

**ARCADYAN TECHNOLOGY CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2022 and 2021**

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statement of Comprehensive Income	5
6. Consolidated Statement of Changes in Equity	6
7. Consolidated Statement of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of significant accounting policies	10~12
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	12
(6) Explanation of significant accounts	12~44
(7) Related-party transactions	45~47
(8) Pledged assets	47
(9) Commitments and contingencies	47
(10) Losses Due to Major Disasters	47
(11) Subsequent Events	47
(12) Other	48
(13) Other disclosures	
(a) Information on significant transactions	49~53
(b) Information on investees	53~54
(c) Information on investment in Mainland China	54~55
(d) Major shareholders	55
(14) Segment information	55



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Independent Auditors' Review Report

To the Board of Directors of Arcadyan Technology Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Arcadyan Technology Corporation and its subsidiaries as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, as well as the changes in equity and cash flows for the nine months ended September 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note (4)(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$914,419 thousand and \$677,762 thousand, constituting 2% and 2% of consolidated total assets as of September 30, 2022 and 2021, respectively, total liabilities amounting to \$378,207 thousand and \$238,350 thousand, constituting 1% and 1% of consolidated total liabilities as of September 30, 2022 and 2021, respectively, and total comprehensive income (loss) amounting to \$(14,320) thousand, \$(7,204) thousand, \$(16,724) thousand and \$3,072 thousand, constituting (2)%, (2)%, (1)% and 0% of consolidated total comprehensive income for the three months and nine months ended September 30, 2022 and 2021, respectively.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Arcadyan Technology Corporation and its subsidiaries as of September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021, as well as its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ report are Szu-Chuan Chien and Yi-Wen Wang.

KPMG

Taipei, Taiwan (Republic of China)
November 10, 2022

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2022 and 2021

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

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

(Expressed In thousand dollars of TWD)

		September 30, 2022		December 31, 2021		September 30, 2021				September 30, 2022		December 31, 2021		September 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Assets															
Current assets:															
1100	Cash and cash equivalents (note (6)(a))	\$ 7,062,771	18	7,970,779	24	6,932,377	21	2100	Short-term borrowings (note (6)(k))	\$ 3,811,218	10	4,363,580	13	2,215,595	7
1110	Current financial assets at fair value through profit or loss (note (6)(b))	38,213	-	19,713	-	286,794	1	2120	Current financial liabilities at fair value through profit or loss (note (6)(b))	40,983	-	1,589	-	8,796	-
1139	Current financial assets for hedging (note (6)(d))	5,646	-	-	-	19,510	-	2171	Accounts payable (including related parties) (note (7))	15,228,368	38	9,785,660	29	12,320,270	37
1170	Notes and accounts receivable, net (notes (6)(e) and (u))	11,875,630	30	7,692,296	23	7,270,537	22	2200	Other payables (including related parties) (note (7))	4,691,228	12	3,844,588	12	3,694,653	11
1200	Other receivables (including related parties) (notes (6)(e), (w) and (7))	215,202	1	98,994	-	183,029	1	2230	Current tax liabilities	345,004	1	315,279	1	166,208	1
1310	Inventories, net (note (6)(f))	14,401,780	36	12,496,419	37	12,986,268	39	2250	Current provisions (note (6)(o))	578,070	1	1,018,471	3	975,403	3
1410	Prepayments	195,285	-	163,493	-	207,323	1	2280	Current lease liabilities (notes (6)(n) and (7))	88,341	-	86,426	-	89,723	-
1470	Other current assets (note (8))	129,777	-	91,238	-	88,415	-	2300	Other current liabilities (note (6)(l))	1,230,120	3	734,799	2	423,424	1
		<u>33,924,304</u>	<u>85</u>	<u>28,532,932</u>	<u>84</u>	<u>27,974,253</u>	<u>85</u>	2321	Bonds payable, current portion (note (6)(m))	-	-	326,571	1	879,379	3
										<u>26,013,332</u>	<u>65</u>	<u>20,476,963</u>	<u>61</u>	<u>20,773,451</u>	<u>63</u>
Non-current assets:															
1550	Investments accounted for using equity method (note (6)(g))	315,270	1	324,178	1	330,686	1	2570	Deferred tax liabilities (note (6)(q))	175,815	1	168,121	-	105,147	-
1511	Non-current financial assets at fair value through profit or loss (note (6)(b))	52,306	-	37,475	-	41,176	-	2580	Non-current lease liabilities (notes (6)(n) and (7))	122,523	-	197,303	1	254,399	1
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(c))	53,576	-	26,169	-	20,691	-	2640	Non-current net defined benefit liability	103,954	-	105,902	-	97,468	-
1600	Property, plant and equipment (note (6)(h))	4,546,545	12	3,762,513	12	3,727,533	11	2670	Other non-current liabilities	35,509	-	29,711	-	29,828	-
1755	Right-of-use assets (notes (6)(i) and (7))	525,837	1	586,307	2	653,974	2		<u>Total liabilities</u>	<u>437,801</u>	<u>1</u>	<u>501,037</u>	<u>1</u>	<u>486,842</u>	<u>1</u>
1780	Intangible assets (note (6)(j))	93,348	-	115,028	-	75,151	-			<u>26,451,133</u>	<u>66</u>	<u>20,978,000</u>	<u>62</u>	<u>21,260,293</u>	<u>64</u>
1840	Deferred tax assets	335,657	1	400,494	1	328,269	1	Equity attributable to owners of parent (notes (6)(m) and (r)):							
1900	Other non-current assets	77,632	-	116,017	-	60,471	-	3110	Ordinary share	2,203,543	6	2,164,926	6	2,097,257	6
		<u>6,000,171</u>	<u>15</u>	<u>5,368,181</u>	<u>16</u>	<u>5,237,951</u>	<u>15</u>	3200	Capital surplus	4,089,812	10	4,032,400	12	3,550,799	11
								3300	Retained earnings	6,865,821	17	6,738,883	20	6,282,452	19
								3410	Exchange differences on translation of foreign financial statements	165,371	1	(243,747)	(1)	(231,017)	(1)
								3420	Unrealized gain or loss on financial assets at fair value through other comprehensive income	4,076	-	(23,331)	-	(28,809)	-
								3450	Gain(loss) on hedging instrument	4,517	-	-	-	19,510	-
								3491	Unearned employee benefit	-	-	(13,030)	-	(21,174)	-
										<u>13,333,140</u>	<u>34</u>	<u>12,656,101</u>	<u>37</u>	<u>11,669,018</u>	<u>35</u>
								3600	Non-controlling interests	<u>140,202</u>	<u>-</u>	<u>267,012</u>	<u>1</u>	<u>282,893</u>	<u>1</u>
									Total equity	<u>13,473,342</u>	<u>34</u>	<u>12,923,113</u>	<u>38</u>	<u>11,951,911</u>	<u>36</u>
Total assets		<u>\$ 39,924,475</u>	<u>100</u>	<u>33,901,113</u>	<u>100</u>	<u>33,212,204</u>	<u>100</u>	Total liabilities and equity		<u>\$ 39,924,475</u>	<u>100</u>	<u>33,901,113</u>	<u>100</u>	<u>33,212,204</u>	<u>100</u>

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the three months and nine months ended September 30, 2022 and 2021

(Expressed In thousand dollars of TWD, except earnings per share)

	For the three months ended				For the nine months ended			
	September 30,		September 30,		September 30,		September 30,	
	2022	2021	2022	2021	2022	2021	2022	2021
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenues (notes (6)(d) and (u)):	\$ 12,783,703	100	9,481,288	100	33,971,579	100	28,654,465	100
5000 Operating costs (notes (6)(f), (p), (7) and (12))	<u>10,984,459</u>	<u>86</u>	<u>8,120,785</u>	<u>86</u>	<u>29,254,328</u>	<u>86</u>	<u>24,686,451</u>	<u>86</u>
Gross profit from operating	<u>1,799,244</u>	<u>14</u>	<u>1,360,503</u>	<u>14</u>	<u>4,717,251</u>	<u>14</u>	<u>3,968,014</u>	<u>14</u>
Operating expenses (notes (6)(p), (7) and (12)):								
6100 Selling expenses	437,478	3	175,384	2	975,140	3	478,937	2
6200 Administrative expenses	148,115	1	118,739	1	395,875	1	357,211	1
6300 Research and development expenses	<u>620,561</u>	<u>5</u>	<u>525,113</u>	<u>5</u>	<u>1,769,347</u>	<u>5</u>	<u>1,501,234</u>	<u>5</u>
Total operating expenses	<u>1,206,154</u>	<u>9</u>	<u>819,236</u>	<u>8</u>	<u>3,140,362</u>	<u>9</u>	<u>2,337,382</u>	<u>8</u>
Net operating income	<u>593,090</u>	<u>5</u>	<u>541,267</u>	<u>6</u>	<u>1,576,889</u>	<u>5</u>	<u>1,630,632</u>	<u>6</u>
Non-operating income and expenses:								
7100 Interest income	22,909	-	17,390	-	53,884	-	49,821	-
7020 Other profit or loss	6,697	-	17,741	-	10,273	-	36,163	-
7230 Foreign exchange gains(losses), net (note (6)(w))	138,745	1	(29,492)	-	224,495	-	(153,524)	(1)
7235 (Losses) gains on financial assets (liabilities) at fair value through profit or loss (notes (6)(b) and (d))	(25,547)	-	33,020	-	(51,448)	-	119,984	-
7370 Share of profit of associates and joint ventures accounted for using equity method (note (6)(g))	2,256	-	3,182	-	662	-	6,036	-
7510 Interest expense (notes (6)(m), (n) and (7))	<u>(25,159)</u>	<u>-</u>	<u>(9,124)</u>	<u>-</u>	<u>(60,269)</u>	<u>-</u>	<u>(27,168)</u>	<u>-</u>
Total non-operating income and expenses	<u>119,901</u>	<u>1</u>	<u>32,717</u>	<u>-</u>	<u>177,597</u>	<u>-</u>	<u>31,312</u>	<u>(1)</u>
Income before tax	712,991	6	573,984	6	1,754,486	5	1,661,944	5
7950 Less: Income tax expenses (note (6)(q))	<u>178,619</u>	<u>2</u>	<u>157,360</u>	<u>2</u>	<u>451,100</u>	<u>1</u>	<u>409,284</u>	<u>1</u>
Net income	<u>534,372</u>	<u>4</u>	<u>416,624</u>	<u>4</u>	<u>1,303,386</u>	<u>4</u>	<u>1,252,660</u>	<u>4</u>
8300 Other comprehensive income:								
8310 Components of other comprehensive income that will not be reclassified to profit or loss								
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note (6)(c))	(4,966)	-	(6,583)	-	27,407	-	(10,444)	-
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(q))	-	-	-	-	-	-	-	-
Components of other comprehensive income that will not be reclassified to profit or loss	<u>(4,966)</u>	<u>-</u>	<u>(6,583)</u>	<u>-</u>	<u>27,407</u>	<u>-</u>	<u>(10,444)</u>	<u>-</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361 Exchange differences on translation of foreign financial statements	218,049	2	(11,596)	-	399,754	1	(68,223)	-
8368 Gains (losses) on hedging instrument (note (6)(d))	(50,945)	-	1,460	-	5,646	-	21,702	-
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss (note (6)(g))	(25)	-	(49)	-	(32)	-	(153)	-
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note (6)(q))	<u>(10,189)</u>	<u>-</u>	<u>(2,320)</u>	<u>-</u>	<u>1,129</u>	<u>-</u>	<u>(13,645)</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss	<u>177,268</u>	<u>2</u>	<u>(7,865)</u>	<u>-</u>	<u>404,239</u>	<u>1</u>	<u>(33,029)</u>	<u>-</u>
8300 Other comprehensive income	<u>172,302</u>	<u>2</u>	<u>(14,448)</u>	<u>-</u>	<u>431,646</u>	<u>1</u>	<u>(43,473)</u>	<u>-</u>
Total comprehensive income	<u>\$ 706,674</u>	<u>6</u>	<u>402,176</u>	<u>4</u>	<u>1,735,032</u>	<u>5</u>	<u>1,209,187</u>	<u>4</u>
Net income, attributable to:								
Owners of parent	\$ 570,668	4	486,514	5	1,387,894	4	1,322,326	4
8620 Non-controlling interests	<u>(36,296)</u>	<u>-</u>	<u>(69,890)</u>	<u>(1)</u>	<u>(84,508)</u>	<u>-</u>	<u>(69,666)</u>	<u>-</u>
Comprehensive income attributable to:	<u>\$ 534,372</u>	<u>4</u>	<u>416,624</u>	<u>4</u>	<u>1,303,386</u>	<u>4</u>	<u>1,252,660</u>	<u>4</u>
Owners of parent	\$ 748,398	6	472,083	5	1,828,936	5	1,278,929	4
Non-controlling interests	<u>(41,724)</u>	<u>-</u>	<u>(69,907)</u>	<u>(1)</u>	<u>(93,904)</u>	<u>-</u>	<u>(69,742)</u>	<u>-</u>
Earnings per share (note (6)(t))	<u>\$ 706,674</u>	<u>6</u>	<u>402,176</u>	<u>4</u>	<u>1,735,032</u>	<u>5</u>	<u>1,209,187</u>	<u>4</u>
9750 Basic earnings per share	<u>\$ 2.60</u>		<u>2.35</u>		<u>6.36</u>		<u>6.40</u>	
9850 Diluted earnings per share	<u>\$ 2.56</u>		<u>2.20</u>		<u>6.21</u>		<u>5.96</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
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ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
For the nine months ended September 30, 2022 and 2021
(Expressed in thousand dollars of TWD)

	Equity attributable to owners of parent						Total other equity interest							
	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Unearned employee benefit	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings									
Balance at January 1, 2021	\$ 2,084,095	3,661,594	981,894	95,172	5,029,131	6,106,197	(176,362)	(18,365)	(2,192)	(45,606)	(242,525)	11,609,361	352,635	11,961,996
Net income for the nine months ended September 30, 2021	-	-	-	-	1,322,326	1,322,326	-	-	-	-	-	1,322,326	(69,666)	1,252,660
Other comprehensive income for the nine months ended September 30, 2021	-	-	-	-	-	-	(54,655)	(10,444)	21,702	-	(43,397)	(43,397)	(76)	(43,473)
Comprehensive income for the nine months ended September 30, 2021	-	-	-	-	1,322,326	1,322,326	(54,655)	(10,444)	21,702	-	(43,397)	1,278,929	(69,742)	1,209,187
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	170,897	-	(170,897)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	101,747	(101,747)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,146,071)	(1,146,071)	-	-	-	-	-	(1,146,071)	-	(1,146,071)
Cash dividends from capital surplus	-	(208,377)	-	-	-	-	-	-	-	-	-	(208,377)	-	(208,377)
Convertible bonds converted into ordinary shares	13,582	97,276	-	-	-	-	-	-	-	-	-	110,858	-	110,858
Changes in equity of associates and subsidiaries accounted for using equity method	-	(114)	-	-	-	-	-	-	-	-	-	(114)	-	(114)
Share-based payment transactions	(420)	420	-	-	-	-	-	-	-	24,432	24,432	24,432	-	24,432
Balance at September 30, 2021	\$ 2,097,257	3,550,799	1,152,791	196,919	4,932,742	6,282,452	(231,017)	(28,809)	19,510	(21,174)	(261,490)	11,669,018	282,893	11,951,911
Balance at January 1, 2022	\$ 2,164,926	4,032,400	1,152,791	196,919	5,389,173	6,738,883	(243,747)	(23,331)	-	(13,030)	(280,108)	12,656,101	267,012	12,923,113
Net income for the nine months ended September 30, 2022	-	-	-	-	1,387,894	1,387,894	-	-	-	-	-	1,387,894	(84,508)	1,303,386
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	-	409,118	27,407	4,517	-	441,042	441,042	(9,396)	431,646
Comprehensive income for the nine months ended September 30, 2022	-	-	-	-	1,387,894	1,387,894	409,118	27,407	4,517	-	441,042	1,828,936	(93,904)	1,735,032
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	177,876	-	(177,876)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	70,159	(70,159)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,260,956)	(1,260,956)	-	-	-	-	-	(1,260,956)	-	(1,260,956)
Cash dividends from capital surplus	-	(217,406)	-	-	-	-	-	-	-	-	-	(217,406)	-	(217,406)
Convertible bonds converted into ordinary shares	38,920	281,014	-	-	-	-	-	-	-	-	-	319,934	-	319,934
Changes in equity of associates and subsidiaries accounted for using equity method	-	4,135	-	-	-	-	-	-	-	-	-	4,135	-	4,135
Share-based payment transactions	(303)	(10,331)	-	-	-	-	-	-	-	13,030	13,030	2,396	-	2,396
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(32,906)	(32,906)
Balance at September 30, 2022	\$ 2,203,543	4,089,812	1,330,667	267,078	5,268,076	6,865,821	165,371	4,076	4,517	-	173,964	13,333,140	140,202	13,473,342

See accompanying notes to consolidated financial statements.

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statement of Cash Flows
For the nine months ended September 30, 2022 and 2021
(Expressed in thousand dollars of TWD)

	For the nine months ended September 30,	
	2022	2021
Cash flows from (used in) operating activities:		
Income before tax	\$ 1,754,486	1,661,944
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	495,129	384,588
Amortization expense	35,888	26,169
Expected credit losses	25,630	2,677
Interest expense	60,269	27,168
Interest income	(53,884)	(49,821)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(14,831)	1,664
Share-based payments transactions	2,396	24,432
Share of loss of associates and joint ventures accounted for using equity method	(662)	(6,036)
Losses (gains) on disposal of property, plant, equipment and intangible assets	7,683	(5,467)
Lease modification benefits	(3,045)	-
Others	395	805
Total adjustments to reconcile profit (loss)	<u>554,968</u>	<u>406,179</u>
Changes in operating assets and liabilities:		
Changes in financial assets or liabilities mandatorily measured at fair value through profit or loss	20,894	(59,672)
Increase in notes and accounts receivable	(4,208,788)	(360,778)
Increase in other receivables (including related parties)	(119,194)	(11,065)
Increase in inventories	(1,905,361)	(4,959,672)
Increase in prepayments	(31,792)	(62,135)
Increase in other current assets	(38,539)	(4,863)
Increase in accounts payable (including related parties)	5,442,708	1,985,664
Increase in other payables (including related parties) and other current liabilities	887,821	1,288,793
Decrease in other operating liabilities	(1,949)	(1,651)
Total changes in operating assets and liabilities	<u>45,800</u>	<u>(2,185,379)</u>
Total adjustments	<u>600,768</u>	<u>(1,779,200)</u>
Cash inflow (outflow) generated from operations	2,355,254	(117,256)
Interest received	56,478	38,406
Dividends received	13,673	13,672
Interest paid	(53,259)	(16,710)
Income taxes paid	(410,893)	(639,178)
Net cash flows from (used in) operating activities	<u>1,961,253</u>	<u>(721,066)</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(938,772)	(1,528,207)
Proceeds from disposal of property, plant and equipment	44,612	10,646
Proceeds from disposal of right-of-use assets	40,541	-
Decrease in pledged assets	-	41,090
Decrease (increase) in refundable deposits	38,365	(11,657)
Acquisition of intangible assets	(14,181)	(26,027)
Increase in other non-current assets	-	(1,510)
Net cash flows used in investing activities	<u>(829,435)</u>	<u>(1,515,665)</u>
Cash flows from (used in) financing activities:		
(Decrease) increase in short-term borrowings	(552,362)	1,507,800
Repayments of bonds	(7,400)	-
Repayment of lease principal	(65,253)	(65,706)
Cash dividends paid	(1,478,345)	(1,354,449)
Change in non-controlling interests	(32,906)	-
Other financing activities	5,580	27,685
Net cash flows from (used in) financing activities	<u>(2,130,686)</u>	<u>115,330</u>
Effect of exchange rate changes on cash and cash equivalents	<u>90,860</u>	<u>(25,990)</u>
Net decrease in cash and cash equivalents	(908,008)	(2,147,391)
Cash and cash equivalents at beginning of period	7,970,779	9,079,768
Cash and cash equivalents at end of period	<u>\$ 7,062,771</u>	<u>6,932,377</u>

See accompanying notes to consolidated financial statements.

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

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2022 and 2021

(Expressed in thousand dollars of TWD, Unless Otherwise Specified)

(1) Company history

Arcadyan Technology Corporation (the “Company”) was incorporated in May 9, 2003 and merged with BroadNet Technology, Inc. on May 1, 2006.

The consolidated financial statements of the Company as of September 30, 2022 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Company’s interest in associates. The Company is primarily engaged in the research, development, manufacture and sale of wireless networking products, integrated access devices, digital home multimedia appliances, mobile broadband products and wireless audio and video products. Please refer to note (4)(b) for related information of the Group primary business activities.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the Board of Directors on November 10, 2022.

(3) New standards, amendments and interpretations adopted:

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

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

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

- (b) 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”

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.</p> <p>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.</p>	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	<p>After reconsidering certain aspects of the 2020 amendments¹, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.</p> <p>Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.</p>	January 1, 2024

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

Except as described in the following paragraph, the significant accounting policies used in the interim financial statement are consistent with the consolidated financial statement for the year ended December 31, 2021. For related information, please refer to note (4) of the consolidated financial statement for the year ended December 31, 2021.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Investor	Name of Subsidiary	Nature of operation	Percentage ownership			Description
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	Arcadyan Technology N.A. Corp. (“Arcadyan USA”)	Selling and technical support of wireless networking products	100 %	100 %	100 %	
”	Arcadyan Germany Technology GmbH (“Arcadyan Germany”)	Selling and technical support of wireless networking products	100 %	100 %	100 %	Note 1
”	Arcadyan Technology Corporation Korea (“Arcadyan Korea”)	Selling of wireless networking products	100 %	100 %	100 %	Note 1
”	Arcadyan Holding (BVI) Corp. (“Arcadyan Holding”)	Investment activities	100 %	100 %	100 %	
The Company and ZHI-BAO	Arcadyan do Brasil Ltda. (“Arcadyan Brasil”)	Selling of wireless networking products	100 %	100 %	100 %	Note 1
”	Arcadyan India Private Limited (“Arcadyan India”)	Selling of wireless networking products	100 %	100 %	100 %	Note 1、3

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Name of Subsidiary	Nature of operation	Percentage ownership			Description
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	ZHI-BAO Technology Inc. ("ZHI-BAO")	Investment activities	100 %	100 %	100 %	
"	Tatung Technology Inc. ("TTI")	Research and development, and selling digital home appliance	61 %	61 %	61 %	
"	AcBel Telecom Inc. ("AcBel Telecom")	Investment activities	- %	51 %	51 %	Note 1 & 2
"	Arcadyan Technology Limited ("Arcadyan UK")	Technical support of wireless networking products	100 %	100 %	100 %	Note 1
"	Arcadyan Technology Australia Pty Ltd ("Arcadyan AU")	Selling of wireless networking products	100 %	100 %	100 %	Note 1
"	Arcadyan Technology Corporation (Russia), LLC ("Arcadyan RU")	Selling of wireless networking products	100 %	100 %	100 %	Note 1
Arcadyan Holding	Sinoprime Global Inc. ("Sinoprime")	Investment activities	100 %	100 %	100 %	
"	Arcadyan Technology (Shanghai) Corp. ("SVA")	Research and development, and selling of wireless networking products	100 %	100 %	100 %	
"	Arch Holding (BVI) Corp. ("Arch Holding")	Investment activities	100 %	100 %	100 %	
Arch Holding	Compal Networking (Kunshan) Co., Ltd. ("CNC")	Manufacturing of wireless networking products	100 %	100 %	100 %	
Sinoprime	Arcadyan Technology (Vietnam) Co., Ltd. ("Arcadyan Vietnam")	Manufacturing of wireless networking products	100 %	100 %	100 %	
TTI	Quest International Group Co., Ltd. ("Quest")	Investment activities	100 %	100 %	100 %	
TTI	Tatung Technology of Japan Co., Ltd. ("TTJC")	Selling of digital home appliance	100 %	100 %	100 %	
Quest	Exquisite Electronic Co., Ltd. ("Exquisite")	Investment activities	100 %	100 %	100 %	
Exquisite	Tatung Home Appliances (Wujiang) Co., Ltd. ("TCH")	Manufacturing of digital home appliance	100 %	100 %	100 %	

Note 1: It is a non-major subsidiary and its financial statements have not been reviewed by the auditors.

Note 2: The liquidation procedures of the subsidiary had been completed on August 19, 2022.

Note 3: The subsidiary was incorporated on March 25, 2021.

(c) **Income Taxes**

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, "Interim Financial Reporting".

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(d) Employee benefits

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and 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 preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2021.

(6) Explanation of significant accounts:

Except for the following disclosures, there were no significant differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2021 annual consolidated financial statements. Please refer to Note (6) of the 2021 annual consolidated financial statements.

(a) Cash and cash equivalents

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 3,012	2,194	1,914
Checking accounts and demand deposits	2,867,780	3,292,553	2,471,869
Time deposits	3,991,979	4,676,032	4,458,594
Repurchase agreements	200,000	-	-
	<u>\$ 7,062,771</u>	<u>7,970,779</u>	<u>6,932,377</u>

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

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Current financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ 37,281	17,264	26,476
Foreign exchange swaps contracts	932	2,449	1,077
Non derivative financial assets:			
Structured deposits	-	-	259,241
Total	<u>\$ 38,213</u>	<u>19,713</u>	<u>286,794</u>
Non-current financial assets mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets:			
Fund unlisted on domestic or foreign markets	<u>\$ 52,306</u>	<u>37,475</u>	<u>41,176</u>
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ 9	1,589	4,792
Foreign exchange swaps contracts	40,974	-	4,004
Total	<u>\$ 40,983</u>	<u>1,589</u>	<u>8,796</u>

The Group uses derivative financial instruments to hedge the certain foreign exchange risk the Group is exposed to, arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as financial assets mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

	<u>September 30, 2022</u>		
	<u>Contract amount</u> <u>(in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Derivative financial assets:			
Forward contracts:			
Foreign exchange forward	EUR 17,000	Sell EUR / USD	October 14, 2022~ December 29, 2022
Foreign exchange forward	USD 1,212	Buy USD / INR	October 28, 2022~ November 14, 2022
Swap contracts:			
Foreign exchange swaps	USD 10,000	B/S USD / TWD	October 28, 2022

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		September 30, 2022		
		Contract amount (in thousands)	Currency	Maturity date
Derivative financial liabilities:				
Forward contracts:				
Foreign exchange forward	USD	878	Buy USD / INR	November 14, 2022
Swap contracts:				
Foreign exchange swaps	USD	30,000	B/S USD / TWD	October 14, 2022
		December 31, 2021		
		Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:				
Forward contracts:				
Foreign exchange forward	EUR	17,000	Sell EUR / USD	January 14, 2022~ March 14, 2022
Swap contracts:				
Foreign exchange swaps	USD	20,000	B/S USD / TWD	February 14, 2022~ March 14, 2022
Derivative financial liabilities:				
Forward contracts:				
Foreign exchange forward	USD	5,000	Buy USD / CNH	January 26, 2022
Foreign exchange forward	EUR	7,000	Sell EUR / USD	February 18, 2022~ March 4, 2022
		September 30, 2021		
		Contract amount (in thousands)	Currency	Maturity date
Derivative financial assets:				
Forward contracts:				
Foreign exchange forward	EUR	35,000	Sell EUR / USD	October 14, 2021~ January 14, 2022
Foreign exchange forward	USD	500	Buy USD / BRL	December 14, 2021
Swap contracts:				
Foreign exchange swaps	USD	10,000	B/S USD / TWD	October 14, 2021
Derivative financial liabilities:				
Forward contracts:				
Foreign exchange forward	USD	23,000	Buy USD / CNH	October 28, 2021~ November 29, 2021
Swap contracts:				
Foreign exchange swaps	USD	40,000	B/S USD / TWD	October 28, 2021~ November 29, 2021

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Please refer to note (6)(w) for the exposure to credit risk of the financial instruments.

As of September 30, 2022, December 31 and September 30, 2021, the Group did not provide any aforementioned financial assets as collaterals.

(c) Financial assets at fair value through other comprehensive income

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Equity investments at fair value through other comprehensive income:			
Stock unlisted on domestic markets	\$ <u>53,576</u>	<u>26,169</u>	<u>20,691</u>

(i) For the three months and nine months ended September 30, 2022 and 2021, unrealized gains (loss) from above-mentioned equity investments measured at fair value were \$(4,966) thousand, \$(6,583) thousand, \$27,407 thousand and \$(10,444) thousand, respectively, recognized under other comprehensive income.

(ii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the nine months ended September 30, 2022 and 2021.

(iii) Please refer to note (6)(w) for information of market risk.

(iv) The Group did not provide any aforementioned financial assets as collaterals.

(d) Derivative financial instruments used for hedging

(i) Financial assets and liabilities used for hedging were as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash flow hedge:			
Financial assets used for hedging:			
Foreign exchange forward contracts	\$ <u>5,646</u>	<u>-</u>	<u>19,510</u>
(ii) Cash flow hedge–foreign exchange risk			

The strategy of the Group is to enter into foreign exchange forward contracts to hedge its foreign currency exposure risk in relation to the forecast sales.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group has no balance of cash flow hedge as of December 31, 2021. As of September 30, 2022 and 2021, the amounts relating to the items designated as hedging instruments were as follows:

		September 30, 2022			
		Contract amount (in thousands)	Currency	Maturity date	Average strike price
Derivative financial assets used for hedging					
Forward contracts:					
	Foreign exchange forward	EUR 5,000	Sell EUR / USD	June 29, 2023~ October 30, 2023	1.0406
		September 30, 2021			
		Contract amount (in thousands)	Currency	Maturity date	Average strike price
Derivative financial assets used for hedging					
Forward contracts:					
	Foreign exchange forward	EUR 13,000	Sell EUR / USD	October 28, 2021~ December 29, 2021	1.2157

(iii) Adjustments on reclassification from components of other comprehensive income

For the three months and nine months ended September 30, 2022 and 2021, the details of adjustments on reclassification from components of other comprehensive income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Cash flow hedge				
Profit in current period	\$ 38,759	14,674	136,308	39,846
Less: Net income of adjustments on reclassification from components of other comprehensive income which belongs to net income	<u>89,704</u>	<u>13,214</u>	<u>130,662</u>	<u>18,144</u>
Net profit recognized in other comprehensive income	<u>\$ (50,945)</u>	<u>1,460</u>	<u>5,646</u>	<u>21,702</u>

(iv) For the three months and nine months ended September 30, 2022 and 2021, the ineffective portion of cash flow hedge recognized in gain or loss at fair value were amounted to \$12,356 thousand, \$0 thousand, \$44,071 thousand and \$0 thousand, respectively, were recorded under the “Gains (losses) on financial assets (liabilities) at fair value through profit or loss”.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) For the three months and nine months ended September 30, 2022 and 2021, gain or loss of adjustments from reclassification of other equity, deriving from the changes of fair value for hedge instruments, were recognized under operating revenues in statement of comprehensive income.

(e) Notes and accounts receivable

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable from operating activities	\$ 16,670	10,305	9,316
Accounts receivable – measured at amortized cost	11,912,566	7,411,501	7,279,122
Accounts receivable – fair value through other comprehensive income	-	298,642	11,635
	<u>11,929,236</u>	<u>7,720,448</u>	<u>7,300,073</u>
Less: allowance for uncollectible accounts	<u>(53,606)</u>	<u>(28,152)</u>	<u>(29,536)</u>
	<u><u>\$ 11,875,630</u></u>	<u><u>7,692,296</u></u>	<u><u>7,270,537</u></u>

The Group has assessed a portion of its accounts receivable that were held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; therefore, such accounts were measured at fair value through other comprehensive income.

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, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking macroeconomic information. The expected credit losses as of September 30, 2022, December 31 and September 30, 2021 were determined as follows:

Credit rating	September 30, 2022			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision	Credit impaired
Level A	\$ 2,980,536	0%	-	No
Level B	6,291,874	0.10%	(6,372)	No
Level C	2,636,060	1.00%	(26,468)	No
Level D	-	-	-	-
Level E	<u>20,766</u>	100%	<u>(20,766)</u>	Yes
Total	<u><u>\$ 11,929,236</u></u>		<u><u>(53,606)</u></u>	

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Credit rating	December 31, 2021			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision	Credit impaired
Level A	\$ 2,142,077	0%	-	No
Level B	5,042,739	0.10%	4,913	No
Level C	517,585	1.00%	5,192	No
Level D	-	-	-	-
Level E	18,047	100%	18,047	Yes
Total	<u>\$ 7,720,448</u>		<u>28,152</u>	

Credit rating	September 30, 2021			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision	Credit impaired
Level A	\$ 2,601,268	0%	-	No
Level B	3,944,774	0.10%	4,049	No
Level C	735,909	1.00%	7,365	No
Level D	-	-	-	-
Level E	18,122	100%	18,122	Yes
Total	<u>\$ 7,300,073</u>		<u>29,536</u>	

The aging analysis of notes and accounts receivable were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Overdue 1~30 days	\$ 496,809	485,866	452,509
Overdue 31~60 days	241,741	133,034	117,499
Overdue 61~90 days	2,911	21,897	14,664
Overdue 91~180 days	-	12,376	-
Overdue over 181 days	29,635	25,726	25,833
	<u>\$ 771,096</u>	<u>678,899</u>	<u>610,505</u>

The movement of allowance for uncollectible notes and accounts receivable were as follows:

	For the nine months ended September 30,	
	2022	2021
Balance at January 1	\$ 28,152	26,831
Impairment loss recognized	25,454	2,705
Balance at September 30	<u>\$ 53,606</u>	<u>29,536</u>

As of September 30, 2022, December 31 and September 30, 2021, the Group did not provide any aforementioned notes and accounts receivable as collaterals.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group entered into accounts receivable factoring agreements with banks. Based on the agreements, the Group is not responsible for guaranteeing the ability of the accounts receivable of the obligor to make payment when it is affected by credit risk. Thus, this is deemed as a non-recourse accounts receivable factoring. After the transfer of the accounts receivable, the Group can request for the partial advances stipulated in the agreements, while the interest calculated at an agreed rate is paid to the bank for the period during the time of receiving advances and the accounts receivable is collected. The remaining amounts are received when the accounts receivable are paid by the customers.

As of September 30, 2022, the Group has not transferred accounts receivable. As of December 31 and September 30, 2021, there were unreceived balances of transferred accounts receivable amounted to \$958 thousand and \$28,826 thousand, respectively, which were recognized under other receivables. The details of the derecognized account receivables were as follows:

December 31, 2021							
<u>Purchaser</u>	<u>Accounts receivable factored (gross)</u>	<u>Amount Unpaid</u>	<u>Advanced Paid</u>	<u>Amount Recognized in other receivables</u>	<u>Collateral</u>	<u>Amount derecognized</u>	<u>Interest rate</u>
Financial							
institutions	\$ <u>8,947</u>	<u>-</u>	<u>7,989</u>	<u>958</u>	None	<u>8,947</u>	0.64%
September 30, 2021							
<u>Purchaser</u>	<u>Accounts receivable factored (gross)</u>	<u>Amount Unpaid</u>	<u>Advanced Paid</u>	<u>Amount Recognized in other receivables</u>	<u>Collateral</u>	<u>Amount derecognized</u>	<u>Interest rate</u>
Financial							
institutions	\$ <u>260,274</u>	<u>-</u>	<u>231,448</u>	<u>28,826</u>	None	<u>260,274</u>	0.64%

(f) Inventories

(i) A summary of the Group's inventories were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials	\$ 5,923,172	6,150,112	7,933,989
Work in progress	1,204,227	660,661	680,663
Finished goods	<u>7,274,381</u>	<u>5,685,646</u>	<u>4,371,616</u>
	<u>\$ 14,401,780</u>	<u>12,496,419</u>	<u>12,986,268</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) Inventory cost recognized as operating cost for the three months and nine months ended September 30, 2022 and 2021 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Cost of sales and expenses	\$ 10,799,809	8,241,594	28,841,712	24,613,511
Provision for inventory valuation and obsolescence loss (gain on price recovery of inventory)	184,650	(120,809)	412,616	72,940
	<u>\$ 10,984,459</u>	<u>8,120,785</u>	<u>29,254,328</u>	<u>24,686,451</u>

- (iii) As of September 30, 2022, December 31 and September 30, 2021, the Group did not provide any inventories as collaterals.

- (g) Investments accounted for using equity method

- (i) The Group's equity-accounted associates that are individually insignificant and the Group's share of the financial information which included in the consolidated financial statements are summarized as below:

	September 30, 2022	December 31, 2021	September 30, 2021
Aggregate carrying amount of the Group's associates that are individually insignificant	<u>\$ 315,270</u>	<u>324,178</u>	<u>330,686</u>

Share of associates attributed to the Group were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Net income from continuing operations	\$ 2,256	3,182	662	6,036
Other comprehensive income (loss)	(25)	(49)	(32)	(153)
Total comprehensive income (loss)	<u>\$ 2,231</u>	<u>3,133</u>	<u>630</u>	<u>5,883</u>

- (ii) As of September 30, 2022, December 31 and September 30, 2021, the Group did not provide any investment accounted for using equity method as collaterals.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the nine months ended September 30, 2022 and 2021 were as follows:

	Land	Buildings and construction	Machinery and equipment	Research and development equipment	Mold equipment	Leasehold improvement and other equipment	Construction in progress and prepayment for purchase of equipment	Total
Cost or deemed cost:								
Balance at January 1, 2022	\$ 878,978	1,512,417	2,484,758	697,267	222,181	462,135	19,129	6,276,865
Additions	-	6,204	660,008	36,406	11,407	31,245	201,037	946,307
Reclassifications	-	16,221	13,857	-	-	7,245	(37,383)	(60)
Disposals and derecognitions	-	-	(103,050)	(69,004)	(7,037)	(26,976)	-	(206,067)
Effect of movements in exchange rates	-	105,051	399,519	5,038	1,953	25,982	14,207	551,750
Balance at September 30, 2022	<u>\$ 878,978</u>	<u>1,639,893</u>	<u>3,455,092</u>	<u>669,707</u>	<u>228,504</u>	<u>499,631</u>	<u>196,990</u>	<u>7,568,795</u>
Balance at January 1, 2021	\$ 463,262	828,128	2,196,610	587,071	212,438	723,336	28,249	5,039,094
Additions	415,716	-	571,037	80,991	21,207	36,650	417,584	1,543,185
Reclassifications	-	-	323	2,009	-	(190,461)	186,394	(1,735)
Disposals and derecognitions	-	-	(169,589)	(25,886)	(9,008)	(23,773)	-	(228,256)
Effect of movements in exchange rates	-	-	(35,965)	(1,439)	(270)	(8,817)	(5,782)	(52,273)
Balance at September 30, 2021	<u>\$ 878,978</u>	<u>828,128</u>	<u>2,562,416</u>	<u>642,746</u>	<u>224,367</u>	<u>536,935</u>	<u>626,445</u>	<u>6,300,015</u>
Depreciation:								
Balance at January 1, 2022	\$ -	117,853	1,508,894	419,902	182,781	284,922	-	2,514,352
Depreciation	-	34,410	281,040	50,663	15,567	39,536	-	421,216
Reclassifications	-	-	-	-	-	-	-	-
Disposals and derecognitions	-	-	(88,740)	(35,485)	(7,037)	(22,510)	-	(153,772)
Effect of movements in exchange rates	-	2,281	220,016	1,965	834	15,358	-	240,454
Balance at September 30, 2022	<u>\$ -</u>	<u>154,544</u>	<u>1,921,210</u>	<u>437,045</u>	<u>192,145</u>	<u>317,306</u>	<u>-</u>	<u>3,022,250</u>
Balance at January 1, 2021	\$ -	98,676	1,562,332	383,779	176,630	299,668	-	2,521,085
Depreciation	-	12,801	166,250	45,243	13,331	57,620	-	295,245
Reclassifications	-	-	(110)	-	-	(8)	-	(118)
Disposals and derecognitions	-	-	(166,613)	(24,303)	(9,006)	(23,155)	-	(223,077)
Effect of movements in exchange rates	-	-	(16,829)	(527)	(76)	(3,221)	-	(20,653)
Balance at September 30, 2021	<u>\$ -</u>	<u>111,477</u>	<u>1,545,030</u>	<u>404,192</u>	<u>180,879</u>	<u>330,904</u>	<u>-</u>	<u>2,572,482</u>
Carrying amounts:								
Balance at September 30, 2022	<u>\$ 878,978</u>	<u>1,485,349</u>	<u>1,533,882</u>	<u>232,662</u>	<u>36,359</u>	<u>182,325</u>	<u>196,990</u>	<u>4,546,545</u>
Balance at January 1, 2022	<u>\$ 878,978</u>	<u>1,394,564</u>	<u>975,864</u>	<u>277,365</u>	<u>39,400</u>	<u>177,213</u>	<u>19,129</u>	<u>3,762,513</u>
Balance at September 30, 2021	<u>\$ 878,978</u>	<u>716,651</u>	<u>1,017,386</u>	<u>238,554</u>	<u>43,488</u>	<u>206,031</u>	<u>626,445</u>	<u>3,727,533</u>
Balance at January 1, 2021	<u>\$ 463,262</u>	<u>729,452</u>	<u>634,278</u>	<u>203,292</u>	<u>35,808</u>	<u>423,668</u>	<u>28,249</u>	<u>2,518,009</u>

(i) In response to the demand of business operation, the Group decided to purchase land by a resolution of the Board of Directors on March 17, 2021. In addition, the Group has signed the land purchase agreement amounting to \$415,480 with non-related parties on April 7, 2021. The procedures of ownership-transfer has been completed and the relevant amount had been fully paid in the second quarter of 2021.

(ii) As of September 30, 2022, December 31 and September 30, 2021, the Group did not provide any property, plant and equipment as collaterals.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Right-of-use assets

The Group leases land, buildings, machinery equipment and vehicles, recognizing as right-of-use assets. The cost and depreciation of the right-of-use assets of the Group for the nine months ended September 30, 2022 and 2021 were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Vehicles and other</u>	<u>Total</u>
Cost or deemed cost:					
Balance at January 1, 2022	\$ 297,707	360,109	81,081	16,530	755,427
Additions	-	16,003	-	9,797	25,800
Disposal/write-off	-	(60,170)	(81,081)	(3,777)	(145,028)
Effect of movements in exchange rates	<u>44,849</u>	<u>39,554</u>	<u>-</u>	<u>-</u>	<u>84,403</u>
Balance at September 30, 2022	<u>\$ 342,556</u>	<u>355,496</u>	<u>-</u>	<u>22,550</u>	<u>720,602</u>
Balance at January 1, 2021	\$ 306,311	423,832	81,081	10,648	821,872
Additions	-	26,302	-	5,982	32,284
Disposal/write-off	-	(22,851)	-	(4,755)	(27,606)
Effect of movements in exchange rates	<u>(7,367)</u>	<u>(6,222)</u>	<u>-</u>	<u>-</u>	<u>(13,589)</u>
Balance at September 30, 2021	<u>\$ 298,944</u>	<u>421,061</u>	<u>81,081</u>	<u>11,875</u>	<u>812,961</u>
Depreciation:					
Balance at January 1, 2022	\$ 11,973	108,727	41,891	6,529	169,120
Depreciation	5,182	63,167	-	5,564	73,913
Disposal/Write-off	-	(20,812)	(41,891)	(3,777)	(66,480)
Effect of movements in exchange rates	<u>2,257</u>	<u>15,955</u>	<u>-</u>	<u>-</u>	<u>18,212</u>
Balance at September 30, 2022	<u>\$ 19,412</u>	<u>167,037</u>	<u>-</u>	<u>8,316</u>	<u>194,765</u>
Balance at January 1, 2021	\$ 5,600	60,568	25,675	6,605	98,448
Depreciation	4,967	68,801	12,162	3,413	89,343
Disposal/write-off	-	(22,851)	-	(4,755)	(27,606)
Effect of movements in exchange rates	<u>(183)</u>	<u>(1,015)</u>	<u>-</u>	<u>-</u>	<u>(1,198)</u>
Balance at September 30, 2021	<u>\$ 10,384</u>	<u>105,503</u>	<u>37,837</u>	<u>5,263</u>	<u>158,987</u>
Carrying amount:					
Balance on September 30, 2022	<u>\$ 323,144</u>	<u>188,459</u>	<u>-</u>	<u>14,234</u>	<u>525,837</u>
Balance at January 1, 2022	<u>\$ 285,734</u>	<u>251,382</u>	<u>39,190</u>	<u>10,001</u>	<u>586,307</u>
Balance at September 30, 2021	<u>\$ 288,560</u>	<u>315,558</u>	<u>43,244</u>	<u>6,612</u>	<u>653,974</u>
Balance at January 1, 2021	<u>\$ 300,711</u>	<u>363,264</u>	<u>55,406</u>	<u>4,043</u>	<u>723,424</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(j) Intangible Assets

The cost and accumulated amortization of intangible assets of the Group for the nine months ended September 30, 2022 and 2021 were as follows:

	<u>Goodwill</u>	<u>Authorization fee</u>	<u>Computer software and others</u>	<u>Total</u>
Carrying amount:				
September 30, 2022	\$ <u>6,556</u>	<u>5,143</u>	<u>81,649</u>	<u>93,348</u>
January 1, 2022	\$ <u>6,556</u>	<u>7,008</u>	<u>101,464</u>	<u>115,028</u>
September 30, 2021	\$ <u>6,556</u>	<u>8,072</u>	<u>60,523</u>	<u>75,151</u>
January 1, 2021	\$ <u>6,556</u>	<u>11,276</u>	<u>57,468</u>	<u>75,300</u>

There were no significant additions, disposals, recognitions and reversal of impairment losses on intangible assets for the nine months ended September 30, 2022 and 2021. Information about amortization for the period is disclosed in Note (12). Please refer to Note (6)(j) of the 2021 annual consolidated financial statements for other related information.

As of September 30, 2022, December 31 and September 30, 2021, the Group did not provide any intangible assets as collaterals.

(k) Short-term borrowings

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Unsecured bank loans	\$ <u>3,811,218</u>	<u>4,363,580</u>	<u>2,215,595</u>
Unused credit line for short-term borrowings	\$ <u>12,526,834</u>	<u>6,236,932</u>	<u>7,525,860</u>
Annual interest rates	<u>0.05%~3.83%</u>	<u>0.05%~1.17%</u>	<u>0.05%~1.17%</u>

For the information of the Group's interest risk, foreign currency risk and liquidity risk, please see note (6)(w).

(l) Other current liabilities

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Temporary receipts–non-recurring engineering revenue and collection on behalf of others	\$ 916,667	465,910	332,421
Others	<u>313,453</u>	<u>268,889</u>	<u>91,003</u>
	<u>\$ 1,230,120</u>	<u>734,799</u>	<u>423,424</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Unsecured convertible bonds payable

- (i) The Company issued the first domestic unsecured convertible bonds on June 6, 2019, the details were as follows:

	September 30,	December 31,	September 30,
	2022	2021	2021
Total convertible bonds issued	\$ 1,000,000	1,000,000	1,000,000
Unamortized discounts on bonds payable	-	(1,433)	(7,702)
Unamortized issuance cost on bonds payable	-	(496)	(619)
Accumulated converted amount	(992,600)	(671,500)	(112,300)
Repayment of bonds payable	<u>(7,400)</u>	<u>-</u>	<u>-</u>
Balance of bonds payable as of the reporting date	<u>\$ -</u>	<u>326,571</u>	<u>879,379</u>
Conversion options included in equity components (recognized as capital surplus-stock options)	<u>\$ 361</u>	<u>15,987</u>	<u>43,201</u>
	For the three months ended	For the nine months ended	
	September 30,	September 30,	
	2022	2021	2022
	2021	2021	2021
Interest expenses	<u>\$ -</u>	<u>3,100</u>	<u>763</u>
			<u>10,018</u>

The effective interest rate of the first issued convertible bonds was 1.3284%.

- (ii) The maturity date of above mentioned convertible bonds was on June 6, 2022. The remaining bonds which were not converted will be repaid in cash at maturity with par value of \$7,400 according to the terms of conversion.
- (iii) From January 1 to June 6, 2022, and for the nine months ended September 30, 2021, the convertible bonds with a par value of \$321,100 and \$112,300 were converted into ordinary shares of the Company with \$38,920 and \$13,582, and the capital surplus were recognized with \$296,640 and \$102,741 (including the stock options reclassified as additional paid-in capital-premium of \$15,626 and \$5,465 and the unamortized discounts on bonds payable of \$1,166 and \$1,442).
- (iv) The Group did not issue or repurchase bonds for the period from January 1 to June 6, 2022, and for the nine months ended September 30, 2021. Please refer to Note (6)(m) of the 2021 annual consolidated financial statements for other related information.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Lease liabilities

The details of lease liabilities were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Current	<u>\$ 88,341</u>	<u>86,426</u>	<u>89,723</u>
Non-current	<u>\$ 122,523</u>	<u>197,303</u>	<u>254,399</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Interest expense on lease liabilities	<u>\$ 2,211</u>	<u>2,981</u>	<u>7,490</u>	<u>9,200</u>
Expenses relating to short-term leases	<u>\$ 6,036</u>	<u>8,008</u>	<u>20,718</u>	<u>29,088</u>

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

	For the nine months ended September 30,	
	2022	2021
Total cash outflow for leases	<u>\$ 93,461</u>	<u>103,994</u>

(i) Land, buildings, machinery equipment and vehicles leases

The Group leases buildings, machinery equipment and vehicles with lease terms of 1 to 5 years, and the right-of-use for land is 45 years.

(ii) Other leases

The Group leases offices and parts of vehicles with contract terms of 1 year. These leases are short-term items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) Provisions

Provisions for warranty is related to sales of products and being assessed based on the historical experience of similar products or services and customer feedback.

There were no significant changes in provisions for the nine months ended September 30, 2022 and 2021. Please refer to Note (6)(o) of the 2021 annual consolidated financial statements for other related information.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension plan cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020.

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Operating costs	\$ 44	74	124	216
Selling expenses	50	55	133	168
Administrative expenses	71	76	238	231
Research and development expenses	189	266	568	798
	\$ 354	471	1,063	1,413

(ii) Defined contribution plans

The pension expenses of the Company and domestic subsidiaries under the pension plan contributed to the Bureau of Labor Insurance for the three months and nine months ended September 30, 2022 and 2021 were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Operating costs	\$ 472	933	\$ 1,401	2,772
Selling expenses	1,085	1,112	3,273	3,266
Administrative expenses	1,760	1,274	5,201	3,791
Research and development expenses	9,655	9,523	28,430	27,492
	\$ 12,972	12,842	38,305	37,321

Other subsidiaries recognized the pension expenses, basic endowment insurance expenses, and social welfare expenses amounting to \$13,292, \$16,276, \$43,212 and \$43,894 for the three months and nine months ended September 30, 2022 and 2021, respectively.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Income taxes

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

The amount of income tax expenses were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Income tax expense	<u>\$ 178,619</u>	<u>157,360</u>	<u>451,100</u>	<u>409,284</u>

- (i) The amounts of income tax expenses recognized in other comprehensive income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Items that might be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ -	(2,320)	-	(13,645)
Gain (loss) on hedging instrument	<u>(10,189)</u>	<u>-</u>	<u>1,129</u>	<u>-</u>
	<u>\$ (10,189)</u>	<u>(2,320)</u>	<u>1,129</u>	<u>(13,645)</u>

- (ii) The ROC tax authorities have examined the income tax returns of the Company, ZHI-BAO, and TTI through 2020. The income tax returns through 2021 and the liquidation period of Abtel Telecom have been examined by the tax authorities. The relevant approved differences have been reflected as income tax adjustments in the year of determination.

(r) Capital and other equities

Except for the following disclosures, there was no significant change for capital and other equities for the nine months ended September 30, 2022 and 2021. Please refer to note (6)(r) of the 2021 annual consolidated financial statements for other related information.

(i) Ordinary shares

In 2018, the Company issued its employee restricted shares amounting to \$45,000, wherein the amount of \$303 and \$420, respectively, had been cancelled due to failure in meeting the vested requirements for the nine months ended September 30, 2022 and 2021. As of the reporting date, the registration procedures had been completed.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2022 and 2021, by the request of bonds holders, the convertible bonds issued by the Company were converted into ordinary shares of \$38,920 with 3,892 thousand and \$13,582 with 1,358 thousand new shares issued at par value, respectively. As of the reporting date, the registration procedures had been completed.

(ii) Capital surplus

	September 30, 2022	December 31, 2021	September 30, 2021
Additional paid-in capital–premium	\$ 4,081,618	3,943,016	3,428,824
Difference between consideration and carry amount arising from acquisition or disposal of subsidiaries	3,698	3,698	3,698
Changes in equity of associates, joint ventures and subsidiaries accounted for using equity method	4,135	-	5,488
Issuance of convertible bonds	361	15,987	43,202
Issuance of employee restricted shares	-	69,699	69,587
	<u>\$ 4,089,812</u>	<u>4,032,400</u>	<u>3,550,799</u>

The capital surplus resulted from the conversion of unsecured convertible bonds into ordinary shares for the nine months ended September 30, 2022 and 2021 were \$296,640 and \$102,741, respectively (including the stock options reclassified as additional-paid in capital-premium of \$15,626 and \$5,465, and the unamortized discounts on bonds payable of \$1,166 and \$1,442).

The Company's Board of Directors meeting held on March 10, 2022 and March 17, 2021, approved to distribute the cash dividend of \$217,406 (\$0.98662085 per share) and \$208,377 (\$0.99977022 per share) through capital surplus. The related information can be accessed through the Market Observation Post System website.

(iii) Retained earnings

According to the Company's Article of Incorporation, if the Company make earnings in a fiscal year, after all tax and dues have been paid and accumulated loss for previous years have been made up, shall set aside 10% of earnings as legal reserve (unless the amount of legal reserve is equal or greater than total paid-in capital), and set aside the special reserve in accordance with relevant laws and regulations. Depending on operation conditions, the board of directors shall retain an appropriate amount then propose an earnings distribution plan. According to the Company's Article of Incorporation, the Company authorize the board of directors to distribute dividend, bonus, capital surplus and legal reserve in whole or in part in the form of cash, after a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of total number of directors, and shall report such distribution plan in the general shareholders' meeting.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

According to the Company's dividend stabilization policy, the type of dividends should be determined after considering the business environment, operating performance, financial structure, etc. If there is any year-end retained earnings to be distributed to stockholders, the dividend and bouns shall not be lower than 30% of the net income and the cash dividends to stockholders shall not be lower than 10% of total dividends.

(iv) Earnings distributed

Earnings distribution for 2021 and 2020 was approved by the Board of Directors meeting held on March 10, 2022 and on March 17, 2021, respectively. The relevant dividend distribution to shareholders were as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Cash dividends distributed to ordinary shareholders	\$ 5.72240092	\$ <u><u>1,260,956</u></u>	5.49873625	<u><u>1,146,071</u></u>

(s) Share-based payment

There were no significant changes in share-based payment for the nine months ended September 30, 2022 and 2021. For the related information, please refer to note (6)(s) of the 2021 annual consolidated financial statements for other related information.

(t) Earnings per share

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Basic earnings per share				
Net income attributable to ordinary shareholders of the Company	\$ <u><u>570,668</u></u>	<u><u>486,514</u></u>	<u><u>1,387,894</u></u>	<u><u>1,322,326</u></u>
Weighted average number of ordinary shares (in thousands)	<u><u>219,355</u></u>	<u><u>207,452</u></u>	<u><u>218,171</u></u>	<u><u>206,575</u></u>
	\$ <u><u>2.60</u></u>	<u><u>2.35</u></u>	<u><u>6.36</u></u>	<u><u>6.40</u></u>
Diluted earnings per share				
Net income attributable to ordinary shareholders of the Company	\$ <u><u>570,668</u></u>	<u><u>489,614</u></u>	<u><u>1,388,657</u></u>	<u><u>1,332,344</u></u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Weighted average number of ordinary shares (in thousands)	219,355	207,452	218,171	206,575
Effect of dilutive potential ordinary shares:				
Effect of remuneration to employees	2,437	2,478	3,149	3,212
Effect of employee restricted shares unvested	999	1,783	1,183	1,911
Convertible bonds payable	-	10,959	1,064	11,711
Weighted average number of ordinary shares (after adjustment of potential diluted ordinary shares) (in thousands)	<u>222,791</u>	<u>222,672</u>	<u>223,567</u>	<u>223,409</u>
	<u>\$ 2.56</u>	<u>2.20</u>	<u>6.21</u>	<u>5.96</u>

(u) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Primary geographical markets:				
America	\$ 5,993,844	2,550,055	14,538,153	6,839,915
Europe	3,750,779	4,954,033	12,284,331	15,790,418
Asia and others	3,039,080	1,977,200	7,149,095	6,024,132
	<u>\$ 12,783,703</u>	<u>9,481,288</u>	<u>33,971,579</u>	<u>28,654,465</u>
Major products:				
Mobility Solution	5,686,173	336,607	12,076,438	882,502
Smart Home Solution	3,878,260	5,603,222	12,631,563	17,396,629
Broadband Solution	3,033,200	3,229,333	8,315,290	9,632,316
Others	186,070	312,126	948,288	743,018
	<u>\$ 12,783,703</u>	<u>9,481,288</u>	<u>33,971,579</u>	<u>28,654,465</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes and accounts receivable	\$ 11,929,236	7,720,448	7,300,073
Less: allowance for uncollectible accounts	<u>(53,606)</u>	<u>(28,152)</u>	<u>(29,536)</u>
Total	<u>\$ 11,875,630</u>	<u>7,692,296</u>	<u>7,270,537</u>

For the details on accounts receivable and allowance for uncollectible accounts, please refer to note (6)(e).

(v) Remuneration to employees and directors

Based on the Company's articles of incorporation, if there is any profit before tax prior to deduction of the remuneration of employees and directors in a fiscal year, it shall be distributed to employees as remuneration in an amount of not less than five percent (5%) and to directors as remuneration in an amount of not more than two percent (2%) of such profits. In the event that the Company has accumulated losses, the Company shall reserve an amount to offset its accumulated losses. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees serve in the subsidiaries of the Company who meet certain specific requirements.

The employee remuneration amounted to \$96,329, \$83,734, \$232,240 and \$230,479 for the three months and nine months ended September 30, 2022 and 2021, respectively. The remuneration of directors amounted to \$5,055, \$4,488, \$12,611 and \$12,532 for the three months and nine months ended September 30, 2022 and 2021, respectively.

The estimated amounts mentioned above are based on the net profit before tax prior to deduction of the remuneration to employees and directors of each respective ending period, multiplied by the percentage of remuneration to employees and directors which is proposed by the management team of the Company as a basis of estimation. The estimations were recorded under operation cost or operating expenses for each period. The differences between the actual amounts and the estimate recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year. If the Board of Directors approve to distribute employee remuneration in the form of stock, the number of the shares of the employee remuneration is determined based on the closing price of the day before the Board of Directors meeting.

The Company accrued and recognized its employee remuneration of \$309,470 and \$262,880, and directors' remuneration of \$16,806 and \$16,876 for the years ended December 31, 2021 and 2020, respectively. There were no differences between the amounts approved by the Board of Directors and those recognized in the financial statements, and the related information can be accessed through the Market Observation Post System website.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Financial instruments

Except for those described below, there were no significant changes on fair value, credit risk, liquidity risk and market risk of the Group's financial instruments. Please refer to note (6)(w) of the 2021 annual consolidated financial statements for related information.

(i) Credit risk

For credit risk exposure of notes and accounts receivable, please refer to note (6)(e).

Other financial assets at amortized cost include other receivables, time deposits and repurchase agreement. 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. Besides, due to the counterparties of the time deposits held by the Group are financial institutions with investment grade and above credit ratings, these time deposits are considered to have low credit risk.

The movement of loss allowance provision for the nine months ended September 30, 2022 and 2021 were as follows:

	<u>Other receivables</u>
Balance at January 1, 2022	\$ 3
Impairment loss recognized	176
Balance at September 30, 2022	<u>\$ 179</u>
Balance at January 1, 2021	\$ 45
Impairment loss reversed	(28)
Balance at September 30, 2021	<u>\$ 17</u>

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities. Except for lease liabilities and bonds payable, the amounts exclude estimated interest payments.

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
September 30, 2022					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 3,811,218	(3,811,218)	(3,811,218)	-	-
Accounts payable (including related parties)	15,228,368	(15,228,368)	(15,228,368)	-	-
Other payables	4,691,228	(4,691,228)	(4,691,228)	-	-
Lease liability— current and non-current	210,864	(221,733)	(95,173)	(82,201)	(44,359)
Deposits received	35,509	(35,509)	(35,509)	-	-

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
Derivative financial liabilities					
Other foreign exchange forward contracts:	9				
Outflow		(27,554)	(27,554)	-	-
Inflow		27,959	27,959	-	-
Foreign exchange swaps	40,974				
Outflow		(955,500)	(955,500)	-	-
Inflow		910,870	910,870	-	-
	<u>\$ 24,018,170</u>	<u>(24,032,281)</u>	<u>(23,905,721)</u>	<u>(82,201)</u>	<u>(44,359)</u>
December 31, 2021					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 4,363,580	(4,363,580)	(4,363,580)	-	-
Accounts payable (including related parties)	9,785,660	(9,785,660)	(9,785,660)	-	-
Other payables	3,844,588	(3,844,588)	(3,844,588)	-	-
Bonds payable	326,571	(328,500)	(328,500)	-	-
Lease liability— current and non-current	283,729	(302,673)	(96,175)	(91,218)	(115,280)
Deposits received	29,711	(29,711)	(29,711)	-	-
Derivative financial liabilities					
Other foreign exchange forward:	1,589				
Outflow		(358,895)	(358,895)	-	-
Inflow		357,183	357,183	-	-
	<u>\$ 18,635,428</u>	<u>(18,656,424)</u>	<u>(18,449,926)</u>	<u>(91,218)</u>	<u>(115,280)</u>
September 30, 2021					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 2,215,595	(2,215,595)	(2,215,595)	-	-
Accounts payable (including related parties)	12,320,270	(12,320,270)	(12,320,270)	-	-
Other payables (including related parties)	3,694,653	(3,694,653)	(3,694,653)	-	-
Bonds payable	879,379	(887,700)	(887,700)	-	-
Lease liability— current and non-current	344,122	(366,107)	(100,055)	(99,067)	(166,985)
Derivative financial liabilities					
Other foreign exchange forward contracts:	4,792				
Outflow		(645,405)	(645,405)	-	-
Inflow		639,285	639,285	-	-
Foreign exchange swaps:	4,004				
Outflow		(1,111,800)	(1,111,800)	-	-
Inflow		1,110,649	1,110,649	-	-
	<u>\$ 19,462,815</u>	<u>(19,491,596)</u>	<u>(19,225,544)</u>	<u>(99,067)</u>	<u>(166,985)</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Exposure to foreign currency risk

The Group's significant exposure to financial assets and liabilities for foreign currency risk were as follows:

Unit: thousands of foreign currency

	September 30, 2022			December 31, 2021			September 30, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	\$ 927,694	USD/TWD =31.85	29,547,054	484,260	USD/TWD =27.68	13,404,317	457,203	USD/TWD =27.795	12,707,957
EUR	28,316	EUR/TWD =30.76	871,000	52,311	EUR/TWD =31.32	1,638,381	45,289	EUR/TWD =32.43	1,468,722
Financial liabilities									
USD	822,246	USD/TWD =31.85	26,188,535	600,011	USD/TWD =27.68	16,608,304	552,025	USD/TWD =27.795	15,343,535
EUR	25,369	EUR/TWD =30.76	780,350	27,365	EUR/TWD =31.32	857,072	10,677	EUR/TWD =32.43	346,255

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, notes and accounts payable and other payables (including related parties) that are denominated in foreign currency. The analysis assumes that all other variables remain constant. A strengthening (weakening) 5% of each foreign currency against the functional currency on September 30, 2022 and 2021 would have affected the net income before tax as follows. The analysis is performed on the same basis for both periods:

	September 30, 2022	September 30, 2021
USD (against the TWD)		
Strengthening 5%	\$ 167,926	(131,779)
Weakening 5%	(167,926)	131,779
EUR (against the TWD)		
Strengthening 5%	4,533	56,123
Weakening 5%	(4,533)	(56,123)

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Exchange gains and losses of monetary items

As the Group deals with diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and nine months ended September 30, 2022 and 2021, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$138,745, \$(29,492), \$224,495 and \$(153,524), respectively.

(iv) Interest rate analysis

The Group's risk exposure to financial assets and liabilities for interest rate were as follows:

	Carrying amount	
	September 30, 2022	September 30, 2021
Fixed rate financial instrument:		
Financial assets	\$ 4,191,979	4,458,594
Financial liabilities	(3,811,218)	(3,094,974)
	\$ 380,761	1,363,620
Variable rate financial instrument:		
Financial assets	\$ 2,867,569	2,470,890

The following sensitivity analysis is based on the risk exposure to interest rate for the non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the whole year. The rate of change reporting to management internally is expressed as the interest rate increase or decrease by 0.25%, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, assuming all other variables remaining constant, the net profit before tax would have increased or decreased by \$5,377 and \$4,633 for the nine months ended September 30, 2022 and 2021, respectively, which would be mainly resulted from the bank deposits with variable interest rates.

(v) Fair value

1) The categories of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging are 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, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	September 30, 2022				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss—current and non-current					
Derivative financial assets	\$ 38,213	-	38,213	-	38,213
Non derivative financial assets mandatorily measured at fair value through profit or loss	<u>52,306</u>	-	-	52,306	52,306
Subtotal	<u>90,519</u>				
Financial assets used for hedging	<u>5,646</u>	-	5,646	-	5,646
Financial assets measured at fair value through other comprehensive income					
Stocks unlisted on domestic markets	<u>53,576</u>	-	-	53,576	53,576
Subtotal	<u>53,576</u>				
Financial assets measured at amortized cost:					
Cash and cash equivalents	7,062,771	-	-	-	-
Notes and accounts receivable, net	11,875,630	-	-	-	-
Other receivables	215,202	-	-	-	-
Refundable deposits	<u>74,503</u>	-	-	-	-
Subtotal	<u>19,228,106</u>				
Total	<u>\$ 19,377,847</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>40,983</u>	-	40,983	-	40,983
Financial liabilities measured at amortized cost					
Short-term borrowings	3,811,218	-	-	-	-
Accounts payable (including related parties)	15,228,368	-	-	-	-
Other payables	4,691,228	-	-	-	-
Lease liabilities—current and non-current	210,864	-	-	-	-
Deposits received	<u>35,509</u>	-	-	-	-
Subtotal	<u>23,977,187</u>				
Total	<u>\$ 24,018,170</u>				

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss — current and non-current					
Derivative financial assets	\$ 19,713	-	19,713	-	19,713
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>37,475</u>	-	-	37,475	37,475
Subtotal	<u>57,188</u>				
Financial assets measured at fair value through other comprehensive income					
Stocks unlisted on domestic markets	26,169	-	-	26,169	26,169
Accounts receivable	<u>298,642</u>	-	298,642	-	298,642
Subtotal	<u>324,811</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	7,970,779	-	-	-	-
Notes and accounts receivable, net	7,393,654	-	-	-	-
Other receivables (including related parties)	98,994	-	-	-	-
Refundable deposits	<u>112,868</u>	-	-	-	-
Subtotal	<u>15,576,295</u>				
Total	<u>\$ 15,958,294</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>1,589</u>	-	1,589	-	1,589
Financial liabilities at amortized cost					
Short-term borrowings	4,363,580	-	-	-	-
Accounts payable (including related parties)	9,785,660	-	-	-	-
Other payables	3,844,588	-	-	-	-
Bonds payable	326,571	-	-	-	-
Lease liabilities—current and non-current	283,729	-	-	-	-
Deposits received	<u>29,711</u>	-	-	-	-
Subtotal	<u>18,633,839</u>				
Total	<u>\$ 18,635,428</u>				

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	September 30, 2021				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss — current and non-current					
Derivative financial assets	\$ 27,553	-	27,553	-	27,553
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>300,417</u>	-	259,241	41,176	300,417
Subtotal	<u>327,970</u>				
Financial assets for hedging	<u>19,510</u>	-	19,510	-	19,510
Financial assets measured at fair value through other comprehensive income					
Stocks unlisted in domestic markets	20,691	-	-	20,691	20,691
Accounts receivable	<u>11,635</u>	-	11,635	-	11,635
Subtotal	<u>32,326</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	6,932,377	-	-	-	-
Notes and accounts receivable, net	7,258,902	-	-	-	-
Other receivables (including related parties)	183,029	-	-	-	-
Refundable deposits	<u>56,522</u>	-	-	-	-
Subtotal	<u>14,430,830</u>				
Total	<u>\$ 14,810,636</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>8,796</u>	-	8,796	-	8,796
Financial liabilities at amortized cost					
Short-term borrowings	2,215,595	-	-	-	-
Accounts payable (including related parties)	12,320,270	-	-	-	-
Other payables (including related parties)	3,694,653	-	-	-	-
Bonds payable	879,379	-	-	-	-
Lease liabilities—current and non-current	344,122	-	-	-	-
Deposits received	<u>29,828</u>	-	-	-	-
Subtotal	<u>19,483,847</u>				
Total	<u>\$ 19,492,643</u>				

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Valuation techniques for financial instruments not measured at fair value

The Group's estimates financial instruments that not measured at fair value by methods and assumptions as follows:

a) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the most recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation technique for financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments trade in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

The Group holds the unquoted equity investments of financial instruments without an active market. The measurement of fair value of the equity instruments is based on the Guideline Public Company method, which mainly assumes the evaluation by the price-book ratio of comparable public companies and by the discount for lack of marketability. The estimation has been adjusted by the effect resulting from the discount for lack of marketability of the securities.

b) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward contracts is usually determined by using the forward exchange rate.

4) Transfers between Level 1 and Level 2

There was no transfer from level 2 to level 1 for the nine months ended September 30, 2022 and 2021.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Reconciliation of Level 3 fair values

	<u>Fair value through profit of loss</u>	<u>Fair value through other comprehensive income</u>
	<u>Non-derivative financial assets mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>
Balance at January 1, 2022	\$ 37,475	26,169
Total gains and losses recognized		
In profit or loss	14,831	-
In other comprehensive income	-	27,407
Balance at September 30, 2022	<u>\$ 52,306</u>	<u>53,576</u>
Balance at January 1, 2021	\$ 42,840	31,135
Total gains and losses recognized		
In profit or loss	(1,664)	-
In other comprehensive income	-	(10,444)
Balance at September 30, 2021	<u>\$ 41,176</u>	<u>20,691</u>

For the three months and nine months ended September 30, 2022 and 2021, total gains and losses that were included in “gains and losses on financial assets (liabilities) at fair value through profit or loss” and “unrealized gains and losses from investments in equity instruments measured at fair value through other comprehensive income” were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Total gains and losses recognized:				
In profit or loss, and presented in “Gains and losses on financial assets(liabilities) at fair value through profit or loss”	<u>\$ 1,552</u>	<u>959</u>	<u>14,831</u>	<u>(1,664)</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
In other comprehensive income, and presented in “Unrealized gains and losses from investments in equity instruments measured at fair value through other comprehensive income”	\$ <u>(4,966)</u>	<u>(6,583)</u>	<u>27,407</u>	<u>(10,444)</u>

- 6) 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 values include “financial assets measured at fair value through profit or loss – investments in private equity fund” and “financial assets measured at fair value through other comprehensive income – equity investments”.

Most of fair value measurements categorized within Level 3 use the single and significant unobservable inputs. Equity investments without an active market contains multiple significant unobservable inputs. The significant unobservable inputs of the equity instruments are independent from each other, as a result, there is no relevance between them.

Quantified information of significant unobservable inputs were 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 investment without an active market	Comparable market approach	<ul style="list-style-type: none"> · Price-Book ratio multiples (1.31~4.38, 1.58~5.31 and 1.37~4.17 on September 30, 2022, December 31 and September 30, 2021, respectively) · Lack-of-Marketability discount rate (30% on September 30, 2022, December 31 and September 30, 2021) 	<ul style="list-style-type: none"> · The higher the multiple is , the higher the fair value will be. · The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss—investments in private equity fund	Net asset value method	Net asset value	Inapplicable

- 7) Fair value measurements in Level 3 – Sensitivity analysis of reasonably possible alternative assumptions

The Group's fair value measurement in financial instruments is reasonable. However, the measurement would be different if different valuation models or parameters are adopted. For fair value measurements in Level 3, if the valuation parameters changed, the impacts on profit or loss or other comprehensive income (loss) are as follows:

	Input	Move up or down	Other comprehensive income	
			Favorable	Unfavorable
September 30, 2022				
Financial assets measured at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>2,704</u>	<u>2,687</u>
	Lack-of-Marketability discount rate	5%	\$ <u>1,167</u>	<u>1,139</u>
December 31, 2021				
Financial assets measured at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>1,356</u>	<u>1,327</u>
	Lack-of-Marketability discount rate	5%	\$ <u>573</u>	<u>573</u>
September 30, 2021				
Financial assets at fair value through other comprehensive income	Price-Book ratio multiples	5%	\$ <u>1,034</u>	<u>1,076</u>
	Lack-of-Marketability discount rate	5%	\$ <u>446</u>	<u>458</u>

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes for a single input, and it does not consider the interrelationships and variability with another inputs.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

8) Offsetting financial assets and financial liabilities

The Group has financial instruments transactions applicable to the International Financial Reporting Standards No.32 Sections 42 endorsed by the FSC which requested for offsetting. Financial assets and liabilities relating to those transactions are recognized in the net amount of the balance sheets.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

Unit: In thousand dollars of TWD and USD

September 30, 2022			
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement			
	Gross amounts of recognized financial assets (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a) (b)
Cash/short-term	\$ <u>7,318,843</u>	<u>7,318,843</u>	-
borrowings	(USD <u>229,791</u>)	(USD <u>229,791</u>)	
December 31, 2021			
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement			
	Gross amounts of recognized financial assets (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a) (b)
Cash/short-term	\$ <u>8,300,236</u>	<u>8,300,236</u>	-
borrowings	(USD <u>299,864</u>)	(USD <u>299,864</u>)	
September 30, 2021			
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement			
	Gross amounts of recognized financial assets (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a) (b)
Cash/short-term	\$ <u>8,019,665</u>	<u>8,019,665</u>	-
borrowings	(USD <u>288,529</u>)	(USD <u>288,529</u>)	

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note (6)(x) of the 2021 annual consolidated financial statements.

(y) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the 2021 annual consolidated financial statements. Also, management believes that there were no significant changes in the Group's capital management quantified information as disclosed in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note (6)(y) of the 2021 annual consolidated financial statements for further details.

(z) Investing and financing activities not affecting cash flow

The Group's investing and financing activities which did not affect the cash flow for the nine months ended September 30, 2022 and 2021 were as follows:

(i) The acquisition of right-of-use assets by lease, please see notes (6)(i).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2022	Cash flows	Non-cash changes	September 30, 2022
			Other	
Short-term borrowings	\$ 4,363,580	(552,362)	-	3,811,218
Lease liabilities	283,729	(65,253)	(7,612)	210,864
Bonds payable	326,571	(7,400)	(319,171)	-
Deposits received	29,711	5,580	218	35,509
Total liabilities from financing activities	<u>\$ 5,003,591</u>	<u>(619,435)</u>	<u>(326,565)</u>	<u>4,057,591</u>

	January 1, 2021	Cash flows	Non-cash changes	September 30, 2021
			Other	
Short-term borrowings	\$ 707,795	1,507,800	-	2,215,595
Lease liabilities	380,816	(65,706)	29,012	344,122
Bonds payable	980,219	-	(100,840)	879,379
Deposits received	2,073	27,685	70	29,828
Total liabilities from financing activities	<u>\$ 2,070,903</u>	<u>1,469,779</u>	<u>(71,758)</u>	<u>3,468,924</u>

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

Compal Electronics, Inc.(CEI) is not only the parent company of the consolidated entity but also the ultimate controlling party of the Group. CEI owns 33 percent of all outstanding shares of the Company, and has issued the consolidated financial statements available for public use.

(b) Name and relationship with related parties

The followings are entities that have had transactions with related parties during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Compal Electronics, INC.	Parent company
Compal Electronics (Vietnam) Co., Ltd. ("CVC")	The ultimate parent company is the same
Kinpo Group Management Service Company	The chairman of parent company is the same as that of the entity
AcBel Polytech Inc.	The chairman of the entity is the first degree of kinship of the chairman of parent company
LIZ Electronics (Nantong) Co., Ltd.	An associate of parent company
LIZ Electronics (Kunshan) Co., Ltd.	"

(c) Significant related party transactions

(i) Purchases of goods from related parties

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

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Parent company	\$ 2,043,783	8,982	2,867,333	9,431
Other related parties	20,749	30,649	75,350	95,669
	<u>\$ 2,064,532</u>	<u>39,631</u>	<u>2,942,683</u>	<u>105,100</u>

The pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms were 60~120 days, which were not significantly different from those given by other vendors.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other expenditures

Other related parties provided technical support, professional services and other services for the Group, and the related expenses for the three months and nine months ended September 30, 2022 and 2021 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Other related parties	\$ 310	6,529	930	17,474

(iii) Lease

In April 2019, the Group leased factories and buildings from other related parties – CVC, with a lease term of 3 years, after surveying the market price in neighboring areas, and the lease contract had been early terminated on January 31, 2022. For the three months and nine months ended September 30, 2021, the Group recognized the interest expenses of \$55 and \$224, respectively. As of December 31 and September 30, 2021, the balance of lease liabilities amounted to \$1,200 and \$2,394, respectively.

The Group leased machinery from other related parties – CVC with a contract term of 5 years in June 2019. The lease payment was collected by the parent company on behalf of CVC, and had been paid by the Group in 2020. In addition, the lease contract had been early terminated on January 31, 2022. The prepaid lease (recognized as right-of-use assets) amounting to \$40,541 had been refunded by parent company. The Group has received the refund and the lease modification gain of \$1,351 had been recognized. The balance of right-of-use assets were amounted to \$39,190 and \$43,244 as of December 31 and September 30, 2021, respectively.

(iv) Property transaction

In January 2022, the Group purchased machinery equipment from other related parties – CVC. The transaction amount of \$40,325 had been paid.

(v) Payables to related parties

The payables to related parties were as follows:

Account	Related party categories	September 30, 2022	December 31, 2021	September 30, 2021
Accounts payable	Parent company	\$ 2,167,456	14,034	7,072
Accounts payable	Other related parties	40,313	39,091	49,056
		\$ 2,207,769	53,125	56,128
Other payables	Other related parties	\$ -	-	2,150

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Receivables from related parties

The other receivables arising from selling equipments in the fourth quarter of 2021 to related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Other receivables	Other related parties	\$ -	<u>19,689</u>	<u>-</u>

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 26,862	30,941	71,844	84,608
Post-employment benefits	257	313	801	943
Share-based payments	<u>563</u>	<u>1,443</u>	<u>2,252</u>	<u>4,328</u>
	<u>\$ 27,682</u>	<u>32,697</u>	<u>74,897</u>	<u>89,879</u>

Please refer to note note (6)(s) for further explanations related to share-based payment.

(8) Pledged assets:None

(9) Commitments and contingencies:

As of September 30, 2022 and 2021, the Group's entered into agreements for the construction of its plant at the amount of \$1,332,705 and \$125,422, respectively, which have yet to be paid as of the reporting dates.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

- (a) The followings are the summary statement of employee benefits, depreciation and amortization expenses by function:

By function By item	For the three months ended September 30, 2022			For the three months ended September 30, 2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	215,290	414,878	630,168	220,920	473,467	694,387
Labor and health insurance	11,782	32,877	44,659	7,280	34,032	41,312
Pension	11,796	14,822	26,618	13,515	16,074	29,589
Others	158,763	14,803	173,566	134,579	13,569	148,148
Depreciation	136,856	38,019	174,875	97,104	35,496	132,600
Amortization	447	11,302	11,749	1,083	7,994	9,077

By function By item	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	585,767	1,238,714	1,824,481	618,774	1,338,441	1,957,215
Labor and health insurance	29,844	96,378	126,222	23,853	94,670	118,523
Pension	36,496	46,084	82,580	38,876	43,752	82,628
Others	435,366	46,603	481,969	465,180	44,500	509,680
Depreciation	382,164	112,965	495,129	279,963	104,625	384,588
Amortization	1,068	34,820	35,888	4,277	21,892	26,169

- (b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity factors.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine months ended September 30, 2022:

(i) Loans to other parties:

Unit: In thousand dollars of TWD/USD

Number	Name of lender	Name of borrower	Account name	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 (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 2 & 3)	Note
													Item	Value			
0	The Company	Arcadyan do Brasil Ltda	Other receivables	Yes	35,867 (USD1,300)	-	-	1%	2	-	Operating demand	-	-	-	2,666,628	5,333,256	The transactions had been eliminated in the consolidated financial statements.
0	"	Arcadyan do Brasil Ltda	"	Yes	59,880 (USD2,000)	41,405 (USD1,300)	41,405 (USD1,300)	1%	2	-	Operating demand	-	-	-	2,666,628	5,333,256	"
0	"	Arcadyan do Brasil Ltda	"	Yes	63,700 (USD2,000)	63,700 (USD2,000)	-	1%	2	-	Operating demand	-	-	-	2,666,628	5,333,256	"
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	280,250 (USD10,000)	-	-	1%	1	5,000,450 (USD157,000)	-	-	-	-	2,666,628	5,333,256	"
0	"	Arcadyan Technology (Vietnam) Co. Ltd.	"	Yes	318,500 (USD10,000)	318,500 (USD10,000)	-	1%	1	15,224,300 (USD478,000)	-	-	-	-	2,666,628	5,333,256	"
0	"	Arcadyan Technology Corporation (Russia), LLC	"	Yes	31,850 (USD1,000)	31,850 (USD1,000)	-	1%	1	434,338 (USD13,637)	-	-	-	-	347,471 (USD10,909)	5,333,256	"
1	Arcadyan Holding	CNC	"	Yes	541,450 (USD17,000)	541,450 (USD17,000)	-	1%	2	-	Operating demand	-	-	-	2,739,039	2,739,039	"

Note 1: Number 1 represents the business relationship with the Company; number 2 represents the short-term financing facility, if necessary.

Note 2: According to the policy of the Company on Lending Funds to Other Parties, the amount of loans to others shall not exceed 40% of the net worth of the Company. To borrowers having business relationship with the Company, the total amount of loans to the borrower shall not exceed 80% of the transaction amount in the last fiscal year or the expected amount for the current year, which shall not exceed 20% of the net worth of the Company. Also, the amount shall be combined with the Company's endorsements/guarantees for the borrower upon calculation. When a short-term financing facility is deemed necessary, only the investees of the Company are allowed to borrow. The total amount of loans to the borrower shall not exceed 80% of its net worth, nor shall it exceed 20% of the net worth of the Company, and it shall be combined with the Company's endorsements/guarantees for the borrower upon calculation.

Note 3: According to the policy of Arcadyan Holding on Lending Funds to Others, the amount of loans to others shall not exceed the net worth of Arcadyan Holding. When a short-term financing facility with Arcadyan Holding is deemed necessary, only the investees of Arcadyan Holding are allowed to borrow. The total amount for lending the borrower shall not exceed its net worth, and it shall be combined with the Company's endorsements/guarantees for the borrower upon calculation.

Note 4: The amounts in New Taiwan Dollars were translated at the exchange rate of \$31.85(USD) and \$0.5007(RUB) based on the year-end date.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

Unit: thousand dollars of TWD/USD

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 1)	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	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	Arcadyan Technology Australia Pty Ltd	100% owned subsidiary of the Company	1,777,752	238,875 (USD7,500)	238,875 (USD7,500)	-	-	1.79 %	5,333,256	Y	N	N

Note 1: The total amount of endorsements/ guarantees the Company or the Group is permitted to make shall not exceed 40% of the Company's net worth. The total amount of endorsements/ guarantees the Company or the Group is permitted to make for a single company shall not exceed 1/3 of the amount aforementioned.

(iii) Securities held as of September 30, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Unit: In thousand dollars of TWD/thousand shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Geo Things Inc.	-	Financial assets at fair value through profit or loss—non-current	200	-	4.17 %	-	
"	AirHop Communication, Inc.	-	"	1,152	-	4.60 %	-	
"	Adant Technologies Inc.	-	"	349	-	4.93 %	-	
"	IOT Eye, Inc.	-	"	60	-	13.75 %	-	
"	TIEF Fund, L.P.	-	"	-	52,306	7.49 %	52,306	
"	Chimei Motor Electronic Co Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	1,650	53,576	4.93 %	53,576	
"	Golden Smart home Technology Corp.	-	"	1,229	-	5.61 %	-	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock:

Unit: In thousand dollars of USD

Name of company	Name of property	Transaction date (Note 1)	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Arcadyan Vietnam	Plant, mechanical and electrical equipment	May 5, 2022	Estimated the maximum limit of 1,476,284	143,579	DONG HUI CO., LTD and THANH NGUYEN DUC CONSTRUCTION AND TRADING CO., LTD	None	Not applicable	Not applicable	Not applicable	Not applicable	Price comparison and negotiation	Operation use	None

Note 1: In order to meet the operational needs, the Board of Directors of Arcadyan Vietnam resolved on May 5, 2022, to authorize the chairman of the Board to expand the plant in the maximum limit of USD48,000. The total contract amount is expected to be \$1,476,284 (VND1,122,650 million).

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

Unit: In thousand dollars of TWD

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	Arcadyan Germany	Subsidiary	(Sales)	(653,948)	(2)%	Net 150 days from delivery	-	-	171,852	1 %	Note 3
"	Arcadyan USA	"	(Sales)	(13,718,289)	(40)%	Net 120 days from delivery	-	-	6,045,890	50 %	Note 3
"	Arcadyan AU	"	(Sales)	(610,806)	(2)%	Net 60 days from the end of the month of delivery	-	-	204,466	2 %	Note 3
"	CNC	"	Purchases	8,148,905	16 %	Net 120 days from delivery	According to cost plus pricing	-	(1,334,725)	(6)%	Note 1、3
"	Arcadyan Vietnam	"	Purchases	2,532,551	5 %	Net 180 days from the end of the month of delivery	"	-	Note 2	- %	Note 1、3
"	Compal Electronics, INC.	Parent company of the Company	Purchases	2,867,333	6 %	Net 60 days from the end of the month of delivery	-	-	(2,167,456)	(9)%	-
CNC	The Company	Parent company	(Sales)	(8,148,905)	(100)%	Net 120 days from delivery	According to cost plus pricing	-	1,334,725	89 %	Note 1、3
Arcadyan Vietnam	The Company	Parent company	(Sales)	(2,532,551)	(100)%	Net 180 days from the end of the month of delivery	"	-	Note 2	- %	Note 1、3
Arcadyan Germany	The Company	Parent company	Purchases	653,948	100 %	Net 150 days from delivery	-	-	(171,852)	(100)%	Note 3
Arcadyan USA	"	"	Purchases	13,718,289	100 %	Net 120 days from delivery	-	-	(6,045,890)	(100)%	Note 3
Arcadyan AU	"	"	Purchases	610,806	100 %	Net 60 days from the end of the month of delivery	-	-	(204,466)	(100)%	Note 3

Note 1: The ending balances were derived from the net transactions on processing and sales of raw materials.

Note 2: As of September 30, 2022, the other receivables were amounted to \$2,231,201 thousand.

Note 3: The transactions had been eliminated in the consolidated financial statements.

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (viii) Receivables from related parties with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

Unit: In thousand dollars of TWD

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 3)	Allowance for bad debts
					Amount	Action taken		
The Company	Arcadyan USA	Subsidiary	6,045,890	2.55	-		1,712,009	-
"	Arcadyan Vietnam	"	2,231,201 (Note 2)	Note 2	-		-	-
"	Arcadyan AU	"	204,466	4.02	-		136,841	-
"	Arcadyan Germany	"	171,852	2.24	-		-	-
CNC	The Company	Parent company	1,334,725 (Note 1)	3.63	-		923,622	-

Note 1: The ending balance was accounts receivable derived from processing.

Note 2: The ending balance was other receivables derived from purchasing raw materials on behalf of related parties.

Note 3: Balance as of October 28, 2022.

- (ix) Trading in derivative instruments: Please refer to notes (6)(b) and (6)(d)
- (x) Business relationships and significant intercompany transactions:

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	Arcadyan Germany	1	Sales Revenue	653,948	There is no significant difference of price between general customers'. The credit period is net 150 days from delivery.	1.92 %
"	"	"	1	Accounts Receivable	171,852	"	0.43 %
"	"	Arcadyan USA	1	Sales Revenue	13,718,289	There is no significant difference of price between general customers'. The credit period is net 120 days from delivery.	40.38 %
"	"	"	1	Accounts Receivable	6,045,890	"	15.14 %
"	"	Arcadyan AU	1	Sales Revenue	610,806	There is no significant difference of price between general customers'. The credit period is net 60 days from the end of the month of delivery.	1.80 %
"	"	Arcadyan AU	1	Accounts Receivable	204,466		0.51 %
"	"	Arcadyan Vietnam	1	Other Receivable	2,231,201	The credit period is net 180 days from the end of the month of delivery and depended on funding demand.	5.59 %

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
1	CNC	The Company	2	Processing Revenue	8,148,905	The price is based on the operating cost-plus. The credit period is net 120 days from delivery and depended on funding demand.	23.99 %
"	"	"	2	Accounts Receivable	1,334,725	"	3.34 %
2	Arcadyan Vietnam	The Company	"	Processing Revenue	2,532,551	The credit period is net 180 days from the end of the month of delivery and depended on funding demand.	7.45 %

Note 1: The numbers filled in as follows:

1.0 represents the Company.

2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Transactions labeled as follows:

1 represents transactions between the parent company and its subsidiaries.

2 represents transactions between the subsidiaries and the parent company.

3 represents transactions between subsidiaries.

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2022 (excluding information on investees in Mainland China):

Unit: In thousand dollars of TWD and USD and thousand shares

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2022			Net Income (Losses) of the Investee	Investment Income (losses)	Note
				September 30, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Arcadyan Holding	British Virgin Islands	Investment activities	1,701,027	2,219,782	47,780	100%	2,461,824	463,271	463,271	Note 2 · 4
The Company	Arcadyan USA	USA	Selling and technical support of wireless networking products	23,055	23,055	1	100%	123,807	40,454	40,454	"
The Company	Arcadyan Germany	Germany	Selling and technical support of wireless networking products	1,125	1,125	0.5	100%	80,566	5,091	5,091	"
The Company	Arcadyan Korea	Korea	Selling of wireless networking products	2,879	2,879	20	100%	10,585	(758)	(758)	"
The Company and ZHI-BAO	Arcadyan Brasil	Brazil	Selling of wireless networking products	81,593	81,593	968	100%	(35,939)	(17,743)	(17,743)	"
The Company	ZHI-BAO	Hsinchu City	Investment activities	48,000	48,000	34,980	100%	415,253	951	951	"
The Company	TTI	Taipei City	Research and development, and selling digital home appliance	308,726	308,726	25,028	61%	217,655	(221,159)	(135,004)	"
The Company	AeBel Telecom	Taipei City	Investment activities	23,000	23,000	-	-%	-	3,365	1,718	Note 5
The Company	Arcadyan UK	England	Technical support of wireless networking products	1,988	1,988	50	100%	4,274	428	428	Note 2 · 4
The Company	Arcadyan AU	Australia	Selling of wireless networking products	1,161	1,161	50	100%	51,270	4,758	4,758	"
The Company	Arcadyan RU	Russia	Selling of wireless networking products	7,672	7,672	-	100%	6,341	(1,332)	(1,332)	"
The Company	CBN	Hsinchu County	Manufacturing and selling of broadband network products	11,925	11,925	533	1%	12,295	3,309	26	Note 3

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2022			Net Income (Losses) of the Investee	Investment Income (losses)	Note
				September 30, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company and ZHI-BAO	Arcadyan India	India	Selling of wireless networking products	13,507	13,507	3,500	100%	3,803	(7,851)	(7,851)	Note 2、4、6
Arcadyan Holding	Sinoprime	British Virgin Islands	Investment activities	925,243 (USD29,050)	925,243 (USD29,050)	29,050	100%	1,554,503 (USD48,807)	525,783 (USD17,954)	Investment gain (losses) recognized by Arcadyan Holding	Note 2、4
"	Arch Holding	British Virgin Islands	Investment activities	350,700 (USD11,011)	350,700 (USD11,011)	35	100%	1,128,000 (USD35,416)	(69,464) (USD2,372)	"	"
Sinoprime	Arcadyan Vietnam	Vietnam	Manufacturing of wireless networking products	923,650 (USD29,000)	923,650 (USD29,000)	-	100%	1,549,821 (USD48,660)	525,783 (USD17,954)	Investment gain (losses) recognized by Sinoprime	"
TTI	Quest	Samoa	Investment activities	38,220 (USD1,200)	38,220 (USD1,200)	1,200	100%	(240,183)	(141,449)	Investment gain (losses) recognized by TTI	"
TTI	TTJC	Japan	Selling digital home appliance	9,626	9,626	0.7	100%	3,217	(405)	"	"
Quest	Exquisite	Samoa	Investment activities	37,265 (USD1,170)	37,265 (USD1,170)	1,170	100%	(241,837) (USD7,593)	(141,447) (USD4,830)	Investment gain (losses) recognized by Quest	"
ZHI-BAO	CBN	Hsinchu County	Manufacturing and selling of broadband network products	36,272	36,272	13,140	19.20%	302,975	3,309	Investment gain (losses) recognized by ZHI-BAO	Note 3

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rate of US\$29.285/EUR\$31.145 based on the average exchange rate for net income(losses) of the investees, others were translated at the exchange rate of US\$31.85/EUR\$30.76 based on the reporting date.

Note 2: The Group has owner control.

Note 3: The Group has significant influence.

Note 4: The transactions had been eliminated in the consolidated financial statements.

Note 5: The liquidation procedures of the subsidiary had been completed on August 19, 2022.

Note 6: The subsidiary was incorporated on March 25, 2021.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In thousand dollars of TWD and USD)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period	Note
					Outflow	Inflow (Note 6)							
SVA	Research and sale of wireless networking products	257,985 (USD8,100)	Note 1	(Note 4) 427,427 (USD13,420)	-	-	427,427 (USD13,420)	3,866 (USD132)	100%	3,866 (USD132)	33,251 (USD1,044)	-	Note 3
CNC	Manufacturing of wireless networking products	396,533 (USD12,450)	"	(Note 5) 350,700 (USD11,011)	-	-	350,700 (USD11,011)	(69,464) (USD2,372)	100%	(69,464) (USD2,372)	1,127,968 (USD35,415)	-	"
TCH	Manufacturing of digital home appliance products	106,698 (USD3,350)	Notes 1 and 6	36,628 (USD1,150)	-	-	36,628 (USD1,150)	(141,447) (USD4,830)	100%	(141,447) (USD4,830)	(242,379) (USD7,610)	-	"

Note 1: Investment in Mainland China through companies registered in a third region.

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rate of US\$29.285 based on the average exchange rate for net income (losses) of the investees, others were translated at the exchange rate of US\$31.85 based on the reporting date.

Note 3: The amounts are according to the financial statements which have been reviewed by parent company's independent external CPA.

Note 4: The Company paid US\$18,420 thousands and acquired 100% shares of SVA from Aceton Asia through Arcadyan Holding in 2010.

Note 5: The Company paid US\$8,561 thousands and acquired 100% shares of CNC from Just through Arcadyan Holding in 2007.

Note 6: The Company's subsidiary, TTI, obtained control over TCH for US\$1,150 thousands on February 28, 2013 (base date of stock transferring).

(Continued)

ARCADYAN TECHNOLOGY CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in Mainland China by Investment Commission, MOEA
814,755 (USD25,581)	814,755 (USD25,581)	7,999,884

Note : The amounts in TWD were translated at the exchange rate of \$31.85 on September 30, 2022.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the nine months ended September 30, 2022, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions” and “Business relationships and significant intercompany transactions” .

(d) Major shareholders:

Unit: Share

Shareholder's Name	Shareholding	Shares	Percentage
Compal Electronics, Inc.		41,304,504	18.74 %

(14) Segment information:

Beginning from the first quarter of 2022, the basis of segmentation of the Group is different from the last annual consolidated financial statements. The difference is resulted from the adjustment of the basis of measurement of segment profit or loss starting from the current year. The reportable segment after adjustment includes only one segment- the networking product segment. The networking product segment is primarily engaged in the research, development, manufacture and sale of wireless LAN products, integrated digital and mobile multimedia products, wireless audio and video products, integrated home network game products, and digital set-top box products. The segment information of the Group is consistent with the information in the financial statements, and please see the consolidated statement of comprehensive income for the segment profit or loss.