10	660,000	6,600,000	542,248	5,422,477	Recall and retirement of restricted stock \$2,348	2020/6/2	2020/6/2 No. Zhu-Shang-1090014954	-	-
August, 2020	10	660,000	6,600,000	541,818	5,418,177	Recall and retirement of restricted stock \$4,300	2020/8/21	2020/8/21 No. Zhu-Shang-1090023868	-	-
November, 2020	10	660,000	6,600,000	541,718	5,417,185	Recall and retirement of restricted stock \$992	2020/11/24	2020/11/24 No. Zhu-Shang-1090033301	-	-

(II) Shares Types

Type of Stock	Authorized Capital			Notes
	Outstanding Shares	Unissued Shares	Total	
Common shares	541,718,460	258,281,540	800,000,000	Listed in TWSE

(III) Shareholder Structure:

Book closure date: April 2, 2023

Shareholders Structure	Government Institutions	Financial Institutions	Other Corporations	Foreign Institutions and Foreigners	Individual	Treasury Stock	Total
Number of Shareholders	0	5	175	163	35,996	0	36,339
Shareholding	0	268,772	351,576,539	50,551,135	139,322,014	0	541,718,460
Shareholding percentage (%)	0.00%	0.05%	64.90%	9.33%	25.72%	0.00%	100.00%

(IV) Diffusion of Ownership

Book closure date: April 2, 2023

3Shareholding Range	Number of Shareholders	Shareholding	Shareholding Percentage (%)
1-999	13,762	1,746,906	0.32%
1,000-5,000	17,854	37,107,288	6.85%
5,001-10,000	2,589	21,451,586	3.96%
10,001-15,000	595	7,674,524	1.42%
15,001-20,000	499	9,348,357	1.73%
20,001-30,000	337	8,757,737	1.62%
30,001-40,000	153	5,517,142	1.02%
40,001-50,000	122	5,756,507	1.06%
50,001-100,000	233	16,977,811	3.13%
100,001-200,000	101	14,513,589	2.68%
200,001-400,000	51	14,448,808	2.67%
400,001-600,000	10	5,202,082	0.96%
600,001-800,000	6	4,008,906	0.74%
800,001-1000,000	3	2,761,699	0.51%
1,000,001 and above	24	386,445,518	71.33%
Total	36,339	541,718,460	100.00%

(V) List of Major Shareholders

Book closure date: April 2, 2023

Shareholder	Shareholding	Shareholding Percentage (%)
Qisda Corporation	295,797,126	54.60%
Wistron Corporation	19,327,795	3.57%
Darly Consulting Corporation	12,710,000	2.35%
Darly Venture Inc.	12,236,000	2.26%
Mitsubishi UFJ Morgstan Securities Co., Ltd-Equity Trading Division (Proprietary Trading Desk)	4,438,000	0.82%
Darly2 Venture, Inc.	4,185,000	0.77%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,288,750	0.61%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	3,150,772	0.58%
Investment account of Japan Securities Finance Co., Ltd. managed by JPMorgan Chase Bank	3,037,000	0.56%
Wise Cap Limited Company	2,861,501	0.53%

(VI) Information on Market Price, Net Worth, Earnings and Dividends per Common Share

Unit: NTD thousand; thousand shares

Item		Year	As of March 31, 2023 (Note 6)	2022	2021
Market Price Per Share (Note 1)	High		35.65	35.65	41.35
	Low		28.05	23.90	23.65
	Average		32.95	30.73	33.71
Book Value Per Share (Note 2)	Before Distribution		(Note 7)	19.15	17.73
	After Distribution		-	17.46	17.03
Earnings Per Share	Weighted Average Outstanding Shares (thousand shares)		(Note 7)	541,719	541,665
	EPS	Before retrospective	(Note 7)	1.69	0.8
		After retrospective		-	1.69
Dividends Per Share	Cash Dividend			1.69	0.7
	Issuance of bonus shares	Dividend from retained earnings		-	-
		Dividend from capital surplus		-	-
	Accumulated unpaid dividends			-	-
Return on Investment	Price/Earnings Ratio (Note 3)		(Note 7)	17.54	37.93
	Price/Dividends ratio (Note 4)			17.54	43.34
	Cash Dividend Yield (Note 5)			5.70%	2.31%

Note 1: The highest and lowest of common stock. The average market value is calculated using the trading volume and price for each year.

Note 2: Based on the number of issued shares at the end of the year and according to the distribution situation of the resolution of the board of directors in the next year.

Note 3: Price/Earnings Ratio = average closing price per share for the year / earnings per share (after retrospective adjustments).

Note 4: Price/Dividend ratio = average closing price per share for the year / cash dividends per share.

Note 5: Cash Dividend Yield = cash dividends per share / average closing price per share for the current year.

Note 6: As of April 2, 2023, the publication date of the annual report, for the accurate data, only listed to March 31, 2023.

Note 7: As of the publication date of the annual report, there is no information that has been certified or reviewed by the CPAs.

Note 8: The financial information in this annual report was made according to IFRS.

(VII) Dividend Policy and Execution Status:

1. Dividend policy

When the Company distributes earnings, in accordance with the provisions of the Company Act and the Company's Articles of Incorporation, if there are earnings, the Company shall pay tax at first and offset the losses of the previous years and then reserve 10% of the remains as the legal reserve. When the legal reserve is equal to or larger than the paid-in capital, no further reserves shall be made. Then, together with the accumulated undistributed surplus at the beginning of the period, the adjustment amount of the undistributed surplus of the current year and the special surplus reserve according to the law, as the surplus available for distribution, the board of directors will submit a distribution proposal.

(1) Dividend Distribution Principles

In addition to the relevant laws and regulations and the Company's Articles of Incorporation, the board of directors

initiates a proposal of the distribution of dividends based on consideration of the profitability, future operating needs, improvement of the financial structure and maintenance of a stable dividend distribution policy and the reasonable compensation of the shareholders.

(2) Dividend Distribution Procedures

The Company's dividend distribution process is based on the Company Act. When the Company issues new shares as dividends, the dividend distribution proposal shall be approved by the audit committee and the board of directors and then shall be submitted to the shareholders' meeting for resolution. When cash is distributed, the dividend distribution proposal shall be approved by the audit committee and the board of directors and then shall be reported to the shareholders' meeting only.

(3) Dividends Distribution Method

Article 30-1 of the Company's Articles of Incorporation, the Company is in a technological and capital-intensive industry. In order to fulfill the Company's long-term capital planning and take into account of the interests of shareholders in the growth period, the Company adopts a residual dividend distribution policy to sustain the growth and operation of the Company.

When distributing dividends, the Company shall deliberate the needs for future scale of operation expansion and cash flows requirement. If the annual operating result is positive at the end of each fiscal year and the retained earnings available for distribution of the current year reaches 2% of the paid-in capital of the Company, no less than 10% of the retained earnings available for distribution of the current year shall be distributed as dividend. The proportion of cash dividends paid each year shall not be less than 10% of the total amount of the cash and stock dividends.

2. The Dividend Distribution To Be Resolved by the General Shareholders' Meeting

On February 24, 2023, the board of directors is going to make resolutions to distribute the cash dividends from earnings amounted to NT\$915,504,197 (NT\$ 1.69 per common share), which will be reported at the 2023 Annual Shareholders' Meeting.

3. Whether there has been a material change in the expected dividend policy: None.

(VIII) The Impact of Stock Dividend Distribution Proposed by this Shareholders' Meeting on the Company's Operating Performance and Earnings per Share:

No issuance of bonus shares was proposed at this ordinary general meeting of shareholders and the Company did not disclose the 2023 financial forecast information and thus does not apply.

(IX) Compensation for Employees and Directors:

1. The percentage or range of compensation for employees and director specified in the Articles of Incorporation:
If there are earnings, the Company shall set aside 10%~22.5% of earnings as compensation for employees and no higher than 1% as remuneration for the directors. However, when there are accumulated losses in the book, the Company shall reserve a portion of the earnings to offset the losses first. The Company may appropriate the employee remuneration prescribed in the preceding paragraph in the form of stock or cash to employees of affiliates when the employees meet certain conditions.
2. Estimation basis for the compensation for employees and directors and the calculation basis for the employee compensation as stock dividends and the accounting approach for handling the differences between the actual distributed amount and the estimated number of shares:
The estimated amount of this Annual Period for distribution of remuneration and compensation to employees and Directors is based on the amount (which shall also be listed as operating expenses for the annual period) obtained from the calculation of each pre-tax income (prior to being deducted by remuneration to employees and Directors) from such period multiplying the distribution percentage of remuneration to employees and Directors based on the Company's Articles of Incorporation. If there is any difference between the actual distributed amount and the estimated one, it shall be recognized as profit or loss of next annual period based on the change in accounting estimation.
3. The resolution of the distribution of compensation by the board of directors:
 - (1) Cash or stocks as remuneration for employees and directors: The Company has approved the resolution of the board of directors to the distribution of the employees' compensation and directors' remuneration of 2022 at NT\$ 116,793,846 and NT\$ 8,759,538 respectively on February 24, 2023.
If there is a discrepancy from the estimated expenses and the recognized expenses, the amount of discrepancies, reasons and handling measures shall be disclosed: Not applicable.
 - (2) The amount of employee remuneration distributed by stocks and the percentage to the net income and total remuneration of the parent company only or individual financial statements for the period: Not applicable.
4. The actual distribution of remuneration of employees and directors for the 2020 and any if there is discrepancies between actual distribution and the figures previously recognized, explain the amount, the cause and treatment of such discrepancies:
 - (1) Actual distribution of remuneration to employees and directors in the previous year: The amount distributed to employees' remuneration in cash was NT\$ 55,501,093 and NT\$ 4,162,582 for directors' remuneration.
 - (2) Differences between the proposed distribution and actual amount approved by the original board of directors: the actual distributed amount was the same as the proposed distribution amount approved by the Board of Directors.

(X) Status of the Company repurchasing its own shares:

No repurchase of the Company's shares by the Company was conducted in the most recent two years and as of the publication date of the annual report.

II. Corporate Bonds Handling Status: None.

III. Preferred Shares Handling Status: None.

IV. Global Depository Receipts Handling Status: None.

V. Employee Stock Option Handling Status: None.

VI. Issuance of New Shares in Connection with the Merger or Acquisition of other Corporations: None.

VII. Implementation Status of Funds: Not acceptable

Overview of Operations

I. Description of Business

(I) Scope of Business:

1. Principal Business Activities

- (1) CC01101 Restrained Telecom Radio Frequency Equipment and Materials Manufacturing.
- (2) CC01070 Telecommunication Equipment and Apparatus Manufacturing.
- (3) CF01011 Medical Materials and Equipment Manufacturing.
- (4) F108031 Wholesale of Drugs, Medical Goods.
- (5) F401010 International Trade.
- (6) Research, development, design, manufacturing and sale of the following products:
 - A. Computer network systems, equipment and components.
 - B. Metropolitan area network (MAN) and enterprise network products.
 - C. Broadband products.
 - D. Wireless network products.
 - E. Medical equipment, products and parts.
 - F. Import/export trade and medical application of the above products.
 - G. Product maintenance, testing and after-sale service.

2. Sales of Major Products (Services)

Unit: NTD thousands

Main Products	2022	
	Amount	%
Wireless and Broadband Products	16,805,455	49.97%
LAN/MAN Products	13,038,100	38.76%
Digital Multimedia Products	1,647,324	4.90%
Other Networking Products	2,143,318	6.37%
Total	33,634,197	100.00%

3. Current Products (Services) Offered by the Company

(1) LAN MAN Products

- A. Fronthaul/ Middlehaul /Backhaul High Speed Switch
- B. 10G/25G/40G/100G/200G/400G Data Center Switch
- C. Enterprise/Campus Ethernet Switch
- D. SMB Ethernet Switch
- E. Carrier-Grade Ethernet Switch
- F. IoT Ethernet Switch

(2) Wireless Broadband Products

- A. VDSL/G.fast Router/IAD
- B. GPON/10G-PON ONT/ONU
- C. 5G/LTE Router/IAD
- D. 5G RRH/ LTE Small Cell
- E. G.fast + LTE MPTCP Hybrid IAD
- F. NB-IoT Industrial Sensor
- G. Wi-Fi 5/Wi-Fi 6 Access Point
- H. Wi-Fi 5/Wi-Fi 6 Router
- I. Wireless LAN Module

(3) Digital Multimedia Products

- A. Video Surveillance System & IP Camera
- B. NAS
- C. PLC
- D. Smart Home IoT Devices

(4) Mobile Enterprise Solutions Products

- A. 24GHz Smart Radar Sensor
- B. 77GHz Smart Radar Sensor
- C. 79GHz Smart Radar Sensor

4. New products and Technologies planned for Development

(1) LAN/MAN Products

- A. Cloud Native base SDN Switch
- B. Multi-Giga (1G/2.5G/5G/10Gbps) PoE (802.3bt) high-performance and PoE++ switch
- C. 5G Mobile Fronthaul/Backhaul switch
- D. Network function virtualization (NFV) platform technology
- E. Multi-access Edge Computing Platform

- F. XGS-PON OLT
- (2) Wireless Broadband Products
 - A. G.fast + Wi-Fi 6 CPE
 - B. Wi-Fi 6 & 6E Access Point
 - C. Wi-Fi 6 Mesh AP/Router
 - D. 5G RAN End-to-End Solution
 - E. 5G FWA CPE
 - F. 5G Small Cell
 - G. NB-IoT Industrial Sensor Module
- (3) Digital Multimedia Products
 - A. Smart Surveillance Solution
 - B. Intelligent Video and Audio Analytics
- (4) Mobile Enterprise Solutions Product
 - A. mmWave Radar with Image Fusion Technology
 - B. AVM & Radar Sensor System
 - C. AVB Ethernet Gateway

(II) Industry Overview:

The Company is a professional network communication equipment provider and the product lines include LAN/MAN, wireless broadband, digital multimedia, and mobile enterprise solutions. The Company also possesses competent software development capability for providing customers with customized and value-added solutions. The Company is one of the few professional network equipment suppliers in Taiwan that provides a complete range of network/communication products and integrated services for hardware & software.

Although the impact of COVID-19 has gradually alleviated, the economy in various countries has started to recover, the post-pandemic lifestyle and work style have changed. Volume demand in long-distance network services keeps increasing and has driven the product upgrades and the demand of replacements. The large-scale commercialization of global 5G products has also increased network traffic and resulted in the growth of communication products such as Ethernet LAN Switch, Wi-Fi 6/6E, and 5G mobile broadband access products. Looking ahead, according to the 2023 Taiwan ICT Industry Outlook Report issued by the Market Intelligence & Consulting Institute in December 2022, under the principle of de-sinicization, countries around the world have invested heavily in new generation high-speed basic networks to stimulate the market for more new technologies and products. The successive launch of new generation equipment such as NG PON ONU, 5G FWA CPE, and Wi-Fi 7 routers will bring business opportunities for Taiwan's network communication equipment companies. In addition, due to Taiwan companies' effective strategy of doing direct business with telecom carriers in recent years and the network construction policies in various countries during pandemic, revenue significantly increased as well as the proportion of non-Chinese manufacturing sites and shipments. In light of the movement of Taiwan's network communication companies, MIC is positive on international orders. The Company actively develops new products, fights for exposure opportunities, maintains higher inventory level to respond to sudden market requests. However, the effect of global inflation should be carefully watched. Part of international telecom carriers planned to reduce 2023 capital expenditure which had brought uncertainty to the market. According to data from ITIS in February 2023, the production value of Taiwan communication industry in 2022 Q4 was NT\$352.2 billion, which decreased 0.5% compared to 2021 Q4. However, with respect to the Company's major product network communication equipment, as the international digital infrastructure market and data center upgrade demands continued to increase, the Wi-Fi 6/6E market penetration and the delivery of switches had increased, the production value for the fourth quarter of 2022 was NT\$146.7 billion, representing YoY increase of 11.8%.

With regards to Wi-Fi technology development, the next-generation technology, Wi-Fi 6, also entered the market. As 5G applications become more widespread, Wi-Fi 6 has become the mainstream demand for Internet connection. As more people work from home, there is increased demand for the replacement of mobile phones, laptops, tablets, and broadband terminal products. According to research conducted by TrendForce, the development of Wi-Fi 6 is fast. In 2022, Wi-Fi 6 and 6E has overpassed Wi-Fi 5 and become mainstream technology. The global market share is expected to reach 58%. It is expected that new equipment bundle rate of Wi-Fi 6E will surpass 10% in 2022. To satisfy the communication demand for industry vision such as the Metaverse, many big companies focus on the next-generation Wi-Fi 7 with greater speed and stability. The expected application timeline will fall at end of 2023 and beginning of 2024. However, there are still challenges for the overall development such as equipment investment,

use of frequency spectrum, deployment cost, and terminal device penetration rate. They shall be overcome before the technology benefit can be demonstrated.

In terms of mobile communication technology, according to the Ericsson Mobility Report November 2022, 5G users are expected to reach 1 billion by the end of 2022. In 2023, more smart 5G devices with new functions will be put into the market. From a global perspective, 5G has already emerged in all regions, and on the basis of population coverage, which is crucial to achieving the best 5G service and user experience, 5G global population coverage has reached 25%, and the population coverage has even reached 80% in leading markets like the US.

The arrival of the 5G era gives rise to enormous demand for infrastructures including core network, 5G RAN, small cell, transmission equipment, network terminals, and tailor-made private networks for enterprises. 5G applications such as smart city, smart home, Industry 4.0, IoT and Internet of Vehicles (IoV) all involve real-time AI analysis at low latency, a requirement that drives the development of edge computing. Deployment of services and buffers at the network edge can effectively relieve congestion of the mobile core network and lessen the cloud computing workload. SDN and NFV will be the key software development for the future mobile infrastructure.

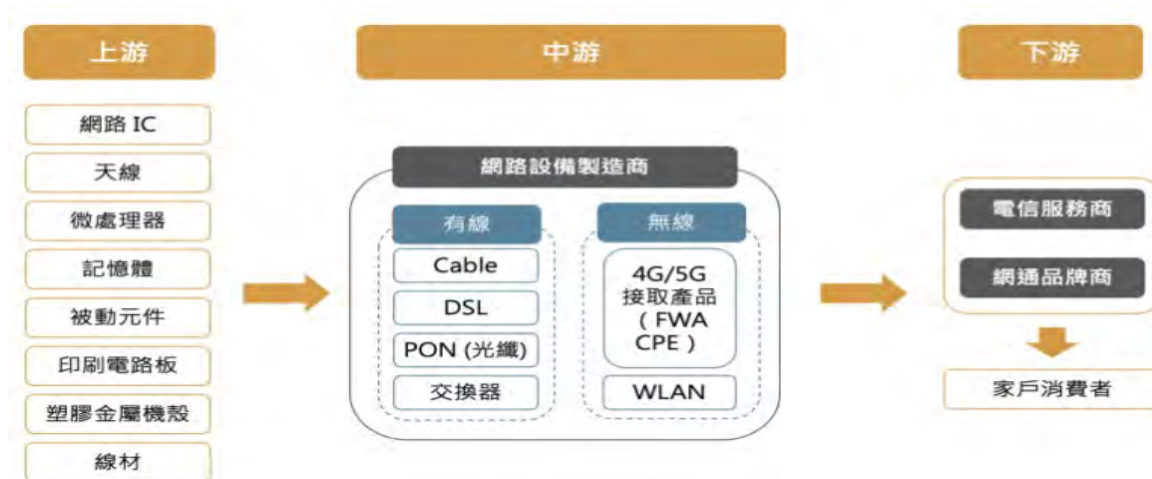
With regard to the Ethernet switch industry development, mass data transmission demand of cloud-based data centers will continue to drive growth of 10Gbps and 100Gbps network switches. 400Gbps switches will begin to make their way into the market as demand for higher network speed grows. Also, the transition to high-speed wireless network and the increased demand for high-power connection equipment give rise to demand for 2.5Gbps/5Gbps switches and switches that support high power over Ethernet (PoE++).

In terms of smart home, home security/surveillance, smart energy control and smart appliances will be the main focus of smart home solutions in the future. The development of smart home solutions will accelerate with artificial intelligence (AI) and deep learning, which will speed up the development of applications such as voice control and image recognition technologies. With respect to security and surveillance, the penetration rate of IP-Cams keeps growing.

The rise of smart home solutions and the demand for high-definition video streaming has consistently increased the needs for higher bandwidth in home network, which in turn supports development of high speed VDSL2 and G.fast in copper wire production into higher bandwidth. In terms of fiber broadband network, there is an ongoing shift from GPON to 10G-PON. However, due to the longer time and higher costs associated with FTTH (fiber-to-the-home) deployment, most carriers still choose to deploy fiber to FTTdp (fiber-to-the distribution point) as a way to reduce cost for the last mile of the fiber network. G.fast plays an important role in FTTdp as it allows existing copper wires to deliver higher speeds in the last mile. As for cable network, the introduction of DOCSIS 3.1 will enable full duplex speeds up to 10Gbps. Carriers are starting to implement fixed wireless access (FWA) service to improve deployment efficiency for the last mile and provide users with faster transmission speed.

Inspired by the development of self-driving cars, mmWave radar has quickly emerged to become one of the key technologies for advanced driver-assistance systems (ADAS). In short- and mid-range, mmWave radar can be used for applications such as blind spot detection (BSD), rear cross traffic alert, lane departure warning (LDW) etc. to prevent vehicle collision, and for industrial scenarios such as intelligent traffic monitoring and safety monitoring. In long range anti-collision radar, mmWave offers uses such as auto emergency braking (AEB), adaptive cruise control (ACC) and forward collision warning (FCW). According to the data from Topology Research Institute, the millimeter-wave radar market has risen rapidly in recent years, mainly because the millimeter-wave radar is used as the main sensor in the ADAS in the new car evaluation system in many countries. Among them, AEB has become the evaluation standard for new cars in the United States and EU. Japan mandated the installation of AEB in new cars in 2020. The United States has set AEB as standard equipment for new cars in 2022. In China, new cars without AEB installed cannot obtain a 5-star rating in the new car evaluation system from 2019. As the three major automobile markets force the adoption and actively encourage the installation of the AEB system, it has become the driver of growth in the number of millimeter-wave radars.

1. Links between Upstream, Midstream and Downstream of the Industry



Source: Fugle research

2. Development Trends and Competitors for the Company's Product

(1) Product Development Trends

A. Mobile broadband network deployment and upgrade

More and more users across the world enjoy mobile broadband Internet access and mobile video and audio streaming has increased the demand for high-speed mobile Internet access. The 4G LTE market will continue to grow. As 5G networks are launched across different countries, network infrastructure and terminal equipment will also continue to be developed and the versatile 5G network will be able to materialize more emerging application services, thereby generating high bandwidth, low latency and broad connection applications. The aim is to develop diverse applications and solutions for consumers, telecom operators, enterprises and vertical markets of various industries.

B. The Increasing Demand for Fixed Network Bandwidth

User demand for network applications has expanded from simple data transmission to video and interactive applications. As the demand for bandwidth increases, telecom operators have accelerated the upgrading of their fixed network infrastructures. In terms of FTTx and terminal equipment development, copper broadband connections have evolved from ADSL to VDSL and G.fast, while fiber broadband has been upgraded from GPON to 10G-PON and the mainstream specification of cable is the DOCSIS 3.1. MSOs will also accelerate the deployment of fiber networks featuring 10G-PON as the mainstream specification.

C. Upgrade of Ethernet Switch for Higher Transmission Speed

Enterprise users' demand for high-speed switches will continue to rise. The increase in cloud computing service and high-quality video streaming data will also increase, stimulates the establishment and upgrade of internal networks in data centers. The bandwidth of switches will be upgraded from 10Gbps and 40Gbps to 25Gbps and 100Gbps, respectively. The demand for the next-generation 400Gbps Ethernet will also gradually increase.

D. Enhancement of Wi-Fi Transmission Speed and Increase of Applications

As fixed-line network and mobile broadband upgrade to the next generation standards, they also generate an increase in the speed of Wi-Fi in LAN to satisfy the users' high-speed Internet experience in different environments. Wi-Fi 5 has become the mainstream standard in the wireless network market and it is developing towards Wi-Fi 6 and Wi-Fi 6E standards which offer higher speed wireless networks. As mobile data transmission increases, telecom operators continue to deploy Wi-Fi hotspots to achieve mobile data traffic offload and uphold network service quality.

E. Development Trend of Smart Homes

With the increasing demand for home security surveillance and smart homes, AI development also incorporates smart home products, where the technology development of voice control and image recognition will introduce more smart applications.

(2) Competition

As technology advances by leaps and bounds across the globe, wired and wireless network product technologies have also undergone groundbreaking developments. However, the rapid evolution in new technologies also means shorter product lifecycles as well as uncertainties associated with new product developments. In a bid to lower cost or simplify product functions, manufacturers are adopting the competitive pricing strategy by lowering their sales prices.

The Company offers the most comprehensive line of professional network products in Taiwan. With years of experience in product development and design, the Company provides a one-stop solution for procurement needs of major international manufacturers. Future developments in the network communication industry will focus on smart applications and integration and the speed of network technology will continue to increase. Only manufacturers with sound network communication software/hardware technologies can provide customers with the latest and most complete solutions.

(III) Overview of Technology Research and Development:

1. Research and Development Expenses During the Current Fiscal Year and as of the Publication date of the Annual Report

Unit: NTD thousands

Item	Year	2022
R&D Expenses		1,833,973
Net Sales		33,634,197
R&D Expense as a Percentage of Net Sales (%)		5.45%

2. Achievements in Technologies or Products

Year	R&D Achievements
2006	Compact ADSL Modem, Digital Media Player with support of Intel ViiVand IP-STB (Set Top Box) with support of H.264 encoding.
2007	Wireless Digital Media Player, HD Hybrid STB, WiMAX Pico Base Station and EPON ONU.
2008	Layer2 Green Switch, Tripleplay Residential Gateway and Wireless VDSL IAD.
2009	L3 Gigabit Switch, L3 10G Chassis Switch, 10G Top of Rack Switch, EPON/GPON MDU, GPON ONT and NAS through Win7 certified.
2010	HD Player through DLNA 1.5 Server, Player and Render certified, 40GE Switch Module, 3G Femtocell, IP Camera, LINKnLOOK Cloud Service, OTT Set Top Box with built-in 2.5-inch 1TB Drive and built-in Facebook, Netflix and Blockbuster, NAS through DLNA 1.5 Server certified, 500M Powerline Adapter, Home Gateway through Win7 and Ipv6 certified, Energy Efficient Ethernet Switch and Unified WLAN Switch.
2011	Introduction of HD Digital Media Player with built-in DVB-T, Time Shifting with Simultaneous Two-way Scheduled Recording, Picture-in-picture and Online Streaming. Development of Rack Mount 192 40GE Port Switch for Cloud Data Center.
2012	Development of Synchronized Playback and Remote Control Functions for Media Player on PC, Smartphone, Tablet and TV. Development of Advanced 3G Anti-interference Technology to fully resolve the signal interference issues of Femtocell base stations for telecom operators. Development of Fast Speed, High-capacity, Non-Physical Layer and 32 40GE Port Flagship Switch for Cloud Data Center.
2013	Cloud Traversing Firewall Technology was awarded the invention patents from Taiwan, USA and China. This technology could be used on video streaming products including IP Camera. Development of IoV Product "24GHz Automotive Radar Sensors."
2014	Non-isolated DC/DC circuit design of the high-speed power-line adapter was awarded patents in China, Japan and Australia. Development of world's fastest, high-density, high-capacity with 32 100GE port switch for high-end cloud data center which supports the ONIE standard. Development of 24GHz automotive radar sensors with blind spot detection for large transport vehicles. Cloud data center switch SNX-60A0-486F capable of supporting up to 40G passed ONIE certification. Completed the development and testing of HD 4K/HEVC digital set-top box.
2015	Successfully developed and tested 2.5G /5G /10G multi-speed switch. Successfully tested high-end cloud data center switch supporting 48 ports 25G Fiber downlink sockets and 4 ports 100G uplink sockets. Development of 180-degree fisheye IP camera. Development of STB with 4 802.11ac 5G antennas and 2 BT/RF4CE 2.4G antennas on board. Development of 24GHz automotive radar sensors with rear collision detection for general vehicles.

Year	R&D Achievements
2016	<p>Completion of testing of high-density rack mount 128 and 512 optical port switch for cloud data center.</p> <p>Completion of testing of 48 10G fiber downlink ports and 6 100G uplink ports for Internet service provider.</p> <p>Completion of development of smart home gateway which passed Z-Wave Plus certification.</p> <p>Completion of development of enterprise access points with dual Wi-Fi 5 GHz modules and 2.5 Gbps Ethernet uplink port.</p>
2017	<p>Development of first central office terminal switch with G.fast technology.</p> <p>Demonstration of network backbone switch with IEEE1588v2 technology in Remote Radio Head and Cloud Radio Access Network applications.</p> <p>Development of 100G data center switch with 32 ports.</p> <p>Development of Top of Rack (TOR) switch with 48 x 25G downlink and 8 x 100G uplink ports.</p> <p>Provision of end-to-end solution for smart parking application which consists of NB-IoT sensor, NB-IoT small cell, cloud IoT platform and app.</p> <p>Development of 24 dBm small cell & cloud radio access network platform which integrates 4G and Wi-Fi for increasing download speed.</p> <p>Development of new functions that enabled IP camera images to be transmitted to Google Chromecast through Google Home.</p> <p>Implementation of human/face detection and recognition in IP camera and hub.</p> <p>Supply of 24 GHz 3-in-1 radar solution incorporating automotive camera to customers for validation.</p>
2018	<p>Development of 400G data center switch with 32 ports.</p> <p>Development of Multi-G (1G/2.5G/5Gbps) PoE (802.3bt) high-performance switch for access network and enterprise network.</p> <p>Development of fronthaul switch with IEEE1588v2.</p> <p>10G PON ONU was listed as a recommended product for vOLTHA on the official website of ONF Lab.</p> <p>Self-Organizing Network (SON) jointly developed by Industrial Technology Research Institute (ITRI), Far EasTone and Alpha Networks won JUDGES' CHOICE in the Small Cell Forum (SCF) Awards.</p> <p>Implementation of beamforming technology on IP camera.</p> <p>Implementation of adaptive bitrate streaming on IP Camera.</p> <p>Radar solutions passed ISO 26262 which is world's highest safety standard on automobile electronics.</p>
2019	<p>Selection as DCSG (Disaggregated Cell-Site Gateway) supplier for TIP (Telecom Infra Project).</p> <p>Shipment of G.fast central office and terminal equipment to Japan.</p> <p>Shipment of Wi-Fi 6 (802.11ax) wireless router through global distribution channel of partner brands.</p> <p>Shipment of outdoor 4G small cell to overseas markets.</p> <p>Shipment of Wi-Fi 6- embedded VDSL IAD to North American carriers.</p> <p>Submission of samples of enterprise indoor 5G NR Radio Unit (RU) to Chinese customers.</p> <p>Shipment of MPTCP-embedded Hybrid VDSL/LTE IAD to European carriers.</p> <p>Development of Active Video Setting (AVS) technology and integration into IP camera.</p> <p>Outdoor wireless battery-powered IP camera was shipped worldwide.</p> <p>77/ 79GHZ mmWave radar received MIC certification in Japan and was ready for mass production.</p>
2020	<p>Development of 400G data center switch with 64 ports.</p> <p>Development of XGS-PON OLT with 8 ports.</p> <p>Integration of the third-party software to virtual Optical Line Terminal (vOLT) platform to provide 8 port XGS-PON OLT.</p> <p>Development of Multi-G (1G/2.5G/5Gbps) PoE (802.3bt) switches with 48 ports and started shipping to customers.</p> <p>Development of DCSG (Disaggregated Cell Site Gateway) hardware platform of TIP (Telecom Infra Project), integration DCSG with third-party software and sent samples for customer verification.</p> <p>Joined DENT open network operating platform alliance led by Amazon and Linux foundation.</p> <p>Development of indoor enterprise 5G NR base station (Radio Unit, Distributed Unit and Centralized Unit) which supports the sub-6GHz frequency band and started sending samples to Japanese and Taiwanese customers for field trials.</p> <p>Shipment of 5G NR CPE to Korean and Japanese customers for testing and validation.</p> <p>Shipment of G.fast central office and terminal equipment to Japan.</p> <p>Development of ASL-810B with G.fast 106 MHz dual hybrid and shipment to Japanese market.</p> <p>Shipment of Wi-Fi 6- embedded VDSL IAD to North American carriers.</p> <p>Development of routers of ASL-84421L and ASL-84440L with Wi-Fi 6 and shipment to the North American telecom carrier.</p> <p>Shipment of MPTCP- embedded Hybrid VDSL/LTE IAD to European carriers.</p> <p>Development of VLT-743810F with hybrid VDSL/LTE router and shipment to European telecom carrier.</p> <p>Development of the first Wi-Fi 6E tri-band router and shipment of samples to the North American customers.</p> <p>Shipment of Wi-Fi 6 Easy MESH to global brand customer.</p> <p>Shipment of vast volume of video doorbell to tier one customers in the US.</p> <p>Development of 24GHz smart radar sensor.</p> <p>Development of 77GHz smart radar sensor.</p>

Year	R&D Achievements
	<p>Development of 79GHz smart radar sensor.</p> <p>Development of mmWave radar with image fusion technology.</p> <p>Development of automotive surround view camera and Around View Monitoring (AVM) & radar sensor system.</p>
2021	<p>Development of 5G fronthaul switch with 18 ports x 25G.</p> <p>Development of 5G backhaul switch with 20 ports x 100G.</p> <p>Development of the world's first 48-port 25GBase-T data center switch.</p> <p>Development of Flex-PON OLT central office equipment with 16 ports.</p> <p>Use of Marvell's brand-new next-generation chips for the development of diverse and economic switches for small and medium enterprises.</p> <p>Collaboration with third-party software companies for the introduction of high-end data center software functions into 400G data center switch with 32 ports.</p> <p>Development and shipment of 400G data center switch with 32 ports.</p> <p>Development and shipment of XGS-PON OLT with 8 ports.</p> <p>Official mass production and shipment to the Japan market of the first indoor enterprise 5G NR base station (Radio Unit, Distributed Unit and Centralized Unit) which meets Japanese telecom regulations and supports the sub-6GHz frequency band.</p> <p>Development of the first 5W outdoor Radio Unit (RU) which supports the n78 frequency band and started sending samples to Taiwanese customers for field trials.</p> <p>Completed the O-RAN Alliance interoperability test for the first 10W outdoor Radio Unit (RU).</p> <p>Shipment of the first 5G indoor user equipment which supports Docker simulated technical service platform to Japanese customers for testing and validation.</p> <p>Development of PON-23440MS home gateway device with Wi-Fi 6/Bluetooth and 2.5GPON passive optical network connection technology and successful mass production and shipment to the Japanese telecom carrier.</p> <p>Development of PON-34000B device with 10G EPON Ethernet passive optical network connection technology and successful mass production and shipment to the Japanese customer.</p> <p>Development of PON-31001BC home Internet access device with 10GPON SFU passive optical network connection technology and successful mass production and shipment to the North American customer.</p> <p>Development of PON-33002B outdoor network connection device with Outdoor 10GPON ONU passive optical network connection technology and shipment to the North American customer.</p> <p>Development of Wi-Fi6 Easy MESH HGW and sent samples to European telecom operators for tests.</p> <p>Development of Wi-Fi6E tri-band router and shipment of samples to the North American and European customers.</p> <p>Shipment of Wi-Fi5/Wi-Fi6 Easy MESH certified routers to tier 1 customers in North America and Japan.</p> <p>Development of the 8m pixel PTZ (Pan/ Tilt/ Zoom), Gigabit Ethernet POE (802.3af) surveillance camera which have been shipped to the brand customer in Europe.</p> <p>Development of the 12m pixel 360° panoramic Gigabit Ethernet POE (802.3af) surveillance camera which have been shipped to the brand customer in Europe.</p> <p>Development and integration of the network surveillance camera and smart surveillance doorbell with 24GHz smart radar sensor and shipped samples to customers in North America.</p> <p>Development of the traffic flow surveillance camera with 24GHz smart radar sensor and shipment of samples to a major Japanese customer.</p> <p>Development of 77GHz water level detection sensor and shipment to the Japanese customer.</p> <p>Development of ADAS smart radar sensor with 79GHz & Electronic Control Unit (ECU) and shipment to commercial vehicle market in Taiwan.</p> <p>Development of the automotive surround view camera and Around View Monitoring (AVM) & radar sensor system and shipped samples to RV system integrators in North America.</p>
2022	<p>Development of 800G data center switch with 64 ports.</p> <p>Development of XGS-PON OLT central office equipment with 16 ports.</p> <p>The 48-Port 1G Enterprise SONiC Data Center Switch is in the leading position in the industry in TD3-X2 and has successfully obtained the Broadcom Enterprise SONiC certification.</p> <p>The 32-port 400G Data Center Switch was sent to Broadcom SONiC for testing and certification.</p> <p>Developed switch support of time synchronization function of Sync-E and IEEE 1588v2, allowing network applications to optimize their performance.</p> <p>Developed Intel x86 CPU Ice Lake D and Snow Ridge Platform.</p> <p>Official small scale mass production and shipment to the Japan market of the first outdoor enterprise 5G NR base station all-in-one integrated outdoors solution which meets Japanese telecom regulations and supports the local 5GHz frequency band.</p>

Year	R&D Achievements
	<p>The first indoor prototype 5G CPE (Mediatek T-750) has been sent to customers in Europe and Middle East for testing.</p> <p>The development of GPON Dual-band HGU has been completed and products have been shipped to North American and Asian customers.</p> <p>Customer testing of XGSPON Dual-band HGU has been completed and the mass production is expected to start in 2023.</p> <p>Launched the research and development of XGSPON Tri-band HGU and will be displayed at Europe BBWF in October.</p> <p>Launched the research and development of Wi-Fi7 Tri-band HGW. Wi-Fi 7 products will be displayed at Europe BBWF in October.</p> <p>Development of Wi-Fi6E tri-band MESH router has been completed and products have been shipped to the North American and Asian customers.</p> <p>Shipment of Wi-Fi6/Wi-Fi6E EasyMESH certified routers to tier 1 telecom customers in North America and Japan.</p> <p>The Company completed the development of 2m pixel wireless internet surveillance camera module, which was integrated into customers' smart garage door opening unit and has been shipped to the North American brand customers.</p> <p>Development of the 2m pixel 360° Gigabit Ethernet POE (802.3af) surveillance camera integrated with spotlight which have been shipped to the brand customers in Europe.</p> <p>Development and integration of the wireless network surveillance camera with 24GHz smart radar sensor and shipped to customers in North America.</p> <p>Developed wireless smart bell used with smart monitoring doorbell and sent samples to customers in North America.</p> <p>Worked with international AI partners to joint develop Advanced AI Dashcam to provide 360° out-car object detection and participated in a joint road test with Japanese car manufacturers.</p> <p>The development of the Sensor Hub with GPS functions was completed, and small shipments were made to the RV caravan companies in North America.</p> <p>The development of BSIS (Blind Spot Information System) that complies with the European car-side safety regulation UN ECE R151 was completed. The Company and camera industry partners jointly participated in international exhibitions.</p> <p>The development of 77GHz Radar for motorcycles has been completed, and samples were sent to Tier 1 customers.</p> <p>The multi-access edge computing (MEC) supports Container and Virtual Machine.</p> <p>The multi-access edge computing (MEC) has passed Chunghwa Telecom Laboratories' autonomy test and safety test.</p> <p>The multi-access edge computing (MEC) integrates 5G core network such as Saviah, Druid, and AGrand.</p> <p>The multi-access edge computing (MEC) integrates various solutions such as A10 Security, IronYun Surveillance, and BenQ healthcare system.</p>

(IV) Long and Short-term Business Development Plans

1. Short-term Business Development Plans

In terms of marketing, the Company maintains close business relationship with customers to understand changes in market trend and customers' needs. Backed by strong research capacity and advantage in quality assurance, the Company aims to provide customized services such as hardware/software designs to help customers expand into new markets.

With respect to product development, the Company aims to introduce value-added new offerings, optimize product portfolio and increase market share. Alpha also establishes collaborative relationship with key IC suppliers to secure critical technology. In terms of operations, the Company aims to raise operating efficiency and performance through enhanced internal management.

2. Long-term Business Development Plans

In terms of marketing, the Company strives to expand operation and build up global reputation by forming business relationship with renowned manufacturers across the globe, and will continue to engage customers and suppliers in business dealings that promote long-term partnerships.

In terms of product development, the Company will continue improving its research capacity in line with industry development trends and integrating knowledge from network communication, multimedia and smart application into developing next-generation products and enhancing core competitive advantage.

As for operational management, the Company aims to strengthen its financial structure and place greater emphasis on operating efficiency.

II. Overview on Market and Production

(I) Market Analysis:

1. Locations where products (services) were mainly provided (supplied)

Unit: NTD thousands

Location	2022	
	Amount	% of Revenue
United States	19,125,930	56.87%
Taiwan	4,975,923	14.79%
China	1,144,517	3.40%
Other Countries	8,387,827	24.94%
Total	33,634,197	100.00%

Note: Sales (service) locations are categorized based on customers' location.

2. Market Share, Supply, Demand and Growth in the Future

(1) Market Share

The Company will continue offering total solutions across all product categories, including broadband equipment, optical products and enterprise wireless network equipment, and will attempt to satisfy customers' requirements, improve product quality and increase worldwide market share.

(2) Market Supply, Demand and Growth in the Future

Looking forward to 2023, although the economies of various countries are gradually recovering from the shadow of the pandemic, the global economy may still face the risk of recession under the impact of high interest rate, inflation and geopolitical uncertainties. According to ITIS's February 2023 data, it is estimated that the production value of Taiwan's communications industry in the first quarter of 2023 will be NT\$302.1 billion, representing an increase of 2.1% as compared to 2022Q1. The production value of communication industry for 2023 whole year will be NT\$1,270 billion, which decreased 0.01% comparing to 2022. In addition, in respect of network communication equipment, it is estimated that the market for all types of communication equipment products will grow by 1.85% in 2023 as compared to 2022. The future supply and demand conditions and growth of the market for all types of communication equipment products are as follows:

A. Switch

In terms of Ethernet Switch, while there is still demand from data centers and infrastructure, the decline in large-scale telecommunication carriers and government policy-based investment spending started to decline, which is unfavorable to the growth of production value. Overall, ITIS estimates that the production value of Taiwan's Switch will decrease by NT\$101.9 billion and 1.16% in 2023 comparing to 2022.

B. Wireless and Broadband Products

In terms of WLAN, the demand for Wi-Fi products in the consumer market is still affected by negative elements such as volatile global pandemic and the continuous rising global inflationary pressure. In terms of demand in the enterprise market, the driving force of the enterprise's digital transformation continued to drive bandwidth upgrades and cloud deployment, which in turn boosted the penetration rate of the Wi-Fi 6/6E market. Overall, ITIS estimated that WLAN production value in 2023 will grow by NT\$143.8 billion and 0.91% comparing to 2022.

According to Ericsson Mobility Report November 2022, in terms of fixed wireless access (FWA) products, 238 (77%) of the 310 telecommunication carriers worldwide provided FWA services. The number of telecom carriers that provide 5G FWA service has increased from 57(19%) to 88(29%) in the past year. It is estimated that FWA will grow strongly at a rate of 19% per annum, with over 5.0 billion 5G users and 300 million FWA connections in 2028, of which nearly 80% FWA connections will be on the 5G network. The number of users for mobile PC, tablets and routers is expected to maintain moderate growth, reaching approximately 680 million in 2028. In addition, the number of fixed broadband users is expected to grow by approximately 4% per annum

and the number of mobile users is expected to increase from 8.4 billion at the end of 2022 to approximately 9.2 billion at the end of 2028, of which the proportion of mobile broadband will increase from 85% to 93%.

The latest report by Small Cell Forum showed that global small cell shipments will increase each year at a compound annual growth rate of approximately 77% from 2019 to 2026. According to research and forecast by Global Market Insights, the production value of global Radio Access Network-related equipment will reach USD15 billion by 2025, and the shipment of global RAN equipment is expected to grow at a compound annual growth rate of 5.6% from 2020 to 2025.

C. Digital Multimedia

The IP Cam industry has been expanding at a constant rate. According to the latest report published by Global Market Insights, global demand for IP Cam is expected to exceed US\$20 billion in 2025, whereas global shipment of IP Cam is estimated to grow at a compound annual growth rate of more than 14% per annum from 2019 to 2025.

D. Millimeter Wave Radar

According to the latest forecast of Yole Développement, the market value of LiDAR used for automotive radar and industrial applications will grow at compound annual growth rate of 22% and reach US\$6.3 billion in 2027.

3. Competitive Advantage

(1) Product Diversity

The Company offers complete product line that spans across multiple categories including LAN/MAN, wireless broadband, digital multimedia and mobile enterprise solutions, ranging from basic to high-end network communication applications. The Company is proud to deem itself as having the most complete line of network communication products among domestic peers. The Company possesses key technologies in wired/wireless communication, edge computing, and AI; the Company's comprehensive network communication products are applied to fields including smart cities, smart manufacturing, smart healthcare, and smart homes. Through the integration of IT, CT, and OT structures, the Company can provide complete and high-cost-effective end-to-end total solution. Alpha aspires to develop a variety of vertical services and industrial IoT applications to foster a win-win situation and continue to remain as the leader in private 5G network solutions.

(2) Competent R&D Team

The Company has a strong research team with extensive experience in the network communications field. The team has proven capability in reacting to rapid market changes, launching new product ahead of peers, improving competitive advantage of the Company, and delivering products to customers with excellent quality to fulfill the needs of the market.

(3) Professional Research and Development & Manufacturing Capacity

Backed by strong R&D capacity, extensive experience as an OEM for international brands and comprehensive product lines, the Company currently enjoys its position as the top-performing domestic original design manufacturer (ODM) for network communication products, and the Company is well-positioned to compete in the development trend of multi-function high integration for the future network communication products.

(4) Procurement Bargaining Power

In addition to professional R&D and production capability, the Company is also equipped with original design manufacturing capability with comprehensive big volume product lines. The headquarter in Hsinchu and subsidiaries in China and Vietnam have adopted the collective bargaining approach in procurement to bring economy of scale into play, save the cost of raw materials, and enhance the price competitiveness of the Company's products in the market.

(5) Production Cost Control

In addition to the production and sales locations in Hsinchu, the Company can also utilize the cost advantage of subsidiaries in China and Vietnam, where orders are accepted in Taiwan and the products are manufactured by the factories of our overseas subsidiaries.

With regards to product yield and cost control, the Company applies comprehensive and rigorous testing and quality assurance, continually optimizes capacity allocation to increase production efficiency and competitiveness in the market.

4. Positive and Negative Factors for Future Development and Response Strategies

(1) Positive Factors

A. Ongoing Increase in Network Traffic

Advancement of network and communication technology has significantly changed the lifestyle and business model and the convenience, speediness, security and versatility from these technologies has also been integrated into people's lifestyles. Breakthroughs in communication technology, the demand for higher quality products and faster transmission speed, and the increase of network traffic in data centers resulted from cloud computing, all contributed to the upgrade for network communication products. As a result, the network communication market is expected to sustain growth for an extended period of time.

B. Development of Smart Applications

The development trend of smart home continues to inspire integration of smart features into consumer products, and advancements in AI expand this business opportunity by creating new applications. Meanwhile, applications such as smart manufacturing and smart city also present network communication products with new opportunities. The Company has complete network communication product lines to provide customers with suitable hardware-software integration, research, development, design and manufacturing services and solutions.

(2) Negative Factors and Response Strategies

A. Intensified Industry Competition Compressed Gross Profit

The life cycle of related products has shortened significantly due to rapid changes in the ICT and equipment market, which causes falling sales price and gross profit margin to compress over time.

Response Strategies:

The Company will strengthen its R&D capabilities to increase the proportion of ODM business, increase the added value of the Company and establish product competitiveness. The Company will develop smart and integrated products based on current customer premise equipment (CPE) products. The Company will also gradually shift the development towards central office equipment (COE) products with higher gross profit margin to expand the full product line, which will provide one-stop shopping services to customers and increase business opportunities for the Company. In the meantime, the Company shall invest additional resources into manufacturing process optimization and production automation for improved operating efficiency and productivity.

B. Shortage of Network Communication Software Talents

The communication industry has been able to grow at a fast pace following the worldwide deregulation of telecommunication and breakthroughs of the Internet technology. As the hardware technology matures, software technology will be the key element for enhancing the added value of products. However, with the increasing demand from manufacturers, the shortage in supply of talents became prominent.

Response Strategies:

The Company will continue its efforts to create a sound work environment, plan complete training and a rewarding employee profit-sharing system to enhance the loyalty of employees. Furthermore, the Company will try to address the talent shortage issue by discovering software talents through campus recruitment and overseas recruiting.

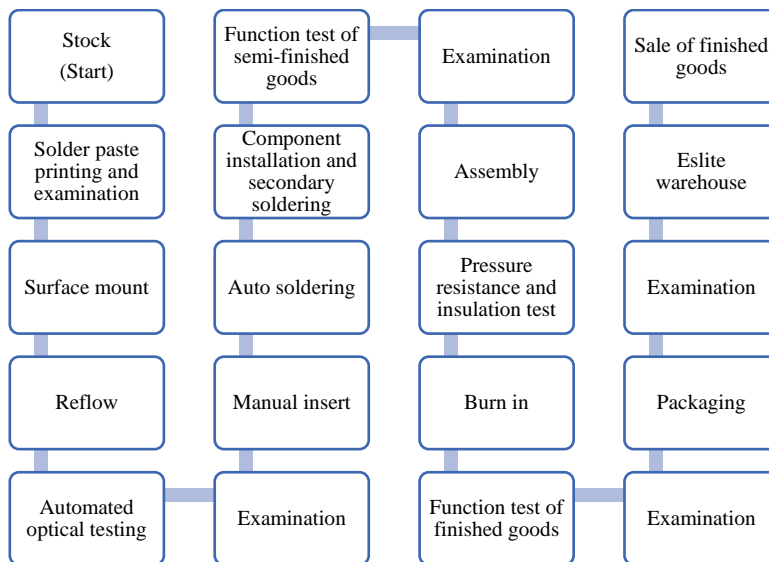
(II) Main Product Applications and Manufacturing Processes

I. Main Product Applications

Product Category	Applications
Switch	The process of data transfer and exchange in IoT, IoV, 5G access network, enterprise network, telecommunication network, edge computing and data center.
Wireless Network	Provision of Wi-Fi compliance wireless network card and access bridge for internet

Product Category	Applications
	connection or dial-up devices for internet applications.
Voice over IP (VoIP) Related Products	Provision of VoIP gateway that allowing user to make voice call over the internet by connecting to a regular phone, as well as using internet phone to connect directly to the internet to lower down the cost.
Multi-function Gateway	Integration of wireless network, broadband network and router technologies.
Digital Subscriber Line (DSL) Related Equipment	Inclusion of a series of DSL modem (xDSL modem, home gateway, etc.) allowing broadband fast internet service.
Optical Access Related Equipment	Inclusion of a series of Optical Network Unit (ONU) and Multi Dwelling Unit (MDU).
Mobile Broadband Network Related Equipment	Inclusion of a series of mobile network base station, Customer Premises Equipment (CPE) and IoT sensor device.
Smart Home Equipment	Integration of use of MPEG/H.264/H.265 compression technologies to combine various voice and video plus high definition IP camera to provide the need for smart home life, security surveillance, etc. on a multimedia image transmission device.
Radar Sensor	Detection of range, movement and speed and the applications of vehicle blind spot detection, parking assistance, collision warning, industrial sensing and monitoring assistance.

II. Manufacturing Processes



(III) Supply of Main Raw Materials

The major raw materials used in the products include integrated circuits, memory, printed circuit boards, power supplies, connectors/connector wire, mechanical/packaging material components, chip modules, antenna modules, etc. Whenever necessary, the Company formulates corresponding strategies or cooperates with suppliers in order to have bargaining power and management ability in component supply.

The Company always maintains good relationship with suppliers and follows the principle of maintaining more than two suppliers to build up a stable supply chain. Regular audits and tests are performed on suppliers to review their product quality, timeliness of delivery, cost and service performance, and the results will be used as a reference for future procurement decisions to replace suppliers that underperformed.

The Company will continue to optimize the Supplier Portal system to establish an information network with suppliers, shorten the procurement lead time for raw materials, deepen cooperation with suppliers, increase operational flexibility and enhance its competitive advantage.

(IV) List of Any Suppliers and Clients Accounting for 10% or More of the Company's Total Procurement (Sales) Amount in either of the Two Most Recent Fiscal Years, the Amounts Bought from (Sold to) Each, the Percentage of Total Procurement (Sales) Accounted for by Each and an Explanation of the Reasons for Net Changes in the below Figures.

1. Major Suppliers Information for the Recent Two Years.

Unit: NTD thousands

Item	2022				2021			
	Name	Amount	% of Annual Net Purchases	Relationship with the Company	Name	Amount	% of Annual Net Purchases	Relationship with the Company
1	-	-	-	-	M	2,553,339	10%	-
2	Others	27,457,967	100%	-	Others	24,291,471	90%	-
	Net Purchase	27,457,967	100%		Net Purchase	26,844,810	100%	

Reasons for Net Changes: There are no significant changes in the recent two years.

2. Major Clients Information for the Recent Two Years

Unit: NTD thousands

Item	2022				2021			
	Name	Amount	% of Annual Net Sales	Relationship with the Company	Name	Amount	% of Annual Net Sales	Relationship with the Company
1	Company 1	5,907,615	17%	-	Company 1	4,034,846	14%	-
2	-	-	-	-	Company 6	3,308,127	12%	-
3	-	-	-	-	Company 7	2,694,099	10%	-
4	Others	27,853,857	83%	-	Others	17,825,265	64%	-
	Net sales	33,761,472	100%		Net sales	27,862,336	100%	

Reasons for net changes: There was no significant variation in the last two years.

(V) Production Volume and Value for the Recent Two Years

Unit: NTD thousands

Year	2022			2021		
	Production Capacity	Production Quantity	Production Value	Production Capacity	Production Quantity	Production Value
Main Products						
LAN/MAN Products		-	13,826,889		-	8,860,450
Wireless Broadband Products	-	-	14,363,131	-	-	11,021,922
Digital Multimedia Products	-	-	1,178,347	-	-	3,605,712
Others	-	-	44,389	-	-	18,100
Total	-	-	29,412,756	-	-	23,506,184

Note: There are many types of the Company's products and the measurement for each product is different, so production capacity and quantity are not listed.

(VI) Sales Volume and Value for the Recent Two Years

Unit: NTD thousands

Year	2022				2021			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Main Products								
LAN/MAN Products	-	505,617	-	12,532,483	-	240,907	-	8,618,273
Digital Multimedia Products	-	46,491	-	1,600,832	-	59,380	-	4,278,607
Wireless Broadband Products	-	676,520	-	16,089,391	-	550,617	-	12,148,768
Others	-	2,088,076	-	94,786	-	1,867,637	-	98,147
Total	-	3,316,704	-	30,317,492	-	2,718,541	-	25,143,795

Note: There are many types of the Company's products and the measurement for each product is different, so sales quantity is not listed.

III. Employee Information in the Recent Two Years up to the Publication Date of this Annual Report

Year		As of March 31, 2023 (Note)	2022	2021
Total number of employees	Indirect Employees	1,231	1,325	1,611
	Direct Employees	1,619	1,645	1,239
	Total	2,850	2,970	2,850
Average Age		35.2	35.33	40.56
Average Years of Service		6.32	6.52	8.23
Distribution ratio of Education levels (%)	Ph.D.	0.28	0.27	0.32
	Master's	15.59	14.99	15.65
	Bachelor's	42.49	41.04	40.04
	High School	20.52	21.58	23.72
	Below High School	21.12	22.12	20.27

Note: As of the date of publication on April 2, 2023, for the accurate information, it is only listed until March 31, 2023.

IV. Environmental Protection Expenditures

Losses (including indemnity) caused by environmental pollution and the total indemnity amount involved in the most recent year up to the date this report is published; accounts of future countermeasures (including improvement actions) and possible expenditures (including loss, disposition and an estimate of indemnity incurred by a failure to implement countermeasures; if a reasonable estimation cannot be made, the justification shall be provided):

1. Losses (including indemnity) caused by the environmental pollution in the most recent year up to the date this report is published:

Losses (including indemnity) caused by the environmental pollution in the most recent year up to the date this report is published, the Company is in compliance with the environmental protection acts. The Company and its subsidiaries were not fined for any other violations against the relevant regulations or requested of environmental improvement from environmental organization in the most recent year up to the publication date this report.

2. Future countermeasures thereof (including improvement actions) and possible expenditures: None.

The Company and its subsidiaries have always put emphasis on environmental protection works. Apart from internal pollution prevention and controls, the factory areas are being continuously improved according to the requirements of the environmental management system and all facilities are set up according to the relevant regulations to prevent environmental pollution losses.

3. For information on environmental protection expenditures of Hitron Technologies Inc. a subsidiary of the Company, please refer to 2022 annual report.

V. Labor Relationships

(I) List of Employee Benefits, In-service Training, Internal Training, Retirement System and Implementation Status, as well as Employer-employee Agreements and Protection Measures for Employee Entitlements:

1. Employee Benefits, In-service Training, Internal Training

(1) Employee Benefits and Implementation

The Company takes care of the physical and mental health of employees and enables them to devote the work. Not only providing various welfare plans, but also has an employee welfare committee formed by colleagues, responsible for the planning and implementation of employee welfare services/measures. Examples are given here to illustrate as follows:

A. In the Company:

The Company, in accordance with the Labor Standards Law and related labor laws and regulations, handles labor insurance and national health insurance for employees and contributes labor pensions (old and new systems). The Company formulates employee retirement rules in accordance with the Labor Pension Act and clearly stipulates employee retirement applications requirements, pension payment standards and payment methods. In addition, in order to carry out risk planning in advance, enhance the Company's image, strengthen the normal operation of the enterprise and enhance the life security of employees and achieve labor-management harmony and create a win-win situation, the Company also provides comprehensive group insurance for colleagues. Overseas subsidiaries are in accordance with the local laws and regulations and they will take out social insurance from the first day of new employment and pay various local social security such as pension and medical care by monthly. The Company implements the leave management measures and sends notices of the remaining hours of paid leave and compensatory time for employees at the beginning of each month, reminding employees to plan their leave properly; overseas factories follow local laws and regulations to approve leave. And implement a flexible working hour system, so that all colleagues can adjust their commuting time according to their own conditions and provide employees with flexible commuting to get off work. Besides, every year, the Directorate-General of Personnel Administration of the Executive Yuan announces that the calendar needs to make up the day and the Company (Taiwan) will give it a

bridge-holiday, let colleagues have a little happiness.

Hsinchu headquarter also has employee fitness and leisure centers, health care rooms, breast-collecting rooms for mothers and parking spaces for pregnant women to provide colleagues with better health and women's care.

In addition to the base salary, the employee salary package also includes job allowances, shift allowances, full attendance bonuses and other items. The year-end bonuses may be paid at the end of the year based on the Company's earnings status. Employees who have no fault during the year can participate in employee dividends.

B. In the Employee Welfare Committee:

The Company has set up an employee welfare committee to coordinate various employee clubs, recreation, art and tourism and other activities. The Company also holds various lectures from time to time, covering popular topics such as health care, parent-child education and physical and mental stress relief. Provide employees with a work-life-friendly workplace environment and provide celebrations such as: annual gift, birthday gift, childbirth subsidy, wedding bonus, etc. and injuries Welfare service items such as condolences and funeral allowances.

(2) Employee training

The employees have always been a very important asset for the Company. Therefore, the Company spares no effort to educate employees, investing huge funds and efforts year by year and provide employees with the best learning opportunities, resources and development stages and complete planning based on the needs of employees at different stages Training system.

● New employee orientation:

The Company provides each employee with a complete new employee training, including company organization, core functions, internal systems, environmental safety and health, etc., to help employees quickly understand the Company and integrate into the organizational culture.

● Management training:

According to the management functions required by the managers at all levels, corresponding management courses are offered to strengthen the management capabilities of the managers at all levels.

● Professional training:

In order to fully understand the professional knowledge and skills of the Company, the supervisor of departments and the human resources department plan to handle internal training courses to promote the exchange of professional experience in various categories and further build a learning-oriented organization.

● Core competency training:

The Company believes that deeply rooting organizational beliefs and developing employees' values of integrity, positive and friendliness are the keys to driving long-term and stable development of enterprises. Therefore, the Company provides employees with energy for positive thinking and self-inspiration through various courses and lectures every year.

● Vocational training:

In response to the advanced arrangement of the 5G era, we especially strengthen the professional training of R&D personnel in 5G technologies, so that colleagues can grasp the pulse of the latest trends and broaden our horizon.

● General education training:

The Company offers various general courses to provide practitioners with various basic learning needs; in addition, for overseas dispatched and related personnel, relevant knowledge courses are offered to help them quickly adapt to the environment.

The accumulated training hours reached 32,035 hours and the accumulated number of trainees reached 21,014 in 2022.

The Company encourages colleagues to share professional knowledge and pass on valuable experience, actively establishes and promotes the internal lecturer system.

Every year on the anniversary of Confucius's birthday in September, lecturer awards are held regularly to encourage more internal talents to carry on good inheritance.

The Company has established "Alpha's library" at headquarter. It buys new books every year and encourages employees to read and learn for self-enrichment. It also provides fixed rewards for colleagues to study foreign languages and obtain foreign language examination qualifications.

2. Retirement System

The Company follows retirement regulations and systems to protect employees' retirement rights and interests. The relevant instructions are as follows:

- (1) The Company has established employee retirement regulations.
- (2) In January 1993, the Labor Retirement Reserve Supervision Committee was established and after verification and inspection by the Science Industrial Park Administration, the pension began to be allocated in January 2004 and the monthly payment was 2% of the total monthly salary.
- (3) From July 1994, the new labor pension system was implemented according to Act.
- (4) In accordance with the provisions of the International Financial Reporting Standards (IFRS), commission an actuary to evaluate and calculate the labor retirement reserve and submit an actuarial evaluation report.
- (5) The Company's monthly retirement reserves in accordance with the Labor Standards Act are handed over to the Labor Retirement Reserve Supervision Committee for management and deposited into a special account in the Bank of Taiwan in the name of this committee. The cumulative amount of labor retirement reserves is NT\$105,620 thousand.
- (6) The pension funded in accordance with the Labor Pension Act shall be transferred to the individual account of the

Bureau of Labor Insurance at the rate of 6% of the employee's monthly salary. The employees' pension fund was allocated NT\$54,820 thousand in 2022.

3. Agreements between Labor and Management and Various Employee Rights Protection Measures

The Company always pays attention to the welfare of employees and adopts communication and coordination methods between labor and management to deal with problems, so the labor-management relationship is quite harmonious. The Company has set up a Labor Safety and Health department to handle various safety and health tasks to actively prevent occupational disasters and ensure the safety and health of employees.

(II) List of due to Labor Disputes in the Most Recent Year up to the Publication Date of this Report (Including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations and the content of the dispositions) and disclose the estimated amount and countermeasures that may occur at present and in the future. If it cannot be reasonably estimated, it should explain the fact that it cannot be reasonably estimated:

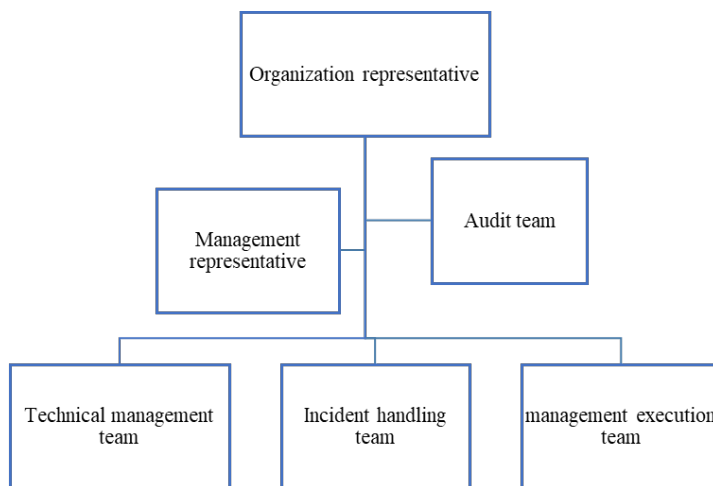
- (a) The Company's losses due to labor disputes in the most recent year and up to the date of publication of the annual report: The Company had no losses due to violations of the Labor Standards Act. The Company continues to develop the corporate culture of "integrity", "unity", "excellence", and "innovation". Labor relations have always been harmonious, and work rules are handled in accordance with relevant laws and regulations in 2022.
- (b) Please refer to the 2022 annual report of the Company's subsidiary Hitron Technologies Inc. for the disclosure of labor disputes.

VI. Cyber Security Management Act

(I) State the cyber security risk management structure, the cyber security policy, the specific management plan and the resources invested in the cyber security management etc.:

Organizational structure of cyber security risk management

The Company established a cyber-security organization in 2019, with the head of Information Technology Division as the management representative. It holds an information security management review meeting every year, which is responsible for evaluating various internal and external information security risks and promoting relevant information protection measures. Its functions are divided into cyber security management execution team, the technical management team, the incident response team and the cyber security audit team are each headed by a designated person to implement the information security management policy.



(II) Policies of information security risk management.

In order to protect the security of information assets of the Company, customers and partners, the Company is committed to building an information security environment. On December 14, 2019, it passed the ISO/IEC27001 information security management system and formulated relevant security policies and measures according to the management system. Ensure the implementation and improvement of information security through the internal audit mechanism to effectively maintain the confidentiality, integrity and availability of information assets.

(III) Specific management plan and resources invested in the security management

1. Information Security Control Procedures

Information security control program, external security set up firewall and other protection systems and scan the system with third-party external information security weaknesses to prevent external intrusion risks; internal control program operation, standardize information equipment use management, network communication

management, account authorization management, computer equipment carry-out control procedures, physical printing control, remote connection management and other related operational processes ensure that each stage of information use can be strictly controlled and reduce various operational data leakage and information security risks.

The internal and external information systems fully use encrypted connection to ensure the security protection of information system connection and transmission and exchange. The transfer process is carried out using trajectory tracking and the use of personal data is specially audited to avoid improper use or theft of important information of the Company and customers.

Physical security Through the environmental control system, real-time monitoring and warning of the environmental status of the information system, effectively maintaining the stable operation of the information room and building an enterprise cloud platform to centrally protect the information security of the Company's R&D, manufacturing and operation systems and provide a high-availability backup mechanism for the cloud system, to ensure that the relevant information systems continue to operate without interruption; in addition, for information systems and data preservation, refer to ISO22301 to establish an information system BCP (Business Continuity Planning), plan regular backup and disaster recovery drills for information systems and store backup data offsite to a third party Data Center, to ensure that the Company does not risk information damage due to man-made or force majeure natural disasters.

In order to comply with the "Intellectual Property Rights", the software asset audit system was introduced and the "software real-name system" management was carried out to cooperate with the continuous quarterly use audits to effectively implement the software authorization compliance principle; in terms of information security awareness enhancement, in addition to employee information security Study the course and promote information security and software license through internal information security bulletin, hoping to achieve the goal of enterprise information security and sustainable operation.

2. Strengthening of information security awareness

Continue to publicize information security policies and norms through the Company's internal website and convey information security information and security incident reports; conduct professional education and training for information security organization personnel every year and organize general information security theme courses for colleagues and plan to implement internal employee social engineering practices to strengthen employees' awareness of daily information security vigilance.

3. Strengthening of information security execution

The Company has assessed that in recent years, the industry has suffered from external attacks and operational data encryption and other information security risks have increased. In order to strengthen the information security protection side, a budget has been prepared to increase active defense and monitoring of external attacks, and enhance the advanced protection functions of important operating systems; in addition, for the four major operations the system scans for weaknesses to improve risks. In terms of access security, it conducts an inventory of all information system management permissions to ensure decentralized management of access to each system, strengthens the password strength of privileged accounts, and forces remote management connections to enable multi-factor authentication to ensure Information system and operational data security protection enhancement.

- (IV) List the losses, possible impacts and countermeasures suffered due to major information security incidents in the most recent year and up to the date of publication of the annual report. If it cannot be reasonably estimated, it should explain the fact that it cannot be reasonably estimated: None.

VII. Material Contracts:

As of the date of publication of this Report, the material long-term loan agreements and technical cooperation agreements that are still ongoing or are about to expire in the most recent year, are as follows: None.

Note: Please refer to the 2022 annual report of the Company's subsidiary Hitron Technologies Inc. for the disclosure of material contracts.

Financial Highlights

I. Most Recent 5 years Condensed Financial Information

(I) Condensed Balance Sheet and Statement of Comprehensive Income

1. Condensed Consolidated Balance Sheet-International Financial Reporting Standards (IFRS)

Unit: NTD thousands

Item \ Year		Financial Information for the Most Recent Five years (Note 1)				
		2022	2021	2020	2019	2018
Current Assets		20,242,744	18,700,222	20,706,337	19,148,501	12,517,041
Property, Plant and Equipment		4,222,057	3,654,414	3,936,709	3,231,397	1,859,589
Intangible Assets		1,304,437	1,344,845	1,435,575	1,529,044	204,719
Other Assets (Note 2)		1,363,776	1,031,303	926,962	1,091,426	347,726
Total Assets		27,133,014	24,730,784	27,005,583	25,000,368	14,929,075
Current Liabilities	Before Distribution	13,047,095	11,583,515	13,715,201	9,584,608	4,173,154
	After Distribution	13,962,599	11,962,718	13,823,545	9,823,300	4,173,154
Non-current Liabilities		529,300	588,165	552,051	1,368,466	362,170
Total Liabilities	Before Distribution	13,576,395	12,171,680	14,267,252	10,953,074	4,535,324
	After Distribution	14,491,899	12,550,883	14,375,596	11,191,766	4,535,324
Equity Attributable to Shareholders of the Parent Company		10,371,312	9,602,419	9,704,182	9,980,798	10,393,751
Capital Stock		5,417,185	5,417,185	5,417,185	5,425,901	5,435,172
Capital Surplus		2,544,401	2,583,772	3,004,591	3,001,756	3,557,356
Retained Earnings	Before Distribution	2,636,275	2,048,554	1,731,210	2,301,960	2,099,641
	After Distribution	1,720,771	1,669,351	1,622,866	2,063,268	2,099,641
Others		(226,549)	(447,092)	(448,804)	(748,819)	(698,418)
Treasury Stock		-	-	-	-	-
Non-controlling Interests		3,185,307	2,956,685	3,034,149	4,066,496	-
Total Equity	Before Distribution	13,556,619	12,559,104	12,738,331	14,047,294	10,393,751
	After Distribution	12,641,115	12,179,901	12,629,987	13,808,602	10,393,751

Note 1: Consolidated financial information between 2018 and 2022 has been audited by CPAs. As of public date of the annual report, 2023 financial information has not been reviewed by CPAs.

Note 2: Other assets are non-current assets not include property, plant and equipment and intangible assets.

2. Condensed Consolidated Statement of Comprehensive Income-International Financial Reporting Standards (IFRS)

Unit: NTD thousands

Item \ Year	Financial Information for the Most Recent Five Years (Note)				
	2022	2021	2020	2019	2018
Operating Revenues	33,634,197	27,862,336	32,170,649	15,825,808	15,608,222
Gross Profit	6,253,241	4,585,899	5,006,293	2,614,001	2,103,678
Income from Operations	1,714,532	709,673	897,607	232,105	(200,028)
Non-operating Income and Expenses	(180,521)	45,189	21,899	107,688	115,742
Income before Income Tax	1,534,011	754,862	919,506	339,793	(84,286)
Income (Loss) from Continuing Operations	1,158,171	540,412	725,103	238,903	(88,009)
Loss from Discontinuing Operations	1,158,171	540,412	725,103	238,903	(88,009)
Net Income	366,793	(13,345)	124,503	(122,759)	(76,053)
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	1,524,964	527,067	849,606	116,144	(164,062)
Total Comprehensive Income (Loss) for the Year	917,075	433,888	556,997	238,903	(88,009)
Net Income Attributable to Shareholders of the Parent Company	241,096	106,524	168,106	-	-
Net Income Attributable to Non-controlling interests	1,187,467	427,400	695,527	116,144	(164,062)
Comprehensive Income (Loss) Attributable to Shareholders of the Parent Company	337,497	99,667	154,079	-	-
Earnings Per Share	1.69	0.80	1.03	0.44	(0.17)

Note: Consolidated financial information between 2018 and 2022 has been audited by CPAs. As of public date of the annual report, 2023 financial information has not been reviewed by CPAs.

3. Condensed Parent Company Only Balance Sheet-International Financial Reporting Standards (IFRS)

Unit: NTD thousands

Item	Year	Financial Information for the Recent 5 years (Note1)				
		2022	2021	2020	2019	2018
Current Assets		6,044,912	4,866,766	6,926,493	6,927,424	8,249,934
Property, Plant and Equipment		677,174	585,435	625,500	591,134	614,870
Intangible Assets		202,515	203,829	176,486	179,097	193,669
Other Assets (Note 2)		9,766,894	8,841,547	8,705,541	8,528,141	5,119,607
Total Assets		10,646,583	14,497,577	16,434,020	16,225,796	14,178,080
Current Liabilities	Before Distribution	5,918,108	4,433,090	6,249,901	5,692,673	3,422,883
	After Distribution	6,833,612	4,812,293	6,358,245	5,931,365	3,422,883
Non-current Liabilities		402,075	462,068	479,937	552,325	361,446
Total Liabilities	Before Distribution	6,320,183	4,895,158	6,729,838	6,244,998	3,784,329
	After Distribution	7,235,687	5,274,361	6,838,182	6,483,690	3,784,329
Equity attributable to owners of parent		10,371,312	9,602,419	9,704,182	9,980,798	10,393,751
Capital Stock		5,417,185	5,417,185	5,417,185	5,425,901	5,435,172
Capital Surplus		2,544,401	2,583,772	3,004,591	3,001,756	3,557,356
Retained Earnings	Before Distribution	2,636,275	2,048,554	1,731,210	2,301,960	2,099,641
	After Distribution	1,720,771	1,669,351	1,622,866	2,063,268	2,099,641
Others		(226,549)	(447,092)	(448,804)	(748,819)	(698,418)
Total Equity	Before Distribution	10,371,312	9,602,419	9,704,182	9,980,798	10,393,751
	After Distribution	9,455,808	9,223,216	9,595,838	9,742,106	10,393,751

Note 1: The parent company only financial information presented above has been audited by CPAs. As of public date of the annual report, 2023 financial information has not been reviewed by CPAs.

Note 2: Other assets are non-current assets not include property, plant and equipment and intangible assets.

4. Condensed Parent Company Only Statement of Comprehensive Income-International Financial Reporting Standards (IFRS)

Unit: NTD thousands

Item \ Year	Financial Information for the Most Recent Five Years (Note)				
	2022	2021	2020	2019	2018
Operating Revenues	20,346,112	17,163,287	21,358,901	14,813,691	15,132,316
Gross Profit	2,957,512	2,219,040	2,449,000	2,189,117	1,568,533
Income from Operations	800,602	409,763	464,381	111,313	(349,252)
Non-operating Income and Expenses	241,783	85,584	162,045	167,319	195,521
Income before Tax	1,042,385	495,347	626,426	278,632	(153,731)
Net Income	917,075	433,888	556,907	238,903	(88,009)
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	270,392	(6,488)	138,530	(122,759)	(76,053)
Total Comprehensive Income for the Year	1,187,467	427,400	695,527	116,144	(164,062)
Net Income (loss) attributable to parent	-	-	-	-	-
Net Income (loss) attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to parent	-	-	-	-	-
Comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings Per Share	1.69	0.80	1.03	0.44	(0.17)

Note: The parent company only financial information between 2018 and 2022 has been audited by CPAs. As of public date of the annual report, 2023 financial information has not been reviewed by CPAs.

(II) The Names of CPAs and Their Opinions for Most Recent Five Years

Year \ Items	CPAs and the Opinions for Most Recent Five Years				
	2022	2021	2020	2019	2018
CPAs Name	Hai-Ning, Huang Wei-Ming, Shih	Hai-Ning, Huang Cheng-Chien, Chen	Cheng-Chien, Chen Hai-Ning, Huang	Wan-Yuan Yu Hai-Ning, Huang	Wan-Yuan Yu Hai-Ning, Huang
Audit Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion

II. Financial Analysis for the Most Recent Five Years

(1) Financial Analysis on Consolidated Financial Statements

Analysis \ Year		Financial Analysis for the Most Recent Five Years (Note)				
		2022	2021	2020	2019	2018
Capital Structure Analysis	Debt Ratio (%)	50	49	53	44	30
	Long-term Funds to PP&E (%)	334	360	338	477	578
Liquidity Analysis	Current Ratio (%)	155	161	151	200	300
	Quick Ratio (%)	83	82	100	147	211
	Times Interest Earned (Times)	1,476	2,050	2,189	9,844	Note 2
Operating Performance Analysis	Average Collection Turnover (Times)	6.96	5.13	5.79	4.89	6.09
	Days Sales Outstanding	52	71	63	75	60
	Average Inventory Turnover (Times)	2.93	2.86	4.48	2.99	3.80
	Accounts Payable Turnover (Times)	5.93	4.22	4.87	3.67	4.51
	Average Inventory Turnover Days	125	128	81	122	96
	Property, Plant and Equipment Turnover (Times)	8.54	7.34	8.97	6.21	7.91
	Total Assets Turnover (Times)	1.29	1.07	1.23	0.79	1.09
Profitability Analysis	Return on Total Assets (%)	5	2	3	1	-1
	Return on Equity (%)	9	4	5	2	-1
	Pre-tax Income to Paid-in Capital Ratio (%)	28	14	17	6	-2
	Net Margin (%)	3	2	2	1	-1
	Earnings Per Share (NTD)	1.69	0.80	1.03	0.44	-0.17
Cash Flow	Cash Flow Ratio (%)	12	-8	0	4	8
	Cash Flow Adequacy Ratio (%)	14	6	58	159	183
	Cash Flow Reinvestment Ratio (%)	6	-8	-1	-1	-1
Leverage	Operating Leverage	1.41	2.05	1.78	2.42	-0.76
	Financial Leverage	1.07	1.05	1.05	1.01	0.97

Explanation to changes exceeding 20% in various financial ratios in the last two years:

- (1) Increase in average collection turnover and decrease in average collection turnover days: Mainly due to increase in net sales.
- (2) Increase in accounts payable turnover: Mainly due to increase in COGS.
- (3) Decrease in pre-tax income to paid-up capital: Mainly due to decrease in pre-tax income.
- (4) Decrease in times interest earned, increase in total assets turnover, return on total assets, return on equity, net margin and earnings per share: Mainly due to increase in net income.
- (5) Increase in cash flow ratio and cash flow reinvestment ratio: Mainly due to increase in net cash flows from operating activities.
- (6) Increase in cash flow adequacy ratio: Mainly due to increase in cash flow from operating activities in the recent five years.
- (7) Decrease in operating leverage: Mainly due to increase in operating income.

Note1: As of the publication date of the annual report, 2023 consolidated financial information was not reviewed by CPAs yet.

Note2: Negative numbers are not listed.

(2) Financial Analysis on Parent Company Only Financial Statements

Analysis	Year	Financial Analysis for the Most Recent Five Years (Note1)				
		2022	2021	2020	2019	2018
Capital Structure Analysis	Debt Ratio (%)	38	34	41	38	27
	Long-term Fund to PP&E (%)	1,591	1,719	1,628	1,782	1,749
Liquidity Analysis	Current Ratio (%)	102	110	111	122	241
	Quick Ratio (%)	76	87	103	112	228
	Times Interest Earned (Times)	5,164	7,151	6,904	10,155	(Note2)
Operating Performance Analysis	Average Collection Turnover (Times)	5.97	4.19	5.00	5.02	5.37
	Days Sales Outstanding	61	87	73	73	68
	Average Inventory Turnover (Times)	13.39	19.43	36.29	26.14	41.77
	Accounts Payable Turnover (Times)	7.88	4.98	5.10	4.61	6.66
	Average Inventory Turnover Days	27	19	10	14	9
	Property, Plant and Equipment Turnover (Times)	32.22	28.34	35.11	24.56	24.16
	Total Asset turnover (times)	1.30	1.10	1.30	0.97	1.17
Profitability Analysis	Return on Total Assets (%)	6	3	3	2	-1
	Return on Equity (%)	9	4	6	2	-1
	Pre-tax Income to Paid-in Capital Ratio (%)	19	9	12	5	-3
	Net Margin (%)	5	3	3	2	-1
	Earnings Per Share (NTD)	1.69	0.80	1.03	0.44	-0.17
Cash Flow	Cash Flow Ratio (%)	19	-13	8	6	25
	Cash Flow Adequacy Ratio (%)	51	44	129	145	199
	Cash Flow Reinvestment Ratio (%)	6	-11	2	-2	3
Leverage	Operating Leverage	1.28	1.30	4.69	2.23	0.45
	Financial Leverage	1.02	1.01	1.02	1.02	1.00
<p>Explanation to changes exceeding 20% in various financial ratios in the last two years:</p> <p>(1) Increase in average collection turnover, decrease in average collection turnover days, average inventory turnover and increase in average inventory turnover days: Mainly due to increase in net sales.</p> <p>(2) Increase in accounts payable turnover: Mainly due to increase in COGS.</p> <p>(3) Decrease in pre-tax income to paid-up capital: Mainly due to decrease in pre-tax income.</p> <p>(4) Decrease in times interest earned, increase in total assets turnover, return on total assets, return on equity, net margin and earnings per share: Mainly due to increase in net income.</p> <p>(5) Increase in cash flow ratio and cash flow reinvestment ratio: Mainly due to increase in net cash flows from operating activities.</p>						

Note1: As of the publication date of the annual report, 2023 consolidated financial information was not reviewed by CPAs yet.

Note2: Negative numbers are not listed.

1. Capital Structure Analysis

(1) Debt ratio = Total liabilities / Total assets.

(2) Long-term fund to PP&E = (Total equity + Non-current liabilities) / Net property, plant and equipment.

2. Liquidity Analysis

(1) Current ratio = Current assets / Current liabilities.

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities.

(3) Times interest earned = Earnings before income tax and interest expenses / Interest expenses over this period.

3. Operating Performance Analysis

(1) Average collection turnover (including accounts receivable and notes receivable from operation) = Net sales / average receivables balance (including accounts receivable and notes receivable from operation).

(2) Days sales outstanding = 365 / Average collection turnover.

(3) Average inventory turnover = Cost of goods sold / Average inventory balance.

(4) Accounts payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).

(5) Average inventory turnover days = 365 / Average inventory turnover.

(6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.

(7) Total asset turnover = net sales / average total assets.

4. Profitability Analysis

(1) Return on total assets = [net income + interest expenses × (1 - tax rate)] / average total asset balance.

(2) Return on equity = net income / average shareholders' equity.

(3) Net margin = net income / net sales.

(4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.

5. Cash Flow

(1) Cash flow ratio = net cash flow from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flow from operating activities for the last 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.

(3) Cash flow reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Leverage:

(1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit.

(2) Financial leverage = operating profit / (operating profit - interest expense).

III. The 2022 Review Report of the Audit Committee

Date: February 24, 2023

To: Alpha Networks Inc. 2023 Annual General Shareholders' Meeting.

The board of directors has prepared the Company's 2022 consolidated financial statements. Hai-Ning, Huang and Wei-Ming, Shih of the CPA firm of KPMG were retained to audit the Company's financial statements and have issued an audit report relating to the financial statements. The 2022 consolidated financial statements, business report, independent auditors' report and the distribution of 2022 earnings have been reviewed and determined to be correct and accurate by the audit committee of Alpha Networks Inc. I, as the chairperson of the audit committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely,

The Audit Committee of Alpha Networks Inc.
Chairperson of the Audit Committee: Shu-Hsing Li

IV. 2022 Consolidated Financial Statements with Independent Auditors' Report: Please Refer to appendix 1 (P.104~ P.192)

V. 2022 Parent Company only Financial Statements with Independent Auditors' Report: Please Refer to appendix 2 (P.193~ P.267)

VI. Any Financial Difficulties Experienced by the Company and its Affiliates during the Most Recent Year up to the Publication Date of this Report Need to be Stated as well as the Impact on the Company's Financial Position Need to be Outlined: None

Review and Analysis of Financial Position and Financial Performance and Risk

Management

I. Financial Position:

Unit: NTD thousands

Item	Year		Difference	
	2022	2021	Amount	%
Current Assets	20,242,744	18,700,222	1,542,522	8.25
Property, Plant and Equipment	4,222,057	3,654,414	567,643	15.53
Intangible Assets	1,304,437	1,344,845	(40,408)	(3.00)
Other Assets	1,363,776	1,031,303	332,473	32.24
Total Assets	27,133,014	24,730,784	2,402,230	9.71
Current Liabilities	13,047,095	11,583,515	1,463,580	12.64
Non-current Liabilities	529,300	588,165	(58,861)	(10.01)
Total Liabilities	13,576,395	12,171,680	1,404,715	11.54
Capital Stock	5,417,185	5,417,185	-	-
Capital Surplus	2,544,401	2,583,772	(39,371)	(1.52)
Retained Earnings	2,636,275	2,048,554	587,721	28.69
Others Equity	(226,549)	(447,092)	220,543	(49.33)
Equity Attributable to Shareholders of the Parent Company	10,371,312	9,602,419	768,893	8.01
Non-controlling Interests	3,185,307	2,956,685	228,622	7.73
Total Shareholders' Equity	13,556,619	12,559,104	997,515	7.94
Explanation to net change exceeding 20%:				
(1) Other assets: Mainly due to increase in prepaid for equipment.				
(2) Retained earnings: Mainly due to increase in net profit.				
(3) Other equity: Mainly due to increase in the exchange difference in the translation of financial statements of foreign operating institutions.				

II. Financial Performance:

Unit: NTD thousands

Item	Year		Net Change	Net Change %
	2022	2021		
Net Operating Revenues	33,634,197	27,862,336	5,771,861	20.72
Operating Costs	27,380,956	23,276,437	4,104,519	17.63
Gross Profit	6,253,241	4,585,899	1,667,342	36.36
Operating Expenses	4,538,709	3,876,226	662,483	17.09
Income from Operations	1,714,532	709,673	1,004,859	141.59
Non-operating Income and Expenses	(180,521)	45,189	(225,710)	(499.48)
Income before Tax	1,534,011	754,862	779,149	103.22
Less: Income Tax Expense	375,840	214,450	161,390	75.26
Net Income	1,158,171	540,412	617,759	114.31
Other Comprehensive Income, Net Tax	366,793	(13,345)	380,138	(2848.54)
Total Current Comprehensive Income (Loss)	1,524,964	527,067	997,897	189.33
Explanation to net change exceeding 20%:				
(1) Operating profit: Mainly due to the easing of material shortages and increase in shipment.				
(2) Gross margin: Mainly due to products optimization and production efficiency improvement.				
(3) Non-operating income and expenses: Mainly due to foreign currency exchange loss and increase in financial costs.				
(4) Income from Operations, income before tax, income tax expense and net income (loss) for the current period: Mainly due to increase in net operating revenues.				
(5) Other Comprehensive Income, Net Tax: Mainly due to increase in the exchange difference in the translation of financial statements of foreign operating institutions.				
(6) Total comprehensive profit and loss for the current period: mainly due to the increase in net profit and other comprehensive profit and loss for the current period.				

III. Cash Flow:

(I) Changes in consolidated cash flow

Unit: NTD thousands

Balance at Beginning of Period in 2022	Cash Inflows (Outflows) for the Year	Cash Ending Balance
4,498,050	(413,766)	4,084,284

(II) Analysis of changes in consolidated cash flow in 2022

Unit: NTD thousands

	2022	2021	Change amount	Change %
Net cash flow from operating activities	1,561,164	(899,982)	2,461,146	273.47
Net cash flow from investing activities	(1,045,667)	(697,643)	(348,024)	(49.89)
Net cash flow from financing activities	(1,077,925)	382,283	(1,460,208)	(381.97)

Explanation:

1. Net inflow from operating activities: Mainly due to increase in operating profit.
2. Net outflow from investing activities: Mainly due to acquisition of real estate, plant and equipment.
3. Net outflow from financing activities: Mainly due to the repayment of loans, corporate bonds and distribution of cash dividends.

(III) Improvement plan for insufficient liquidity: The Company showed no signs of liquidity deficit in 2022.

(IV) Liquidity analysis for the coming year: The Company, on the premise of maintaining stable cash liquidity, will carefully plan and manage cash expenditures related to investments and operations while taking, cash balances on accounts, cash flows from operating activities and investing activities and the status of financial markets into consideration.

IV. Material Expenditures in the Most Recent Year and Impact on the Company's Finances and Operations: On the basis of the consolidated statement, the Company and its subsidiaries purchased real estate, plant and equipment of about NT\$950 million in 2022, accounting for 2.82% of the net sales, and had no significant impact on the Company's financial business.

V. Investment Policy for the Most Recent Fiscal Year, the Main Reasons for the Profits/Losses Generated thereby, the Improvement Plan and Investment Plans for the Coming Year:

(I) The Company's investment policies are in line with business development strategies and operational needs and search for an appropriate investment environment.

(II) Investment plans for the coming year: In the future, the Company will continue to meet business development and operational needs, search for investment targets to strengthen the competitiveness, keep the Company's continuous growth momentum and achieve the Company's vision.

VI. Risk Management:

The Company's risk management focuses on the risk management system of corporate governance and risk control transfer planning: strategic, financial and operational and crisis risks and apply risk management to optimize the total cost of risk.

I. Risk management vision:

1. Commitment to continuously provide products and services to create long-term value for customers, shareholders, employees and society.
2. Risk management requires systematic organization and risk management operating procedures, timely and effective identification, assessment, processing, reporting and monitoring of major risks affecting the Company's viability and strengthening risk awareness of all employees.
3. Risk management is not the pursuit of "risk-free", but the pursuit of maximum benefit under the condition of acceptable risk to optimize the cost of risk management.

II. Risk management policy:

1. In order to ensure the sustainable operation of the Company, the risk management committee shall identify, evaluate, process, report and monitor the risks that may negatively affect the Company's operational objectives on a regular basis every year.
2. Risks should be identified and controlled before an accident occurs, losses should be restrained when an accident occurs and the provision of products and services should be quickly recovered after an accident occurs. It also formulates business continuity plans for major risk scenarios identified by the Risk Management Committee.
3. For risk that do not exceed the risk tolerance, risk management costs shall be considered and different management tools shall be used to deal with them, except for the following situations:
 - Negative impact on the life safety of employees.

- Cause violation of laws and regulations.
- Negative impact on the Company's reputation.

III. Risk Management Principles:

The Company's risk management principles include: integration, structure and comprehensiveness, customization, inclusiveness, dynamics, effective use of information, personnel and culture, and continuous improvement. Please refer to the Company for details on each principle. "Risk Management Policies and Procedures".

IV. Risk Management Principles:

1. In accordance with the Company's risk management policy, a Risk Management Committee (RMC) is established. In principle, RMC meetings are held quarterly. In case of major situations, temporary meetings may be held.
2. According to the four major risk categories of strategy, finance, operation and harm, the risk radar chart is produced according to the steps of risk identification, risk analysis and risk assessment.
3. RMC committees formulate risk response strategies based on the major risks of each unit, and report and discuss at RMC meetings to monitor and review the effectiveness of risk management.
4. The risk management unit regularly collects the risk information provided by each unit, reports and provides it to the RMC committee after the compilation, so as to facilitate the dynamic response and adjustment of risk management.
5. Report the status of risk management operation and implementation to the Audit Committee and the Board of Directors every year.
6. Integrate the risk information provided by each unit, and through the dynamic management mechanism, timely predict, monitor, grasp and respond to changes in the Company's internal and external environments.

V. Operational Structure and Responsibilities of Each Unit

The Company's risk management operation includes the following units, and their responsibilities are as follows; the organization of the risk management committee includes the director and members (all the first-level unit managers of the Company are members). For its organizational structure, please refer to the Company's ESG area>Risk management.

	BOD	Audit Committee	RMC	RM Unit	Operating Unit
Permission	Approval of risk management vision, policies and procedures	Determining risk management policies and supervising implementation results	Launch the policies and resolutions of the Risk Management Committee	Planning, execution and review of risk management related affairs	

Responsibility	<p>a. To ensure that the operational strategy direction is consistent with the risk management policy,</p> <p>b. To ensure that an appropriate risk management mechanism and risk management culture have been established,</p> <p>c. To supervise and ensure the effective operation of the overall risk management mechanism,</p> <p>d. To allocate and assign sufficient and appropriate resources to enable risk management to operate effectively.</p>	<p>a. Review the risk management vision, policies and procedures, and regularly review their applicability and execution effectiveness,</p> <p>b. Approve risk appetite (risk tolerance) and guide resource allocation,</p> <p>c. To ensure that the risk management mechanism can adequately deal with the risks faced by the Company,</p> <p>d. Review the implementation of risk management, put forward necessary suggestions for improvement, and regularly report to the board of directors,</p> <p>e. Execute the risk management decisions of the board of directors.</p>	<p>a. Develop risk appetite (risk tolerance), and establish qualitative and quantitative measurement standards,</p> <p>b. Analyze and identify sources and categories of corporate risks, and regularly review their applicability,</p> <p>c. To ensure that the risk management mechanism can be integrated into the daily operation process.</p>	<p>a. Formulate risk appetite (risk tolerance), and establish qualitative and quantitative measurement standards,</p> <p>b. Analyze and identify sources and categories of corporate risks, and regularly review their applicability,</p> <p>c. Regularly report and submit reports on the implementation of risk management;</p> <p>d. Assist and supervise the implementation of risk management activities of various departments;</p> <p>e. Assist in cross-departmental interaction and communication in risk management operations;</p> <p>f. Execute the risk management decisions of the Risk Management Committee</p> <p>g. Plan risk management-related training to enhance the company's overall risk awareness and risk management culture.</p>	<p>a. All company executives and employees are obliged to do a good job in risk management for their respective scope of work,</p> <p>b. Responsible for the risk identification, analysis, evaluation and response of the affiliated units, and establish relevant crisis management mechanisms when necessary,</p> <p>c. Regularly submit risk management information to risk management promotion and execution units,</p> <p>d. Ensure the effective implementation of risk management and related control procedures of affiliated units to comply with risk management policies.</p>
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VII. Matters for Analysis and Assessment for Risks:

(I) The impact of changes in interest rates and exchange rates and inflation on the Company's operating results and response measures to be taken in the future:

1. The bank loans of the Company and its subsidiaries are based on floating interest rates. The measures taken by the Company and its subsidiaries to respond to the risk of interest rate changes are to regularly evaluate the interest rates of banks and various currencies, and to maintain good relationships with financial institutions to obtain lower financing costs. Reduce the dependence on bank loans and disperse the risk of interest rate changes. The sensitivity analysis below is based on interest rate exposure. For floating rate liabilities, the method of analysis is to assume that the amount of liabilities outstanding at the reporting date is outstanding throughout the year.

If the interest rate increases or decreases by 0.25%, and all other variables remain unchanged, the company's pre-tax net profit (loss) in 2022 and 2021 will increase or decrease by NT\$304 and 1,720 in thousands respectively. The Company's cash and cash equivalents, financial assets measured at amortized cost - non-current and short-term borrowings variable interest rates

2. The impact of the latest annual exchange rate changes on the Company's profit and loss and future countermeasures:

The risk hedging strategy of the Company and its subsidiaries is to sign forward foreign exchange contracts and

exchange rate exchange contracts to manage the exchange rate risk of net foreign currency positions generated by sales and purchase transactions that have occurred. The use of such derivative financial instruments can help the company and its subsidiaries reduce but still cannot completely eliminate the impact of foreign currency exchange rate changes.

The derivative financial instruments undertaken by the Company and its subsidiaries all have a maturity date shorter than three months and do not meet the conditions for hedging accounting.

The exchange rate risk of the Company and its subsidiaries mainly comes from foreign currency-denominated cash and cash equivalents, accounts receivable and other receivables, short-term loans, accounts payable and other payables, etc., which generate foreign currency exchange gains and losses during translation. On December 31, 2022 and 2021, when the NT dollar depreciates or appreciates by 1% relative to the US dollar and RMB, and all other factors remain unchanged, the pre-tax net profit in 2022 and 2021 will increase or decrease respectively NT\$13,195 and 25,262 in thousands. Due to the wide variety of functional currencies of the company and its subsidiaries, the information on exchange gains and losses of monetary items is disclosed by means of aggregation. The foreign currency exchange losses (including realized and unrealized) in 2022 and 2021 were respectively NT\$118,507 and 23,893 in thousands.

3. The impact of inflation on the Company's profit and loss and future response measures:

Prices have risen steadily in recent years. The Company and its subsidiaries will continue to pay close attention to inflation, and adjust product prices and inventory levels appropriately to reduce the impact of inflation on the Company and its subsidiaries. Signed contracts with major raw material manufacturers purchase contract.

The annual growth rate of the CPI total index in 2022 was 2.95%, and the inflation risk is still within an acceptable range. However, due to the differences in industries, this inflation rate has no significant impact on the company's operations.

(II) The Company's policy regarding in the high-risk, high-leveraged investments, loans to other parties, guarantee/endorsement and derivative transactions, the reasons of the profits or losses resulted from aforementioned arrangement and response measure to be taken in the future.

The Company and its subsidiaries have always adhered to the policy of not engaging in high-risk and high-leverage investments. Derivatives trading takes risk avoidance as a strategy and does not engage in speculative trading. Under the principle of risk avoidance, the Company and its subsidiaries derivative commodity transactions have no relevant operational risks in 2022. In the future, the Company will continue to engage in derivatives transactions on the principle of avoiding risks caused by exchange rate and interest rate fluctuations, and will continue to regularly assess foreign exchange positions and risks to reduce the company's operational risks.

The Company and its subsidiaries engage in forward exchange contracts and SWAP contract transactions, mainly to avoid the risks of foreign currency-denominated assets or liabilities due to exchange rate fluctuations, and to create derivatives that are highly negatively related to changes in the fair value of the hedged items. Financial products are used as hedging tools and are regularly evaluated. However, it does not meet the conditions for hedge accounting treatment, so it is listed as a financial asset or liability measured at fair value through profit or loss.

When the Company and its subsidiaries engage in capital lending to others, endorsement guarantees, and derivative commodity transactions, in addition to abiding by relevant operating procedures, they also regularly handle announcements and declarations in accordance with the regulations of the competent authority. As of the publication date of the annual report, the objects of capital loans and endorsement guarantees of the Company and its subsidiaries are limited to the subsidiaries of the Company.

(III) R&D expenses for future R&D projects and investment amount:

1. Future R&D Plans:

A. LAN/MAN BU

The Company's development in the field of Ethernet high-speed network switches covers switches in data center level, enterprise level, telecom level and industrial level. The enormous data flow of the data centers will continue to drive the increase of the penetration of 100G and 400G switches and the drives for 800G high-speed switches will gradually mature. With continuing development of technology and speed of Wi-Fi will increase the demand for Multi-Gigabit switches and the bandwidth of the upload interface will also increase. With high-power Ethernet (PoE++), it will make Wi-Fi deployment easier and improve growth rate of high-power switches. The Company continues to develop telecom-grade 5G xHaul transmission switches and OLT optical cable equipment to meet the high-bandwidth and low-latency requirements of Metaverse and improve the competitiveness of demanding customers.

B. Wireless Broadband BU

The global 5G network connection has exceeded one billion in 2022, and it is expected to grow to two billion in 2025. With 5G business opportunities will continue to spread, the deployment of fixed wireless access (FWA) service applications by telecom companies will drive the demand of access routers and small cells for the Company. In the 5G enterprise vertical-integrated market, in addition to the terminal radio unit (RU), the Company has also developed the end-to-end (End-to-End) solutions to provide the customized and flexible applications in various fields. Telecom companies are accelerating the upgrade of fixed network infrastructure. In the development of FTTx central office and terminal equipment, the Company's copper wire technology VDSL is upgraded to G.fast and the demand for optical fiber network 10G-PON will grow gradually. In addition, with the increase of terminal devices equipped with high-speed wireless network Wi-Fi 6 & 6E, it will also drive the demand of Wi-Fi 6 & 6E enterprise wireless AP and personal MESH routers for the Company. Besides, under the trend of work from home, the demand for VPN network security has greatly

increased, which will also drive telecom companies' requirements for Home Gateway's virtual private network (VPN) and QoS functions and other software functions, which will also drive new CPE equipment investment. In the year after Covid-19, governments and telecom companies have accelerated the construction and penetration of high-speed networks in response to new business models and home needs, Working/Learning from Home. The rigid demand for 10G optical fiber networks has grown significantly. In response to the XGS-PON trend, the Company's wireless broadband network business unit plans to develop a series of products, from SFU/ONU to HGU equipped with the latest Wi-Fi6E. To meet the new demands of enterprise-level wireless APs and home routers, it will also be upgraded from Wi-Fi 6 to Wi-Fi 6E Dual-band/Tri-band. In the 5G enterprise private network, we will continue to deeply cooperate with telecom companies and develop the next generation of CU, DU, CDU and RU to provide a complete end-to-end solution.

C. Digital Multimedia BU

Development trends in security surveillance and AI have generated needs in IP-Cams and edge computing (Edge AI) applications. The Company's digital multimedia network product line will continue to focus on the development of IP-Cams To B and To C, edge computing image recognition and analysis applications. In the home security surveillance market, the application of network surveillance cameras equipped with radar detectors and smart surveillance doorbells is mainly based on the first-tier brands in the United States. It will become the main growth driver in 2023. Digital Multimedia BU continues to increase the layout of smart home and home security surveillance market, vertical integration and 5G to play a good role in the group's smart home. Provide customers with competitive advantages and differentiated products.

D. Mobile Enterprise Solutions BU

With the market trend of electric vehicles and autonomous vehicles, MES BU is in the development and planning of automotive radar. Currently, it is developing side blind spot detection angle radar for commercial vehicles that complies with UN/ECE R151 and heavy motorcycles with increasing popularity. It belongs to its dedicated rear blind spot monitoring and warning system. At the same time, we also improved our design energy and began to plan high-standard front and rear collision avoidance radars and long-range radars suitable for commercial/passenger vehicles, combined with AI image recognition function and 360-degree vehicle surround view monitoring. In addition, self-developed algorithms for 4D radar are prepared for future self-driving functions. In addition to the automotive ADAS market, the industrial embedded Radar is also applied to the embedded radar module of the surveillance camera to reduce the false alarm rate of the traditional infrared surveillance camera.

2. Expected R&D expenses: R&D expenses are estimated at 5-10% of revenues in 2022.

(IV) The impact of domestic/international important policies and legal regulations changes on the Company's financial status and the related countermeasures:

1. Policies: The relevant units of the Company have always paid close attention to and mastered the policies and laws that may affect the Company's operations and cooperated with the adjustment of the Company's internal systems to ensure the smooth operation of the Company. The Company has not been affected by the changes of important domestic and international policies that affect the Company's finances and business in 2021.

2. Legal regulations:

A. The Company's business philosophy is to follow the relevant laws and regulations as the highest guiding principle; therefore, the Company's management team pays attention to the replacement of relevant laws and regulations at any time and expects to respond to various situations arising from the replacement of laws and regulations at any time.

B. The Company has not been affected by the changes of legal regulations that affect the Company's finances and business in 2022.

(V) The impact of technological and industrial changes on the Company's financial status and the related countermeasures:

Despite technological updates continuously, the Company adheres to the focus and enthusiasm for R&D. It places great emphasis on the quality of R&D personnel and recruits software and hardware development and design talents that master switches, wireless networks, mobile broadband, digital multimedia networks, millimeter wave radars with different core technology development capabilities. We can design suitable and user-friendly products according to the regulations and specifications of different countries and adapt to the ever-changing market to provide the most needs.

The Company established an information security organization in 2019. The head of Information Technology Division serves as the management representative. It holds an information security management review meeting every year. It is responsible for evaluating various internal and external information security risks and promoting relevant information protection measures. Its functions are divided into information security management execution team, the technical management team, the incident response team and the information security audit team are each headed by a designated person to implement the information security management policy.

(VI) The impact of corporate image changes on corporate crisis management and the related countermeasures:

1. The Company has maintained good corporate image since it was incorporated in 2003. It remains persistent in its pursuit for technological advancement, invests pro-actively into the development of new products and technologies and continues to provide customized hardware/software solutions for renowned international business partners. Owing to its extensive efforts in managing corporate image and risks, the Company encountered no change of corporate image in recent years that presented potential crisis to business

management.

2. Alpha continues to strengthen corporate governance, set up independent directors in the board of directors and set up functional committees such as the salary and remuneration committee and the audit committee to improve the Company's directors and managers and other performance goals and salary and remuneration structure and effectively implement internal control and risk control, etc. matters in response to various potential corporate crises. In addition, for the sake of transparency and symmetry of external information, Alpha discloses all material information related to laws and regulations in real time to provide stakeholders with real-time information.
3. The Company conducts a questionnaire survey on important interested parties every year to understand the interested parties' expectations and concerns, as an important reference for the Company's sustainable operation strategy. And it is included in the annual corporate social responsibility report (sustainability report) to respond and explain the current operation status, and set up an ESG area on the Company's website to actively disclose various information about the company's sustainable development of the company. There is also a special page for "Interested parties" in the ESG area. Provide external communication channels for interested parties to respond appropriately and immediately to issues of concern. The (online) interested parties' questionnaire was also launched in October 2022. Interested parties can express their concerns online Focus on issues, the above practices are sufficient to ensure information transparency and effective communication.
4. The Company conducts regular inspections on matters such as the external environment, the Company's operation type and management system; and for any sudden accident that may affect the reputation of the Company, it will understand the situation and simulate its possible impact and propose countermeasures. The uncertainty risk of the enterprise is minimized. The Company has set up a risk management committee and a risk management unit to be responsible for operational-related risks and impact analysis, conduct regular (quarterly) and irregular risk identification, produce risk radar charts, and aggregate the identified risks into major corporate-level risks , and put forward countermeasures and related contingency plans to reduce enterprise risks.
5. Climate change, energy saving and carbon reduction are emerging issues that attract public attention. In order to avoid falling behind in this area and affecting the Company's reputation, the company is not only committed to climate change related issues, energy saving and carbon reduction measures, but also Carry out the financial impact assessment of related risks, because the backwardness will affect the reputation of the Company, and the risks of financial impact are all within the controllable range.

Risks		Issues	Issues Description	Financial Impact	Risk Level
Transition /Physical Risks	Type				
Transition risks	Reputation	Customer request	Product energy-saving and carbon-reduction technology lags behind competitors, which affects the company's reputation and reduces customers' willingness to cooperate, which in turn impacts orders and revenue.	Reduced revenue	Medium
Transition risks	Reputation	financing cost	Due to carbon reduction efficiency underperform, financial ratings are affected and financing costs increase.	Increased expenses	Low
Transition risks	Reputation	Recruit or employ	Due to the influence of carbon reduction efficiency on the reputation, the recruitment cost will increase, or even the salary will be increased to have the willingness to join the job.	Increased expenses	Low
Transition risks	Reputation	Downtime risk	Due to carbon reduction efficiency underperform, the reputation is seriously affected, resulting in serious loss of personnel and affecting the production line.	Reduced revenue	Low
Transition risks	Reputation	Public relations expenditure	Due to carbon reduction efficiency underperform, reputation is affected, resulting in increased public relations costs.	Reduced revenue	Low

(VII) Expected benefits and possible risks of M&A and the related countermeasures:

The Company currently has no ongoing merger or acquisition.

(VIII) Expected benefits and possible risks of the expansion of factory and the related countermeasures:

The capital expenditure for plant expansion will be mainly to support the plant construction and equipment procurement of the Vietnam plant. In coordinate with customer needs and changes in the international situation, the Company will join forces with strategic partners to build a production base in Vietnam.

Expansion of the plant can enable the Company to increase production capacity to undertake more customer orders, thereby increasing revenue and profit and having the opportunity to expand market share. After the production capacity reaches an economical scale, it can also significantly reduce production costs. When the economic downturn and the market demand decrease, the depreciation of plant and equipment still needs to be

accrued due to idle production capacity. This kind of risk will become one of the burdens of the Company. The expansion of the Company's production capacity shall be executed under meticulous capital expenditure planning, and strives to meet customer needs while optimizing the use of capital, and does not engage in blind capital competition for the healthy development of the industry.

Relevant plant expansion and major capital expenditures shall be evaluated under a prudent evaluation process. After considering the investment benefits and possible risks, the Company will submit the proposals to the board of directors for resolution.

(IX) Risks of the concentration of procurement and sales and related countermeasures:

The Company's domestic and foreign main raw material suppliers and customers are quite dispersed and have established long-term and stable cooperative relations, there is no problem and risk of excessive concentration of purchases and sales. The Company also evaluates the financial attributes of different customers, controls according to different transaction modes, such as through insurance companies, bank letters of credit and collateral, etc. and timely tracks the payment status of customers to safeguard the Company's interests.

(X) Risk of substantial transfer or replacement of shares by directors, supervisors, or shareholders holding more than 10% of shares of the Company and related countermeasures:

The Company has no substantial transfer or replacement of shareholdings in 2022 and as of the publication date of this Annual Report in 2022.

(XI) Impact and risks of changes in management on the Company and the related countermeasures:

The management team of the Company has not changed 2021 and as of the publication date of this Annual Report in 2022.

(XII) Litigation or non-litigation events, the Company and its directors, supervisors, general manager, actual person in charge, major shareholders with a shareholding ratio of more than 10% and affiliated companies have been judged or are still in the process of major litigation, non-litigation or administrative disputes, the results of which may have a significant impact on shareholders' rights or securities prices, the facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the main parties involved in the litigation, and the handling of the case up to the date of publication of the annual report shall be disclosed.

1. Litigation, non-litigation or administrative disputes that have been decided or are currently pending in the company in the past two years and as of the date of publication of the annual report, the results of which may have a significant impact on shareholders' equity or securities prices: None.

2. Disclosure of disputed contents, amounts of the subject matters, commencement dates of the proceedings, parties involved in the proceedings of litigation or non-litigation events, major closed or ongoing lawsuits and litigation or non-litigation events involved with the Company and its directors, supervisors, president, substantive persons-in charge, major shareholders holding more than 10% of total shares and affiliates/subsidiaries with results of which may have a material impact on the shareholders' equity or the price of the marketable securities:

Qisda Corporation, the major shareholder holding more than 10% of total shares of the Company:

(1) Qisda Corporation, the major shareholder holding more than 10% of total shares of the Company:

Several direct and indirect consumers in Canada filed a class action lawsuit of damage loss claim in January 2012, arguing that the Company and its subsidiary BQA were suspected to have been participating in the ODD (Optical Disk Drive) product pricing agreement, which violated the Canadian antitrust laws. The appointment of lawyers had been settled and the final results of the remaining related cases has not yet been reached.

(2) The litigation events of a subsidiary of the Company: None.

(XIII) Other major risks and the related countermeasures: None.

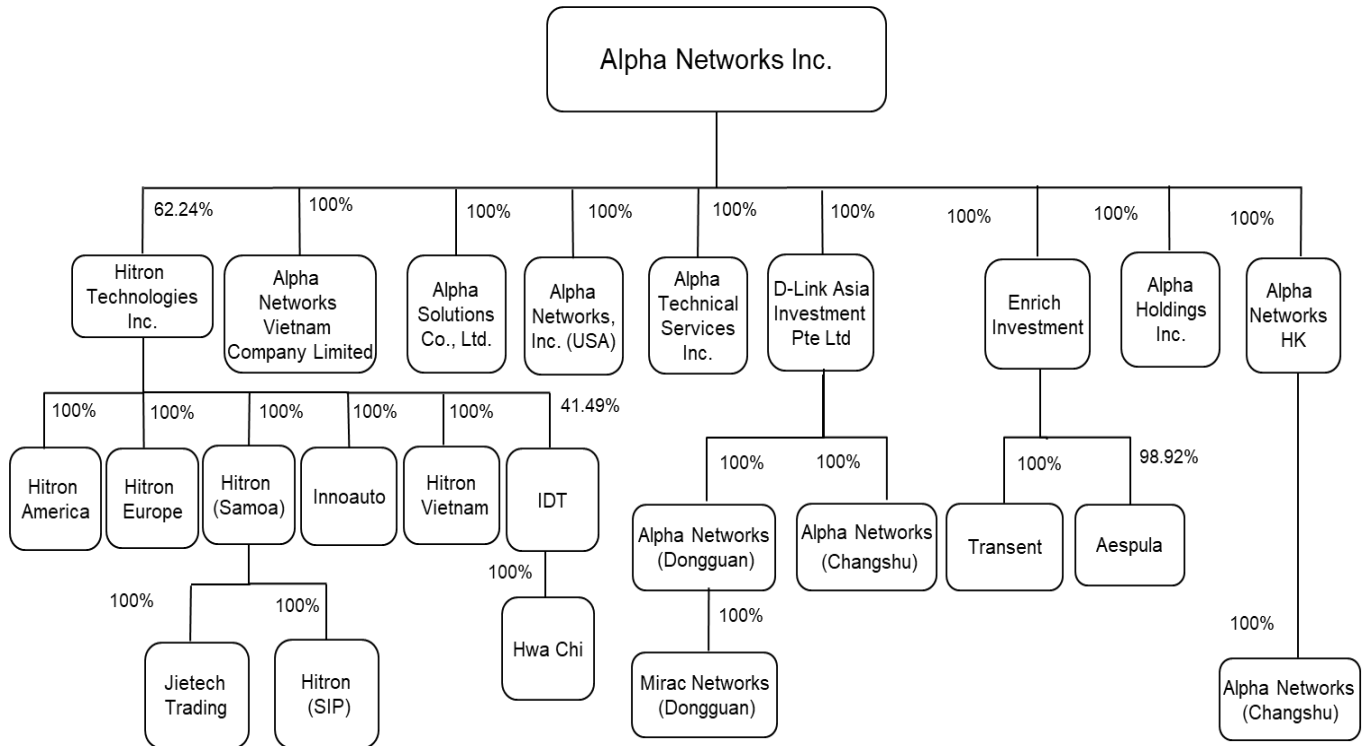
VIII. Other Material Issues: None.

Special Notes

I. Information about the Company's Affiliates:

(I) Organization Chart of the Company's Affiliates.

December 31, 2022



Note: The basic information of the related companies of the Company's subsidiary, Hitron Technologies Inc., please refer to the Hitron's 2022 annual report.

(II) Basic Information of the Company's Affiliates.

December 31, 2022; Unit: thousands

Company	Abbreviation	Date of Incorporation	Address	Currency	Capital Stock	Business Activates
D-Link Asia Investment Pte, Ltd.	D-Link Asia	11/15/1995	30 Cecil Street #19-08Prudential Tower Singapore 049712	SGD	83,731	Investment in manufacturing businesses
Alpha Solutions Co., Ltd.	Alpha Solutions	07/01/1997	10F, 8-8-15 Nishigotanda, Shinagawa-Ku, TOKYO 141-0031, Japan	JPY	40,000	Sale of network equipment, components and technical service
Alpha Networks (Dongguan) Co., Ltd.	Alpha Networks (Dongguan)	11/03/1997	Xingang Road, Xin'an Area, ChangAn, Dongguan City Guangdong Province, China	HKD	185,260	Production and sale of network products
Alpha Holdings Inc.	Alpha Holdings	06/27/2002	P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	USD	6,464	Investment holding
Alpha Networks, Inc.(USA)	Alpha USA	07/12/2004	1551 McCarthy Blvd., Ste. 201, Milpitas, CA 95035	USD	1,500	Sale, marketing and procurement service in USA
Alpha Networks (ChengDu) Co., Ltd.	Alpha Networks (ChengDu)	11/11/2004	Building D15, No.168, Guangfu Road, Industrial Centralization Development Zone, Chengfei Highway, QingYang Dist., Chengdu, China.	USD	13,000	Research and development of network products
Mirac Networks (Dongguan) Co.,Ltd.	Mirac Networks (Dongguan)	02/28/2006	Xin'an Area, Chang An, DongGuan City Guangdong Province, China	RMB	24,081	Production and sale of network products
Alpha Networks (Hong Kong) Limited	Alpha HK	06/03/2008	23/F, Tower 2, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.	USD	100,131	Investment holding
Alpha Technical Services Inc.	ATS	01/20/2009	7 Cushing , Irvine , CA 92618, USA	USD	8,100	Technical services
Alpha Networks (Changshu) Ltd.	Alpha Networks (Changshu)	02/19/2009	No.6, Yintong Road, National New & Hi-Tech Industrial Development Zone, Changshu, Jiangsu Province, China	USD	62,000	Research, production and sale of network products
Enrich Investment Corporation	Enrich Investment	10/11/2018	7F., No.68, Ruiguang Rd., Neihu Dist., Taipei City , Taiwan	TWD	400,000	Investment holding
Transent Corporation	Transent	10/18/2018	5F.,No. 8, Li-shing 7th Road, Science-based Industrial Park, Hsinchu, Taiwan	TWD	50,000	Service of integration of various network communication products and systems and sale of network equipment
Hitron Technologies Inc.	Hitron	03/24/1986	NO.1-8, Li-shing RD. I, Science-based Industrial Park, Hsinchu, Taiwan	TWD	3,213,172	Communications and telecom products
Interactive Digital Technologies Inc.	IDT	05/14/2003	No.38-1,Wugong 5th Rd.,Wugu District, New Taipei City, Taiwan, R.O.C	TWD	402,532	Telecommunications and broadband network systems and services

Company	Abbreviation	Date of Incorporation	Address	Currency	Capital Stock	Business Activates
Hitron Technologies (Samoa) Inc.	Hitron (Samoa)	07/13/2006	TrustNet Chambers, P.O. Box 1225, Apia, Samoa.	USD	21,350	International trade
Hitron Technologies (SIP) Inc.	Hitron (SIP)	10/11/2006	No.158 Fengli Street, Suzhou Industrial Park	USD	20,500	Manufacture and sale of wireless and telecom products
Hwa Chi Technologies (Shanghai) Inc.	Hwa Chi	10/11/2001	Room 702, Block A, Shengnuoya Building, 1759 Jinshajiang Road, Putuo District, Shanghai	USD	200	Technical consulting, researching, maintenance and after sales service of electronic and telecom products
Jietech Trading (Suzhou) Inc.	Jietech Trading	07/20/2010	No.158 Fengli Street, Suzhou Industrial Park	USD	850	Manufacture and sale of wireless and telecom products
Hitron Technologies Europe Holding B.V.	Hitron Europe	07/01/2011	Kingsfordweg 151,1043GR Amsterdam	EUR	1,500	International trade
Hitron Technologies Americas Inc.	Hitron America	10/21/2011	9000 E Nichols Ave Suite 103 Centennial, CO 80112	USD	3,000	International trade
Innoauto Technologies Inc.	Innoauto	06/11/2015	No. 1, 7th Floor, No. 1, Taiyuan Second Street, Zhubei City, Hsinchu County	TWD	20,000	Investment and automotive electronics products
Hitron Technologies Vietnam Company Limited	Hitron Vietnam	05/24/2019	No.15, Road No.17, VSIP Hai Phong, Thuy Trieu Commune, Thuy Nguyen District, Hai Phong City, Vietnam	USD	52,500	Manufacture and sales of wireless and telecom products
Aespula Technology Inc.	Aespula	01/26/2021	5F-8, No. 8, Ziqiang S. Rd., Zhubei City, Hsinchu County, Taiwan (R.O.C.)	TWD	80,873	Manufacture and sale of communications and telecom products and provision of information software services
Alpha Networks Vietnam Co.,Ltd.	Alpha VN	11/02/23	Lot CN03, Dong Van IV Industrial Park, Dai Cuong Commune, Kim Bang District, Ha Nam Province, Vietnam.	USD	24,000	Production and sales of networks products

Note : Please refer to the Company's 2022 annual report for the basic information of the related companies of the Company's subsidiary Hitron Technologies Inc.

(III) Presumed to be the Same Shareholder for Those with Relations of Control and Affiliation: None.

(IV) Overall Business covered by the Affiliates and the interaction and division of labor:

The main business items of the Company and its affiliates are R&D, development, design, manufacturing and sales of broadband products, wireless network products and computer network system equipment and components.

(V) Directors, Supervisors and Presidents of the Company's Affiliates

December 31, 2022; Unit: thousand shares

Company	Title	Name	Shareholding	
			Shares	%
D-Link Asia Investment Ptd. Ltd.	Director	Representative of Alpha Holdings Inc.: Chua Yi Xuan Patria	—	100%
		Representative of Alpha Holdings Inc.: Wen-Fang Huang		
Alpha Solutions Co., Ltd.	Director	Representative of Alpha Networks Inc.: Wen-Fang Huang	—	100%
		Representative of Alpha Networks Inc.: Yang-Chih, Chou		
		Representative of Alpha Networks Inc.: Shao-Ling, Chen		
	Supervisor	Representative of Alpha Networks Inc.: Zheng- Han, Huang		
Alpha Networks (Dongguan) Co.,Ltd	Director	Representative of D-Link Asia Investment Ptd. Ltd.: Chao-Fan, Ting	—	100%
		Representative of D-Link Asia Investment Ptd. Ltd.: Zheng- Han, Huang		
		Representative of D-Link Asia Investment Ptd. Ltd.: Pei-Lun, Feng		
Alpha Holdings Inc.	Director	Representative of Alpha Networks Inc. : Wen-Fang Huang	—	100%
Alpha Networks Inc.(USA)	Director	Representative of Alpha Networks Inc.: Wen-Fang Huang	—	100%
Alpha Networks (ChengDu) Co., Ltd.	Director	Representative of D-Link Asia Investment Ptd. Ltd.: Wei-Hung, Tsai	—	100%
		Representative of D-Link Asia Investment Ptd. Ltd.: Peng-Fei, Song		
		Representative of D-Link Asia Investment Ptd. Ltd.: Feng-Qi, Ye		
	Supervisor	Representative of D-Link Asia Investment Ptd. Ltd.: Wen-Rui, Tsai		
Mirac Networks (Dongguan) Co., Ltd.	Director	Representative of Alpha Networks (Dongguan) Co., Ltd.: Chao-Fan, Ting	—	100%
		Representative of Alpha Networks (Dongguan) Co., Ltd.: Shu-Chuan, Li		
		Representative of Alpha Networks (Dongguan) Co., Ltd.: Shi-Gang, Zhao		
	Supervisor	Representative of Alpha Networks (Dongguan) Co., Ltd.: Shao-Ling, Chen		
Alpha Networks(Hong Kong) Limited	Director	Representative of Alpha Networks Inc.: Wen-Fang Huang	—	100%
Alpha Technical Services Inc.	Director	Representative of Alpha Networks Inc.: Chuan-Ming, Chien	—	100%
Alpha Networks (Changshu) Ltd.	Director	Representative of Alpha Networks(Hong Kong) Limited: Cai-Fen, Chen	—	100%
		Representative of Alpha Networks(Hong Kong) Limited: Zheng-Han, Huang		
		Representative of Alpha Networks(Hong Kong) Limited: Chih-Wen, Chen,		
	Supervisor	Representative of Alpha Networks(Hong Kong) Limited: Yang-Chih, Chou		
Enrich Investment Corporation	Director	Representative of Alpha Networks Inc.: Wen-Fang Huang	40,000	100%
		Representative of Alpha Networks Inc.: Zheng- Han, Huang		
		Representative of Alpha Networks Inc.: Yang-Chih, Chou		
	Supervisor	Representative of Alpha Networks Inc.: Shao-Ling, Chen		
Transent Corporation	Director	Representative of Enrich Investment Corporation: Wen-Fang Huang	5,000	100%
		Representative of Enrich Investment Corporation: Yang-Chih, Chou		
		Representative of Enrich Investment Corporation: Wen-Rui, Tsai		
	Supervisors	Representative of Enrich Investment Corporation: Shao-Ling, Chen		
Aespula Technology Inc.	Director	Representative of Enrich Investment Corporation: Wen-Fang Huang	8,000	98.82%
		Representative of Enrich Investment Corporation: Zheng- Han, Huang		
		Representative of Enrich Investment Corporation: Yang-Chih, Chou		
		Representative of Enrich Investment Corporation: Wen-Rui, Tsai		
		Yuan-De, Liao		
	Supervisors	Representative of Enrich Investment Corporation: Shao-Ling, Chen		

Company	Title	Name	Shareholding	
			Shares	%
Interactive Digital Technologies Inc.	Director	Representative of Hitron Technologies Inc.: Yen-Wei, Cheng	16,703	41.49%
		Representative of Hitron Technologies Inc.: Mei-Lan, Liu		
		Representative of Hitron Technologies Inc.: Yu-Chin, Lin		
		Representative of Calais Development Ltd.: Jung-Huang, Wang		
	Independent Director	Hsiao-Chen, Chuang		
		Chao-Fu, Shih		
President	Mei-Lan, Liu			
Alpha Networks Vietnam Co., Ltd.	Director	Representative of Alpha Networks Inc.: Chao-Fan, Ting	—	100%
		Representative of Alpha Networks Inc.: Jie-Shan, Yang		
		Representative of Alpha Networks Inc.: Yang-Chih, Chou		
		Representative of Alpha Networks Inc.: Pei-Lun, Feng		
Hitron Technologies Inc.	Director	Representative of Alpha Networks Inc.: Wen-Fang, Huang	200,000	62.24%
		Representative of Alpha Networks Inc.: Chi-Hong, Chen		
		Representative of Alpha Networks Inc.: Yang-Chin, Chou		
		Representative of Alpha Networks Inc.: Pei-Shun, Chiu		
		Representative of Alpha Networks Inc.: Dun-Hong, Li		
		Mei-Lan, Liu		
	Independent Director	Mao-Chao, Lin		
		Ming-Fu, Huang		
		Le-Min, Chen		
President	Pei-Shun, Chiu			
Hitron Technologies (Samoa) Inc.	Chairperson	Representative of Hitron Technologies Inc.: Pei-Shun, Chiu	—	100%
Hitron Technologies (SIP) Inc.	Director	Representative of Hitron Technologies (Samoa) Inc.: Pei-Shun, Chiu	—	100%
		Representative of Hitron Technologies (Samoa) Inc.: Mei-Lan, Liu		
		Representative of Hitron Technologies (Samoa) Inc.: You-Hong, Liao		
	Supervisor	Representative of Hitron Technologies (Samoa) Inc.: Yu-Fa, Hsu		
President	Pei-Shun, Chiu			
Hitron Technologies Americas Inc.	President	Representative of Hitron Technologies Inc.: Pei-Shun, Chiu	—	100%
Hitron Technologies Europe Holding B.V.	Chairperson	Representative of Hitron Technologies Inc.: Pei-Shun, Chiu	—	100%
Hitron Technologies Vietnam Company Limited	Chairperson	Representative of Hitron Technologies Inc.: Pei-Shun, Chiu	—	100%
Innoauto Technologies Inc.	Director	Representative of Hitron Technologies Inc.: Wen-Fang, Huang	2,000	100%
		Representative of Hitron Technologies Inc.: Dun-Hong, Li		
		Representative of Hitron Technologies Inc.: Pei-Shun, Chiu		
	Supervisor	Representative of Hitron Technologies Inc.: Yu-Fa, Hsu		
Jietech Trading (Suzhou) Inc.	Director	Representative of Hitron Technologies (Samoa) Inc.: Pei-Shun, Chiu	—	100%
	Supervisors	Representative of Hitron Technologies (Samoa) Inc.: Yu-Fa, Hsu		
	President	Pei-Shun, Chiu		
Hwa Chi Technologies (Shanghai) Inc.	Director	Representative of Interactive Digital Technologies Inc.: Yen-Wei, Cheng	—	100%
	Supervisors	Representative of Interactive Digital Technologies Inc.: Jeffrey Lee		

Note 1: Consolidated number of shares held by the Company and shareholding ratio.

Note 2: The basic information of the related companies of the Company's subsidiary, Hitron Technologies Inc., please refer to the Hitron's 2022 annual report.

(VI) Overview of Affiliates' Operations

December 31, 2022; NTS thousands

Company	Capital Stock	Total Assets	Total Liabilities	Net Worth	Net Revenues	Income (Loss) from Operations	Net Income (Loss)	Earnings Per Share
D-Link Asia Investment Pte, Ltd.	1,692,805	3,655,099	1,765,120	1,889,979	—	(2117,45)	103,357	1.19
Alpha Solutions Co., Ltd.	11,107	19,647	970	18,677	12,107	(390)	(202)	(-252.64)
Alpha Networks (Dongguan) Co., Ltd.	787,496	2,434,237	847,484	1,586,753	4,354,594	367,588	539,949	—
Alpha Holdings Inc.	208,500	—	—	—	—	—	21,344	3.3
Alpha Networks, Inc.(USA)	51,609	1,495,992	1,337	1,494,655	7,323	7,664	4,746	3.16
Alpha Networks (Chengdu) Co., Ltd.	420,426	658,781	62,518	596,263	254,959	12,090	13,640	—
Mirac Networks (Dongguan) Co.,Ltd	107,130	377,401	226,571	150,830	989,700	49,622	41,064	—
Alpha Networks(Hong Kong) Limited	3,143,628	3,404,306	1,206,559	2,197,747	8,212,172	(199)	(97,329)	(0.12)
Alpha Technical Services Inc.	260,497	191,076	3,444	187,632	51,929	2,221	1,806	0.22
Alpha Networks (Changshu) Ltd.	1,925,920	4,333,797	3,162,479	1,171,318	10,035,396	117,468	(196,887)	—
Enrich Investment Corporation	400,000	304,544	536	304,008	—	(562)	(10,555)	(0.26)
Transent Corporation	50,000	59,942	43,246	16,696	41,777	(7,282)	(7,548)	(1.51)
Alpha Networks Vietnam Co., Ltd.	703,056	992,272	378,572	613,700	2	(110,932)	(121,025)	—
Hitron Technologies Inc.	3,213,172	10,188,967	4,895,175	5,293,792	9,947,772	(621,063)	482,193	1.50
Interactive Digital Technologies Inc.	402,532	2,632,242	1,316,421	1,315,821	2,043,363	278,499	215,007	5.43
Hitron Technologies (SAMOA) Inc.	642,697	618,428	—	618,428	—	—	18,943	—
Hitron Technologies (SIP) Inc.	641,763	685,198	70,624	614,574	166,852	24,186	22,698	—
Hitron Technologies Americas Inc.	90,082	2,978,102	2,550,278	427,824	6,297,545	221,023	165,909	—
Hitron Technologies Europe Holding B.V.	59,604	513,187	406,284	106,903	1,211,680	104,957	86,528	—
Hitron Technologies Vietnam Company Limited	1,511,735	5,569,583	3,108,943	2,460,640	9,981,935	733,218	714,066	—
Innoauto Technologies Inc.	20,000	3,524	80	3,444	—	(201)	(188)	—
Jietech Trading (Suzhou) Inc.	31,139	3,740	—	3,740	—	(55)	(28)	—
Hwa Chi Technologies (Shanghai) Inc.	5,814	12,677	179	12,498	6,175	1,249	1,264	—
Aespula Technology Inc.	80,873	69,178	5,030	64,148	5,061	(13,591)	(13,500)	(1.67)

- II. Privately Placement Securities in the Most Recent Year up to the Publication Date of this Annual Report: None.
- III. Holding or Disposition of the Company's Shares by Subsidiaries in the Most Recent Year up to the Publication Date of this Annual Report: None.
- IV. Other Necessary Supplement: None.
- V. Any Events in the Most Recent Year up to the Publication Date of this Annual Report that Had Substantial Impact on the Shareholders' Equity or Securities Prices as Prescribed in Item 3 Paragraph 2 of Article 36 of the Securities and Exchange Act: None.

Representation Letter

The entities that are required to be included in the combined financial statements of Alpha Networks Inc. and Subsidiaries as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Alpha Networks Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: Alpha Networks Inc.

Chairman: Wen-Feng Huang

Date: February 24, 2023

Independent Auditors' Report

To the Board of Directors of Alpha Networks Inc.:

Opinion

We have audited the consolidated financial statements of Alpha Networks Inc. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Alpha Networks Inc. and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition from contracts with customers

Please refer to note 4(14) and note 6(22) for accounting policy and detailed disclosure of revenue, respectively.

In explanation of key audit matter:

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

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Group's internal controls surrounding the sales process and cash collection transaction process; analyzing the terms and types of the major sales transactions and assessing whether they were recorded in the proper period; selecting samples of sales transactions to assess the adequacy of the Group's timing on revenue recognition; and evaluating the rationale for any identified significant sales fluctuations, incurred within a certain period before or after the balance sheet date, to recognize when the performance obligation has been satisfied by transferring control over the goods to a customer in order to determine whether they have been recorded in a proper period.

2. Valuation of inventories

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

In explanation of key audit matter:

Inventories are measured at the lower of cost or net realizable value at the reporting date. The net realizable value of the inventory is determined by the Group based on the assumptions of the estimated selling price of the products. The rapid development of technology and introduction of new products may significantly change market demand and cause market price fluctuation, which may lead to product obsolescence and the cost of inventory to be higher than the net realizable value. Therefore, the valuation of inventory is one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the inventory of aging report and analyzing the fluctuation of inventory aging; selecting samples to verify the accuracy of the net realizable value of inventories and inventory aging report prepared by the Group; evaluating whether the valuation of inventories was accounted for in accordance with the Group's accounting policies; and assessing the historical reasonableness of the management's estimates on inventory provisions.

Other Matter

Alpha Networks Inc. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion and unmodified opinion with an Other Matter paragraph, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hai-Ning Huang and Wei-Ming Shih.

KPMG

Taipei, Taiwan (Republic of China)
February 24, 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

ALPHA NETWORKS INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		For the years ended December 31,			
		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(22) and 7)	\$ 33,634,197	100	27,862,336	100
5000	Operating costs (notes 6(4),(18),(23) and 7)	27,380,956	81	23,276,437	84
	Gross profit	6,253,241	19	4,585,899	16
	Operating expenses (notes 6(3),(18),(23) and 7):				
6100	Selling expenses	1,320,302	4	1,142,902	4
6200	Administrative expenses	1,361,291	4	1,253,497	4
6300	Research and development expenses	1,833,973	6	1,473,517	5
6450	Expected credit loss (note 6(3))	23,143	-	6,310	-
	Total operating expenses	4,538,709	14	3,876,226	13
	Net operating income (loss)	1,714,532	5	709,673	3
	Non-operating income and expenses:				
7010	Other income (note 6(25))	68,140	-	83,962	-
7020	Other gains and losses, net (note 6(26))	(162,889)	(1)	(27,329)	-
7050	Finance costs (note 6(27))	(120,191)	-	(38,707)	-
7100	Interest income (note 6(24))	34,419	-	27,263	-
	Total non-operating income and expenses	(180,521)	(1)	45,189	-
	Profit from continuing operations before tax	1,534,011	4	754,862	3
7950	Less: Income tax expenses (note 6(19))	375,840	1	214,450	1
	Profit	1,158,171	3	540,412	2
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans (note 6(18))	50,106	-	(8,200)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (notes 6(20) and (28))	12,480	-	(1,910)	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	62,586	-	(10,110)	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements (note 6(20))	357,452	1	(2,509)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (notes (19) and (20))	(53,245)	-	(726)	-
	Components of other comprehensive loss that will be reclassified to profit or loss	304,207	1	(3,235)	-
8300	Other comprehensive income (loss), net of income tax	366,793	1	(13,345)	-
8500	Total comprehensive income	\$ 1,524,964	4	527,067	2
	Profit attributable to:				
8610	Owners of parent	\$ 917,075	2	433,888	2
8620	Non-controlling interests	241,096	1	106,524	-
		\$ 1,158,171	3	540,412	2
8700	Total comprehensive income attributable to:				
8710	Owners of parent	\$ 1,187,467	3	427,400	2
8720	Non-controlling interests	337,497	1	99,667	-
		\$ 1,524,964	4	527,067	2
	Earnings per share (New Taiwan dollars) (note 6(21))				
	Basic earnings per share	\$ 1.69		0.80	
	Diluted earnings per share	\$ 1.68		0.80	

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total retained earnings	Exchange differences on translation of foreign financial statements	Total other equity interest		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (deficit to be compensated)			Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest			
Balance at January 1, 2021	\$ 5,417,185	3,004,591	1,127,420	731,766	(127,976)	1,731,210	(448,804)	-	(448,804)	9,704,182	3,034,149	12,738,331
Profit	-	-	-	-	433,888	433,888	-	-	-	433,888	106,524	540,412
Other comprehensive income (loss)	-	-	-	-	(8,200)	(8,200)	2,901	(1,189)	1,712	(6,488)	(6,857)	(13,345)
Total comprehensive income (loss)	-	-	-	-	425,688	425,688	2,901	(1,189)	1,712	427,400	99,667	527,067
Appropriation and distribution of retained earnings:												
Reversal of special reserve	-	-	-	(282,962)	282,962	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(108,344)	(108,344)	-	-	-	(108,344)	-	(108,344)
Donated from shareholders	-	(220)	-	-	-	-	-	-	-	(220)	-	(220)
Cash dividends from capital surplus	-	(433,375)	-	-	-	-	-	-	-	(433,375)	-	(433,375)
Changes in ownership interests in subsidiaries	-	12,776	-	-	-	-	-	-	-	12,776	(12,776)	-
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(238,145)	(238,145)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	73,790	73,790
Balance at December 31, 2021	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	-	-	-	-	917,075	917,075	-	-	-	917,075	241,096	1,158,171
Other comprehensive income (loss)	-	-	-	-	49,849	49,849	212,776	7,767	220,543	270,392	96,401	366,793
Total comprehensive income (loss)	-	-	-	-	966,924	966,924	212,776	7,767	220,543	1,187,467	337,497	1,524,964
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	42,569	-	(42,569)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,713)	1,713	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(379,203)	(379,203)	-	-	-	(379,203)	-	(379,203)
Donated from shareholders	-	13	-	-	-	-	-	-	-	13	-	13
Cash dividends from capital surplus	-	(54,172)	-	-	-	-	-	-	-	(54,172)	-	(54,172)
Changes in ownership interests in subsidiaries	-	14,788	-	-	-	-	-	-	-	14,788	(14,788)	-
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(189,021)	(189,021)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	94,934	94,934
Balance at December 31, 2022	\$ 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

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,534,011	754,862
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	493,373	524,534
Amortization expense	211,867	221,904
Expected credit loss	23,143	6,310
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	13,067	(10,823)
Interest expense	120,191	38,707
Interest income	(34,419)	(27,263)
Dividend income	(6,391)	(3,679)
Loss on disposal of property, plant and equipment	16,608	9,049
Provisions for inventory obsolescence and devaluation loss	161,328	106,667
Total adjustments to reconcile profit	<u>998,767</u>	<u>865,406</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable	(1,568,847)	2,741,656
Financial assets mandatorily at fair value through profit or loss	3,249	16,645
Inventories	(346,758)	(2,316,119)
Other current assets	(618,911)	480,871
Financial liabilities held for trading	(2,927)	(10,920)
Accounts payable (including related parties)	837,200	(2,634,190)
Other payable to related parties	(8,171)	9,670
Other current liabilities	1,042,538	(582,840)
Net defined benefit liability	(9,036)	(23,783)
Total changes in operating assets and liabilities	<u>(671,663)</u>	<u>(2,319,010)</u>
Total adjustments	<u>327,104</u>	<u>(1,453,604)</u>

(Continued)

See accompanying notes to consolidated financial statements.

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

	For the years ended December 31,	
	2022	2021
Cash flows generated from (used in) operations	1,861,115	(698,742)
Interest received	38,904	23,621
Dividends received	6,391	3,679
Interest paid	(108,243)	(39,207)
Income taxes paid	(237,003)	(189,333)
Net cash flows from (used in) operating activities	1,561,164	(899,982)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(140,179)	-
Acquisition of financial assets at amortized cost	(399,940)	(1,927,119)
Proceeds from repayments of financial assets at amortized cost	774,947	1,690,791
Proceeds from disposal of financial assets at fair value through profit or loss	-	11,851
Consideration paid to non-controlling interests	-	(560)
Acquisition of property, plant and equipment	(947,650)	(156,780)
Proceeds from disposal of property, plant and equipment	9,019	9,467
Decrease (increase) in refundable deposits	(8,096)	19,698
Acquisition of intangible assets	(170,616)	(133,332)
Increase in other non-current assets	(163,152)	(211,659)
Net cash flows used in investing activities	(1,045,667)	(697,643)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	32,960,371	15,883,924
Repayments of short-term borrowings	(33,035,546)	(14,681,734)
Repayments of bonds payable	(372,300)	-
Proceeds from long-term borrowings	26,000	-
Increase in guarantee deposits received	417	446
Payment of lease liabilities	(34,484)	(41,142)
Cash dividends paid distributed to shareholders	(433,375)	(541,719)
Donation from shareholders	13	(220)
Subsidiary-issued preferred stock	-	873
Cash dividends paid to non-controlling interest	(189,021)	(238,145)
Net cash flows from (used in) financing activities	(1,077,925)	382,283
Effect of exchange rate changes on cash and cash equivalents	148,662	3,388
Net decrease in cash and cash equivalents	(413,766)	(1,211,954)
Cash and cash equivalents at beginning of period	4,498,050	5,710,004
Cash and cash equivalents at end of period	\$ 4,084,284	4,498,050

ALPHA NETWORKS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history

ALPHA NETWORKS INC. (“Alpha”) was established by a spin off arrangement whereby on August 16, 2003, D Link Corporation (“D Link”) separated its operation business unit of original design manufacturing and original equipment manufacturing (“ODM/OEM”) and had transferred its related 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”), and 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 February 24, 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, 2022:

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

The Group does not expect the following new and amended standards, which have been issued by the International Accounting Standard Board ("IASB"), but have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IFRS 16 “Requirements for Sale and Leaseback Transactions”

4. Summary of significant accounting policies:

The significant accounting policies applied in the preparation of these consolidated financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

- (1) Statement of compliance

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(2) Basis of preparation

A. Basis of measurement

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

- (a) Financial assets measured at fair value through profit or loss are measured at fair value;
- (b) Financial assets measured at fair value through other comprehensive income are measured at fair value;
- (c) The net defined benefit liability is measured at the fair value of the plan assets less the present value of the defined benefit obligation.

B. Functional and presentation currency

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

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, income and expenses are eliminated in the consolidated financial statements. Total comprehensive income (loss) in a subsidiary is allocated to the shareholders of Alpha and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Group.

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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

B. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Main Business Activities	Shareholding	
			December 31, 2022	December 31, 2021
Alpha	Alpha Holdings Inc. (Alpha Holdings)	Investment holding	100.00%	100.00%
Alpha	Alpha Solutions Co., Ltd. (Alpha Solutions)	Sale of network equipment, components and technical services	100.00%	100.00%
Alpha	Alpha Networks Inc. (Alpha USA)	Sale, marketing and procurement service in USA	100.00%	100.00%
Alpha	Alpha Networks (Hong Kong) Limited (Alpha HK)	Investment holding	100.00%	100.00%
Alpha	Alpha Technical Services Inc. (ATS)	Post-sale service	100.00%	100.00%
Alpha	Enrich Investment Corporation (Enrich Investment)	Investment holding	100.00%	100.00%
Alpha	D-Link Asia Investment Pte. Ltd. (D-Link Asia)	Investment in manufacturing business	100.00%	100.00%
Alpha	Hitron Technologies Inc. (Hitron Technologies)	Marketing on system integration of communication product and telecommunication products	62.24%	62.24%
Alpha	Alpha Networks Vietnam Company Limited (Alpha VN)(note 3)	Production and sale of network products	100.00%	-%
D-Link Asia	Alpha Networks (Chengdu) Co., Ltd. (Alpha Chengdu)	Research and development of network products	100.00%	100.00%
D-Link Asia	Alpha Networks (Dongguan) Co., Ltd. (Alpha Dongguan)	Production and sale of network products	100.00%	100.00%
Alpha Dongguan	Mirac Networks (Dongguan) Co., Ltd. (Mirac)	Production and sale of network products	100.00%	100.00%
Alpha HK	Alpha Networks (Changshu) Co., Ltd. (Alpha Changshu)	Production and sale of network products	100.00%	100.00%
Enrich Investment	Transnet Corporation (Transnet)	Operating in network communication products, provide system support services, integrated supply and import and export of network equipment	100.00%	100.00%
Enrich Investment	Interactive Digital Technologies Inc.(Interactive Digital)(note 1,4)	Telecommunication and broadband network system services	6.40%	6.64%

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

Enrich Investment	Aespula Technology INC. (Aespula) (note 2)	Sale of network equipment, components and technical services	98.92%	98.92%
Hitron Technologies	Hitron Technologies (Samoa) Inc (Hitron Samoa)	International trade	100.00%	100.00%
Hitron Technologies	Interactive Digital Technologies Inc. (Interactive Digital) (note 1,4)	Telecommunication and broadband network system services	41.49%	43.10%
Hitron Technologies	Hitron Technologies Europe Holding B.V. (Hitron Europe)	International trade	100.00%	100.00%
Hitron Technologies	Hitron Technologies (Americas) Inc. (Hitron Americas)	International trade	100.00%	100.00%
Hitron Technologies	Innoauto Technologies Inc. (Innoauto Technologies)	Investment and automotive electronics products	100.00%	100.00%
Hitron Technologies	Hitron Technologies (Vietnam) Inc. (Hitron Vietnam)	Production and sale of broadband telecommunication products	100.00%	100.00%
Hitron Samoa	Hitron Technologies (SIP) Inc (Hitron Suzhou)	Production and sale of broadband telecommunications products	100.00%	100.00%
Hitron Samoa	Jietech Trading (Suzhou) Inc. (Jietech Suzhou)	Sale of broadband network products and related services	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%

Note 1: Interactive Digital issued the convertible bonds in November 2019, but Enrich Investment and Hitron Technologies did not subscribe for it. The common stock conversion was conducted from December 2020 to December 2022.

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

Note 4: The Group did not own more than half of the ownership of the entities. As the Group owns more than half of the voting rights, directly and indirectly, and has the power to control the management and operating policies of the entities, the entities have been included in the Group's consolidated entities.

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

(4) Foreign currencies

A. Foreign currency transactions

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

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

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

- (a) an investment in equity securities designated as at fair value through other comprehensive income; or
- (b) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.

B. Foreign operations

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

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. For a partial disposal of the Company's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(5) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or
- D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- A. It is expected to be settled in its normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting period; or
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

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

(7) Financial instruments

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

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(a) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

Dividend income derived from equity investment is recognized in profit or loss on the date on which the Group's right to receive payment is established (usually the ex-dividend date)

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

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

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

(d) Impairment of financial assets

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

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

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

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

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

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

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

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as customer credit conditions default or overdue for more than the grace period for each category;
- For economic or contractual reasons relating to the borrower's financial difficulty, the Group granted to the borrower a concession that the Group would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

(e) Derecognition of financial assets

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

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

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

(b) Equity instrument

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Financial liabilities

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

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

(d) Derecognition of financial liabilities

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

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

(e) Offsetting of financial assets and liabilities

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

C. Derivative financial instruments and hedge accounting

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

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

(8) Inventories

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

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

ALPHA NETWORKS INC. AND SUBSIDIARIES
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(9) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. Subsequent expenditure

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

C. Depreciation

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

Land is not depreciated.

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

(a) Buildings and improvements: 3 to 56 years

Buildings and building improvements constitute mainly buildings, mechatronic engineering and hydropower engineering, etc.

(b) Machinery and equipment: 1 to 10 years

(c) Transportation facilities: 6 years

(d) Office and other facilities: 1 to 10 years

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

(10) Lessee

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

ALPHA NETWORKS INC. AND SUBSIDIARIES
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A. As a lessee

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

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

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

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

- (a) fixed payments, including in substance fixed payments;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

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

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (d) there is a change of its assessment on whether it will exercise a extension or termination option; or
- (e) there is any lease modifications

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

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

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

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

B. As a lessor

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

(11) Intangible assets

A. Recognition and measurement

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

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

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

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

B. Subsequent expenditure

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight line basis over the estimated useful lives of 1 to 5 years of intangible assets, other than goodwill, from the date that they are available for use.

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

(12) Impairment of non-financial assets

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

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

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

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

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

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

(13) Provisions

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

A. Warranties

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

B. Onerous contracts

A 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. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(14) Revenue for contracts with customers

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

A. Sale of goods

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

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

B. Product development services

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

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

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

ALPHA NETWORKS INC. AND SUBSIDIARIES

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C. Financial component

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

(15) Government grants and government assistance

The Group recognizes an unconditional government grant related to the research in profit or loss as other income when the grant becomes receivable. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(16) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

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

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

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

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C. Short-term employee benefits

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

(17) Share based payment arrangements

The grant date fair value of equity settled share based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

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

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

(18) Income tax

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

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

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

- A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

ALPHA NETWORKS INC. AND SUBSIDIARIES

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

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

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

- A. The Group has a legal enforceable right to setoff current tax assets against current tax liabilities and
- B. The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (a) the same taxable entity; or
 - (b) different taxable entity which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(19) Earnings per share

The Group discloses basic and diluted earnings per share attributable to ordinary shareholders of Alpha. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of Alpha divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of Alpha, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee remuneration through the issuance of shares and unvested restricted stock awards.

(20) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

ALPHA NETWORKS INC. AND SUBSIDIARIES

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

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

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

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

Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, the Group uses judgments and estimates to determine the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. However, due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(4) for further description of the valuation of inventories.

The Group's financial division conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial division also periodically adjusts valuation models, conducts retrospective testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data.

Please refer to note 6(28) of the financial instruments.

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

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 996	934
Checking and savings accounts	3,472,071	3,275,239
Time deposits	536,217	721,877
Cash equivalents	<u>75,000</u>	<u>500,000</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 4,084,284</u>	<u>4,498,050</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 December 31, 2022 and 2021, deposits with original maturities of more than three months were \$0 thousand and \$375,007 thousand, respectively, and were recorded in financial assets measured at amortized cost, please refer to note 6(5).

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss – current		
Derivative instruments not used for hedging		
Forward exchange contracts	\$ 5,320	1,425
Foreign exchange swaps	-	2,364
Non-derivative financial assets		
Stocks listed on domestic markets	<u>55,764</u>	<u>63,776</u>
Total	<u>\$ 61,084</u>	<u>67,565</u>
Financial liabilities hold for trading – current		
Forward exchange contracts	\$ 7,900	2,927
Foreign exchange swaps	<u>1,936</u>	<u>-</u>
Total	<u>\$ 9,836</u>	<u>2,927</u>

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

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

(3) Notes and accounts receivable, net

	December 31, 2022	December 31, 2021
Notes and accounts receivable	\$ 5,634,235	4,065,130
Less: loss allowances	(35,419)	(12,018)
	\$ 5,598,816	4,053,112

The overdue accounts receivable was reclassified to overdue receivables under financial assets measured at amortized cost – non-current and loss allowances are 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
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The analysis of expected credit loss on accounts receivables (including receivable from related parties) was as follows:

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 4,743,584	0%	-
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	<u>68,611</u>	99.05%	<u>67,957</u>
	<u>\$ 5,702,192</u>		<u>103,376</u>

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 3,607,494	0.00%	-
Less than 90 days past due	457,633	2.63%	12,015
91 to 180 days past due	3	100%	3
More than 181 days past due	<u>68,103</u>	100%	<u>68,103</u>
	<u>\$ 4,133,233</u>		<u>80,121</u>

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

	2022	2021
Balance at January 1	\$ 80,121	111,894
Impairment losses recognized	23,143	6,310
Write-off	-	(38,055)
Effect of changes in exchange rates	112	(28)
Balance at December 31	<u>\$ 103,376</u>	<u>80,121</u>

(4) Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$ 4,969,527	5,806,276
Work in progress and semi-finished products	763,057	634,546
Finished goods and merchandises	<u>3,691,668</u>	<u>2,798,000</u>
	<u>\$ 9,424,252</u>	<u>9,238,822</u>

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The components of operating cost were as below:

	For the years ended December 31,	
	2022	2021
Cost of goods sold	\$ 27,219,628	23,169,770
Provision for inventory obsolescence and devaluation loss	161,328	106,667
	\$ 27,380,956	23,276,437

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

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

	December 31, 2022	December 31, 2021
Current:		
Time deposits	\$ -	375,007
Non-current:		
Restricted deposits	\$ 21,662	20,900
Refundable deposits	123,211	115,877
Overdue receivables	67,957	68,103
Less: loss allowances	(67,957)	(68,103)
	\$ 144,873	136,777

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

The Group held bank time deposits with variable interest rates, and the average interest rates ranged between 0.10%~1.065% and 0.01%~0.815% for the years ended December 31, 2022 and 2021, respectively.

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

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

	December 31, 2022	December 31, 2021
Domestic unlisted stocks	\$ 140,565	19,335
Foreign unlisted stocks	31,429	-
	\$ 171,994	19,335

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes. These investments were classified as fair value through other comprehensive income.

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

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Notes to the Consolidated Financial Statements

(7) Material non-controlling interests of subsidiaries

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

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

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

Hitron Technologies Inc.'s collective financial information:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 9,562,665	8,654,473
Non-current assets	4,131,422	3,895,286
Current liabilities	(6,063,706)	(5,468,171)
Non-current liabilities	(120,156)	(116,227)
Net assets	<u>\$ 7,510,225</u>	<u>6,965,361</u>
Non-controlling interests	<u>\$ (1,009,803)</u>	<u>(978,394)</u>
Net assets of investees	<u>\$ 6,500,423</u>	<u>5,986,966</u>
Book value of non-controlling interests	<u>\$ 2,286,899</u>	<u>2,093,017</u>
	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating revenue	<u>\$ 12,318,229</u>	<u>9,681,546</u>
Profit	\$ 500,129	113,047
Other comprehensive income	255,298	(16,377)
Total comprehensive income	<u>\$ 755,427</u>	<u>96,670</u>
Profit attributable to non-controlling interests	<u>\$ 101,650</u>	<u>125,709</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 125,894</u>	<u>149,880</u>
Net cash flows from operating activities	\$ 832,960	(264,649)
Net cash flows from investing activities	(68,109)	(531,496)
Net cash flows from financing activities	(1,309,594)	(341,597)
Effect of exchange rate changes on cash and cash equivalents	127,071	5,866
Net decrease in cash and cash equivalents	<u>\$ (417,672)</u>	<u>(1,131,876)</u>
Dividends paid to non-controlling interests	<u>\$ (189,021)</u>	<u>(238,145)</u>

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(8) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group, were as follows:

	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Office, transportation and other facilities</u>	<u>Total</u>
Cost:					
Balance at January 1, 2022	\$ 644,519	4,304,637	2,528,885	414,073	7,892,114
Additions	228,330	91,558	479,289	148,473	947,650
Disposals	-	(28,268)	(308,174)	(56,344)	(392,786)
Effect of changes in exchange rates and others	6,376	92,720	69,300	10,742	179,138
Balance at December 31, 2022	<u>\$ 879,225</u>	<u>4,460,647</u>	<u>2,769,300</u>	<u>516,944</u>	<u>8,626,116</u>
Balance at January 1, 2021	\$ 645,919	4,066,782	2,436,098	475,095	7,623,894
Additions	-	35,819	131,952	54,334	222,105
Disposals	-	(7,650)	(64,071)	(28,046)	(99,767)
Effect of changes in exchange rates and others	(1,400)	209,686	24,906	(87,310)	145,882
Balance at December 31, 2021	<u>\$ 644,519</u>	<u>4,304,637</u>	<u>2,528,885</u>	<u>414,073</u>	<u>7,892,114</u>
Depreciation and impairment loss:					
Balance at January 1, 2022	\$ -	2,135,655	1,786,366	315,679	4,237,700
Depreciation	-	161,230	227,093	68,207	456,530
Disposals	-	(27,441)	(286,756)	(52,962)	(367,159)
Effect of changes in exchange rates and others	-	31,872	39,700	5,416	76,988
Balance at December 31, 2022	<u>\$ -</u>	<u>2,301,316</u>	<u>1,766,403</u>	<u>336,340</u>	<u>4,404,059</u>
Balance at January 1, 2021	\$ -	1,761,915	1,608,646	316,624	3,687,185
Depreciation	-	161,152	241,690	74,401	477,243
Disposals	-	(7,650)	(57,311)	(16,290)	(81,251)
Effect of changes in exchange rates and others	-	220,238	(6,659)	(59,056)	154,523
Balance at December 31, 2021	<u>\$ -</u>	<u>2,135,655</u>	<u>1,786,366</u>	<u>315,679</u>	<u>4,237,700</u>
Carrying amounts:					
Balance at December 31, 2022	<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 December 31, 2021	<u>\$ 644,519</u>	<u>2,168,982</u>	<u>742,519</u>	<u>98,394</u>	<u>3,654,414</u>
Balance at January 1, 2021	<u>\$ 645,919</u>	<u>2,304,867</u>	<u>827,452</u>	<u>158,471</u>	<u>3,936,709</u>

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

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Notes to the Consolidated Financial Statements

(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>
Cost:				
Balance at January 1, 2022	\$ 438,080	49,961	14,751	502,792
Additions	-	24,093	4,762	28,855
Disposals	-	(10,535)	(3,351)	(13,886)
Derecognition	-	-	(1,454)	(1,454)
Effect of changes in exchange rates and others	14,153	3,701	(1,101)	16,753
Balance at December 31, 2022	<u>\$ 452,233</u>	<u>67,220</u>	<u>13,607</u>	<u>533,060</u>
Balance at January 1, 2021	\$ 401,404	93,592	7,325	502,321
Additions	23,098	22,218	6,899	52,215
Disposals	-	(70,408)	(941)	(71,349)
Effect of changes in exchange rates and others	13,578	4,559	1,468	19,605
Balance at December 31, 2021	<u>\$ 438,080</u>	<u>49,961</u>	<u>14,751</u>	<u>502,792</u>
Depreciation:				
Balance at January 1, 2022	\$ 49,002	24,565	7,017	80,584
Depreciation	12,816	19,133	4,894	36,843
Disposals	-	(10,535)	(1,995)	(12,530)
Derecognition	-	-	(1,454)	(1,454)
Effect of changes in exchange rates and others	1,093	1,780	(1,116)	1,757
Balance at December 31, 2022	<u>\$ 62,911</u>	<u>34,943</u>	<u>7,346</u>	<u>105,200</u>
Balance at January 1, 2021	\$ 25,937	47,244	1,803	74,984
Depreciation	17,810	25,537	3,944	47,291
Disposals	-	(62,979)	(773)	(63,752)
Effect of changes in exchange rates and others	5,255	14,763	2,043	22,061
Balance at December 31, 2021	<u>\$ 49,002</u>	<u>24,565</u>	<u>7,017</u>	<u>80,584</u>
Carrying amount:				
Balance at December 31, 2022	<u>\$ 389,322</u>	<u>32,277</u>	<u>6,261</u>	<u>427,860</u>
Balance at December 31, 2021	<u>\$ 389,078</u>	<u>25,396</u>	<u>7,734</u>	<u>422,208</u>
Balance at January 1, 2021	<u>\$ 375,467</u>	<u>46,348</u>	<u>5,522</u>	<u>427,337</u>

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Notes to the Consolidated Financial Statements

(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>
Cost:						
Balance at January 1, 2022	\$ 220,281	229,877	396,949	578,900	442,079	1,868,086
Additions	-	-	-	-	170,616	170,616
Derecognition	-	-	-	-	(122,431)	(122,431)
Effect of changes in exchange rates and others	-	-	-	-	2,624	2,624
Balance at December 31, 2022	<u>\$ 220,281</u>	<u>229,877</u>	<u>396,949</u>	<u>578,900</u>	<u>492,888</u>	<u>1,918,895</u>
Balance at January 1, 2021	\$ 220,281	229,877	396,949	578,900	318,977	1,744,984
Additions	-	-	-	-	133,332	133,332
Derecognition	-	-	-	-	(74,021)	(74,021)
Effect of changes in exchange rates and others	-	-	-	-	63,791	63,791
Balance at December 31, 2021	<u>\$ 220,281</u>	<u>229,877</u>	<u>396,949</u>	<u>578,900</u>	<u>442,079</u>	<u>1,868,086</u>
Amortization and impairment:						
Balance at January 1, 2022	\$ 62,938	45,976	88,210	-	326,117	523,241
Amortization	31,468	22,987	44,106	-	113,306	211,867
Derecognition	-	-	-	-	(122,431)	(122,431)
Effect of changes in exchange rates and others	-	-	-	-	1,781	1,781
Balance at December 31, 2022	<u>\$ 94,406</u>	<u>68,963</u>	<u>132,316</u>	<u>-</u>	<u>318,773</u>	<u>614,458</u>
Balance at January 1, 2021	\$ 31,469	22,988	44,105	-	210,847	309,409
Amortization	31,469	22,988	44,105	-	123,342	221,904
Derecognition	-	-	-	-	(74,021)	(74,021)
Effect of changes in exchange rates and others	-	-	-	-	65,949	65,949
Balance at December 31, 2021	<u>\$ 62,938</u>	<u>45,976</u>	<u>88,210</u>	<u>-</u>	<u>326,117</u>	<u>523,241</u>
Carrying amount						
Balance at December 31, 2022	<u>\$ 125,875</u>	<u>160,914</u>	<u>264,633</u>	<u>578,900</u>	<u>174,115</u>	<u>1,304,437</u>
Balance at December 31, 2021	<u>\$ 157,343</u>	<u>183,901</u>	<u>308,739</u>	<u>578,900</u>	<u>115,962</u>	<u>1,344,845</u>
Balance at January 1, 2021	<u>\$ 188,812</u>	<u>206,889</u>	<u>352,844</u>	<u>578,900</u>	<u>108,130</u>	<u>1,435,575</u>

A. Amortization

The amortization of intangible assets is included in the following line items of statement of comprehensive income:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating cost	\$ 2,818	1,077
Operating expense	209,049	220,827
Total	<u>\$ 211,867</u>	<u>221,904</u>

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

B. Impairment test for Goodwill

As of December 31, 2022 and 2021, the goodwill arising from business combination was allocated to the following CGUs (or groups of CGUs) because these CGUs are expected to benefit from the synergies of the combination.

	December 31, 2022	December 31, 2021
Interactive Digital	\$ 354,656	354,656
Hitron Technologies	89,361	89,361
IP Camera	134,883	134,883
	\$ 578,900	578,900

As of December 31, 2022 and 2021, these CGUs determine the recoverable amount based on their value in use, and the recoverable amount of these were greater than their carrying amount, which no impairment loss was recognized.

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

	December 31, 2022	December 31, 2021
IP Camera		
Discount rate	9.55%	7.60%
Terminal value growth rate	3.21%	3.58%
Interactive Digital		
Discount rate	7.03%	7.22%
Terminal value growth rate	3.21%	3.58%
Hitron Technologies		
Discount rate	7.38%	7.07%
Terminal value growth rate	3.21%	3.58%

As of December 31, 2022 and 2021, the following is the key assumption of the estimation of value in use:

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

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

C. Collateral

As of December 31, 2022 and 2021, 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:

	December 31, 2022	December 31, 2021
Prepayments for equipment	\$ 381,766	200,014
Business tax receivable	124,984	184,167
Income tax receivable	109,615	83,126
Advance payment	98,016	69,445
Others	756,825	154,914
	<u>\$ 1,471,206</u>	<u>691,666</u>
Other current assets	\$ 1,074,308	467,666
Other non-current assets	396,898	224,000
	<u>\$ 1,471,206</u>	<u>691,666</u>

(12) Short-term borrowings

	December 31, 2022	December 31, 2022
Unsecured bank loans	<u>\$ 3,936,093</u>	<u>4,044,952</u>
Unused short-term credit lines	<u>\$ 11,946,142</u>	<u>8,299,478</u>
Range of interest rates	<u>1.4%~ 5.48%</u>	<u>0.55%~ 1.00%</u>

(13) Long-term borrowings

	December 31, 2022	December 31, 2021
Unsecured bank loans	\$ 26,000	-
Less: current portion	(26,000)	-
Total	<u>\$ -</u>	<u>-</u>
Unused long-term credit lines	<u>\$ -</u>	<u>2,050,000</u>
Range of interest rates	<u>0.663%</u>	<u>-</u>

The maturity date of the above-mentioned long-term borrowings, which had been prepaid by the Group in January 2023, was January 20, 2027.

ALPHA NETWORKS INC. AND SUBSIDIARIES
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(14) Provisions

	<u>Warranties</u>	<u>Onerous Contracts</u>	<u>Total</u>
Balance at January 1, 2022	\$ 360,108	-	360,108
Provisions made during the year	290,647	23,225	313,872
Provisions used during the year	(223,978)	-	(223,978)
Effect of changes in foreign exchange rates	1,265	-	1,265
Balance at December 31, 2022	<u>\$ 428,042</u>	<u>23,225</u>	<u>451,267</u>
Balance at January 1, 2021	\$ 404,549	-	404,549
Provisions made during the year	226,874	-	226,874
Provisions used during the year	(271,105)	-	(271,105)
Effect of changes in foreign exchange rates	(210)	-	(210)
Balance at December 31, 2021	<u>\$ 360,108</u>	<u>-</u>	<u>360,108</u>
		<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current		\$ 385,198	286,255
Non-current (recognized as other non-current liabilities)		66,069	73,853
		<u>\$ 451,267</u>	<u>360,108</u>

The provision for warranties relates mainly to network product sold and professional services provide during the years ended December 31, 2022 and 2021. 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.

A 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.

(15) Other current liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payroll and bonus payable	\$ 1,232,338	700,937
Contract liabilities (note 6(22))	866,605	832,407
Lease payable (note 6(17))	26,601	20,944
Other accounts payable-related parties (note 7)	1,510	9,681
Others	211,037	294,686
	<u>\$ 2,338,091</u>	<u>1,858,655</u>

ALPHA NETWORKS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(16) Bonds payable

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

	December 31, 2022	December 31, 2021
Total convertible corporate bonds issued	\$ 600,000	600,000
Unamortized discounted payable	-	(7,229)
Cumulative converted amount	(227,700)	(131,300)
Subtotal	372,300	461,471
Less: bonds payable due within one year	-	(461,471)
Less: repayment due	(372,300)	-
Total	\$ -	-

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

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

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

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

Total amount issued	\$600 million
Date of issued	11.22.2019
Coupon rate	0%
Period of issue	11.22.2019~11.22.2022
Repayment method	Other than converting as Interactive Digital's ordinary share in accordance to the regulation no.10, or exercising put option in accordance to the regulation no.19, or early redeeming in accordance to the regulation no.18, or repurchasing the written-off stock from Securities Dealers, Interactive Digital will repay the convertible bond one-off in cash at face value at maturity.

ALPHA NETWORKS INC. AND SUBSIDIARIES

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Redeem method	<ol style="list-style-type: none"> 1. If the closing price for the Interactive Digital exceeds 30% of the conversion price for 30 consecutive days for the period 3 months after bond issuance until 40 days before maturity, Digital Interactive will redeem the outstanding bonds based on the face value. 2. If the balance of the outstanding bonds lower than \$6,000 thousand, Interactive Digital will redeem the outstanding bonds based on the face value.
Bond holder request for repurchase method	If the bond has issued for 2 years, the bond holder may request Interactive Digital to repurchase the bond at face value plus interest at 40 days before the maturity. Interest rate for the bond issued for 2 years is 0.5% at face value.
Conversion period	Other than the transfer restriction period, bond holder may request the shares agent of Interactive Digital to convert the bond to ordinary shares during the period 3 months after issuance until the maturity date.
Conversion price	The conversion price was set at \$78.5 at the time of issuance. As of July 27, 2020 the conversion price had been adjusted from 78.5 to 72.5. As of August 30, 2021, the conversion price had been adjusted from 72.5 to 67.0. As of July 4, 2022, the conversion price had been adjusted from 67.0 to 61.2.

As of December 31, 2022 and 2021, the first convertible corporate bonds of the subsidiary Interactive Digital had accumulated, converted 3,309 thousand shares and 1,811 thousand shares, respectively.

For the years ended December 31, 2022 and 2021, due to the first convertible corporate bond, the capital plus generated by the Group was \$14,788 thousand and \$12,756 thousand, respectively.

(17) Lease liabilities

	December 31, 2022	December 31, 2021
Current (recorded in other current liabilities)	\$ 26,601	20,944
Non-current	\$ 217,451	224,220

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

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2022	2021
Interest on lease liabilities	\$ 3,723	3,687
Expenses relating to short-term leases and leases of low-value assets	\$ 44,843	49,355

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

	For the years ended December 31,	
	2022	2021
Total cash outflow for leases	\$ 83,050	94,184

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.

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

(18) Employee benefits

A. Defined benefit plans

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

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 252,686	303,823
Fair value of plan assets	(109,103)	(99,808)
Net defined benefit liabilities	\$ 143,583	204,015

The Group's employee benefit assets and liabilities were as follows:

	December 31, 2022	December 31, 2021
Recognized as other non-current liabilities	\$ 2,059	769
Recognized as net defined benefit liability	\$ 145,642	204,784

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

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(a) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$105,620 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund, Ministry of Labor.

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

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

	<u>2022</u>	<u>2021</u>
Defined benefit obligations at January 1	\$ 303,823	299,986
Benefits paid from the plan assets	(10,525)	(7,793)
Current service costs and interest cost	2,397	2,002
Remeasurements of net defined benefit liabilities (assets):		
- Actuarial gain (loss) arising from experience adjustment	(19,270)	13,866
- Actuarial loss arising from demographic assumptions	-	8,493
- Actuarial gain arising from financial assumptions	(23,739)	(12,731)
Defined benefit obligation as of December 31	<u>\$ 252,686</u>	<u>303,823</u>

ALPHA NETWORKS INC. AND SUBSIDIARIES

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

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

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 99,808	80,382
Interest Income	-	14
Benefits paid from the plan assets	(10,525)	(7,793)
Remeasurements of the net defined benefit liabilities (assets):		
- Return on plan assets (excluding current Interest income)	7,097	1,428
Contribution made to plan assets	11,828	25,421
Expected return on plan assets	895	356
Fair value of plan assets at December 31	<u>\$ 109,103</u>	<u>99,808</u>

(d) Expenses recognized in profit or loss

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Current service costs	\$ 803	804
Net interest of net liabilities for defined benefit obligation	1,594	1,198
Expected return on plan assets	(895)	(356)
	<u>\$ 1,502</u>	<u>1,646</u>
Operating costs	\$ 1,012	793
Selling expenses	145	98
Administration expenses	(530)	131
Research and development expenses	875	624
	<u>\$ 1,502</u>	<u>1,646</u>
Actual return on plan assets	<u>\$ 7,991</u>	<u>1,785</u>

(e) Actuarial assumptions

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

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Discount rate	1.4%~1.5%	0.70%~0.90%
Future salary increasing rate	3%	2.00%~3.00%

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The expected contribution to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$43,417 thousand.

The weighted average duration of the defined benefit plans is from 12.8 years to 16.4 years.

(f) Sensitivity analysis

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

	Influences of defined benefit obligations	
December 31, 2022	Increase 0.25%	Decrease 0.25%
Discount rate	\$ (7,955)	8,269
Future salary increasing rate	\$ 7,487	(7,257)
December 31, 2021	Increase 0.25%	Decrease 0.25%
Discount rate	\$ (10,244)	10,673
Future salary increasing rate	\$ 9,646	(9,330)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

B. Defined contribution plans

The domestic entities of Group contribute 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Group's overseas subsidiaries establish their respective defined contribution plan and their contributions are made in accordance with their local regulations.

The pension costs under contribution plans amounted to \$151,878 thousand and \$150,201 thousand for the years ended December 31, 2022 and 2021, respectively.

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(19) Income taxes

A. Income tax expenses

The components of income tax for the years ended December 31, 2022 and 2021, were as follows:

	For the years ended December 31,	
	2022	2021
Current tax expense		
Current period	\$ 419,152	184,478
Adjustment for prior periods	(7,953)	14,250
Additional 5% surtax on unappropriated retained earnings	281	2,332
	<u>411,480</u>	<u>201,060</u>
Deferred tax benefit		
Origination and reversal of temporary differences and operating loss carry forward	(35,640)	13,390
Income tax expense	<u>\$ 375,840</u>	<u>214,450</u>

The amount of income tax expense recognized in other comprehensive income for the years ended December 31, 2022 and 2021, was as follows:

	For the years ended December 31,	
	2022	2021
Exchange differences on translation of foreign financial statements	<u>\$ 53,194</u>	<u>726</u>

Reconciliation of income tax and profit before tax for the years ended December 31, 2022 and 2021 is as follows:

	For the years ended December 31,	
	2022	2021
Profit before income tax	<u>\$ 1,534,011</u>	<u>754,862</u>
Income tax at Alpha's domestic tax rate	306,802	150,972
Effect of tax rates variances in foreign jurisdictions	207,031	81,710
Tax effect of withholding tax from foreign income and permanent difference	(111,695)	1,563
Tax incentives	(64,801)	(14,234)
Change in unrecognized temporary differences	46,083	(8,247)
Additional 5% surtax on unappropriated retained earnings	281	2,332
Others	(7,861)	354
	<u>\$ 375,840</u>	<u>214,450</u>

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B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax asset

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Tax effect of deductible temporary differences	\$ 360,056	342,946
The carry forwards of unused tax losses	<u>34,769</u>	<u>5,716</u>
	<u>\$ 394,825</u>	<u>348,662</u>

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

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

As of 31 December 2022, the information of Transnet Corporation's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Year of expiry</u>	<u>Unrecognized tax loss</u>
2018	2028	\$ 654
2019	2029	2,808
2020	2030	10,613
2021 (filing)	2031	11,678
2022 (estimated)	2032	<u>7,548</u>
		<u>\$ 33,301</u>

As of 31 December 2022, the information of Aespula Corporation's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Year of expiry</u>	<u>Unrecognized tax loss</u>
2021 (filing)	2031	\$ 3,225
2022 (estimated)	2032	<u>13,500</u>
		<u>\$ 16,725</u>

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(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred tax assets:

	January 1, 2021	Reco gnize d in profit and loss	Recognized in other comprehensive income	Effec t of chan ge in excha nge rate	December 31, 2021	Reco gnize d in profit and loss	Recognized in other comprehensive income	Effec t of chan ge in excha nge rate	December 31, 2022
Provision for inventory devaluation	\$ 3,847	689	-	-	4,536	1,832	-	-	6,368
Provision for warranties	57,382	(15,139)	-	-	42,243	5,937	-	-	48,180
Exchange different on transaction of foreign financial statement	66,127	-	(726)	-	65,401	-	(53,194)	-	12,207
Tax credit of investment	15,017	(9,376)	-	-	5,641	(5,641)	-	-	-
Others	108,463	9,070	-	(6,371)	111,162	44,149	85	-	155,396
	<u>\$ 250,836</u>	<u>(14,756)</u>	<u>(726)</u>	<u>(6,371)</u>	<u>228,983</u>	<u>46,277</u>	<u>(53,109)</u>	<u>-</u>	<u>222,151</u>

Deferred tax liabilities:

	January 1, 2021	Reco gnize d in profit and loss	Recognized in other comprehensive income	Effec t of chan ge in excha nge rate	December 31, 2021	Reco gnize d in profit and loss	Recognized in other comprehensive income	Effec t of chan ge in excha nge rate	December 31, 2022
Investment accounted for using equity method	\$ (44,722)	(779)	-	-	(45,501)	(1,014)	-	-	(46,515)
Goodwill	(26,976)	-	-	-	(26,976)	-	-	-	(26,976)
Others	(11,851)	2,145	-	-	(9,706)	(9,623)	(136)	-	(19,465)
	<u>\$ (83,549)</u>	<u>1,366</u>	<u>-</u>	<u>-</u>	<u>(82,183)</u>	<u>(10,637)</u>	<u>(136)</u>	<u>-</u>	<u>(92,956)</u>

As of December 31, 2022, Alpha's tax returns for the years through 2020 were assessed by the Tax Administration.

(20) Capital and other equity

Reconciliation of shares outstanding for 2022 and 2021 was as follows (in thousands of shares):

	Ordinary share capital	
	2022	2021
Balance at January 1	541,719	541,639
Vested of restricted stock awards	-	80
Balance at December 31	<u>541,719</u>	<u>541,719</u>

A. Ordinary share capital

As of December 31, 2022 and 2021, the authorized capital of Alpha amounted to \$8,000,000 and \$6,600,000 thousand, respectively, of which included the amount of \$500,000 thousand reserved for employee share options; the issued capital amounted to \$5,417,185 thousand.

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B. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Capital surplus – premium	\$ 2,491,661	2,545,833
Capital surplus – investments under equity method	37,762	22,974
Others	14,978	14,965
	\$ 2,544,401	2,583,772

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

Based on resolutions approved during the Board of Directors on March 4, 2022 and on May 7, 2021, the cash dividends of \$54,172 thousand, represents \$0.1 per share and \$433,375 thousand, represents \$0.8 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.

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

(a) Legal reserve

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

(b) Special reserve

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

D. Earnings distribution

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

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

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

The appropriation of earnings in 2022 was approved by the Board of Directors on February 24, 2023, the cash dividend of \$915,504 thousand, represents \$1.69 per share, will be distributed. The above-mentioned distribution is subject to the resolution of the shareholders meeting, related information will be available at the Market Observation Post System website.

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E. Other equity and non-controlling interest

	Differences on translation of foreign operation financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Non-controlling interests	Total
Balance at January 1, 2022	\$ (445,903)	(1,189)	2,956,685	2,509,593
Differences on translation of foreign operation financial statements	265,970	-	91,482	357,452
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(53,194)	-	(51)	(53,245)
Remeasurements of defined benefit plans	-	-	257	257
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	7,767	4,713	12,480
Changes in ownership interests in subsidiaries	-	-	(14,788)	(14,788)
Distribution cash dividend by subsidiaries to non-controlling interest	-	-	(189,021)	(189,021)
Changes in non-controlling interests	-	-	336,030	336,030
Balance at December 31, 2022	<u>\$ (233,127)</u>	<u>6,578</u>	<u>3,185,307</u>	<u>2,958,758</u>
Balance at January 1, 2021	\$ (448,804)	-	3,034,149	2,585,345
Differences on translation of foreign operation financial statements	3,627	-	(6,857)	(3,230)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(726)	-	-	(726)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(1,189)	-	(1,189)
Changes in ownership interests in subsidiaries	-	-	(12,776)	(12,776)
Distribution cash dividend by subsidiaries to non-controlling interest	-	-	(238,145)	(238,145)
Changes in non-controlling interests	-	-	180,314	180,314
Balance at December 31, 2021	<u>\$ (445,903)</u>	<u>(1,189)</u>	<u>2,956,685</u>	<u>2,509,593</u>

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(21) Earnings per share

A. Basic earnings per share

	For the years ended December 31,	
	2022	2021
Profit attributable to Alpha's ordinary shareholders	\$ 917,075	433,888
Weighted-average number of shares outstanding (in thousands of shares)	541,719	541,665
Basic earnings per share (NTD)	\$ 1.69	0.80

B. Diluted earnings per share

	For the years ended December 31,	
	2022	2021
Profit attributable to ordinary shareholders	\$ 917,075	433,888
Weighted-average number of shares outstanding (in thousands of shares) (basic)	541,719	541,665
Effect of employee remuneration in shares	4,447	1,654
Effect of restricted stock awards unvested	-	53
Weighted-average number of shares outstanding (in thousands of shares) (diluted)	546,166	543,372
Diluted earnings per share (NTD)	\$ 1.68	0.80

(22) Revenues

A. The details of Revenues were as follows:

	For the years ended December 31,	
	2022	2021
Primary geographical markets:		
United States	\$ 19,125,930	16,567,565
Taiwan	4,975,923	3,447,697
China	1,144,517	1,038,852
Others	8,387,827	6,808,222
	\$ 33,634,197	27,862,336

	For the years ended December 31,	
	2022	2021
Major products/services lines:		
Wireless Broadband	\$ 16,805,455	12,735,204
LAN/MAN	13,038,100	8,859,528
Digital Multimedia	1,647,324	4,382,179
Others	2,143,318	1,885,425
	\$ 33,634,197	27,862,336

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B. Contract balances

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>January 1, 2021</u>
Trade receivables (including related parties)	<u>\$ 5,598,816</u>	<u>4,053,112</u>	<u>6,801,078</u>
Contract liabilities - product (other current liabilities)	<u>\$ 866,605</u>	<u>832,407</u>	<u>964,609</u>

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

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were \$435,506 thousand and \$628,187 thousand, respectively.

(23) Remuneration to employees and directors

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

For the year ended December 31, 2022 and 2021, the Alpha accrued and recognized its remuneration to employees amounting to \$116,794 thousand and \$55,501 thousand, respectively, and directors amounting to \$8,760 thousands and \$4,163 thousands, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of the period, multiplied by the percentage of remuneration to employees and directors as specified in the Alpha's articles. These remunerations were 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. The abovementioned remuneration for employees and directors resolved through Board of Directors' meeting is consistent with the estimated amount as stated in the consolidated financial statements for the years 2022 and 2021.

(24) Interest income

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits and others	<u>\$ 34,419</u>	<u>27,263</u>

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(25) Other income

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

	For the years ended December 31,	
	2022	2021
Dividend income	\$ 6,391	3,679
Government grants income	29,361	39,911
Others	32,388	40,372
	<u>\$ 68,140</u>	<u>83,962</u>

(26) Other gains and losses

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

	For the years ended December 31,	
	2022	2021
Gain on financial assets (liabilities) at fair value through profit or loss, net	\$ 9,795	29,221
Foreign exchange gain (loss), net	(118,507)	(23,893)
Others	(54,177)	(32,657)
	<u>\$ (162,889)</u>	<u>(27,329)</u>

(27) Finance costs

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

	For the years ended December 31,	
	2022	2021
Interest expense of borrowings, etc.	\$ 116,468	35,020
Interest expense of lease liability	3,723	3,687
	<u>\$ 120,191</u>	<u>38,707</u>

(28) Financial instruments

A. Credit risk

(a) Credit risk exposure

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

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(b) Concentration of credit risk

The major customers of the Group are centralized in the networking related industries. The Group generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Group is mainly influenced by the networking industry. As of December 31, 2022 and 2021, 42% and 50%, respectively, of the Group's accounts receivable (including related parties) were from the top 7 customers. Although there is a potential in concentration of credit risk, the Group routinely assesses the collectability of its accounts receivable and makes a corresponding allowance for doubtful accounts.

(c) Credit risk of receivable

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

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

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

B. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 years	1 to 5 years	More than 5 years
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 3,936,093	(3,951,459)	(3,951,459)	-	-
Accounts payable (included related-parties)	5,031,113	(5,031,113)	(5,031,113)	-	-
Other payables to related parties (other current liabilities)	1,510	(1,510)	(1,510)	-	-
Accrued expenses	845,618	(845,618)	(845,618)	-	-
Long-term borrowings (included maturity within 1 year)	26,000	(26,004)	(26,004)	-	-
Lease liabilities	244,052	(283,494)	(29,841)	(56,882)	(196,771)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	7,900	(1,141,102)	(1,141,102)	-	-
Inflows	(5,320)	1,138,522	1,138,522	-	-
Foreign exchanges swaps:					
Outflows	1,936	(1,000,376)	(1,000,376)	-	-
Inflows	-	998,440	998,440	-	-
	<u>\$ 10,088,902</u>	<u>(10,143,714)</u>	<u>(9,890,061)</u>	<u>(56,882)</u>	<u>(196,771)</u>

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	Carrying amount	Contractual cash flows	Within 1 years	1 to 5 years	More than 5 years
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 4,044,952	(4,046,341)	(4,046,341)	-	-
Accounts payable (included related-parties)	4,193,913	(4,193,913)	(4,193,913)	-	-
Other payables to related parties (other current liabilities)	9,681	(9,681)	(9,681)	-	-
Accrued expenses	501,745	(501,745)	(501,745)	-	-
Bond payables due within one year	461,471	(468,700)	(468,700)	-	-
Lease liabilities	245,164	(287,932)	(25,676)	(59,657)	(202,599)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	2,927	(1,223,843)	(1,223,843)	-	-
Inflows	(1,425)	1,222,341	1,222,341	-	-
Foreign exchanges swaps:					
Outflows	-	(581,343)	(581,343)	-	-
Inflows	(2,364)	583,707	583,707	-	-
	<u>\$ 9,456,064</u>	<u>(9,507,450)</u>	<u>(9,245,194)</u>	<u>(59,657)</u>	<u>(202,599)</u>

C. Currency risk

(a) Exposure to currency risk

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

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 129,120	30.73	3,967,858	111,869	27.68	3,096,534
CNY	1,588	4.4057	6,996	518	4.3454	2,251
<u>Non-Monetary items</u>						
USD	185,506	30.73	Note	22,000	27.68	Note
EUR	2,256	31.245	Note	4,808	31.444	Note
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	86,408	30.73	2,655,318	203,214	27.68	5,624,964
<u>Non-Monetary items</u>						
USD	819,635	30.73	Note	36,248	27.68	Note
EUR	6,089	31.245	Note	1,279	31.444	Note

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

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(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 December 31, 2022 and 2021, would have increased or decreased the profit before tax by \$13,195 thousand and \$25,262 thousand, respectively. The analysis assumed that all other variables remain constant, and is performed on the same basis for both periods.

(c) Exchange gains and losses on monetary items

Since the Group has different functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed in aggregate amount. For the years ended December 31, 2022 and 2021, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$118,507 thousand and \$23,893 thousand, respectively.

D. Interest rate analysis

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

If the interest rate had increased or decreased by 0.25%, the Group's profit before tax would have increased or decreased by \$1,171 thousand and \$3,026 thousand, respectively for the years ended December 31, 2022 and 2021 with all other variable factors remaining constant. The change is mainly due to the Group's cash and cash equivalents, financial assets at amortized cost (non current) and borrowings with variable rates.

E. Other market price risk

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

<u>Prices of securities at the reporting date</u>	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Financial assets at fair value through profit or loss		
Increasing 5%	<u>\$ 2,788</u>	<u>3,189</u>
Decreasing 5%	<u>\$ (2,788)</u>	<u>(3,189)</u>
Financial assets at fair value through other comprehensive income		
Increasing 5%	<u>\$ 8,600</u>	<u>967</u>
Decreasing 5%	<u>\$ (8,600)</u>	<u>(967)</u>

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F. Fair value of financial instruments

(a) Fair value hierarchy

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

	December 31, 2022				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss – derivative	\$ <u>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>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 5,031,113	-	-	-	-
Payable to related parties (other current liabilities)	1,510	-	-	-	-
Short-term borrowings	3,936,093	-	-	-	-
Long-term borrowings (including maturity within 1 year)	26,000	-	-	-	-
Lease liabilities – current and non-current	<u>244,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,238,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	December 31, 2021				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss – derivative	\$ <u>67,565</u>	<u>63,776</u>	<u>3,789</u>	<u>-</u>	<u>67,565</u>
Non-current financial assets at fair value through other comprehensive income	\$ <u>19,335</u>	<u>-</u>	<u>-</u>	<u>19,335</u>	<u>19,335</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 4,498,050	-	-	-	-
Notes and accounts receivable	4,053,112	-	-	-	-
Financial assets measured at amortized cost – current and non-current	<u>511,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,062,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at fair value under repetitive basis					
Financial liabilities at fair value through profit or loss – derivative	\$ <u>2,927</u>	<u>-</u>	<u>2,927</u>	<u>-</u>	<u>2,927</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 4,193,913	-	-	-	-
Payable to related parties (other current liabilities)	9,681	-	-	-	-
Short-term borrowings	4,044,952	-	-	-	-
Bonds Payable (due within one year)	461,471	-	-	-	-
Lease liabilities – current and non-current	<u>245,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,955,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Fair value measured on non-recurring basis refers to occurrences in specific condition. The Company does not have any financial assets and liabilities measured on non-recurring basis.

ALPHA NETWORKS INC. AND SUBSIDIARIES
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(b) Valuation techniques for financial instruments measured at fair value

i. Non-derivative financial instruments

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

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

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

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

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

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

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

ii. Derivative financial instruments

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

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

	Fair value through other comprehensive income
Opening Balance, January 1, 2022	\$ 19,335
Addition in investment	140,179
Unrealized gains from investments in equity instruments measure at fair value through other comprehensive income	12,480
Ending balance, December 31, 2022	\$ 171,994
Opening Balance, January 1, 2021	\$ 21,245
Unrealized losses from investments in equity instruments measure at fair value through other comprehensive income	(1,910)
Ending balance, December 31, 2021	\$ 19,335

- (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 at fair value through other comprehensive income – equity investments".

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – equity investments without an active market	Price-Equity Ratios/Price-to-Earnings Ratios Method	As of December 31, 2022 and 2021, net asset value of comparable companies at 1.61 times and 1.88 times.	Not applicable
		As of December 31, 2022 and 2021, discount for lack of marketability of 18.10% ~ 19.30% and 21.14%.	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.	The fair value would decrease if lack of marketability and higher discount rate.

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(29) Financial risk management

A. Overview

The Group have exposures to the following risks from its financial instruments:

- (a) credit risk
- (b) liquidity risk
- (c) market risk

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

B. Structure of risk management

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee, which is responsible for monitoring the compliance of the Group's risk management policies and procedures. Risk management policies and systems are also reviewed regularly by the Audit Committee to reflect the changes in market conditions and the Group's activities. Internal auditors are assisting Audit Committee in performing the monitoring role through periodic and ad hoc review procedures to risk management relevant control and process. The committee reports regularly to the Board of Directors on its activities.

C. Credit risk

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

- (a) Accounts receivable and other receivables

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

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

- (b) Investment

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

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(c) Guarantee

The Group's policy provides only financial security to fully owned subsidiaries. As of December 31, 2022 and 2021, except for the subsidiaries, the Group did not provide any endorsement guarantee.

D. Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Bank borrowing is an essential liquidity source for the Group. For the years ended December 31, 2022 and 2021, the Group did not utilize any credit line for both long-term and short-term bank borrowing. Please refer to note 6(12) and 6(13) for details.

E. Market risk

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

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

(a) Foreign currency risk

The Group's exposure to the risk of fluctuation in foreign currency exchange rates relates primarily to the Group's sales, purchases and borrowings transactions and those are denominated in a currency different from the functional currencies of the Group. These transactions are denominated in New Taiwan dollar (NTD), US dollar (USD) and Chinese Yuan (CNY).

The derivative financial products traded by the Group adopts economic hedging to avoid the exchange rate risk of foreign currency assets or liabilities held by the Group. The gains and losses arising from exchange rate changes will offset the hedged items, therefore, the market risk is usually low.

(b) Other market price risk

The Group is exposed to equity price risk due to its investments in equity securities. This is a strategic investment and is not held for trading. The Group does not actively trade in these investments. Therefore, the Group will be exposed to the risk of market price changes in its equity securities.

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(30) Capital management

The Group's objective for managing its capital is to safeguard the capacity to continue as a going concern, to provide a return on shareholders, to maintain the interest of other related parties and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Group may adjust the dividend payment to its shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell its assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the total net debt divided by the total capital.

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

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

	December 31, 2022	December 31, 2021
Total liabilities	\$ 13,576,395	12,171,680
Less: Cash and cash equivalents	(4,084,284)	(4,498,050)
Net debt	\$ 9,492,111	7,673,630
Total equity	\$ 13,556,619	12,559,104
Debt-to-equity ratio	70.02%	61.10%

(31) Non-cash investing and financing activities

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

- A. For right of use assets obtained due to lease, please refer to note 6(9).
- B. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2022	Cash flows	Foreign exchange movement and other	December 31, 2022
Short-term borrowings	\$ 4,044,952	(108,859)	-	3,936,093
Long-term borrowings (including maturity within 1 year)	-	26,000	-	26,000
Bonds payable (including maturity within 1 year)	461,471	(372,300)	(89,171)	-
Lease liabilities	245,164	(34,484)	33,372	244,052
Total liabilities from financing activities	\$ 4,751,587	(489,643)	(55,799)	4,206,145

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	January 1, 2021	Cash flows	Foreign exchange movement and other	December 31, 2021
Short-term borrowings	\$ 2,842,762	1,202,190	-	4,044,952
Bonds payable (including maturity within 1 year)	526,507	-	(65,036)	461,471
Lease liabilities	241,748	(41,142)	44,558	245,164
Total liabilities from financing activities	\$ 3,611,017	1,161,048	(20,478)	4,751,587

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, held 54.60% of the Group's outstanding shares and has issued the consolidated financial statements available for public use.

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

Name of related party	Relationship with the Group
Qisda Corporation (Qisda)	Parent Company
AEWIN Technologies Co., Ltd. (AEWIN Technologies)	Qisda's subsidiary
Metaage Corporation (Metaage)(note)	Qisda's subsidiary
BenQ Asia Pacific Corp (BQP)	Qisda's subsidiary
BenQ Healthcare Corporation (BHC)	Qisda's subsidiary
Qisda Optronics Corp (QTOS)	Qisda's subsidiary
Qisda Corporation (Suzhou) Co., Ltd. (QCSZ)	Qisda's subsidiary
Qisda Precision Industry (Suzhou) Co., Ltd. (QCPS)	Qisda's subsidiary
Global Intelligence Network Co., Ltd. (Ginnet)	Qisda's subsidiary
Qisda Vietnam Co., Ltd. (QVH)	Qisda's subsidiary
DFI Inc. (DFI)	Qisda's subsidiary
Golden Spirit Co., Ltd. (GSC)	Qisda's subsidiary
Concord Medical Co., Ltd. (Concord)	Qisda's subsidiary

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Name of related party	Relationship with the Group
Rapidtek Technologies Inc. (Rapidtek Technologies)	Qisda's associate
Uniction Technologies Corporation (Uniction Technologies)	Qisda's associate
AUO Education Service Corp.	Qisda's associate
BenQ Foundation	Substantive related party
Alpha Foundation	Substantive related party

Note: Sysage Technology Co., Ltd. had been renamed to Mataage Agc Corporation at June 23, 2022

(3) Significant related-party transactions

A. Sales

The amounts of sales from related parties were as follows:

	For the years ended December 31,	
	2022	2021
Other related parties — others	\$ -	812

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

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

B. Purchases

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

	For the years ended December 31,	
	2022	2021
Parent Company	\$ -	6,163
Other related parties — others	122,041	95,475
	\$ 122,041	101,638

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 120 days after purchase.

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C. Payable to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable to related parties	Parent Company	\$ -	749
Account payable to related parties	Other related parties – Others	<u>25,527</u>	<u>30,194</u>
		<u>\$ 25,527</u>	<u>30,943</u>

D. Rendering of services and other expenses

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Parent Company	\$ 840	960
Other related parties – Others	<u>7,508</u>	<u>13,337</u>
	<u>\$ 8,348</u>	<u>14,297</u>

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payable to related parties	Parent Company	\$ 493	919
Other payable to related parties	Other related parties – others	<u>1,017</u>	<u>1,285</u>
		<u>\$ 1,510</u>	<u>2,204</u>

E. Transactions of property, plant and equipment

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Other related parties – others	<u>\$ -</u>	<u>1,705</u>

The above amount has been settled.

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

	For the years ended December 31,	
	2022	2021
Parent Company	\$ -	500
Other related parties – others	32,580	21,294
	<u>\$ 32,580</u>	<u>21,794</u>

The amounts of payable to related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Other payable to related parties	Parent Company	\$ -	525
Other payable to related parties	Other related parties – others	-	5,472
		<u>\$ -</u>	<u>5,997</u>

F. Various advances

The receivable and payable from related parties due to the payment on behalf of the Group, which were recognized as other current assets and other current liabilities, were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Other payable to related parties	Other related parties – others	<u>\$ -</u>	<u>1,480</u>
Advance payments	Other related parties – others	<u>\$ -</u>	<u>24</u>

(4) Key management personnel compensation

	For the years ended December 31,	
	2022	2021
Short-term employee benefits	<u>\$ 119,881</u>	<u>121,052</u>

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8. Pledged assets:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Import guarantee for Customs	\$ 7,550	7,550
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for land lease	8,000	8,000
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for construction project	3,279	2,968
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for land lease.	2,382	2,382
Refundable deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee to local authority for sales to abroad customers	11,773	11,228
Refundable deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for construction project	85,601	80,868
		<u>\$ 118,585</u>	<u>112,996</u>

9. Significant commitments and contingencies:

- (1) As of December 31, 2022 and 2021, the Group deposited notes in the bank amounting to \$5,558,355 thousand and \$4,652,662 thousand, respectively in order to obtain the credits limit of bank financing, foreign exchange facilities and contracts of government grants.
- (2) The Group had entered into technology license agreement with suppliers. According to the agreement, the Group is obligated to make payments for technology license fee and royalty based on the total sales of products by using such technology.
- (3) Others

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Guaranteed Notes Payable for tender contract	\$ 4,497	4,585
Guarantee for construction projects	91,749	97,488

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10. Losses Due to Major Disasters: None

11. Subsequent Events: None

12. Other:

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

By item	By function	2022			2021		
		Cost of sales	Operation expenses	Total	Cost of sales	Operation expenses	Total
Employee benefits							
Salary		1,003,310	2,584,460	3,587,770	793,993	2,138,222	2,932,215
Labor and health insurance		62,063	174,968	237,031	62,815	175,790	238,605
Pension		35,903	117,477	153,380	39,811	112,036	151,847
Remuneration of directors		-	37,190	37,190	-	31,478	31,478
Others		57,808	83,416	141,224	59,871	62,059	121,930
Depreciation		240,024	253,349	493,373	262,786	261,748	524,534
Amortization		2,819	209,048	211,867	1,077	220,827	221,904

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.

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- I. Trading in derivative instruments: Please refer to note 6(2).
 - J. Business relationships and significant intercompany transactions: Please refer to Table 7.
- (2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 8.
- (3) Information on investment in mainland China:
- A. The names of investees in Mainland China, the main businesses and products and other information: Please refer to Table 9.
 - B. Limitation on investment in Mainland China: Please refer to Table 9.
 - C. Significant transactions:

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

Shareholder’s Name	Shareholding	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.

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14. Segment information:

(1) Operating segment information

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

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

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

	For the year ended December 31, 2022			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 31,625,274	2,008,923	-	33,634,197
Intersegment revenues	-	39,280	(39,280)	-
Total revenue	<u>\$ 31,625,274</u>	<u>2,048,203</u>	<u>(39,280)</u>	<u>33,634,197</u>
Interest expenses	<u>\$ 112,772</u>	<u>7,425</u>	<u>(6)</u>	<u>120,191</u>
Depreciation and amortization	<u>\$ 643,729</u>	<u>61,760</u>	<u>(249)</u>	<u>705,240</u>
Reportable segment profit or loss	<u>\$ 1,020,702</u>	<u>171,033</u>	<u>(33,564)</u>	<u>1,158,171</u>
	December 31, 2022			
	Network related products	Others	Reconciliation and elimination	Total
Reportable segment assets	<u>\$ 23,708,579</u>	<u>3,431,899</u>	<u>(7,464)</u>	<u>27,133,014</u>
Reportable segment liabilities	<u>\$ 12,255,115</u>	<u>1,322,243</u>	<u>(963)</u>	<u>13,576,395</u>
	For the year ended December 31, 2021			
	Network related products	Others	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ 26,029,315	1,833,021	-	27,862,336
Intersegment revenues	-	32,313	(32,313)	-
Total revenue	<u>\$ 26,029,315</u>	<u>1,865,334</u>	<u>(32,313)</u>	<u>27,862,336</u>
Interest expenses	<u>\$ 30,403</u>	<u>8,305</u>	<u>(1)</u>	<u>38,707</u>
Depreciation and amortization	<u>\$ 686,108</u>	<u>60,577</u>	<u>(247)</u>	<u>746,438</u>
Reportable segment profit or loss	<u>\$ 344,395</u>	<u>216,417</u>	<u>(20,400)</u>	<u>540,412</u>

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

	December 31,			
	Network related products	Others	Reconciliation and elimination	Total
Reportable segment assets	\$ 21,018,147	3,719,842	(7,205)	24,730,784
Reportable segment liabilities	\$ 10,548,585	1,625,168	(2,073)	12,171,680

(3) Products and services information

Details of customers contract revenue for 2022 and 2021, please refer to note 6 (22).

(4) Geographic information

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

Detail of customers contract revenue for 2022 and 2021, please refer to note 6(22).

	December 31, 2022	December 31, 2021
Non-current assets:		
China	\$ 801,414	935,501
Taiwan	2,231,008	1,875,657
Others	3,318,830	2,834,309
	\$ 6,351,252	5,645,467

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

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

(5) Major customer information

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

	For the years ended December 31,	
	2022	2021
L Company	\$ 5,907,615	4,034,846
V Company	1,400,254	3,308,127
Z Company	2,480,025	2,694,099
	<u>\$ 9,787,894</u>	<u>10,037,072</u>

Alpha Networks Inc. and Subsidiaries
Financing provided to other parties
For the year ended December 31, 2022

Table 1

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	Alpha	Alpha VN	Other receivable from related parties	Yes	644,300 (USD20,000 thousand)	614,600 (USD20,000 thousand)	-	3%	2	-	Operating capital	-	-	-	2,074,262 (note 2)	4,148,525 (note 3)
0	Alpha	Enrich Investment	Same as above	Yes	80,000	-	-	1.3%	2	-	Operating capital	-	-	-	2,074,262 (note 2)	4,148,525 (note 3)
1	Alpha HK	Alpha Changshu	Same as above	Yes	1,124,304 (USD34,900 thousand)	998,725 (USD32,500 thousand)	998,725 (USD32,500 thousand)	-	2	-	Operating capital	-	-	-	2,197,747 (note 4)	2,197,747 (note 4)
2	Alpha Chengdu	Alpha Changshu	Same as above	Yes	179,876 (RMB40,000 thousand)	-	-	2%	2	-	Operating capital	-	-	-	596,263 (note 4)	596,263 (note 4)
3	D-Link Asia	Alpha Changshu	Same as above	Yes	161,075 (USD5,000 thousand)	-	-	-	2	-	Operating capital	-	-	-	1,889,979 (note 4)	1,889,979 (note 4)
4	Alpha Dongguan	Alpha Changshu	Same as above	Yes	307,423 (RMB70,400 thousand)	-	-	2%	2	-	Operating capital	-	-	-	1,586,754 (note 4)	1,586,754 (note 4)
5	Hitron Technologies	Hirtron Vietnam	Same as above	Yes	966,450 (USD30,000 thousand)	921,900 (USD30,000 thousand)	414,855 (USD13,500 thousand)	1%	2	-	Operating capital	-	-	-	1,058,758 (note 5)	2,117,517 (note 5)

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

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

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

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

Note 4: Alpha HK, Mirac, Alpha Chengdu, D-Link Asia and Alpha Dongguan, the subsidiaries whose voting shares are 100% owned, directly or indirectly, by Alpha, which are not located in Taiwan, for the purpose of landing operating capital, the amount of financing offered to a single company owned by the Company shall not exceed 100% of the lender's net worth.

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

- a. For entities who have business transactions with Hitron Technologies, the lending amount shall not exceed the total transaction amount in the nearest 12 months or the estimated amount within the next 12 months. Furthermore, the lending amount shall not exceed 20% of the net worth of Hitron Technologies' latest audited or reviewed financial statements. The transaction referring to the higher of sales or purchase amount.
- b. For entities who have a need in short-term financing, the lending amount shall not exceed 20% of the net worth of Hitron Technologies' latest audited or reviewed financial statements.
- c. Lending among foreign subsidiaries which Hitron Technologies has 100% of direct or indirect voting rights, or foreign subsidiaries which Hitron Technologies has 100% of direct or indirect voting rights lending to Hitron Technologies, there is no limit to the amount and period of lending, but should state the limit and term of lending.

Alpha Networks Inc. and Subsidiaries
Guarantees and endorsements provided to other parties
For the year ended December 31, 2022

Table 2

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 1 and 4)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note 2 and 4)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	Alpha	Alpha Dongguan	note 3	5,185,656	64,430	61,460	33,643	-	0.59%	10,371,312	Y	N	Y
0	Alpha	Alpha Changshu	note 3	5,185,656	225,505	215,110	-	-	2.07%	10,371,312	Y	N	Y
1	Hitron Technologies	Hitron Europe	note 3	5,293,792	688,790	624,067	98,460	-	11.79%	7,940,688	N	N	N
1	Hitron Technologies	Hitron Americas	note 3	5,293,792	644,300	614,600	-	-	11.61%	7,940,688	N	N	N
1	Hitron Technologies	Hitron Vietnam	note 3	5,293,792	2,577,200	2,458,400	522,410	-	46.44%	7,940,688	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)
December 31, 2022

Table 3

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

Name of holder	Category and name of security	Relationship with company	Account	Ending balance				Highest Percentage of ownership during the year (%)	Note
				Shares/ Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Alpha	TGC, Inc.	-	Non-current financial assets at fair value through profit and loss	500	-	1.83	-	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	1,500	108,750	6.00	108,750	6.00	
Hitron Technologies	TRANSCEND INFORMATION, INC.	-	Current financial assets at fair value through profit or loss	441	29,106	-	29,106	-	
Hitron Technologies	SENAO INTERNATIONAL CQ, LTD.	-	Current financial assets at fair value through profit or loss	152	4,667	-	4,667	-	
Interactive Digital	TRANSCEND INFORMATION, INC.	-	Current financial assets at fair value through profit or loss	336	21,991	-	21,991	-	
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	1.79	

Hitron Technologies	IMAGETECH CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	120	-	1.20	-	1.20
Hitron Technologies	TSUNAMI VISUAL TECHNOLOGIES INC.	-	Non-current financial assets at fair value through other comprehensive income	1,220	-	9.34	-	9.34
Hitron Technologies	PIVOT TECHNOLOGY CORP.	-	Non-current financial assets at fair value through other comprehensive income	198	-	10.94	-	10.94
Hitron Technologies	CARDTEK TECHNOLOGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	1,000	-	6.45	-	6.45
Hitron Technologies	YESMOBIRE HOLKINGS COMPANY LTD.	-	Non-current financial assets at fair value through other comprehensive income	294	-	0.75	-	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 year ended December 31, 2022

Table 4

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

Name of company	Category and name of security	Account	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance (note)	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Alpha	Alpha VN	Investments accounted for using equity method	-	Parent and subsidiary	-	-	-	703,056	-	-	-	-	-	613,700

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 year ended December 31, 2022

Table 5

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Alpha	Alpha USA	Subsidiary of Alpha	(Sales)	(7,237,564)	(36)%	90 days	-		1,327,458	34%	Note
Alpha	Hitron Technologies	Subsidiary of Alpha	(Sales)	(126,355)	(1)%	90 days	-		92,700	2%	
Alpha	D-Link Asia	Subsidiary of Alpha	Purchase	4,127,259	24%	90 days	-		(994,483)	(36)%	Note
Alpha	Alpha Changshu	Subsidiary of Alpha	Purchase	9,271,181	54%	90 days	-		(706,456)	(26)%	Note
Alpha Changshu	Mirac	Subsidiary to subsidiary	(Sales)	(660,541)	(7)%	90 days	-		68,387	8%	Note
Alpha HK	Alpha Changshu	Subsidiary to subsidiary	(Sales)	(8,212,172)	(100)%	90 days	-		1,142,241	93%	Note
D-Link Asia	Alpha Dongguan	Subsidiary to subsidiary	Purchase	4,127,259	60%	90 days	-		(1,037,835)	(72)%	Note
Hitron Technologies	Hitron Americas	Subsidiary to subsidiary	(Sales)	(6,113,266)	(49)%	90 days	-		2,286,506	89%	Note
Hitron Technologies	Hitron Europe	Subsidiary to subsidiary	(Sales)	(1,034,160)	(8)%	90 days	-		274,828	11%	Note
Hitron Vietnam	Hitron Technologies	Subsidiary to subsidiary	(Sales)	(9,981,530)	(81)%	60 days	-		3,014,398	118%	
Hitran Suzhou	Hitron Technologies	Subsidiary to subsidiary	(Sales)	(166,852)	(1)%	60 days	-		23,311	1%	Note 2

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
December 31, 2022

Table 6

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period(note 1)	Loss Allowance	Note
					Amount	Action taken			
Alpha	Alpha USA	Subsidiary of Alpha	1,327,458	6.64	-	-	1,292,740	-	note 2
Alpha	Alpha HK	Subsidiary of Alpha	554,976	-	162,368	-	384,029	-	note 2
Alpha	Alpha Dongguan	Subsidiary of Alpha	176,868	-	-	-	-	-	note 2
D-Link Asia	Alpha	Subsidiary to parent	994,483	6.14	294,723	-	30,807	-	note 2
Alpha Changshu	Alpha	Subsidiary to parent	706,456	17.18	-	-	811,334	-	note 2
Alpha Chengdu	Alpha	Subsidiary to subsidiary	135,652	-	-	-	-	-	note 2
Alpha Dongguan	D-Link Asia	Subsidiary to subsidiary	1,037,835	5.83	510,011	-	30,807	-	note 2
Alpha HK	Alpha Changshu	Subsidiary to subsidiary	1,142,241	6.71	214,288	-	1,011,629	-	note 2
D-Link Asia	Alpha Dongguan	Subsidiary to subsidiary	404,887	5.76	44,461	-	30,806	-	note 2
Hitron Technologies	Hitron Americas	Subsidiary to subsidiary	2,286,506	3.35	-	-	743,958	-	note 2
Hitron Technologies	Hitron Europe	Subsidiary to subsidiary	274,828	5.36	-	-	145,866	-	note 2
Hitron Technologies	Hitron Vietnam	Subsidiary to subsidiary	556,857	-	-	-	72,708	-	note 2
Hitron Vietnam	Hitron Technologies	Subsidiary to subsidiary	3,014,398	5.47	-	-	1,629,920	-	note 2

Note 1: The collection situation as of February 17, 2023.

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

Alpha Networks Inc. and Subsidiaries
Business relationships and significant intercompany transactions
For the year ended December 31, 2022

Table 7

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account	Amount	Payment terms	Percentage of the consolidated operating revenue or total assets
0	Alpha	Alpha USA	Parent to Subsidiary	Sales	7,237,564	-	21.52%
0	Alpha	Alpha USA	Parent to Subsidiary	Accounts receivable from related parties	1,327,458	90 days	4.89%
0	Alpha	Alpha Changshu	Parent to Subsidiary	Purchase	9,271,181	-	27.56%
0	Alpha	Alpha Changshu	Parent to Subsidiary	Accounts payable to related parties	706,456	90 days	2.60%
0	Alpha	D-Link Asia	Parent to Subsidiary	Purchase	4,127,259	-	12.27%
0	Alpha	D-Link Asia	Parent to Subsidiary	Accounts payable to related parties	994,483	90 days	3.67%
0	Alpha	Alpha HK	Parent to Subsidiary	Accounts receivable from related parties	554,976	90 days	2.05%
1	Alpha HK	Alpha Changshu	Subsidiary to Subsidiary	Sales	8,212,172	-	24.42%
1	Alpha HK	Alpha Changshu	Subsidiary to Subsidiary	Accounts receivable from related parties	1,142,241	90 days	4.21%
2	D-Link Asia	Alpha Dongguan	Subsidiary to Subsidiary	Purchase	4,127,259	-	12.27%
2	D-Link Asia	Alpha Dongguan	Subsidiary to Subsidiary	Account payable to related parties	1,037,835	90 days	3.82%
3	Alpha Changshu	Mirac	Subsidiary to Subsidiary	Sales	660,541	-	1.96%
4	Hitron Technologies	Hitron Europe	Subsidiary to Subsidiary	Sales	1,034,160	-	3.07%
4	Hitron Technologies	Hitron Europe	Subsidiary to Subsidiary	Accounts receivable from related parties	274,828	90 days	1.01%
4	Hitron Technologies	Hitron Americas	Subsidiary to Subsidiary	Sales	6,113,266	-	18.18%
4	Hitron Technologies	Hitron Americas	Subsidiary to Subsidiary	Accounts receivable from related parties	2,286,506	90 days	8.43%
4	Hitron Technologies	Hitron Vietnam	Subsidiary to Subsidiary	Other receivables from related parties	556,857	60 days	2.05%
5	Hitron Vietnam	Hitron Technologies	Subsidiary to Subsidiary	Sales	9,981,530	-	29.68%
5	Hitron Vietnam	Hitron Technologies	Subsidiary to Subsidiary	Accounts receivable from related parties	3,014,398	60 days	11.11%

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

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

Table 8

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value				
Alpha	Alpha Holdings	Cayman Islands	Investment holding	208,500	208,500	6,464	100.00%	-	100%	21,344	21,344	
Alpha	Alpha Solutions	Japan	Sale of network equipment, components and technical services	5,543	5,543	1	100.00%	18,677	100%	(202)	(202)	
Alpha	Alpha USA	CA USA	Sale, marketing and procurement service in USA	51,092	51,092	1,500	100.00%	158,756	100%	4,746	4,746	
Alpha	Alpha HK	Hong Kong	Investment holding	3,143,628	3,143,628	780,911	100.00%	2,183,875	100%	(97,329)	(105,319)	
Alpha	ATS	CA USA	Post-sale service	260,497 (USD8,100 thousand)	260,497 (USD8,100 thousand)	8,100	100.00%	187,633	100%	1,806	1,806	
Alpha	Enrich Investment	Taiwan	Investment holding	400,000	320,000	40,000	100.00%	304,008	100%	(10,555)	(10,555)	
Alpha	Hitron Technologies	Taiwan	Marketing on system integration of communication product and telecommunication products	4,811,000	4,811,000	200,000	62.24%	4,213,524	62.24%	482,193	248,013	
Alpha	D-Link Asia	Singapore	Investment in manufacturing business	1,692,805 note 2	1,692,805 note 2	86,946	100.00%	1,876,429	100%	103,357	92,713	
Alpha	Alpha VN	Vietnam	Production of sale of network products	703,056	-	note 4	100.00%	613,700	100%	(121,027)	(121,027)	
Enrich Investment	Interactive Digital	Taiwan	Telecommunication and broadband network system services	189,523	189,523	2,575	6.40%	112,267	6.83%	215,007	note 1	
Enrich Investment	Transnet Corporation	Taiwan	Operating network communication products, provide support system services, integrated supply and import and export of network equipment	50,000	50,000	5,000	100.00%	16,696	100%	(7,548)	note 1	

Enrich Investment	Aespula	Taiwan	Sale of network equipment components and technical services	80,000	80,000	8,000	98.92%	63,275	98.92%	(13,500)	note 1, 3
Hitron Technologies	Hitron Samoa	Samoa	International trade	642,697	642,697	21,350	100.00%	608,650	100%	18,943	note 1
Hitron Technologies	Interactive Digital	Taiwan	Telecommunication and broadband network system services	126,091	126,091	16,703	41.49%	548,562	43.10%	215,007	note 1
Hitron Technologies	Hitron Europe	Netherlands	International trade	59,604	59,604	15	100.00%	104,624	100%	86,528	note 1
Hitron Technologies	Hitron Americas	USA	International trade	90,082	90,082	300	100.00%	429,317	100%	165,909	note 1
Hitron Technologies	Innoauto Technologies	Taiwan	Investments and automotive electronics products	20,000	20,000	2,000	100.00%	3,444	100%	(188)	note 1

Note 1: Recognized by subsidiary.

Note 2: This included the previous investments of \$218,613 thousand by D-Link Corporation.

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

Note 4: Limited company.

Alpha Networks Inc. and Subsidiaries

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

For the year ended December 31, 2022

Table 9

(In Thousands of New Taiwan Dollars)

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses) (note 3)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Alpha Chengdu	Research and development of network products	420,426	note 1(a)	420,426	-	-	420,426	13,640	100.00%	100.00%	13,640	596,263	-
Alpha Dongguan	Production and sale of network products	787,496	note 1(a)	741,084	-	-	741,084 (note 7)	539,949	100.00%	100.00%	539,949	1,586,754	-
Mirac	Production and sale of network products	107,131 (note 10)	note 1(a)	307,326	-	-	307,326	41,064	100.00%	100.00%	41,064	150,830	-
Alpha Changshu	Production and sale of network products	1,925,920	note 1(b)	1,925,920	-	-	1,925,920	(196,887)	100.00%	100.00%	(196,887)	1,171,318	-
Hitron Suzhou	Production and sale of broadhand network products	641,763 (RMB141,547 thousand)	note 1(c)	641,763	-	-	641,763	22,698	100.00% (note 9)	100.00%	18,967	614,622	-
Jietech Suzhou	Sale of broadband network products and related services	31,139 (RMB5,425 thousand)	note 1(c)	31,139	-	-	31,139	(28)	100.00% (note 9)	100.00%	(25)	3,740	-
Hwa Chi Technologies	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	5,814 (USD200 thousand)	note 2	12,048	-	-	12,048	1,264	41.49% (note 9)	41.49%	533	5,185	23,037

(2) Limitation on investment in Mainland China

Name of Company	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Alpha	3,261,784 note 4, 5 and 8	4,123,685	note 6
Hitron Technologies	684,950	684,950	3,176,275

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

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

Note 2: Hwa Chi is a China based investment company, which was originally invested by Hitron (Samoa), a subsidiary of Alpha. However, due to the Group's restructuring, the investor was changed to Interactive Digital instead, based on the resolution approved during the board meeting in 2012.

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

Note 4: The accumulated investments in Alpha Dongguan did not include the previously investment of HKD 69,387 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 need not 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, 2012; however, the capital has yet to be remitted back as of December 31, 2022.

Independent Auditors' Report

To the Board of Directors of Alpha Networks Inc.:

Opinion

We have audited the parent-company-only financial statements of Alpha Networks Inc. (“the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the parent-company-only financial statements including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other audits (please refer to the paragraph on “Other Matter” of our reports), the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent-company-only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition from contracts with customers

Please refer to note 4(14) and note 6(20) for accounting policy and detailed disclosure of revenue, respectively, of the notes to the parent-company-only financial statements.

In explanation of key audit matter:

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

How the matter was addressed in our audit

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Company's internal controls surrounding the sales process and cash collection transaction process; analyzing the terms and types of the major sales transactions and assessing whether they were recorded in the proper period; selecting samples of sales transactions to assess the adequacy of the Company's timing on revenue recognition; and evaluating the rationale for any identified significant sales fluctuations, incurred within a certain period before or after the balance sheet date, to recognize when the performance obligation has been satisfied by transferring control over the goods to a customer in order to determine whether they have been recorded in a proper period.

2. Valuation of inventories

Please refer to the note 4(7) for the accounting policy, note 5 for significant accounting assumptions and judgments, and major sources of estimation uncertainty, and note 6(4) for summary of inventory, of the notes to the parent-company-only financial statements.

In explanation of key audit matter:

Inventories are measured at the lower of cost or net realizable value at the reporting date. The net realizable value of the inventory is determined by the Company based on the assumptions of the estimated selling price of the products. The rapid development of technology and introduction of new products may significantly change market demand and cause market price fluctuation, which may lead to product obsolescence and the cost of inventory to be higher than the net realizable value. Therefore, the valuation of inventory is one of our key audit matters.

How the matter was addressed in our audit

In relation to the key audit matter above, our principal audit procedures included reviewing the inventory of aging report and analyzing the fluctuation of inventory aging; selecting samples to verify the accuracy of the net realizable value of inventories and inventory aging report prepared by the Company; evaluating whether the valuation of inventories was accounted for in accordance with the Company's accounting policies; and assessing the historical reasonableness of the management's estimates on inventory provisions.

3. Evaluation of investments accounted for using equity method

Please refer to note 4(8) investment in subsidiary-company, for the accounting policies of investments accounted for using equity method; as well as note 6(7) investments in equity-accounted investee, for the evaluation description of the investments accounted for using equity method.

In explanation of key audit matters:

The Company holds 62.24% shares of Hitron Technologies Inc. Due to the significant amount of investment and the fluctuation in selling price subject to market competition of Netcom products, as well as the rapid development of product functions, revenue recognition and inventory valuation of subsidiaries are our key audit matters.

How the matter was addressed in our audit:

We reviewed the audit workpapers to evaluate the main audit procedures of revenue recognition and the valuation of inventories of Investments accounted for using equity method, which included analysis of the policies on revenue recognition, the sampling test used to support the appropriateness of revenue recognition, and the execution of period-end cut-off tests used to confirm the attribution period of significant sales revenue. The main audit procedures for inventory evaluation included the understanding of the accounting treatment for inventory measurement; sampling test of market information, evaluation of the rationality of the net realizable value of inventory, and observation of the slow-moving inventory.

Other Matter

We did not audit the financial statements of certain investees accounted for using equity method of Hitron Technology Inc. Therefore, the opinion on the financial report regarding the amount of Hitron's reinvestment and the relevant information disclosed in Note 6 are based on the audit reports of other auditors. Hitron's amounts of investment accounted for using equity method amounted to \$19,110 thousand, constituting 0.13% of the total assets as of December 31, 2021. The investment income from investment accounted for using equity method amounted to \$38,383 thousand, constituting 8.98% of the total comprehensive income for the year ended December 31, 2021.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hai-Ning Huang and Wei-Ming Shih.

KPMG

Taipei, Taiwan (Republic of China)
February 24, 2023

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)
ALPHA NETWORKS INC.
Balance Sheets
December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(1))	\$ 322,687	2	672,458	5	2100	Short-term borrowings (note 6(12))	\$ 1,260,000	8	1,490,240	10
1110	Current financial assets at fair value through profit or loss (note 6(2))	-	-	2,364	-	2120	Current financial liabilities at fair value through profit or loss (note 6(2))	2,415	-	1,905	-
1170	Accounts receivable, net (note 6(3))	1,934,353	12	1,702,109	12	2170	Accounts payable	1,039,355	6	922,391	7
1180	Accounts receivable due from related parties, net (notes 6(3) and 7)	1,976,987	12	1,195,553	8	2180	Accounts payable to related parties (note 7)	1,701,958	10	731,727	5
1210	Other receivables due from related parties (note 7)	176,867	1	174,835	1	2209	Accrued expenses	442,620	3	260,106	2
130x	Inventories (note 6(4))	1,556,686	9	1,029,931	7	2220	Other payables to related parties (note 7)	150,426	1	132,239	1
1470	Other current assets (notes 6(11) and 7)	77,332	-	89,516	1	2230	Current tax liabilities	155,110	1	37,820	-
		<u>6,044,912</u>	<u>36</u>	<u>4,866,766</u>	<u>34</u>	2250	Current provisions (note 6(13))	231,586	1	173,536	1
Non-current assets:						2280	Current lease liabilities (note 6(15))	12,927	-	7,536	-
1535	Non-current financial assets at amortized cost (notes 6(3), (5) and 8)	18,717	-	17,290	-	2399	Other current liabilities (notes 6(14), (20) and 7)	921,711	6	675,590	5
1550	Investment accounted for using equity method (note 6(7))	9,449,648	58	8,408,677	58			<u>5,918,108</u>	<u>36</u>	<u>4,433,090</u>	<u>31</u>
1600	Property, plant and equipment (note 6(8))	677,140	4	585,435	4	Non-Current liabilities:					
1755	Right-of-use assets (note 6(9))	176,334	1	173,291	1	2570	Deferred tax liabilities (note 6(17))	73,492	-	72,570	1
1780	Intangible assets (note 6(10))	202,515	1	203,829	1	2580	Non-current lease liabilities (note 6(15))	182,941	1	184,714	1
1840	Deferred tax assets (note 6(17))	54,981	-	94,783	1	2640	Net defined benefit liability (note 6(16))	145,642	1	204,784	1
1990	Other non-current assets (notes 6(6) and(11))	67,248	-	147,506	1			<u>402,075</u>	<u>2</u>	<u>462,068</u>	<u>3</u>
		<u>10,646,583</u>	<u>64</u>	<u>9,630,811</u>	<u>66</u>		Total liabilities	<u>6,320,183</u>	<u>38</u>	<u>4,895,158</u>	<u>34</u>
Total assets		<u>\$ 16,691,495</u>	<u>100</u>	<u>14,497,577</u>	<u>100</u>		Equity (note 6(18)):				
						3110	Ordinary shares	5,417,185	32	5,417,185	37
						3200	Capital surplus	2,544,401	15	2,583,772	18
							Retained earnings:				
						3310	Legal reserve	1,169,989	7	1,127,420	8
						3320	Special reserve	447,091	3	448,804	3
						3350	Unappropriated retained earnings	1,019,195	6	472,330	3
								<u>2,636,275</u>	<u>16</u>	<u>2,048,554</u>	<u>14</u>
						3400	Other equity interest	(226,549)	(1)	(447,092)	(3)
							Total equity	<u>10,371,312</u>	<u>62</u>	<u>9,602,419</u>	<u>66</u>
							Total liabilities and equity	<u>\$ 16,691,495</u>	<u>100</u>	<u>14,497,577</u>	<u>100</u>

A NETWORKS INC.
Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (notes 6(20) and 7)	\$ 20,346,112	100	17,163,287	100
5000	Operating costs (notes 6(4) and 7)	17,326,133	85	15,008,266	87
	Gross profit	3,019,979	15	2,155,021	13
	Add: Net changes in unrealized profit on sales to subsidiaries and associates (note 7)	(62,467)	-	64,019	-
5920	Realized or loss gross profit	2,957,512	15	2,219,040	13
	Operating expenses (notes 7):				
6100	Selling expenses	447,703	2	348,728	2
6200	Administrative expenses	423,921	2	354,819	2
6300	Research and development expenses	1,284,273	6	1,116,367	7
6450	Expected credit loss (reversal gain) (note 6(3))	1,013	-	(10,637)	-
	Total operating expenses	2,156,910	10	1,809,277	11
	Net operating income	800,602	5	409,763	2
	Non-operating income and expenses:				
7010	Other income (note 6(23))	30,722	-	32,154	-
7020	Other gains and losses, net (note 6(24))	92,800	-	(9,290)	-
7050	Finance costs (note 6(25))	(21,000)	-	(7,025)	-
7070	Share of profit of subsidiaries (note 6(7))	131,519	1	67,709	1
7100	Interest income (note 6(22))	7,742	-	2,036	-
	Total non-operating income and expenses	241,783	1	85,584	1
	Profit before income tax	1,042,385	6	495,347	3
7950	Less: Income tax expense (note 6(17))	125,310	1	61,459	-
	Profit	917,075	5	433,888	3
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(16))	49,510	-	(8,200)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method (note 6(18))	8,106	-	(1,189)	-
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	57,616	-	(9,389)	-
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(18))	265,970	1	3,627	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (notes 6(17) and (18))	(53,194)	-	(726)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	212,776	1	2,901	-
	Other comprehensive income (loss), net of income tax	270,392	1	(6,488)	-
8500	Total comprehensive income	<u>\$ 1,187,467</u>	<u>6</u>	<u>427,400</u>	<u>3</u>
	Earnings per share (New Taiwan dollars) (note 6(19))				
	Basic earnings per share	<u>\$ 1.69</u>		<u>0.80</u>	
	Diluted earnings per share	<u>\$ 1.68</u>		<u>0.80</u>	

See accompanying notes to parent-company-only financial statements.

ALPHA NETWORKS INC.
Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Other equity interest			Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (deficit to be compensated)	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	
Balance at January 1, 2021	\$ 5,417,185	3,004,591	1,127,420	731,766	(127,976)	1,731,210	(448,804)	-	(448,804)	9,704,182
Profit	-	-	-	-	433,888	433,888	-	-	-	433,888
Other comprehensive income (loss)	-	-	-	-	(8,200)	(8,200)	2,901	(1,189)	1,712	(6,488)
Total comprehensive income (loss)	-	-	-	-	425,688	425,688	2,901	(1,189)	1,712	427,400
Appropriation and distribution of retained earnings:										
Reversal of special reserve	-	-	-	(282,962)	282,962	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(108,344)	(108,344)	-	-	-	(108,344)
Donation from shareholders	-	(220)	-	-	-	-	-	-	-	(220)
Cash dividends from capital surplus	-	(433,375)	-	-	-	-	-	-	-	(433,375)
Changes in ownership interests in subsidiaries	-	12,776	-	-	-	-	-	-	-	12,776
Balance at December 31, 2021	<u>5,417,185</u>	<u>2,583,772</u>	<u>1,127,420</u>	<u>448,804</u>	<u>472,330</u>	<u>2,048,554</u>	<u>(445,903)</u>	<u>(1,189)</u>	<u>(447,092)</u>	<u>9,602,419</u>
Profit	-	-	-	-	917,075	917,075	-	-	-	917,075
Other comprehensive income	-	-	-	-	49,849	49,849	212,776	7,767	220,543	270,392
Total comprehensive income	-	-	-	-	966,924	966,924	212,776	7,767	220,543	1,187,467
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	42,569	-	(42,569)	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,713)	1,713	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(379,203)	(379,203)	-	-	-	(379,203)
Donation from shareholders	-	13	-	-	-	-	-	-	-	13
Cash dividends from capital surplus	-	(54,172)	-	-	-	-	-	-	-	(54,172)
Changes in ownership interests in subsidiaries	-	14,788	-	-	-	-	-	-	-	14,788
Balance at December 31, 2022	<u>\$ 5,417,185</u>	<u>2,544,401</u>	<u>1,169,989</u>	<u>447,091</u>	<u>1,019,195</u>	<u>2,636,275</u>	<u>(233,127)</u>	<u>6,578</u>	<u>(226,549)</u>	<u>10,371,312</u>

See accompanying notes to parent-company-only financial statements.

ALPHA NETWORKS INC.
Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,042,385	495,347
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	92,557	104,157
Amortization expense	75,588	86,689
Expected credit loss (reversal gain)	1,013	(10,637)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	2,415	(459)
Interest expense	21,000	7,025
Interest income	(7,742)	(2,036)
Share of profit of subsidiaries	(131,519)	(67,709)
Gain on disposal of property, plant and equipment	(662)	-
Provisions for inventory obsolescence and devaluation loss	90,644	9,995
Unrealized profit from sales	62,467	(64,019)
Total adjustments to reconcile profit	205,761	63,006
Changes in operating assets and liabilities:		
Financial assets mandatorily at fair value through profit or loss	2,364	7,406
Notes and accounts receivable	(233,257)	2,286,456
Accounts receivable due from related parties	(781,434)	115,212
Inventories	(617,399)	(525,793)
Other current assets	12,184	(50,925)
Financial liabilities mandatorily at fair value through profit or loss	(1,905)	(7,067)
Accounts payable	116,964	338,352
Accounts payable to related parties	970,231	(3,055,630)
Other payable to related parties	18,187	(56,223)
Other current liabilities	422,752	(72,661)
Net defined benefit liability	(9,631)	(23,783)
Total changes in operating assets and liabilities	(100,944)	(1,044,656)
Total adjustments	104,817	(981,650)

(Continued)

ALPHA NETWORKS INC.
Statements of Cash Flows (Continued)
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows generated from (used in) operations	1,147,202	(486,303)
Interest received	7,742	2,036
Interest paid	(20,345)	(6,859)
Income taxes paid	(21,927)	(74,653)
Net cash flows from (used in) operating activities	1,112,672	(565,779)
Cash flows from (used in) investing activities:		
Acquisition of other financial assets	(31,429)	-
Acquisition of investments accounted for using equity method	(646,542)	(80,000)
Cash dividends from investments accounted for using equity method	100,000	200,000
Acquisition of property, plant and equipment	(133,880)	(47,799)
Proceeds from disposal of property, plant and equipment	2,785	-
Decrease (increase) in refundable deposits	(1,427)	79
Decrease (increase) in other receivables due from related parties	(2,032)	85,975
Acquisition of intangible assets	(74,274)	(114,032)
Decrease (increase) in other non-current assets	945	(132,987)
Net cash flows used in investing activities	(785,854)	(88,764)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	12,406,781	6,024,965
Repayments of short-term borrowings	(12,637,021)	(4,959,975)
Payment of lease liabilities	(12,987)	(12,910)
Cash dividends distributed to shareholders	(433,375)	(541,719)
Donation from shareholders	13	(220)
Net cash flows from (used in) financing activities	(676,589)	510,141
Net decrease in cash and cash equivalents	(349,771)	(144,402)
Cash and cash equivalents at beginning of period	672,458	816,860
Cash and cash equivalents at end of period	\$ 322,687	672,458

See accompanying notes to parent-company-only financial statements.

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history

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

The Company'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 the Company’s ordinary shares, resulting in its shares to increase from 23.84% to 42.86%. Thereafter, Qisda became the parent company of the Company.

2. Approval date and procedures of the financial statements:

These parent-company-only financial statements were authorized for issuance by the Board of Directors on February 24, 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. which have already been adopted.

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

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

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

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

- Amendments to IAS 1 “Disclosure of Accounting Policies”

- Amendments to IAS 8 “Definition of Accounting Estimates”
 - Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”
- (3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company 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 parent-company-only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”

4. Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently to all periods presented in these financial statements.

(1) Statement of compliance

The Company's accompanying parent-company-only 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”).

The 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”).

(2) Basis of preparation

A. Basis of measurement

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

- (a) Financial assets and liabilities measured at fair value through profit or loss are measured at fair value;
- (b) Financial assets measured at fair value through other comprehensive income are measured at fair value;
- (c) The net defined benefit liability is measured at the fair value of the plan assets less the present value of the defined benefit obligation

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B. Functional and presentation currency

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

(3) Foreign currencies

A. Foreign currency transactions

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

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

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

- (a) an investment in equity securities designated as at fair value through other comprehensive income; or
- (b) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.

B. Foreign operations

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

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. For a partial disposal of the Company's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

(4) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria and all other assets are classified as non-current:

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or

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- D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- A. It is expected to be settled in its normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting period; or
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(5) Cash and cash equivalents

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

(6) Financial instruments

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

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – equity investment or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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(a) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

Dividend income derived from equity investment is recognized in profit or loss on the date on which the Company's right to receive payment is established (usually the ex-dividend date).

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

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

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

(d) Impairment of financial assets

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

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The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as customer credit conditions default or overdue for more than the grace period for each category;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

(e) Derecognition of financial assets

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

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

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B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

(b) Equity instrument

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

(c) Financial liabilities

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

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

(d) Derecognition of financial liabilities

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

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

(e) Offsetting of financial assets and liabilities

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

C. Derivative financial instruments and hedge accounting

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

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

(7) Inventories

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

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

(8) Investment in subsidiaries

The investees which are controlled by the Company are measured under equity method in preparing the parent company only financial statement. The profit, other comprehensive income and equity in the parent company only financial statement are equal to the profit, other comprehensive income and equity attributable to the shareholders of parent in the consolidated financial statement.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing of control over the subsidiary are accounted for as equity transaction.

(9) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. Subsequent expenditure

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

C. Depreciation

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

Land is not depreciated.

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

- (a) Buildings and improvements: 6 to 49 years

Buildings and building improvements constitute mainly buildings, mechatronic engineering and hydropower engineering, etc.

- (b) Machinery and equipment: 1 to 6 years

- (c) Transportation and equipment: 6 years

- (d) Office equipment and others: 2 to 6 years

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

(10) Lessee

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

A. As a lessee

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

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

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

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

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

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- (c) amounts expected to be payable under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

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

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (d) there is a change of its assessment on whether it will exercise an extension or termination option; or
- (e) there is any lease modifications

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

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

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheet.

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

B. As a lessor

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

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(11) Intangible assets

A. Recognition and measurement

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

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

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

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

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

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets of 1 to 5 years, other than goodwill, from the date that they are available for use.

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

(12) Impairment of non-financial assets

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

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

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

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

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

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

(13) Provisions

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

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

(14) Revenue for contracts with customers

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

A. Sale of goods

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

The warranty liabilities have been recognized for this obligation, please refer to Note 6 (13).

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B. Product development services

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

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

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

C. Financial component

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

(15) Government grants

The Company recognizes an unconditional government grant related to research and development in profit or loss as non-operating income when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(16) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

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

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

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

C. Short-term employee benefits

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

(17) Income tax

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

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

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

- A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- C. taxable temporary differences arising on the initial recognition of goodwill.

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

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

- A. The Company has a legal enforceable right to setoff current tax assets against current tax liabilities and
- B. The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (a) the same taxable entity; or
 - (b) different taxable entity which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(18) Earnings per share

The Company discloses basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee remuneration through the issuance of shares and unvested restricted stock awards.

(19) Operating segments

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

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

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

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

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

Valuation of inventories

Inventories are stated at the lower of cost or net realizable value, the Company uses judgments and estimates to determine the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. However, due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(4) for further description of the valuation of inventories.

The Company's financial division conducts independent verification on fair value by using data sources that are independent, reliable and representative of exercise prices. This financial division also periodically adjusts valuation models, conducts retrospective testing, renews input data for valuation models and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data.

Please refer to note 6(28) of the financial instruments.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 18	-
Checking and savings accounts	247,669	672,458
Time deposits	75,000	-
Cash and cash equivalents in the statement of cash flows	<u>\$ 322,687</u>	<u>672,458</u>

Please refer to note 6(26) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

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

	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss – current		
Foreign exchange swaps	<u>\$ -</u>	<u>2,364</u>
Financial liabilities held for trading – current		
Foreign exchange swaps	\$ 1,936	-
Forward exchange contracts	<u>479</u>	<u>1,905</u>
	<u>\$ 2,415</u>	<u>1,905</u>

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

December 31, 2022				
	Nominal principal (in thousands)		Currency	Maturity date
Foreign exchange swaps	USD 26,000		USD to NTD	January 2023
Foreign exchange swaps	USD 5,000		CNY to USD	January 2023
Foreign exchange swaps	CNY 11,000		CNY to NTD	January 2023
Forward exchange contracts	USD 17,000		USD to NTD	January 2023~February 2023
December 31, 2021				
	Nominal principal (in thousands)		Currency	Maturity date
Foreign exchange swaps	USD 21,000		USD to NTD	January 2022
Forward exchange contracts	USD 5,000		USD to NTD	February 2022
Forward exchange contracts	USD 30,000		CNY to USD	January 2022

(3) Accounts receivable, net

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 1,936,067	1,702,810
Less: loss allowances	<u>(1,714)</u>	<u>(701)</u>
	<u>\$ 1,934,353</u>	<u>1,702,109</u>

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

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

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

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 3,505,057	0%	-
Less than 90 days past due	407,972	0.42%	1,714
91 to 180 days past due	25	0%	-
More than 181 days past due	67,957	100%	67,957
	\$ 3,981,011		69,671

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 2,626,831	0%	-
Less than 90 days past due	271,529	0.26%	699
91 to 180 days past due	3	66.67%	2
More than 181 days past due	67,957	100%	67,957
	\$ 2,966,320		68,658

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

	2022	2021
Balance at January 1	\$ 68,658	79,295
Impairment loss recognized (reversal)	1,013	(10,637)
Balance at December 31	\$ 69,671	68,658

As of December 31, 2022 and 2021, impairment allowance accounts with respect to account receivables from related parties were not provided.

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(4) Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$ 1,122,092	861,856
Work in progress and semi-finished products	189,231	86,422
Finished goods and merchandises	<u>245,363</u>	<u>81,653</u>
	<u>\$ 1,556,686</u>	<u>1,029,931</u>

Component of operating cost were as below:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 17,235,489	14,998,271
Provision for inventory obsolescence and devaluation loss	<u>90,644</u>	<u>9,995</u>
	<u>\$ 17,326,133</u>	<u>15,008,266</u>

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current:		
Restricted deposits	\$ 15,550	15,550
Refundable deposits	3,167	1,740
Overdue receivables	67,957	67,957
Less: loss allowances	<u>(67,957)</u>	<u>(67,957)</u>
	<u>\$ 18,717</u>	<u>17,290</u>

The Company held bank time deposits with variable interest rates, and the average interest rates ranged between 0.22%~1.065% and 0.12%~0.815% for the years ended December 31, 2022 and 2021, respectively.

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

(6) Other financial assets – non-current

As of December 31, 2022, the Company's other financial assets – non-current amounting to \$31,429 thousand, recognized as other non-current assets, was not pledged as collateral.

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(7) Investment in equity-accounted investees

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 9,556,602	8,453,164
Unrealized profit (loss) from sales	(106,954)	(44,487)
	\$ 9,449,648	8,408,677

A. Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2022.

B. The Company's share of the net income of subsidiaries were as follows:

	For the years ended December 31,	
	2022	2021
Subsidiaries	\$ 131,519	67,709

The Company did not provide any investments accounted for using the equity methods as collateral for its loans.

(8) Property, plant and equipment

	Building	Machinery and equipment	Office, transportation and other facilities	Total
Cost:				
Balance at January 1, 2022	\$ 771,498	234,878	47,727	1,054,103
Additions	12,254	145,961	14,603	172,818
Disposals	(13,314)	(41,781)	(14,777)	(69,872)
Balance at December 31, 2022	\$ 770,438	339,058	47,553	1,157,049
Balance at January 1, 2021	\$ 774,066	224,735	56,078	1,054,879
Additions	5,132	39,593	6,306	51,031
Disposals	(7,700)	(29,450)	(14,657)	(51,807)
Balance at December 31, 2021	\$ 771,498	234,878	47,727	1,054,103
Depreciation and impairment loss:				
Balance at January 1, 2022	\$ 304,323	138,401	25,944	468,668
Depreciation	21,667	47,153	10,170	78,990
Disposals	(13,314)	(41,563)	(12,872)	(67,749)
Balance at December 31, 2022	\$ 312,676	143,991	23,242	479,909
Balance at January 1, 2021	\$ 289,373	111,719	28,287	429,379
Depreciation	22,650	56,132	12,314	91,096
Disposals	(7,700)	(29,450)	(14,657)	(51,807)
Balance at December 31, 2021	\$ 304,323	138,401	25,944	468,668

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	<u>Building</u>	<u>Machinery and equipment</u>	<u>Office, transportation and other facilities</u>	<u>Total</u>
Carrying amounts:				
Balance at December 31, 2022	<u>\$ 457,762</u>	<u>195,067</u>	<u>24,311</u>	<u>677,140</u>
Balance at December 31, 2021	<u>\$ 467,175</u>	<u>96,477</u>	<u>21,783</u>	<u>585,435</u>
Balance at January 1, 2021	<u>\$ 484,693</u>	<u>113,016</u>	<u>27,791</u>	<u>625,500</u>

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

(9) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Other facilities</u>	<u>Total</u>
Cost:				
Balance at January 1, 2022	\$ 186,191	11,433	6,235	203,859
Additions	-	17,966	-	17,966
Disposals	-	-	(2,034)	(2,034)
Balance at December 31, 2022	<u>\$ 186,191</u>	<u>29,399</u>	<u>4,201</u>	<u>219,791</u>
Balance at January 1, 2021	\$ 186,191	11,433	-	197,624
Additions	-	-	6,235	6,235
Balance at December 31, 2021	<u>\$ 186,191</u>	<u>11,433</u>	<u>6,235</u>	<u>203,859</u>
Accumulated depreciation:				
Balance at January 1, 2022	\$ 17,685	11,433	1,450	30,568
Depreciation	5,895	5,989	1,683	13,567
Disposals	-	-	(678)	(678)
Balance at December 31, 2022	<u>\$ 23,580</u>	<u>17,422</u>	<u>2,455</u>	<u>43,457</u>
Balance at January 1, 2021	\$ 11,790	5,717	-	17,507
Depreciation	5,895	5,716	1,450	13,061
Balance at December 31, 2021	<u>\$ 17,685</u>	<u>11,433</u>	<u>1,450</u>	<u>30,568</u>
Carrying amount:				
Balance at December 31, 2022	<u>\$ 162,611</u>	<u>11,977</u>	<u>1,746</u>	<u>176,334</u>
Balance at December 31, 2021	<u>\$ 168,506</u>	<u>-</u>	<u>4,785</u>	<u>173,291</u>
Balance at January 1, 2021	<u>\$ 174,401</u>	<u>5,716</u>	<u>-</u>	<u>180,117</u>

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(10) Intangible assets

	<u>Goodwill</u>	<u>Software application and other</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 134,883	272,304	407,187
Additions	-	74,274	74,274
Derecognition	-	<u>(118,175)</u>	<u>(118,175)</u>
Balance at December 31, 2022	<u>\$ 134,883</u>	<u>228,403</u>	<u>363,286</u>
Balance at January 1, 2021	\$ 134,883	177,319	312,202
Additions	-	114,032	114,032
Derecognition	-	<u>(19,047)</u>	<u>(19,047)</u>
Balance at December 31, 2021	<u>\$ 134,883</u>	<u>272,304</u>	<u>407,187</u>
Amortization and impairment:			
Balance at January 1, 2022	\$ -	203,358	203,358
Amortization	-	75,588	75,588
Derecognition	-	<u>(118,175)</u>	<u>(118,175)</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>160,771</u>	<u>160,771</u>
Balance at January 1, 2021	\$ -	135,716	135,716
Amortization	-	86,689	86,689
Derecognition	-	<u>(19,047)</u>	<u>(19,047)</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>203,358</u>	<u>203,358</u>
Carrying amount:			
Balance at December 31, 2022	<u>\$ 134,883</u>	<u>67,632</u>	<u>202,515</u>
Balance at December 31, 2021	<u>\$ 134,883</u>	<u>68,946</u>	<u>203,829</u>
Balance at January 1, 2021	<u>\$ 134,883</u>	<u>41,603</u>	<u>176,486</u>

A. Amortization

The amortization of intangible assets is included in the following line items of statement of comprehensive income:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating cost	\$ 809	410
Operating expense	<u>74,779</u>	<u>86,279</u>
Total	<u>\$ 75,588</u>	<u>86,689</u>

B. Impairment test for Goodwill

For purpose of impairment testing, the goodwill was allocated to the IP Camera cash generating unit.

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As of December 31, 2022 and 2021, IP Camera cash generating unit determines the recoverable amount based on its value in use, and the recoverable amount of IP Camera was greater than its carrying amount and no impairment loss was recognized.

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

	December 31, 2022	December 31, 2021
Discount rate	9.55%	7.60%
Terminal value growth rate	3.21%	3.58%

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

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

C. Collateral

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

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

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

	December 31, 2022	December 31, 2021
Income tax refund receivable	\$ 59,663	45,232
Prepayments for equipment	26,819	137,556
Other	26,669	52,394
	\$ 113,151	235,182
Other current assets	\$ 77,332	89,516
Other non-current assets	35,819	147,506
	\$ 113,151	237,022

(12) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured bank loans	\$ 1,260,000	1,490,240
Unused short-term and long-term credit lines	\$ 3,559,860	2,902,720
Range of interest rates	1.48%~1.81%	0.65%~0.75%

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(13) Provisions

	Warranties
Balance at January 1, 2022	\$ 173,536
Provisions made during the year	172,928
Provisions used during the year	(114,878)
Balance at December 31, 2022	<u>\$ 231,586</u>
Balance at January 1, 2021	\$ 176,617
Provisions made during the year	74,252
Provisions used during the year	(77,333)
Balance at December 31, 2021	<u>\$ 173,536</u>

The provision for warranties relates mainly to network product sold during the years ended December 31, 2022 and 2021. The provision is based on estimates made from historical warranty data associated with similar products and services. The Company expects to settle the majority of the liability over the next year.

(14) Other current liabilities

	December 31, 2022	December 31, 2021
Payroll and bonus payable	\$ 483,621	313,762
Contract liabilities	335,130	208,480
Others	102,960	153,348
	<u>\$ 921,711</u>	<u>675,590</u>

(15) Lease liabilities

	December 31, 2022	December 31, 2021
Current	<u>\$ 12,927</u>	<u>7,536</u>
Non-current	<u>\$ 182,941</u>	<u>184,714</u>

For the maturity analysis, please refer to note 6(26).

The amounts recognized in profit or loss was as follows:

	For the years ended December 31,	
	2022	2021
Interest on lease liabilities	<u>\$ 2,489</u>	<u>2,508</u>
Expenses relating to short-term leases and leases of low-value assets	<u>\$ 5,868</u>	<u>10,061</u>

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

	For the years ended December 31,	
	2022	2021
Total cash outflow for leases	\$ 21,344	25,479

A. Real estate leases

As of December 31, 2022 and 2021, the Company leases land for factory and office buildings use. The leases of land typically run for a period of 19, 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

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

(16) Employee benefits

A. Defined benefit plans

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

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	\$ 251,262	301,303
Fair value of plan assets	(105,620)	(96,519)
Net defined benefit liabilities	\$ 145,642	204,784

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

(a) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

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The Company's Bank of Taiwan labor pension reserve account balance amounted to \$105,620 thousand as of December 31, 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Fund, Ministry of Labor.

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

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

	<u>2022</u>	<u>2021</u>
Defined benefit obligations at January 1	\$ 301,303	297,474
Benefits paid from the plan assets	(10,525)	(7,793)
Current service costs and interest cost	2,912	1,994
Re-measurements of net defined benefit liabilities:		
- Actuarial losses (gain) arising from experience adjustment	(18,613)	13,866
- Actuarial gain arising from demographic assumptions	-	8,493
- Actuarial loss arising from financial assumptions	(23,815)	(12,731)
Defined benefit obligation at December 31	<u>\$ 251,262</u>	<u>301,303</u>

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

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

	<u>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 96,519	77,107
Benefits paid from the plan assets	(10,525)	(7,793)
Re-measurements of the net defined benefit liabilities (asset):		
- Return on plan assets (excluding current interest income)	7,082	1,428
Contribution made to plan assets	11,828	25,421
Expected return on plan assets	716	356
Fair value of plan assets at December 31	<u>\$ 105,620</u>	<u>96,519</u>

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(d) Expenses recognized in profit or loss

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

	For the years ended December 31,	
	2022	2021
Current service costs	\$ 803	804
Net interest of net liabilities for defined benefit obligation	2,109	1,190
Expected return on plan assets	(716)	(356)
	\$ 2,196	1,638
Operating costs	\$ 1,012	793
Selling expenses	145	98
Administration expenses	164	123
Research and development expenses	875	624
	\$ 2,196	1,638
Actual return on plan assets	\$ 7,797	1,785

(e) Actuarial assumptions

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

	December 31, 2022	December 31, 2021
Discount rate	1.40%	0.7%
Future salary increase rate	3.00%	3.00%

The expected contribution to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$43,417 thousand.

The weighted average duration of the defined benefit plans is 12.8 years.

(f) Sensitivity analysis

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

December 31, 2022	Influences of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
Discount rate	\$ (7,897)	8,209
Future salary increasing rate	\$ 7,431	(7,203)

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December 31, 2021	Influences of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
Discount rate	<u>\$ (10,142)</u>	<u>10,565</u>
Future salary increasing rate	<u>\$ 9,545</u>	<u>(9,234)</u>

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2022 and 2021.

B. Defined contribution plans

The domestic entities of the Company contribute 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs under defined contribution plans amounted to \$54,818 thousand and \$53,801 thousand for the years ended December 31, 2022 and 2021, respectively.

(17) Income taxes

A. Income tax expenses (benefit)

The components of income tax expense for the years ended December 31, 2022 and 2021, were as follows:

	For the years ended December 31,	
	2022	2021
Current tax expense (benefit)		
Current period	\$ 150,037	30,881
Additional 5% surtax on undistributed retained earnings	281	2,332
Adjustment for prior periods	<u>(12,538)</u>	<u>14,382</u>
	<u>137,780</u>	<u>47,595</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences and tax loss	<u>(12,470)</u>	<u>13,864</u>
Income tax expense	<u>\$ 125,310</u>	<u>61,459</u>

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The amount of income tax expense recognized in other comprehensive income for the years ended December 31, 2022 and 2021, were as follows:

	For the years ended December 31,	
	2022	2021
Exchange differences on translation of foreign financial statements	\$ 53,194	726

Reconciliation of income tax expense and profit before income tax for the years ended December 31, 2022 and 2021 were as follows:

	For the years ended December 31,	
	2022	2021
Profit before income tax	\$ 1,042,385	495,347
Income tax at the Company's domestic tax rate	208,832	99,069
Domestic investment loss (income)	(48,022)	1,599
Tax incentives	(64,422)	(14,234)
Additional 5% surtax on undistributed retained earning	281	2,332
Change in unrecognized temporary differences	22,242	(12,279)
Others	6,399	(15,028)
	\$ 125,310	61,459

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax asset

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

	December 31,	December 31,
	2022	2021
Tax effect of deductible temporary differences	\$ 312,487	290,245

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred tax assets:

	January 1,	Recogn-	Recognized	December	Recogn-	Recognized	December
	2021	ized in	in other	31, 2021	ized in	in other	31, 2022
	profit and	comprehen-	sive income	profit and	comprehen-	sive income	profit and
	loss	ive income	loss	loss	sive income	loss	profit and
	December	31, 2022	31, 2022	31, 2022	31, 2022	31, 2022	31, 2022
Provision for warranties	\$ 17,672	(7,260)	-	10,412	(385)	-	10,027
Exchange difference on translation of foreign financial statement	66,127	-	(726)	65,401	-	(53,194)	12,207
Others	24,770	(5,800)	-	18,970	13,777	-	32,747
	\$ 108,569	(13,060)	(726)	94,783	13,392	(53,194)	54,981

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Deferred tax liabilities:

	January 1, 2021	Recogn-iz ed in profit and loss	Recognized in other comprehen-s ive income	December 31, 2021	Recogn-iz ed in profit and loss	Recognized in other comprehen-s ive income	December 31, 2022
Investment in equity-accounted subsidiaries	\$ (44,722)	(780)	-	(45,502)	(1,014)	-	(46,516)
Goodwill	(26,976)	-	-	(26,976)	-	-	(26,976)
Others	(68)	(24)	-	(92)	92	-	-
	<u>\$ (71,766)</u>	<u>(804)</u>	<u>-</u>	<u>(72,570)</u>	<u>(92)</u>	<u>-</u>	<u>(73,492)</u>

As of December 31, 2022, the Company's tax returns for the years through 2020 were assessed by the R.O.C. income tax authorities.

(18) Capital and other equity

Reconciliation of shares outstanding for 2022 and 2021 was as follows (in thousands of shares):

	Ordinary share capital	
	2022	2021
Balance at January 1	541,719	541,639
Vested of restricted stock awards	-	80
Balance at December 31	<u>541,719</u>	<u>541,719</u>

A. Ordinary share capital

As of December 31, 2022 and 2021, the authorized capital of Company amounted to \$8,000,000 thousand and \$6,600,000 thousand, respectively, of which included the amount of \$500,000 thousand reserved for employee share options; the issued capital amounted to \$5,417,185 thousand.

B. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2022	December 31, 2021
Capital surplus – premium	\$ 2,491,661	2,545,833
Capital surplus – investments under equity method	37,762	22,974
Other	14,978	14,965
	<u>\$ 2,544,401</u>	<u>2,583,772</u>

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

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Based on resolutions approved during the Board of Directors on March 4, 2022 and May 7, 2021, the cash dividends of \$54,172 thousand, represents \$0.1 payout per share and \$433,375 thousand, represents \$0.8 payout per share, will be distributed out of capital surplus. The actual distribution was consistent with the resolution approved by the Board of Directors. Related information is available at the Market Observation Post System website.

C. Retained earnings

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

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

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

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

(a) Legal reserve

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

(b) Special reserve

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

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D. Earnings distribution

Earnings distribution for the years 2021 and 2020 was approved by the Board of Directors during their meeting on March 4, 2022 and May 7, 2021 as follow:

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

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

The appropriation of earnings in 2022 was approved by the Board of Directors on February 24, 2023, the cash dividend of \$915,504 thousand, represents \$1.69 per share, will be distributed. The above mentioned distribution is subject to the resolution of the shareholders meeting. Related information will be available at the Market Observation Post System website.

E. Other equity

	Differences on translation of foreign operation financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total
Balance at January 1, 2022	\$ (445,903)	(1,189)	(447,092)
Differences on translation of foreign operation financial statements	265,970	-	265,970
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(53,194)	-	(53,194)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	-	7,767	7,767
Balance at December 31, 2022	\$ (233,127)	6,578	(226,549)
Balance at January 1, 2021	\$ (448,804)	-	(448,804)
Differences on translation of foreign operation financial statements	3,627	-	3,627
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(726)	-	(726)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	-	(1,189)	(1,189)
Balance at December 31, 2021	\$ (445,903)	(1,189)	(447,092)

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(19) Earnings per share

A. Basic earnings per share

	For the years ended December 31,	
	2022	2021
Net income attributable to the Company's ordinary shareholders	\$ 917,075	433,888
Weighted-average number of shares outstanding (in thousands of shares)	541,719	541,665
Basic earnings per share (NTD)	\$ 1.69	0.80

B. Diluted earnings per share

	For the years ended December 31,	
	2022	2021
Net income attributable to the Company's ordinary shareholders	\$ 917,075	433,888
Weighted average number of shares outstanding (in thousands of shares) (basic)	541,719	541,665
Effect of employee remuneration in shares	4,447	1,654
Effect of restricted stock awards unvested	-	53
Weighted average number of shares outstanding (in thousands of shares) (diluted)	546,166	543,372
Diluted earnings per share (NTD)	\$ 1.68	0.80

(20) Revenues

A. The details of revenues were as follows:

	For the years ended December 31,	
	2022	2021
Primary geographical markets:		
United States	\$ 13,968,235	12,207,025
Singapore	2,420,538	1,106,564
Taiwan	655,407	1,555,555
Others	3,301,932	2,294,143
	\$ 20,346,112	17,163,287

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	For the years ended December 31,	
	2022	2021
Major products/services lines:		
LAN/MAN	\$ 12,130,740	7,927,014
Wireless Broadband	5,497,975	4,377,674
Digital Multimedia	1,782,624	4,329,126
Others	934,773	529,473
	\$ 20,346,112	17,163,287

B. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivable (including related parties)	\$ 3,911,340	2,897,662	5,288,693
Contract liability — product	\$ 335,130	208,480	285,680

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

The amounts of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were \$117,152 thousand and \$261,643 thousand, respectively.

(21) Remuneration to employees and directors

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

For the year ended December 31, 2022 and 2021, the Company accrued and recognized its remuneration to employees amounting to \$116,794 thousand and \$55,501 thousand, and directors amounting to \$8,760 thousand and \$4,163 thousand, respectively.

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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 Company's articles. These remunerations were 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. The abovementioned remuneration for employees and directors resolved through Board of Directors' meeting is consistent with the estimated amount as stated in the parent-company-only financial statements for the years 2022 and 2021.

(22) Interest income

	For the years ended December 31,	
	2022	2021
Interest income from bank deposits and others	\$ 7,742	2,036

(23) Other income

	For the years ended December 31,	
	2022	2021
Government grants income	\$ 13,061	10,955
Others	17,661	21,199
	\$ 30,722	32,154

(24) Other gains and losses

	For the years ended December 31,	
	2022	2021
Gain (loss) on financial asset at fair value through profit or \$ loss, net	49,503	(1,772)
Foreign exchange gain (loss), net	43,253	(7,518)
Others	44	-
	\$ 92,800	(9,290)

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(25) Finance costs

	For the years ended December 31,	
	2022	2021
Interest expense of borrowings, etc.	\$ 18,511	4,517
Interest expense of lease liability	2,489	2,508
	\$ 21,000	7,025

(26) Financial instruments

A. Credit risk

(a) Credit risk exposure

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

(b) Concentration of credit risk

The major customers of the Company are centralized in the networking related industries. The Company generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Company is mainly influenced by the networking industry. As of December 31, 2022 and 2021, 54% and 51%, respectively, of the Company's accounts receivable (including related parties) were from the top 3 customers. Although there is a potential in concentration of credit risk, the Company 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 and accounts receivable, please refer to note 6(3).

Other financial assets measured at amortized cost include restricted bank deposits and refundable deposits, please refer to note 6(5) for details of relevant investments.

All of these financial assets are considered to have low credit risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(6).

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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>
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 1,260,000	(1,263,711)	(1,263,711)	-	-
Accounts payable	1,039,355	(1,039,355)	(1,039,355)	-	-
Payables to related parties	1,701,958	(1,701,958)	(1,701,958)	-	-
Other payables to related parties	150,426	(150,426)	(150,426)	-	-
Accrued expenses	442,620	(442,620)	(442,620)	-	-
Lease liabilities	195,868	(230,438)	(15,306)	(37,592)	(177,540)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	479	(520,305)	(520,305)	-	-
Inflows	-	520,784	520,784	-	-
Foreign exchange swaps:					
Outflows	1,936	(999,960)	(999,960)	-	-
Inflows	-	1,001,896	1,001,896	-	-
	<u>\$ 4,792,642</u>	<u>(4,826,093)</u>	<u>(4,610,961)</u>	<u>(37,592)</u>	<u>(177,540)</u>
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 1,490,240	(1,491,629)	(1,491,629)	-	-
Accounts payable	922,391	(922,391)	(922,391)	-	-
Payables to related parties	731,727	(731,727)	(731,727)	-	-
Other payables to related parties	132,239	(132,239)	(132,239)	-	-
Accrued expenses	260,106	(260,106)	(260,106)	-	-
Lease liabilities	192,250	(229,184)	(9,956)	(33,826)	(185,402)
Derivative financial liabilities					
Forward exchange contracts:					
Outflows	1,905	(972,640)	(972,640)	-	-
Inflows	-	974,545	974,545	-	-
Foreign exchange swaps:					
Outflows	-	(586,071)	(586,071)	-	-
Inflows	(2,364)	583,707	583,707	-	-
	<u>\$ 3,728,494</u>	<u>(3,767,735)</u>	<u>(3,548,507)</u>	<u>(33,826)</u>	<u>(185,402)</u>

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C. Currency risk

(a) Exposure to currency risk

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

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 134,683	30.73	4,138,809	123,588	27.68	3,420,916
CNY	41,759	4.4057	183,978	40,460	4.3454	175,815
<u>Non-Monetary items</u>						
USD	-	-	-	21,000	27.68	Note
<u>Investment accounted for using equity method</u>						
USD	31,243	30.73	960,088	11,049	27.68	305,826
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	88,907	30.73	2,732,112	100,645	27.68	2,785,854
CNY	31,050	4.4057	136,797	29,811	4.3454	129,541
<u>Non-Monetary items</u>						
USD	48,000	30.73	Note	35,000	27.68	Note
CNY	11,000	4.4057	Note	-	-	-

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

(b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the foreign currency exchange gains and losses resulted from the translation of cash and cash equivalents, trade receivables, other receivables, trade payables and other payables which are denominated in foreign currencies. A strengthening (weakening) of 1% of the NTD against the USD and the CNY at December 31, 2022 and 2021, would have increased or decreased the profit before income tax by \$14,539 thousand and \$6,813 thousand, respectively. The analysis assumed that all other variables remain constant, and is performed on the same basis for both periods.

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- (c) Foreign exchange gains or losses on monetary items

Information on the foreign exchange gains or losses, including these realized and unrealized by the Company's monetary items, were as follows:

	For the years ended December 31,			
	2022		2021	
	Foreign exchange gains (losses)	Average rate	Foreign exchange gains (losses)	Average rate
USD	\$ 39,534	29.5771	(10,615)	27.9738
CNY	2,450	4.4179	4,825	4.3338
Others	1,269		(1,728)	
	\$ 43,253		(7,518)	

D. Interest rate analysis

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

If the interest rate had increased or decreased by 0.25%, the Company's profit before income tax would have increased or decreased by \$304 thousand and \$1,720 thousand, respectively for the years ended December 31, 2022 and 2021 with all other variable factors remaining constant. The change of ratio is mainly due to the variable interest rate of the Company's cash and cash equivalents, financial assets at amortized cost (non-current) and short term borrowings.

E. 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 Company'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:

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		December 31, 2022				
		Carrying amount	Fair Value			Total
			Level 1	Level 2	Level 3	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	322,687	-	-	-	-
Notes and accounts receivable (including related parties)		3,911,340	-	-	-	-
Other receivables due from related parties		176,867	-	-	-	-
Financial assets measured at amortized cost – non-current		18,717	-	-	-	-
Total		\$ 4,429,611	-	-	-	-
Financial liabilities measured at fair value under repetitive basis						
Financial liabilities at fair value through profit or loss — derivative		\$ 2,415	-	2,415	-	2,415
Financial liabilities measured at amortized cost						
Short-term borrowings	\$	1,260,000	-	-	-	-
Accounts payable (including related parties)		2,741,313	-	-	-	-
Payable to related parties		150,426	-	-	-	-
Lease liabilities — current and non-current		195,868	-	-	-	-
Total		\$ 4,347,607	-	-	-	-
		December 31, 2021				
		Carrying amount	Fair Value			Total
			Level 1	Level 2	Level 3	
Financial assets measured at fair value under repetitive basis						
Financial assets mandatorily at fair value through profit or loss— derivative		\$ 2,364	-	2,364	-	2,364
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	672,458	-	-	-	-
Notes and accounts receivable (including related parties)		2,897,662	-	-	-	-
Other receivables due from related parties		174,835	-	-	-	-
Financial assets measured at amortized cost –non-current		17,290	-	-	-	-
Total		\$ 3,762,245	-	-	-	-

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	December 31, 2021				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value under repetitive basis					
Financial assets mandatorily at fair value through profit or loss—derivative	<u>\$ 1,095</u>	<u>-</u>	<u>1,095</u>	<u>-</u>	<u>1,095</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,490,240	-	-	-	-
Notes and accounts receivable (including related parties)	1,654,118	-	-	-	-
Other receivables due from related parties	132,239	-	-	-	-
Financial assets measured at amortized cost –non-current	<u>192,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>3,468,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Fair value measured on non-recurring basis refers to occurrences in specific condition. The Company does not have any financial assets and liabilities measured on non-recurring basis.

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

i. Non-derivative financial instruments

For publicly traded stock with standard terms, conditions and traded in active market. The fair value is based on quoted market prices.

If the financial instruments held by the Company belong to a non-active market, the fair value is booked by category and attributed as follows:

Fair value of unlisted stocks without an active market was estimated using the market approach that is mainly referenced to the same type of companies' valuation, net assets and state of operation. The significant and unobservable input parameter used for assessing the unlisted stocks mainly relates to liquidity discount rate. Since the possible changes on liquidity discount rate may not cause a significant impact on the financial standing of the Company, the quantitative information will not be disclosed.

ii. Derivative financial instruments

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

(c) There was no transfer between the different levels of fair value hierarchy for the years ended December 31, 2022 and 2021.

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(27) Financial risk management

A. Overview

The Company have exposures to the following risks from its financial instruments:

- (a) credit risk
- (b) liquidity risk
- (c) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying parent-company-only financial statements.

B. Structure of risk management

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee, which is responsible for monitoring the compliance of the Company's risk management policies and procedures.

Risk management policies and systems are also reviewed regularly by the Audit Committee to reflect the changes in market conditions and the Company's activities. Internal auditors are assisting Audit Committee in performing the monitoring role through periodic and ad hoc review procedures to risk management relevant control and process. The committee reports regularly to the Board of Directors on its activities.

C. Credit risk

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

- (a) Accounts receivable and other receivables

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

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

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(b) Investment

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

(c) Guarantee

The Company's policy provides only financial security to fully owned subsidiaries. At December 31, 2022 and 2021, except for its subsidiaries the Company did not provide any endorsement guarantee.

D. Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Bank borrowing is an essential liquidity source for the Company. As of December 31, 2022 and 2021, the Company's unutilized credit line for long-term and short-term bank borrowing, please refer to note 6(12) for details.

E. Market risk

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

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

F. Foreign currency risk

The Company's exposure to the risk of fluctuation in foreign currency exchange rates relates primarily to the Company's sales, purchases, and borrowings transactions, and those are denominated in a currency different from the functional currencies of the Company. These transactions are denominated in New Taiwan dollar (NTD), US dollar (USD), and Chinese Yuan (CNY).

The derivative financial products traded by the Company adopts economic hedging to avoid the exchange rate risk of foreign currency assets or liabilities held by the Company. The gains and losses arising from exchanges rate changes will offsets the hedged items, therefore, the market risk is usually low.

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(28) Capital management

The Company's objective for managing its capital is to safeguard the capacity to continue as a going concern, to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Company may adjust the dividend payment to its shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell its assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the net debt divided by the total equity.

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

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

	December 31, 2022	December 31, 2021
Total liabilities	\$ 6,320,183	4,895,158
Less: Cash and cash equivalents	(322,687)	(672,458)
Net debt	\$ 5,997,496	4,222,700
Total equity	\$ 10,371,312	9,602,419
Debt-to-equity ratio	57.83%	43.98%

(29) Non-cash investing and financing activities

The Company's investing and financing activities which did not affect the current cash flow in the year ended December 31, 2022 and 2021, were as follows:

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

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

	January 1, 2022	Cash flows	Other	December 31, 2022
Short-term borrowings	\$ 1,490,240	(230,240)	-	1,260,000
Lease liabilities	192,250	(12,987)	16,605	195,868
Total liabilities from financing activities	\$ 1,682,490	(243,227)	16,605	1,455,868

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	January 1, 2021	Cash flows	Other	December 31, 2021
Short-term borrowings	\$ 425,250	1,064,990	-	1,490,240
Lease liabilities	198,925	(12,910)	6,235	192,250
Total liabilities from financing activities	\$ 624,175	1,052,080	6,235	1,682,490

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 Company, held 54.60% of the Company's outstanding shares and has issued the consolidated financial statements available for public use.

- (2) Names and relationship with subsidiaries and other related parties which have transaction with the Company during the periods covered in the parent-company-only financial statements were as follows:

Name of related party	Relationship with the Company
Qisda Corporation (Qisda)	Parent Company
AEWIN Technologies Co., Ltd.(AEWIN Technologies)	Qisda's subsidiary
BenQ Asia Pacific Corp (BQP)	Qisda's subsidiary
BenQ Healthcare Corporation (BHC)	Qisda's subsidiary
Global Intelligence Network Co., Ltd. (Ginnet)	Qisda's subsidiary
Qisda Vietnam Co., Ltd. (QVH)	Qisda's subsidiary
DFI Inc. (DFI)	Qisda's subsidiary
Golden Spirit Co., Ltd. (GSC)	Qisda's subsidiary
Concord Medical Co., Ltd. (Concord)	Qisda's subsidiary
Rapidtek Technologies Inc. (Rapidtek Technologies)	Qisda's associate
Unictron Technologies Corporation (Unictron Technologies)	Qisda's associate
Alpha Holdings Inc. (Alpha Holdings)	The Company's subsidiary
Alpha Solutions Co., Ltd. (Alpha Solutions)	The Company's subsidiary
Alpha Networks Inc. (Alpha USA)	The Company's subsidiary
Alpha Networks (Hong Kong) Limited (Alpha HK)	The Company's subsidiary
Alpha Technical Services Inc. (ATS)	The Company's subsidiary
D-Link Asia Investment Pte. Ltd. (D-Link Asia)	The Company's subsidiary
Alpha Networks (Chengdu) Co., Ltd. (Alpha Chengdu)	The Company's subsidiary
Mirac Networks (Dongguan) Co., Ltd (Mirac)	The Company's subsidiary
Alpha Networks (Dongguan) Co., Ltd.(Alpha Dongguan)	The Company's subsidiary
Alpha Networks (Changshu) Co., Ltd (Alpha Changshu)	The Company's subsidiary

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

Enrich Investment Corporation (Enrich Investment)	The Company's subsidiary
Transnet Corporation (Transnet)	The Company's subsidiary
Hitron Technologies Inc. (Hitron Technologies)	The Company's subsidiary
Interactive Digital Technologies Inc. (Interactive Digital)	The Company's subsidiary
Hitron Technologies (SIP), Inc. (Hitron Suzhou)	The Company's subsidiary
Hitron Technologies (Samoa), Inc. (Hitron Samoa)	The Company's subsidiary
Jietech Trading (Suzhou) Inc. (Jietech Suzhou)	The Company's subsidiary
Hitron Technologies Europe Holding B.V. (Hitron Europe)	The Company's subsidiary
Hitron Technologies Americas Inc. (Hitron Americas)	The Company's subsidiary
Innoauto Technologies Inc. (Innoauto Technologies)	The Company's subsidiary
Hitron Technologies Vietnam. (Hitron Vietnam)	The Company's subsidiary
Hwa Chi Technologies (Shanghai), Inc. (Hwa Chi Technologies)	The Company's subsidiary
Aespula Technology INC. (Aespula) (Note 1)	The Company's subsidiary
Alpha Networks Vietnam Company Limited (Alpha VN) (Note 2)	The Company's subsidiary
BenQ Foundation	Substantive related party
Alpha Foundation	Substantive related party

Note 1: The Company acquired Aespula's shareholding on August 2021.

Note 2: The Company established subsidiary in Vietnam on February 2022.

(3) Significant related-party transactions

A. Sales

The amounts of sales to related parties were as follows:

	For the years ended December 31,	
	2022	2021
Subsidiaries — Alpha USA	\$ 7,237,564	4,760,796
Subsidiaries — others	139,788	51,117
Other related parties	-	812
	<u>\$ 7,377,352</u>	<u>4,812,725</u>

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

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

The collection terms for third parties were 30 to 90 days, while those for related parties were 90 days.

For the years ended December 31, 2022 and 2021, due to sales transactions between the Company and investments in equity accounted investees, net changes in unrealized profit on sales amounting to \$(62,467) thousand and \$64,019 thousand, respectively, were recognized.

B. Purchases

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

	For the years ended December 31,	
	2022	2021
Parent of the Company	\$ -	6,163
Subsidiaries — Alpha Changshu	9,271,181	6,329,794
Subsidiaries — D-Link Asia	4,127,259	5,541,952
Subsidiaries — Others	945	3,400
Other related parties	28,878	25,314
	<u>\$ 13,428,263</u>	<u>11,906,623</u>

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

The Company purchases raw materials through Alpha HK on behalf of Alpha Changshu. After the production by Alpha Changshu, the Company will buy back the finished products produced by Alpha Changshu and sell the products to customers of the Company. For the years ended December 31, 2022 and 2021, the Company purchased raw materials through Alpha HK on behalf of Alpha Changshu amounting to \$1,463,124 thousand and \$712,377 thousand, respectively, at cost. The revenue and cost of goods sold are not recognized in the parent company only financial statements.

The Company purchases raw materials through D Link Asia on behalf of Alpha Dongguan. After the production by Alpha Dongguan, the Company will buy back the finished products produced by Alpha Dongguan and sell the products to customers of the Company. For the years ended December 31, 2022 and 2021, the Company purchased raw materials through D Link Asia on behalf of Alpha Dongguan amounting to \$295,881 thousand and \$136,701 thousand, respectively, at cost. The revenue and cost of goods sold are not recognized in the parent company only financial statements.

The accounts receivable and accounts payable arising from the abovementioned transactions are settled on a net basis.

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

C. Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable from related parties	Subsidiaries — Alpha USA	\$ 1,327,458	852,899
Accounts receivable from related parties	Subsidiaries — Alpha HK	554,976	305,125
Accounts receivable from related parties	Subsidiaries — Others	<u>94,553</u>	<u>37,529</u>
		<u>\$ 1,976,987</u>	<u>1,195,553</u>

D. Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable to related parties	Parent company	\$ -	749
Accounts payable to related parties	Subsidiaries — Alpha Changshu	994,483	349,133
Accounts payable to related parties	Subsidiaries — D-Link Asia	706,456	372,631
Accounts payable to related parties	Subsidiaries — Others	765	21
Accounts payable to related parties	Other related parties	<u>254</u>	<u>9,193</u>
		<u>\$ 1,701,958</u>	<u>731,727</u>

E. Commission costs

The commission paid to related parties for developing market business were as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries — Alpha Solutions	<u>\$ 11,839</u>	<u>12,077</u>

ALPHA NETWORKS INC.

Notes to the Parent Company Only Financial Statements

<u>Account</u>	<u>Related Party Category</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payable to related parties	Subsidiaries	<u>\$ 3,087</u>	<u>2,885</u>

F. Rendering of services and other expenses

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Parent of the Company	\$ 461	960
Subsidiaries — Alpha Chengdu	253,497	233,888
Subsidiaries — ATS	52,808	47,420
Subsidiaries — Others	2,400	777
Other related parties	<u>6,910</u>	<u>13,138</u>
	<u>\$ 316,076</u>	<u>296,183</u>

The payables to related parties were as follows:

<u>Account</u>	<u>Related Party Category</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payable to related parties	Parent of the Company	\$ 274	919
Other payable to related parties	Subsidiaries — Alpha Chengdu	135,652	116,027
Other payable to related parties	Other related parties	10,388	9,060
Other payable to related parties	Other related parties	<u>880</u>	<u>1,285</u>
		<u>\$ 147,194</u>	<u>127,291</u>

The advance payment to related parties was as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Advance payment	Subsidiaries — Others	<u>\$ -</u>	<u>1,600</u>

G. Transactions of property, plant and equipment

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Parent company	\$ -	500
Subsidiaries — other	-	329
	<u>\$ -</u>	<u>829</u>

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

The payables to related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Other payable to related parties	Subsidiaries	\$ -	525

H. Endorsement guarantees

The endorsement guarantees to related parties were as follow:

	December 31, 2022	December 31, 2021
Subsidiaries	USD 9,000	USD 9,000

I. Other income

The Company is the Director appointed by the corporate shareholder of the subsidiary, Hitron Technologies, wherein the remuneration to directors amounting to \$4,480 thousand and \$5,040 thousand recognized as other income for the years ended December 31, 2022 and 2021. The above balances had been fully paid as of the period.

The Company leased out an office to Transnet, with the rent income of \$57 thousand for the years ended December 31, 2022 and 2021, respectively, resulting in the Company to incur the unearned revenue of \$14 thousand, recognized as other current liabilities as of December 31, 2022 and 2021, respectively.

J. Dividends

The Company's subsidiary, Hitron Technologies, declared the cash dividends of \$100,000 thousand and \$200,000 thousand on February 25, 2022 and March 16, 2021, respectively, based on a resolution approved by the board. The above balances had been fully paid as of the periods.

K. Other receivables

In response to the organization restructure of Alpha Holdings, a resolution was approved during the board meeting held on December 31, 2020 for the capital reduction of Alpha Holdings, whose assets including other assets, other receivables and 100% shares of D Link Asia will be transferred to the Company to offset its share capital payable.

As of December 31, 2022 and 2021, the account receivable from Alpha Dongguan amounting to \$176,867 thousand and \$174,834 thousand was recognized as other receivables due from related parties.

L. Various advances

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

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

<u>Account</u>	<u>Related Party Category</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payable to related parties	Subsidiaries—Others	\$ 145	150
Other payable to related parties	Other related party	-	1,388
		<u>\$ 145</u>	<u>1,538</u>
Other receivable from related parties	Subsidiaries—Others	-	<u>1</u>
(4) Key management personnel compensation			
		<u>For the years ended December 31,</u>	
		<u>2022</u>	<u>2021</u>
Short-term employee benefits		<u>\$ 43,118</u>	<u>29,568</u>

8. Pledged assets:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Import guarantee for customs	\$ 7,550	7,550
Time deposit (recorded in financial assets measured at amortized cost–non-current)	Guarantee for land lease	8,000	8,000
		<u>\$ 15,550</u>	<u>15,550</u>

9. Significant commitments and contingencies:

- (1) As of December 31, 2022 and 2021, the Company deposited notes in the bank amounting to \$5,558,355 thousand and \$4,504,300 thousand, respectively in order to obtain the credits limit of bank financing, foreign exchange facilities and contracts of government grants.
- (2) The Company had entered into technology license agreement with suppliers. According to the agreement, the Company is obligated to make payments for technology license fee and royalty based on the total sales of products by using such technology.
- (3) Please refer to note 7(3) for further details related to endorsement guarantees.

10. Losses Due to Major Disasters: None

11. Subsequent Events: None

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

12. Other:

The summary of employee benefits, depreciation and amortization, by function, are as follows:

By item	By function	2022			2021		
		Cost of sales	Operation expenses	Total	Cost of sales	Operation expenses	Total
Employee benefits							
Salaries		333,842	1,123,419	1,457,261	315,942	881,143	1,197,085
Labor and health insurance		30,466	71,777	102,243	32,055	71,776	103,831
Pension		12,237	44,777	57,014	12,097	43,342	55,439
Remuneration of directors		-	20,239	20,239	-	15,460	15,460
Others		23,223	44,454	67,677	22,521	31,701	54,222
Depreciation		32,068	60,489	92,557	35,090	69,067	104,157
Amortization		809	74,779	75,588	410	86,279	86,689

Additional information on the number of employees and employee benefit costs are as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
The number of employees	<u>1,226</u>	<u>1,346</u>
The number of directors who are not holding as a position of employee	<u>6</u>	<u>5</u>
The average of employee benefits	<u>\$ 1,380</u>	<u>1,052</u>
The average of salaries	<u>\$ 1,194</u>	<u>893</u>
The average of salary adjustment rate	<u>34%</u>	
Remuneration of supervisors	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, managers and employees) are as follows:

- (1) The remuneration of the Company's directors and supervisors is determined by reference to the Company's overall operating performance, value and development trends of the industry. Furthermore, the remunerations are in accordance with the Company's articles of incorporation and the managerial salary standards, which are reviewed by the Remuneration Committee and approved by the board of directors.
- (2) The remuneration of the managers and employees includes salary, bonus and employee remuneration. The wages of the employees are paid based on their position, the complexity of their work value, the trends of the industry and the Company's overall financial status. In addition to the fixed remuneration, the variable remuneration is distributed based on operating performance and employee contribution in order to motivate employees. Remuneration for employees is in accordance with the Company's articles of association and implemented by the approval of the Board of Directors' meeting and reported to the shareholders' meeting.

ALPHA NETWORKS INC.
Notes to the Parent Company Only 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 Company:

- 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 \$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) of consolidated financial statements.

(2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 7.

(3) Information on investment in mainland China:

- A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 8.
- B. Limitation on investment in Mainland China: Please refer to Table 8.
- C. Significant transactions:

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

ALPHA NETWORKS INC.
Notes to the Parent Company Only Financial Statements

(4) Major shareholders:

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

- A. 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.
- B. 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:

Please refer to consolidated financial statements for the year ended December 31, 2022.

Alpha Networks Inc.
Financing provided to other parties
For the year ended December 31, 2022

Table 1

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Alpha VN	Other receivable from related parties	Yes	644,300 (USD20,000 thousand)	614,600 (USD20,000 thousand)	-	3%	2	-	Operating capital	-		-	2,074,262 (note 2)	4,148,525 (note 3)
0	The Company	Enrich Investment	Same as above	Yes	80,000	-	-	1.3%	2	-	Operating capital	-		-	2,074,262 (note 2)	4,148,525 (note 3)
1	Alpha HK	Alpha Changshu	Same as above	Yes	1,124,304 (USD34,900 thousand)	998,725 (USD32,500 thousand)	998,725 (USD32,500 thousand)	-	2	-	Operating capital	-		-	2,197,747 (note 4)	2,197,747 (note 4)
2	Alpha Chengdu	Alpha Changshu	Same as above	Yes	179,876 (RMB40,000 thousand)	-	-	2%	2	-	Operating capital	-		-	596,263 (note 4)	596,263 (note 4)
3	D-Link Asia	Alpha Changshu	Same as above	Yes	161,075 (USD5,000 thousand)	-	-	-	2	-	Operating capital	-		-	1,889,979 (note 4)	1,889,979 (note 4)
4	Alpha Dongguan	Alpha Changshu	Same as above	Yes	307,423 (RMB70,400 thousand)	-	-	2%	2	-	Operating capital	-		-	1,586,754 (note 4)	1,586,754 (note 4)
5	Hitron Technologies	Hitron Vietnam	Same as above	Yes	966,450 (USD30,000 thousand)	921,900 (USD30,000 thousand)	414,855 (USD13,500 thousand)	1%	2	-	Operating capital	-		-	1,058,758 (note 5)	2,117,517 (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 the Company.

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

Note 4: Alpha HK, D-Link Asia, Alpha Chengdu and Alpha Dongguan, the subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, which are not located in Taiwan, for the purpose of landing operating capital, the amount of financing offered to a single company owned by the Company shall not exceed 100% of the lender's net worth.

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

- a. For entities who have business transactions with Hitron Technologies, the lending amount shall not exceed the total transaction amount in the nearest 12 months or the estimated amount within the next 12 months. Furthermore, the lending amount shall not exceed 20% of the net worth of Hitron Technologies' latest audited or reviewed financial statements. The transaction referring to the higher of sales or purchase amount.
- b. For entities who have a need in short term financing, the lending amount shall not exceed 20% of the net worth of Hitron Technologies' latest audited or reviewed financial statements.
- c. Lending among foreign subsidiaries which Hitron Technologies has 100% of direct or indirect voting rights, or foreign subsidiaries which Hitron Technologies has 100% of direct or indirect voting rights lending to Hitron Technologies, there is no limit to the amount and period of lending, but should state the limit and term of lending.

Alpha Networks Inc.
Guarantees and endorsements provided to other parties
For the year ended December 31, 2022

Table 2

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 1 and 4)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note 2 and 4)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Alpha Dongguan	note 3	5,185,656	64,430	61,460	33,643	-	0.59%	10,371,312	Y	N	Y
0	The Company	Alpha Changshu	note 3	5,185,656	225,505	215,110	-	-	2.07%	10,371,312	Y	N	Y
1	Hitron Technologies	Hitron Europe	note 3	5,293,792	688,790	624,067	98,460	-	11.79%	7,940,688	N	N	N
1	Hitron Technologies	Hitron Americas	note 3	5,293,792	644,300	614,600	-	-	11.61%	7,940,688	N	N	N
1	Hitron Technologies	Hitron Vietnam	note 3	5,293,792	2,577,200	2,458,400	522,410	-	46.44%	7,940,688	N	N	N

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

Note 2: The total amount of guarantee provided by the company shall not exceed 100% of the company'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.
Securities held (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2022

Table 3

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

Name of holder	Category and name of security	Relationship with company	Account	Ending balance				Note
				Shares/ Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	TGC, Inc.	-	Non-current financial assets at fair value through profit and loss	500	-	1.83	-	
Enrich Investment	RAPIDTEK TECHNOLOGIES	Qisda's associate	Non-current financial assets at fair value through other comprehensive income	1,500	108,750	6.00	108,750	
Hitron Technologies	TRANSCEND	-	Current financial assets at fair value through profit or loss	441	29,106	-	29,106	
Hitron Technologies	SENAO	-	Current financial assets at fair value through profit or loss	152	4,667	-	4,667	
Interactive Digital	TRANSCEND	-	Current financial assets at fair value through profit or loss	336	21,991	-	21,991	
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	YESMOBILE 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.
Individual securities acquired or disposed of with accumulated amounts exceeding \$300 million or 20% of the capital stock
For the year ended December 31, 2022

Table 4

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

Name of company	Category and name of security	Account	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount (note)
The Company	Alpha VN	Investments accounted for using equity method	-	Parent and subsidiary	-	-	-	703,056	-	-	-	-	-	613,700

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.

Related-party transactions for purchases and sales with amounts exceeding \$100 million or 20% of the capital stock

For the year ended December 31, 2022

Table 5

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Alpha USA	Subsidiary of the Company	(Sales)	(7,237,564)	(36)%	90 days	-		1,327,458	34%	
The Company	D-Link Asia	Subsidiary of the Company	Purchase	4,127,259	24%	90 days	-		(994,483)	(36)%	
The Company	Alpha Changshu	Subsidiary of the Company	Purchase	9,271,181	54%	90 days	-		(706,456)	(26)%	
The Company	Hitron Technologies	Subsidiary of the Company	(Sales)	(126,355)	(1)%	90 days	-		92,700	2%	
Alpha Changshu	Mirac	Subsidiary to subsidiary	(Sales)	(660,541)	(7)%	90 days	-		68,387	8%	
Alpha HK	Alpha Changshu	Subsidiary to subsidiary	(Sales)	(8,212,172)	(100)%	90 days	-		1,142,241	93%	
D-Link Asia	Alpha Dongguan	Subsidiary to subsidiary	Purchase	4,127,259	60%	90 days	-		(1,037,835)	(72)%	
Hitron Technologies	Hitron Americas	Subsidiary to subsidiary	(Sales)	(6,113,266)	(49)%	90 days	-		2,286,506	89%	
Hitron Technologies	Hitron Europe	Subsidiary to subsidiary	(Sales)	(1,034,160)	(8)%	90 days	-		274,828	11%	
Hitron Vietnam	Hitron Technologies	Subsidiary to subsidiary	(Sales)	(9,981,530)	(81)%	60 days	-		3,014,398	118%	
Hitron Suzhou	Hitron Technologies	Subsidiary to subsidiary	(Sales)	(166,852)	(1)%	60 days	-		23,311	1%	

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

Table 6

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (note 1)	Loss Allowance	Note
					Amount	Action taken			
The Company	Alpha USA	Subsidiary of the Company	1,327,458	6.64	-	-	1,292,740	-	note 2
The Company	Alpha HK	Subsidiary of the Company	554,976	-	162,368	-	384,029	-	note 2
The Company	Alpha Dongguan	Subsidiary of the Company	176,868	-	-	-	-	-	note 2
D-Link Asia	The Company	Subsidiary to parent	994,483	6.14	294,723	-	30,807	-	note 2
Alpha Changshu	The Company	Subsidiary to parent	706,456	17.18	-	-	811,334	-	note 2
Alpha Chengdu	The Company	Subsidiary to parent	135,652	-	-	-	-	-	note 2
Alpha Dongguan	D-Link Asia	Subsidiary to subsidiary	1,037,835	5.83	510,011	-	30,807	-	note 2
Alpha HK	Alpha Changshu	Subsidiary to subsidiary	1,142,241	6.71	214,288	-	1,011,629	-	note 2
D-Link Asia	Alpha Dongguan	Subsidiary to subsidiary	404,887	5.76	44,461	-	30,806	-	note 2
Hitron Technologies	Hitron Americas	Subsidiary to subsidiary	2,286,506	3.35	-	-	743,958	-	note 2
Hitron Technologies	Hitron Europe	Subsidiary to subsidiary	274,828	5.36	-	-	145,866	-	note 2
Hitron Technologies	Hitron Vietnam	Subsidiary to subsidiary	556,857	-	-	-	72,708	-	note 2
Hitron Vietnam	Hitron Technologies	Subsidiary to subsidiary	3,014,398	5.47	-	-	1,629,920	-	note 2

Note 1: The collection situation as of February 17, 2023.

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

Alpha Networks Inc.
Information on investees (excluding information on investees in Mainland China)
For the year ended December 31, 2022

Table 7

(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 December 31, 2022			Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Alpha Holdings	Cayman Islands	Investment holding	208,500	208,500	6,464	100.00%	-	21,344	21,344	
The Company	Alpha Solutions	Japan	Sale of network equipment, components and technical services	5,543	5,543	1	100.00%	18,677	(202)	(202)	
The Company	Alpha USA	CA USA	Sale, marketing and procurement service in USA	51,092	51,092	1,500	100.00%	158,756	4,746	4,746	
The Company	Alpha HK	Hong Kong	Investment holding	3,143,628	3,143,628	780,911	100.00%	2,183,875	(97,329)	(105,319)	
The Company	ATS	CA USA	Post-sale service	260,497	260,497	8,100	100.00%	187,633	1,806	1,806	
				(USD8,100 thousand)	(USD8,100 thousand)						
The Company	Enrich Investment	Taiwan	Investment holding	400,000	320,000	40,000	100.00%	304,008	(10,555)	(10,555)	
The Company	Hitron Technologies	Taiwan	Marketing on system integration of communication product and telecommunication products	4,811,000	4,811,000	200,000	62.24%	4,213,524	482,193	248,013	
The Company	D-Link Asia	Singapore	Investment in manufacturing business	1,692,805	1,692,805	86,946	100.00%	1,876,429	103,357	92,713	
				note 2	note 2						
The Company	Alpha VN	Vietnam	Production and sale of network products	703,056	-	note 4	100.00%	613,700	(121,027)	121,027	

Enrich Investment	Interactive Digital	Taiwan	Telecommunication and broadband network system services	189,523	189,523	2,575	6.40%	112,267	215,007	note 1
Enrich Investment	Transnet Corporation	Taiwan	Operating network communication products, provide support system services, integrated supply and import and export of network equipment	50,000	50,000	5,000	100.00%	16,696	(7,548)	note 1
Enrich Investment	Aespula	Taiwan	Sale of network equipment components and technical services	80,000	80,000	8,000	98.92%	63,275	(13,500)	note 1,3
Hitron Technologies	Hitron Samoa	Samoa	International trade	642,697	642,697	21,350	100.00%	608,650	18,943	note 1
Hitron Technologies	Interactive Digital	Taiwan	Telecommunication and broadband network system services	126,091	126,091	16,703	41.49%	548,562	215,007	note 1
Hitron Technologies	Hitron Europe	Netherlands	International trade	59,604	59,604	15	100.00%	104,624	86,528	note 1
Hitron Technologies	Hitron Americas	USA	International trade	90,082	90,082	300	100.00%	429,317	165,909	note 1
Hitron Technologies	Innoauto Technologies	Taiwan	Investments and automotive electronics products	20,000	20,000	2,000	100.00%	3,444	(188)	note 1
Hitron Technologies	Hitron Vietnam	Vietnam	Production and sale of broadband telecommunication products	1,511,735	1,511,735	note 4	100.00%	2,213,908	714,066	note 1

Note 1: Recognized by subsidiary.

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

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

Note 4: Limited company.

Alpha Networks Inc.
Information on investment in Mainland China
For the year ended December 31, 2022

Table 8

(In Thousands of New Taiwan Dollars)

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (note 3)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Alpha Chengdu	Research and development of network products	420,426	note 1(a)	420,426	-	-	420,426	13,640	100.00%	13,640	596,263	-
Alpha Dongguan	Production and sale of network products	787,496	note 1(a)	741,084	-	-	741,084 (note 7)	539,949	100.00%	539,949	1,586,754	-
Mirac	Production and sale of network products	107,131 (note 10)	note 1(a)	307,326	-	-	307,326	41,064	100.00%	41,064	150,830	-
Alpha Changshu	Production and sale of network products	1,925,920	note 1(b)	1,925,920	-	-	1,925,920	(196,887)	100.00%	(196,887)	1,171,318	-
Hitron Suzhou	Production and sale of broadband network products	641,763 (RMB141,547 thousand)	note 1(c)	641,763	-	-	641,763	22,698	100.00% (note 9)	18,967	614,622	-
Jietech Suzhou	Sale of broadband network products and related services	31,139 (RMB5,425 thousand)	note 1(c)	31,139	-	-	31,139	(28)	100.00% (note 9)	(25)	3,740	-
Hwa Chi Technologies	Technical consultation on electronic communication, technology research and development, maintenance and after-sale service	5,814 (USD200 thousand)	note 2	12,048	-	-	12,048	1,264	41.49% (note 9)	533	5,185	23,037

(2) Limitation on investment in Mainland China

Company Name	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	3,261,784 note 4,5,8	4,123,685	note 6
Hitron Technologies	684,950	684,950	3,176,275

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

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

Note 2: Hwa Chi is a China based investment company, which was originally invested by Hitron (Samoa), a subsidiary of Alpha. However, due to the Group's restructuring, the investor was changed to Interactive Digital instead, based on the resolution approved during the board meeting in 2012.

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

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

Note 5: Alpha, who indirectly invested its subsidiary, Tongying Trading (Shenzhen) Co., Ltd., has liquidated all its rights and obligations and cancelled its registration in March 2008, resulting in the amount of \$4,367 thousand (the difference between the accumulated investment in Tongying Trading (Shenzhen) Co., Ltd. amounting to \$9,828 thousand and the remittance amount of \$5,461 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 need not be included at the end of the period.

Note 8: Maintrend, a subsidiary which the Company indirectly invested in, has completed its liquidation procedures on various rights and obligations; thus, cancelled its registration on July 23, 2018. However, the Company'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, 2012; however, the capital has yet to be remitted back as of December 31, 2022.

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